



# SUSTAINABLE INVESTMENT REPORT 2022

Report addressing Article 29 of the  
French Energy and Climate Act

**SCOR Sustainable Euro High Yield**

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Asset Management Company

SCOR Investment Partners SE

5, avenue Kléber 75016 Paris

«financing  
THE SUSTAINABLE DEVELOPMENT  
of societies, together »

## CONTENTS

Introduction	Page 4
Alignment with the Paris Agreement	Page 5
Alignment with long-term biodiversity objectives	Page 9
ESG criteria in risk management	Page 10

## INTRODUCTION

SCOR Sustainable Euro High Yield's investment objective is to achieve performance of the "Bloomberg Barclays High Yield 3% Issuer Constraint ex Financial TR Unhedged" index (the "Benchmark Index"), over the recommended investment period, while integrating Environmental, Social and Governance (ESG) criteria.

All assets held in the portfolio undergo a sustainable investment process primarily driven by each security's ESG rating. Securities with an ESG rating represent at least 90% of NAV.

Over the last two years, the fund has adopted, then strengthened a sustainable investment approach adapted to the asset class:

- on February 8, 2021, the SCOR Euro High Yield fund formalized and published a new, sustainable investment approach and was renamed SCOR Sustainable Euro High Yield,
- during 2021, the fund was classified as an Article 8 fund pursuant to the European "Sustainable Finance Disclosure" regulation for having included a "new sustainable dimension in the construction of its portfolio",
- on January 1, 2022, the fund was granted LuxFLAG ESG label for its internal ESG rating strategy and the ESG characteristics included in its management objective. The label was renewed on January 1, 2023.

The fund articulates its sustainable investment strategy as follows:

- targeted exclusions, reflecting both SCOR Investment Partners' exclusion policy (available in the Handbook on Sustainable Investment published on the SCOR Investment Partners website) and exclusions specific to the fund (in particular, the exclusion of the lowest ESG rated issuers),
- the fund will invest a minimum of 90% of its total assets in issuers aligned with the environmental and social characteristics promoted by the fund, as defined in the SFDR appendices of the relevant prospectus. The remainder (<10%) will consist of cash and cash equivalents and will not incorporate the environmental and social characteristics,
- the fund must obtain an average ESG rating greater than the average rating of the highest-rated 80% of issuers in the benchmark index,
- a specific focus on four sectors presenting a high transition risk.

## ALIGNMENT WITH THE PARIS AGREEMENT

SCOR Sustainable Euro High Yield does not have an alignment strategy with the objectives of the Paris Agreement. However, an analysis of the carbon footprint of the investments is carried out on an annual basis.

SCOR Investment Partners uses ISS ESG data to evaluate the portfolio’s carbon emissions at year-end. The resulting snapshot is only one indicator at a given point in time and provides little information on the approach or commitment of the issuers regarding to climate risk in general, and risks related to greenhouse gas emissions in particular.

The carbon footprint assessment is based on a certain number of hypotheses and conventions, including the breakdown by type of greenhouse gas emissions:

- **Scope 1** : direct production of greenhouse gas from fossil fuel consumption,
- **Scope 2** : indirect production of greenhouse gas from energy consumption, which itself consumes fossil fuels,
- **Scope 3** : other forms of greenhouse gas production related to the issuer's activities.

Given that the Scope 3 methodology is quickly evolving as well as the heterogeneity of the data associated with Scope 3 emissions, SCOR Investment Partners has decided to focus on Scope 1 and 2, pending more reliable Scope 3 data.

For private companies that do not generally disclose these data, ISS ESG estimates financed emissions per tons of CO2 equivalent for the issuers concerned.

This analysis is carried out on the entire portfolio, excluding cash.

