



## APPENDIX B: REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

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Statutory auditors' report, prepared in accordance with article L. 225-235 of the Commercial code, on the report prepared by the Chairman of the Board of Directors of SCOR SE

# APPENDIX B: REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE TERMS AND CONDITIONS FOR PREPARING AND ORGANISING THE WORK OF THE BOARD OF DIRECTORS AND ON INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IN ACCORDANCE WITH ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE

## I. Terms and conditions for preparing and organising the work for the board of directors

In accordance with the provisions of article L.225-37 of the French Commercial Code, this report serves to set forth the terms and conditions for the preparation and organisation of the work of the Company's Board of Directors, in addition to the internal auditing procedures that have been implemented by the Company.

This report has been approved by the Board of Directors on 7 March 2011.

It has been incorporated in the 2010 Registration Document of SCOR SE ("SCOR") which is available on the Company's web site ([www.scor.com](http://www.scor.com)) and on the AMF web site ([www.amf-france.org](http://www.amf-france.org)).

During its meeting on 12 December 2008, the Company's Board of Directors designated the consolidated corporate governance code listed corporations of the AFEP-MEDEF (Association Française des Entreprises Privées – Mouvement des Entreprises de France) of December 2008 as its reference code, according to the implementation of this law on 3 July 2008 (act no.2008-649 aimed at providing various provisions regarding the adaptation of French company law with the European Community law changing articles L. 225-37 and L. 225-68 of the French Commercial Code).

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

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

The Board of Directors is composed of 15 Directors: Denis Kessler, Chairman of the Board, Carlo Acutis, Gérard Andreck, Allan Chapin, Peter Eckert, Daniel Havis, Daniel Lebègue, André Lévy-Lang, Monica Mondardini, Luc Rougé, Guillaume Sarkozy (as representative of Médéric Prévoyance), Herbert Schimetscheck, Jean-Claude Seys, Claude Tendil and Daniel Valot, and one non-voting Director: M. Georges Chodron de Courcel. Amongst these 16 members of the Board, 10 are independants: Carlo Acutis, Gérard Andreck, Peter Eckert, Daniel Lebègue, André Lévy-Lang, Monica Mondardini, Herbert Schimetscheck, Jean-Claude Seys, Claude Tendil and Daniel Valot.

The experience and competences of the Directors and the Non-Voting Director are very varied. In addition to the Chairman of the Board, nine of the Directors listed, work or have worked at a high level within the insurance industry. Three Directors and the non-voting Director practise or have practised at a high level in the financial and banking industry, in addition to one Director from the manufacturing industry and one from the media industry. The Board benefits from international experience, provided by the American, Austrian, Italian, and Swiss nationalities of its members.

The worldwide basis of the Group's personnel elected at universal suffrage with two turns an employee to be their representative to the Board of Directors. Luc Rougé, elected candidate, has been proposed by the Board to the approval of the Shareholders' meeting. The Shareholders' general meeting held on 15 April 2009 voted widely in favour of such candidate.

### (a) Assessment of the Board of Directors

In compliance with the recommendations stated by the government code, an assessment of the Board of Directors was conducted in 2010. Mr André Levy-Lang, an independent Director, addressed a questionnaire to the Directors in February 2010. This questionnaire concerned the composition of the Board, its functioning and the functioning and composition of the Committee's Boards. All the Directors, without exception, completed the questionnaire. Mr André Levy-Lang assessed the questionnaires and presented his summary report during the Board Meeting that took place on the 2 March 2010.

The main conclusions drawn from this analysis are the following:

The responses are complete, constructive and positive. The feedback reflects an able and strong Board, composed of varied personalities, experimenting and participating in an active and constructive manner in carrying out proceedings. The responses highlight the efficacy of the Boards, notably the Audit Committee and the Strategy Committee and the ability of the Board to follow the management and to assess performances, strategies and risks. The feedback attests to the Board's confidence in the quality of financial reporting due to the work of the Audit Committee.

An informal assessment has been performed during 2010 by the Compensation and Nomination Committee. Such assessment concluded to a global improvement of the items mentioned during the 2009 assessment.

During its meeting held on 28 July 2010 and 4 November 2010, the Compensation and Nomination Committee deeply reviewed the composition of the Board and of the Committees in the framework of the duties ending on 2011. In particular, it expressed its will that the future Board be reduced in size, younger, more feminine, with more diversified competences and continues to be international.

### (b) Composition of the Board of Directors

A list of the members of the Company's Board of Directors in 2010 features in the table below:

Name	Age	Citizenship	Date of 1st appointment	End of duty	Renewals dates
Denis Kessler, Chairman of the Board	58	French	04/11/2002	2011	24/05/2007
Carlo Acutis	72	Italian	15/05/2003	2011	15/04/2009
Gérard Andreck	66	French	18/03/2008	2011	
Antonio Borgès <sup>(1)</sup>	61	Portuguese	15/05/2003	05/11/2010	
Allan Chapin	69	American	12/05/1997	2011	31/05/2005
Peter Eckert	65	Swiss	15/04/2009	2011	
Daniel Havis	55	French	18/11/1996	2011	31/05/2005
Daniel Lebègue	67	French	15/05/2003	2011	15/04/2009
André Lévy-Lang	73	French	15/05/2003	2011	15/04/2009
Monica Mondardini	50	Italian	28/04/2010	2014	
Luc Rougé	58	French	24/05/2007	2011	15/04/2009
Guillaume Sarkozy <sup>(2)</sup>	59	French	15/04/2009	2011	
Herbert Schimetschek	73	Austrian	15/05/2003	2011	24/05/2007
Jean-Claude Seys	72	French	15/05/2003	2011	15/04/2009
Claude Tendil	65	French	15/05/2003	2011	24/05/2007
Daniel Valot	66	French	15/05/2003	2011	24/05/2007
G. Chodron de Courcel, Non voting Director	60	French	15/05/2003	2011	31/05/05-24/05/07 15/04/2009

(1) Antonio Borgès is no longer Director since 5 November 2010.

(2) Guillaume Sarkozy represents Médéric-Prévoyance, member of the Board.

The Board of Directors is composed of 37.5% of foreigners, of 73% of Directors having a past experience in the insurance or reinsurance industry and of 67% of independent Directors.

Concerning the duration and the grading of the duties of the Directors, the AFEP-MEDEF Code indicates (§12):

(i) the duration of Directors' terms of office should not exceed a maximum of four years,

(ii) Terms should be staggered so as to avoid replacement of the entire body and to favour a smooth replacement of Directors.

For historical reasons, the duties of the entire Directors end at the Shareholders' meeting to be held on 4 May 2011. In these circumstances, the Board of Directors chose a simultaneous renewal of almost all of its members, in order to allow a full rethinking of its composition in the light of the new corporate governance rules. Duties of 6, 4 and 2 years will be proposed to the vote of the Shareholders' meeting of 4 May 2011, in order to comply with the AFEP-MEDEF Code and to progressively a system of renewal by third.

At the Board Meeting held on 31 March 2004, an interim assessment was made of the Board's organisation and operation. A new set of internal regulations (the "Internal Regulations") was adopted to formalise and strengthen the strategic decisions made. These Internal Regulations were amended by the Board of Directors on 2 November 2005, on 4 July 2006 and on 4 November 2010. The main provisions of the Internal Regulations are provided below:

#### ■ Mission of the Board of Directors of the Company

Pursuant to the Internal Regulations, the Board of Directors of the Company determines the policies of the Company's businesses, oversees their implementation and supervises the management's administration. The Board meets at least four times a year. In accordance with legal provisions, it settles the financial statements, proposes dividends and makes investment and financial policy decisions. The Board also determines the amount and the nature of the sureties, securities and guarantees, which can be granted by the Chairman and Chief Executive Officer on behalf of the Company. The Board realized in particular: (i) a study, within the frame of the Compensation and Remuneration Committee, of Senior Management a succession plan, (ii) the appointment of a woman as Board member in 2010, (iii) the improvement of transparency of the internal charter, in particular in relation to the Audit Committee and Risk Committee, and (iv) the improvement of the preparation of the work of the Board by sending the documentation one week in advance