CARBON EMISSIONS ASSOCIATED WITH THE PORTFOLIO, SCOPE 1 AND 2 AT 31.12.2022		
Carbon emissions		EUR Million
Emissions carbone Scope 1	69365	tCO <sub>2</sub> e
Emissions carbone Scope 2	17512	tCO <sub>2</sub> e
<i>Total carbon emissions financed</i>	<i>86877</i>	
Carbon footprint		
Scope 1 carbon footprint	158	tCO <sub>2</sub> e / EUR Million invested
Scope 2 carbon footprint	41	tCO <sub>2</sub> e / EUR Million invested

<i>Scope 1 and 2 carbon footprint</i>	198	tCO <sub>2</sub> e / EUR Million invested
% of assets covered by carbon emissions		
Published	71%	
Estimated	1%	
Not available	28%	
<b>WACI (Weighted Average Carbon Intensity)</b>		
WACI Scope 1	175	tCO <sub>2</sub> e / EUR Million invested
WACI Scope 2	66	tCO <sub>2</sub> e EUR Million invested
<i>WACI Scope 1 and 2</i>	239	tCO <sub>2</sub> e / EUR Million invested
% of assets covered by carbon emissions		
Published	75%	
Estimated	1%	
Not available	24%	

EMISSIONS AND CARBON INTENSITY BY SECTOR (SCOPE 1 & 2) AT 31.12.2022				
Sector	Carbon emissions financed (tCO <sub>2</sub> e)	Carbon emissions financed (% du portefeuille)	Carbon footprint (tCO <sub>2</sub> e / Million EUR investi)	Carbon intensity (tCO <sub>2</sub> e / Million EUR CA)
Basic Industry	35196	41%	1547	651
Capital Goods	25723	30%	1052	507
Communications	984	1%	8	33
Consumer Cyclical	6062	7%	108	202
Consumer Non-Cyclical	4567	5%	86	98
Electric	1033	1%	889	531

Government Owned, No Guarantee	1764	2%	211	257
Other Industrial	362	0%	56	23
Other Utility	5548	6%	594	1069
REITs	1	0%	1	18
Technology	596	1%	36	73
Transportation	5041	6%	367	447

TOP 10 PORTFOLIO COMPANIES WITH THE HIGHEST CARBON EMISSIONS (SCOPE 1 & 2) AT 31.12.2022

Company	Sector	Carbon emissions financed (tCO <sub>2</sub> e)	Carbon emissions financed (%)
THYSSENKRUPP AG	Capital Goods	10410	12%
TITAN GLOBAL FINANCE PLC	Capital Goods	8418	10%
SAPPI PAPIER HOLDNG GMBH	Basic Industry	8127	9%
ARCELORMITTAL	Basic Industry	7661	9%
ANGLO AMERICAN CAPITAL	Basic Industry	4484	5%
SOLVAY FINANCE	Basic Industry	4378	5%
VEOLIA ENVIRONNEMENT SA	Other Utility	5548	6%
SOLVAY SA	Basic Industry	2897	3%
SUDZUCKER INT FINANCE	Consumer Non-Cyclical	2774	3%
NOVELIS SHEET INGOT GMBH	Basic Industry	2239	3%

SCOR Investment Partners, as ISS ESG, takes into account the climate strategy of companies invested in during their ESG rating in their internal rating methodology in two ways:

- **Qualitatively**, by examining the strategies and solutions implemented by companies and projects to reduce their carbon footprint over scopes 1, 2 and 3,
- **Quantitatively**, by observing the carbon footprint of portfolio companies and how it evolves over time.

These items are an integral part of the ESG analysis carried out by SCOR Investment Partners and its data suppliers prior to investment.

In addition, SCOR undertook strong commitments in its Climate Policy, stemming from its acute awareness of the urgency to act against global warming. As such, SCOR Investment Partners does not invest in companies or projects involved in the following businesses 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. 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,
- 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). SCOR Investment Partners relies on the Bloomberg classification for the implementation of these exclusions. The sectors involved are Oil & Gas, Pipelines, and Gas.

SCOR Investment Partners does not currently include climate scenario analysis in its portfolio management.

Carbon data relating to the fund is measured on an annual basis.



## ALIGNMENT WITH LONG-TERM BIODIVERSITY OBJECTIVES

Since August 2021, SCOR Investment Partners has included biodiversity criteria in its ESG analysis of issuers. Questions asked by the sustainable investment team include:

- exposure to biodiversity-related risks and opportunities,
- existence of a biodiversity policy,
- information provided to employees, suppliers and other stakeholders on biodiversity,
- financing of initiatives to protect and restore biodiversity.

This analysis does not currently allow us to measure the reduction of the main pressures and impacts on biodiversity. However, SCOR Investment Partners remains aware of advances in the financial market and is involved in related research, particularly through its involvement in the biodiversity working group of the Institute for Sustainable Finance (formerly Finance for Tomorrow).