#### ■ Meetings of the Board of Directors of the Company

At least five days before any meeting of the Board of Directors, the Chairman and Chief Executive Officer is required to submit a file to the Directors containing all information that will allow them to participate in the discussions listed on the agenda, and notably any useful information upon the financial situation, the treasury situation and the liabilities of the Company, in a discerning and efficient manner. Furthermore, outside of Board meetings, the Chairman and Chief Executive Officer is required to submit any necessary information and documents to the Directors to complete their duties, and the Directors may submit requests for information to the Chairman and Chief Executive Officer. In addition, Directors may ask the Chairman and Chief Executive Officer to invite the major executives of the Company to attend Board meetings.

#### ■ Meetings held by videoconference or telecommunication

Pursuant to the provisions of Articles L. 225-37 and R. 225-21 of the French Commercial Code, the Internal Regulations allow the Board to hold its meeting by videoconference or via telecommunications, providing that the identification of the participating Board members can be determined.

#### ■ Independence of Directors

The application of the notion of director independence is assessed on the basis of the following primary criteria, derived from the recommendations of the AFEP/MEDEF report. An independent director:

- 1 must not currently be or have been within the last five years an employee or corporate officer of SCOR;

The corporate governance code of listed corporations of AFEP/MEDEF also considers that, in order to be qualified as independent, a Director must not be or have been within the last five years an employee or corporate officer of a company consolidated by the parent company.

However, SCOR considers that an external Director, member of the Board of Directors of SCOR as well as member of the Board of Directors of subsidiaries of SCOR (such as SCOR Holding (Switzerland), SCOR Reinsurance Company, SCOR Global Life Rückversicherung Schweiz AG, SCOR Switzerland AG or SCOR Reinsurance Asia Pacific PTE) who satisfies all the other criteria shall be considered as being independent.

- 2 must not have received remuneration greater than EUR 100,000 per year from SCOR within the last five years, excluding that received as directors' fees;
- 3 must not be an officer in a company in which SCOR directly or indirectly is a director, or in which an employee has been appointed as such, or in which an officer of SCOR (currently or within the last five years) is a director;
- 4 must not be a significant client, supplier, investment banker, commercial banker of SCOR or of its group (the "Group") or for which SCOR or its Group represents a significant share of the turnover. A significant share is a contribution to the turnover equal to the lesser of the following two amounts: more than 2% of SCOR's consolidated turnover, or an amount greater than EUR 100 million;
- 5 must not have a close family relationship with an officer of SCOR;
- 6 must not have been an auditor of the company within the last five years;

7 must not have been a Director of SCOR for a period exceeding twelve years;

8 must not represent a shareholder of the Company owning more than 5% of the share capital or voting rights.

The following table presents the results of the review of the independence of each Director made by the Board of Directors in 2010, based on the proposal of the Compensation and Nomination Committee, with regard to the criteria stated above:

Criteria	1	2	3	4	5	6	7	8	Independent
Denis Kessler	No	No	No	Yes	Yes	Yes	Yes	Yes	No
Carlo Acutis	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gérard Andreck	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Allan Chapin	Yes	No	Yes	Yes	Yes	Yes	No	Yes	No
Peter Eckert	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Daniel Havis	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No
Daniel Lebègue	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
André Lévy-Lang	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Monica Mondardini	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Luc Rougé	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Guillaume Sarkozy <sup>(1)</sup>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Herbert Schimetschek	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Jean-Claude Seys	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Claude Tendil	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Daniel Valot	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

(1) Representing Médéric Prévoyance, Director

Moreover, the Board of Directors on 4 November 2010 introduced into the Internal Regulations the commitment to appoint a senior independent Director (the "Senior Independent Director"). The Senior Independent Director is appointed amongst the independent Directors by the Board of Directors upon proposal by the Compensation and Nomination Committee. He assists the Chairman and CEO in his duties, notably for the organization and functioning of the Board and its Committees and the monitoring of the corporate governance and internal control.

He is also in charge of assisting the Board concerning the good operation of the Company's corporate governance and advising the Board upon the operations on which the Board is convened to deliberate.

He convenes the independent Directors as often as needed and at least once a year.

Finally, he advises the Directors when they suspect being in a conflict of interest.

#### ■ Rights and obligations of Directors

Upon request, Directors are entitled to training on the specific nature of the Company, their business lines and their area of activity. They agree to regularly attend meetings of the Board, Committees of which they are members and the General Shareholders' Meetings. Finally, they are obliged to voice their opposition when they believe that a decision taken by the Board of Directors could be harmful to the Company.

#### ■ Accumulation of position as Director

The Internal Regulations require that candidates for Director inform the Board of the position they currently hold as Director or Officer in other entities in France and other countries, as the Board has the duty to ensure compliance with the rules regarding the accumulation of position as Director. Once appointed, Directors must inform the Board of any appointment they hold as a company officer within a period of five days following the event. Finally, Directors must inform the Board of the position they have held as Director in other entities during the course of the financial year within a period of one month following the end of this financial year.

Information concerning the positions held by the SCOR Directors is provided in Section 14.1.1 Information concerning the members of the Board of Directors.

#### ■ Limitations and restrictions on trading SCOR securities

The Internal Regulations set out the primary recommendations of the market authorities concerning the Directors trading the securities of the Company.

Firstly, the Internal Regulations set out the legal and regulatory provisions, demanding confidentiality with regard to privileged information known to the Directors during their appointment.

Following this, the Internal Regulations insist that the Directors register as owners of SCOR equities that they themselves or their un-emancipated minor children hold at the time they enter office, in addition to those acquired subsequently. Finally, certain restrictions are enforced by the Internal Regulations concerning trading SCOR securities:

- firstly, Directors are prohibited from trading in SCOR securities while in possession of information which, when made public, is likely to have an impact on the share price. The restriction remains in place two days after this information has been made public by a press release;
- secondly, they are prohibited, directly or indirectly, from carrying out any transaction in the Company's securities during unstable periods, which they are made aware of by the Company or during any period preceding a major event affecting the Company, likely to influence its market price.

Finally, Directors are obliged to declare all transactions carried out concerning the Company's securities, directly or by an intermediary, on their behalf or on behalf of a third party, by their spouse, or by a third party holding a power of attorney, to SCOR.

The Appendices of the Internal Regulations contain a description of the missions and the functioning of the various Committees. The Audit Committee and the Risks Committee decided each to adopt a Chart to complete such Appendices.

#### **(c) Prevention of risks of conflict of interests**

Each Director has a loyalty obligation to the Company. He shall not act in his own interest, against the Company's interests, and must avoid any situation with risks of conflict of interests.

Through the Board Internal Regulations, each Director undertake not to seek or accept any function, benefit or situation from the Company or from the Group, directly or indirectly, that could jeopardize his independence of analysis, judgement or action, during the course of his functions as Director. He will also dismiss any direct or indirect pressure from other Directors, specific group of shareholders, creditors, suppliers or other third party.