## ESG CRITERIA IN RISK MANAGEMENT

### Identifying ESG risks

ESG risks, as financial risks, are taken into account in the investment management of SCOR Sustainable Euro High Yield.

These sustainability risks result from climate change (known as "physical risk") or from the way in which companies respond to climate change (known as "transition risk"). Social factors (such as wage disparities, discrimination, poor working conditions, unsafe employee health and safety practices, etc.) and governance factors (such as breaches of international agreements, corruption, fraud, etc.) can also result in sustainability risks.

The level of risk exposure of the companies in which SCOR Sustainable Euro High Yield invests depends on a number of factors: sector, location, market area, value chain structure and company-specific characteristics. For each investment made by the fund, as part of the ESG assessment, the sustainable investment team identifies the level of ESG risk and the quality of the company's management of this risk.

These risks relate in particular to the environment - climate change, biodiversity, pollution, etc. - social aspects - working conditions, diversity, respect for human rights, and the fight against corruption. - social aspects - working conditions, diversity, respect for human rights, and the fight against corruption.

Therefore, when SCOR Investment Partners analyzes companies and projects, it includes an analysis of ESG indicators. The list below provides an overview of the criteria considered in determining the ESG rating of an issuer. These criteria are analyzed both from a risk and an opportunity perspective.

ENVIRONMENT	<ul style="list-style-type: none"> <li>• Climate (physical and transitional risks)</li> <li>• The circular economy</li> <li>• Waste management</li> <li>• Water management</li> <li>• Biodiversity</li> </ul>
SOCIAL	<ul style="list-style-type: none"> <li>• Health and safety</li> <li>• Human rights</li> <li>• Working conditions</li> <li>• Diversity</li> <li>• Data security</li> <li>• Just transition</li> <li>• Supply chain</li> </ul>
GOVERNANCE	<ul style="list-style-type: none"> <li>• Management independence</li> <li>• Professional ethics</li> </ul>

In addition, SCOR Sustainable Euro High Yield takes into account the principal adverse defined by the SFDR.

### **Evaluating ESG risks**

The ESG assessment of issuers is carried out ex-ante and is part of the investment process. The ESG risk assessment methodology is reviewed annually.

Exclusion policies are applied prior to any initial assessment. Then, while with the financial analysis of the potential new transaction is conducted, the investment teams ask the sustainable investment team to provide an ESG rating that will be taken into account in their final assessment.

The risk of each criterion is evaluated, along with the measures put in place by issuers to address them. An analysis of the controversial aspects inherent in each issuer is also carried out and may impact the rating. Finally, the sustainable investment team may enter into an engagement process for improving transparency with issuers to improve their practices and reduce their sustainability risks.

Once the fund has invested in an issuer, its ESG rating is updated at least every 18 months. Exceptional events, such as the discovery of a major new controversy, may lead to an earlier revision of an issuer's ESG rating.

### **Prioritizing ESG risks**

SCOR Investment Partners prioritizes ESG criteria according to their materiality, but also according to the availability and quality of their data.

If the issuer has an ESG rating assigned by the external data provider, the sustainability risks considered are those identified by this provider.

SCOR Investment Partners uses a single ESG data provider: ISS ESG. The ISS ESG rating is based on over 800 indicators, around 90% of which are sector-specific. For each sector, 5 key questions account for more than 50% of the overall weight of the rating.