The Board of Directors of SCOR SE decided, in order to protect the corporate interests, to implement an internal control programme to prevent risks of conflict of interest:

- 1 through a quarterly review by the Audit Committee of related party transactions, on which a report will be issued prior to examination by the Board of Directors;
- 2 through an annual review of each Director's situation, in order to analyse his independent status and potential existing conflicts of interests;
- 3 through the reinforcement of its Internal Regulations, which became public, and according to which any Director in a situation of conflict of interests undertake to resign from his position if the conflict situation is not solved;
- 4 through the adoption of a Code of Conduct that was communicated to all employees in 2010. This code establishes reinforced requirements as regards the prevention of situations with risks of conflict of interests, and specifies the alert procedures ("whistleblowing"), which are reported to the Audit Committee by the Secretary General

#### **(d) Meetings of the Board of Directors in 2010**

During the course of the financial year 2010, the Company's Board of Directors held ten meetings on the following dates:

- 4 February
- 2 March;
- 7 April
- 28 April, two Board Meetings, the first preceding the Annual General Meeting and the second following it ;
- 5 May;
- 28 July;
- 16 September;
- 4 November;
- 3 December.

The average attendance rate of the members of the Board was 86%.

The following table displays the attendance of the members of the Board of Directors during 2010:

Board members	Attendance rate (%)
Denis Kessler	100
Carlo Acutis	77.8
Gérard Andreck	77.8
Antonio Borgès <sup>(1)</sup>	75
Allan Chapin	100
Georges Chodron de Courcel, non-voting Director	88.9
Peter Eckert	100
Daniel Havis	100
Daniel Lebègue	100
André Lévy-Lang	100
Monica Mondardini <sup>(2)</sup>	33.3
Luc Rougé	100
Guillaume Sarkozy	77.8
Herbert Schimetschek	66.7
Jean-Claude Seys	100
Claude Tendil	66.7
Daniel Valot	100

(1) Antonio Borges is no longer a Director since 5 November 2010

(2) Monica Mondardini is Director since 28 April 2010

#### (e) Committees of the Board of Directors

At their meeting on 15 May 2003, the Board of Directors created four consultative Committees, responsible for preparing Board meeting discussions and making recommendations in specific areas.

##### 1. The Strategy Committee

The Strategy Committee is composed of Denis Kessler, Chairman, Carlo Acutis, Gérard Andreck, Antonio Borgès (until 5 November 2010), Allan Chapin, Georges Chodron de Courcel (Non-Voting Director), Peter Eckert, Daniel Havis, Daniel Lebègue, André Lévy-Lang, Monica Mondardini (since 28 April 2010, date of her joining the Board), Guillaume Sarkozy (as representative of Médéric Prévoyance), Jean-Claude Seys, Herbert Schimetschek, Claude Tendil and Daniel Valot, appointed by the Board of Directors and selected among the members of voting and non-voting Directors. The term of their mandates coincide with their term of office on the Board of Directors.

The Committee's mission is to study the Group's development strategies and to examine any acquisition or disposal plan concerning an amount in excess of EUR 100 million.

The Chairman of the Committee may convene any individual likely to provide relevant information for a clear understanding of a given point; the presence and information provided by this individual being limited to the relevant items on the agenda. The Chairman of the Strategy Committee must exclude the non-independent members of the Committee from the review of the discussions which might create an ethical problem or a conflict of interest.

In 2010, the Strategy Committee met on four occasions. Its work dealt with the whole strategy of the Group and in particular, the review of acquisition plans.

On 4 November 2010, the Internal Regulations of the Strategy Committee was modified by the Board of Directors.

The average attendance rate of the Committee Members was 83.33%. The following table states the attendance rates of the members of the Strategy Committee in 2010:

Board members	Attendance rate (%)
Denis Kessler, Chairman	100
Carlo Acutis	75
G�rard Andreck	75
Antonio Borg�s <sup>(1)</sup>	50
Allan Chapin	100
Georges Chodron de Courcel, non-voting Director	75
Peter Eckert	100
Daniel Havis	75
Daniel Leb�g�ue	100
Andr� L�vy-Lang	100
Monica Mondardini <sup>(2)</sup>	33.33
Guillaume Sarkozy	75
Jean-Claude Seys	75
Herbert Schimetschek	100
Claude Tendil	100
Daniel Valot	100

(1) Antonio Borges is no longer a Director since 5 November 2010

(2) Monica Mondardini is Director since 28 April 2010

## 2. The Audit Committee

The Audit Committee is composed of Daniel Leb g ue, Chairman, Andr  L vy-Lang, Antonio Borg s (until 5 November 2010) and Daniel Valot. Each of its member is independent. According to its Internal Regulations, the Committee comprises between three and five members appointed by the Board of Directors of the Company and selected among the members of voting and non-voting Directors and, in compliance with the AFEP and MEDEF corporate governance code of listed corporations of December 2008, it is composed of a majority of independent Directors. The term of their mandates coincide with their term of office on the Board of Directors.

Due to their past experience and the duties that they held during their career, each member of the Committee has a high level of competence in financial matters.

The Committee is responsible for reviewing the financial situation of the Group, its compliance with internal policies, in addition to audits and reviews carried out by the auditors and by the internal control unit. It ensures the quality and transparency of the Group's financial statements.

The Audit Committee has adopted a set of Internal Regulations, setting forth two imperative missions:

- Accounting mission, including the analysis of periodic financial documents, the review of the relevance of choices and correct application of accounting methods, the review of the accounting treatment of any material transaction, review of the scope of consolidation, review of off-balance sheet commitments, control of the selection and remuneration of statutory auditors, oversight of any accounting and financial reporting documents before they are made public;
- Ethical and internal control responsibilities. In this context, the Audit Committee is responsible for ensuring that internal procedures relating to the collection and auditing of data, guarantee the quality and reliability of SCOR's financial statements. The Audit Committee is also in charge of reviewing agreements with related parties ("conventions r glement es"), analysing and responding to questions from employees with regard to internal controls, the preparation of financial statements and the treatment of internal accounting books and records.

The Committee may consult the Group's Chief Financial and Accounting Officer, the Chief Internal Auditor and external auditors on these issues. During the financial year 2010, it met with the auditors, the Group Chief Financial Officer (during the review of the financial statements) and the Chief of Internal Audit. The review of the financial statements has been accompanied with a presentation made by the auditors underlying the major results of their works, as well as with a presentation made by the Group Chief Financial Officer describing the risks exposure and the material off-balance sheets liabilities of the Company.

The Chairman of the Committee may convene any individual likely to provide relevant information for a clear understanding of a given point; the presence and information provided by this individual being limited to the relevant items on the agenda. The Internal Regulations of SCOR's Audit Committee, has been approved by the Board of Directors of the Company on 18 March 2005 and modified by the Board of Directors on 4 November 2010.

During its four meetings in 2010, the Audit Committee discussions focused primarily on the following matters: review of the quarterly and annual financial statements, management of the Group's debt, impact of the financial crisis upon the Group's assets, strategy plan, embedded value, impact of the litigations upon the financial statements.

The average attendance rate of the Committee Members was 81.25%. The following chart states the attendance of the Audit Committee's members in 2010:

Board members	Attendance rate (%)
Antonio Borgès <sup>(1)</sup>	50
Daniel Lebègue, Chairman	100
André Lévy-Lang	75
Daniel Valot	100

(1) Antonio Borges is no longer a Director since 5 November 2010

### 3. The Compensation and Nomination Committee

The Compensation and Nomination Committee members are Allan Chapin (until 18 March 2010), André Lévy-Lang, Georges Chodron de Courcel, Non-Voting Director, Claude Tendil Chairman and Daniel Valot. According to its Internal Regulations, the Committee is composed of between three and five members appointed by the Board of Directors of the Company and chosen among the members of voting and Non-Voting Directors. The term of their mandate coincides with their term of office within the Board of Directors or Non-Voting Director.

The three voting members of the committee are independent.

The Committee submits recommendations concerning compensation packages for the corporate officers and members of the Executive Committee of the Group ('COMEX'), pensions, stock allotment plans and stock option plans or stock subscription plans to the Board and makes proposals concerning the composition and organisation of the Board of Directors of the Company and its Committees. Its missions are described in the Internal Regulations.