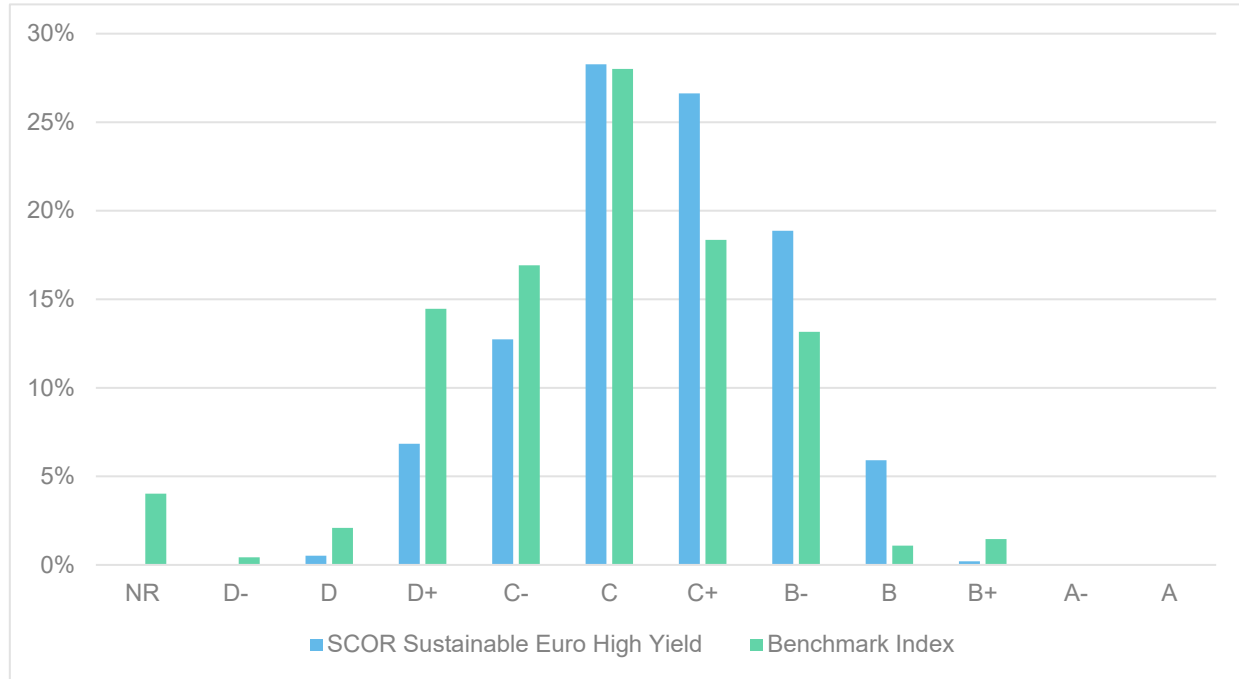
If the issuer of the security does not have an ESG rating from ISS ESG, the sustainable investment team uses an internal risk identification methodology based on the Sustainable Accounting Standards Board (SASB) classification, which defines the relevant ESG issues specific to each of the 77 sub-sectors, and on the sector expertise of the team's analysts.

As such, the sustainable investment team highlights the priority risks for each company (intensity, risk of occurrence, emergence of new risks and management of current risks, etc). In addition, the sustainable investment team regularly checks that the model used by ISS ESG is consistent with that developed internally.

ESG COVERAGE AT 31.12.2022		
<b>Total issuers</b>		198
		612
<b>Total assets under management (M€)</b>		
<b>Rated issuers</b>		
Total	194	97.98%
<i>External methodology</i>	123	62.12%
<i>Internal methodology</i>	71	35.86%
<b>Rated assets under management</b>		
Total	580 M€	98.98% <sup>1</sup>
<i>External methodology</i>	428 M€	73.70%
<i>Internal methodology</i>	152 M€	26.28%

<sup>1</sup>Unrated issuers are bankrupt or have restructured their debt. 100% of performing issuers are rated.

**BREAKDOWN OF SCOR SUSTAINABLE EURO HIGH YIELD POSITIONS AND ITS INDEX BY RATING (as a % of net assets, at 31.12.2022)**



**AVERAGE RATINGS (at 31.12.2022)**

	<b>Max</b>	<b>Moyenne</b>	<b>Min</b>
Total	3.03	2.26	1.33
External methodology	3.03	2.33	1.33
External methodology	2.47	2.09	1.46

**Managing ESG risks**

Physical risk, transition risk, litigation risk as well as social and governance risks are considered when assessing issuers. Depending on their relevance, they are identified and analyzed in the analyst's review, whether they are internal or external.

These risks are integrated into the investment process and the risk control process if they prove to be risks that could have a significant negative impact on the investment value and affect the fund's performance.

## IMPORTANT INFORMATION

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An aerial photograph of a large, lush green park. In the upper right, there is a large, white, classical-style building with a grey roof. To the left of the building, a road with several cars is visible. The park is filled with various trees, including some large, rounded trees and many smaller ones. A winding path or road cuts through the park. In the bottom right corner, a body of water is visible. The overall scene is bright and sunny.

**SCOR**  
— INVESTMENT PARTNERS

5 avenue Kléber

75975 Paris Cedex 16

France

+33 (0)1 58 44 70 00

[scorip.sales@scor.com](mailto:scorip.sales@scor.com)