The Committee met four times in 2010. Its works dealt with the stock allotment and subscription plans, the modalities of remuneration of the Chairman and Chief Executive Officer and other members of the Executive Committee of the Group. The Committee focussed on the renewal and composition of the Board of Directors. The Committee also worked on the general organization and the remuneration policy, and on the succession schemes of the key officers of the Group.

The Chairman of the Committee may convene any individual likely to provide relevant information for a clear understanding of a given point; the presence and information provided by this individual being limited to the relevant items on the agenda. The Internal Regulations of SCOR's Compensation and Nomination Committee, has been approved by the Board of Directors of the Company on 18 March 2005 and modified by the Board of Directors on 4 November 2010.

The average attendance rate of the Committee Members was 95%. The following chart states the attendance of the members of the Compensation and Nomination Committee in 2010:

Board members	Attendance rate (%)
Allan Chapin <sup>(1)</sup>	100
Georges Chodron de Courcel	75
André Lévy-Lang	100
Claude Tendil, Chairman	100
Daniel Valot	100

(1) Allan Chapin is no longer member of the Compensation and Nomination Committee since 18 March 2010.

The AFEP MEDEF code of corporate governance advises that outside Board members from the Company meet on a regular basis without inside Board members. Considering that the members of the Compensation and Remuneration Committee are Board members outside of the Company (neither Managing Directors, nor employees), 3 of 4 members are independent, and that the meetings of outside Board members provided by the AFEP MEDEF code on corporate governance would duplicate with the mandates assigned to the Compensation and Remuneration Committee, during 2010, the outside Board members did not find it necessary to organise such a meeting.

### 4. The Risk Committee

The Risk Committee members are Antonio Borgès (until 5 November 2010), Peter Eckert, Chairman, Daniel Havis, Daniel Lebègue, André Lévy-Lang, Guillaume Sarkozy (as representative of Médéric Prévoyance), Jean-Claude Seys and Daniel Valot.

Five of its members are independent.

The Committee is responsible for highlighting the main risks to which the Group is exposed, regarding both assets and liabilities and for ensuring that the means put in place to monitor and manage those risks have been effectively implemented. It examines the Group's risks and the Group's 'Enterprise Risk Management' (ERM) policy. The Committee met four times in 2010, primarily to discuss the following matters: analysis of the main exposures of the Group (in particular pandemic), risk appetite, retrocession policy and coverage, solvency and contemplated Solvency II, internal model of assets and liabilities and capital allocation management, standards and guidelines for assets management, internal control and Directors' and Officers' liability insurance.

The average attendance rate of the Committee Members was 81.25%. The following chart states the attendance of the members of the Risk Committee in 2010:

Board members	Attendance rate (%)
Antonio Borgès <sup>(1)</sup>	50
Peter Eckert, Chairman	100
Daniel Havis	100
Daniel Lebègue	100
André Lévy-Lang	75
Guillaume Sarkozy	25
Jean-Claude Seys	100
Daniel Valot	100

(1) Antonio Borgès is no longer Director since 5 November 2010.

#### (f) Principles and rules stated for the determination of compensation and in-kind benefits for corporate officers

The data on compensation for corporate officers appears in Sections 15 – Remuneration and benefits – and 17.2 – Information on shareholding and stock options or company stock purchases by members of administrative and management bodies.

Every year, the conditions of remuneration for corporate officers and Directors are made public through the documents released for the Annual General Shareholders' Meeting. The General Shareholders' Meeting that took place on 31 May 2005 set the Directors' fees at a maximum of EUR 960,000 per year. This limit has not been changed since this date. Within the limits of this amount and upon the submission of the Compensation and Nomination Committee, the Board of Directors fixed the conditions of the allotment, in order to encourage the attendance of the Directors. It was thus decided to award the Directors' fees, payable to each voting or non-voting Director as a fixed part, equal to EUR 20,000, payable in fourths and another part based on attendance by voting and non-voting Directors, amounting to EUR 1,700 per meeting and participant. The payment of the Directors fees is made at the end of each quarter. Moreover, each Director received in 2010 the single sum of EUR 10,000 that must be used to purchase Company's shares, that the Director commits to keep until the end of his appointment. The paid amounts have been properly used to that effect.

#### ■ Directors

A table displaying the fees allocated individually to each Director or non-voting Director can be found in Section 15.1.1 of the Registration Document.

Certain Directors or the Non-Voting Director of SCOR are also members of the Boards of Directors for the Group's subsidiary companies and as a result of this, received Directors' fees in 2009.

With the exception of the Chairman of the Board of Directors and the Director representing the employees, the members of the Board are not entitled to stock option plans for the subscription or the purchase of shares nor stock allotment plans from the Company.

No retirement contribution (or commitment) has been paid for the benefit of the Directors.

#### ■ Chairman and Chief Executive Officer

#### Compensation

There is no employment contract between Mr. Denis Kessler and the Company.

Following the recommendation of the Compensation and Nomination Committee, the meeting of the Board of Directors on 9 February 2010 decided that the Chairman and Chief Executive Officer:

- will receive a fixed gross annual sum of EUR 1,200,000, payable in twelve monthly instalments; and
- will receive, a variable annual compensation, capped at EUR 1,000,000 determined as follows:
  - 50% on the basis of the achievement of personal objectives, defined annually at the beginning of each year by the Board of Directors of the Company on the recommendation of the Compensation and Nomination Committee; and

- 50% on the basis of the achievement of financial objectives, defined annually at the beginning of each year by the Board of Directors of the company on the recommendation of the Compensation and Nomination Committee.

The variable compensation for year n will be paid in year n+1, as soon as the financial statement of the Company for year n are approved by the Board of Directors.

For 2010, the variable compensation of the Chairman and Chief Executive Officer has been determined according to the following criteria:

- personal criteria: preparation for the enforcement of Solvency II, reinforcement of the ERM and finalisation of the internal model ; continuation of an active policy of increasing the value of the Group in the opinion of the investors and analysts; deepening of the employees management policy; consolidation of the Group's commercial positions; general management;
- financial criteria: Return on Equity (RoE) achieved by SCOR.

In the case of departure during financial year n:

- all the variable part of his compensation for year n-1 will be payable during year n as soon as the Company's financial statements for year n-1 are settled by the Board of Directors;
- in addition, in the case of dismissal, the amount of the variable part of his compensation for year n will be (i) determined on the basis of the variable compensation for year n-1 and prorated on the basis of the departure date for the current year n, and (ii) paid as soon as the Company's financial statements for year n-1 are settled by the Board of Directors.

In case of dismissal or imposed departure due to a change in the structure of the share capital or in the strategy, substantially affecting the content of his duties or making the continuation of his activities and the normal exercise of his powers of the Company, the Chairman and Chief Executive Officer:

- will receive an indemnity corresponding to the sum of all the fixed and variable elements of his annual gross compensation, paid by the Company during the two years prior to his departure. This severance pay is subject to the performance conditions adopted by the Board of Directors, under the recommendation of the Compensation and Nomination Committee. These performance conditions can be referred to in the Board of Director's Management report;
- concerning the options granted prior to his leaving, within the stock options plans, and which he is unable to exercise according to these plans, he will benefit from an indemnity, compensating for this loss of the right to exercise the options, the amount of which will be determined by an independent expert using the Black & Scholes evaluation method, as at the date of his departure;
- will receive an indemnity, including the loss of the right to the shares, equal to the number of shares concerned by the average price of SCOR shares on his departure date, in connection with the shares that have been granted to him for free prior to his leaving but the rights of which have not been acquired yet.

The Company did not consider it necessary to make this information public directly after the meeting of the Board of Directors, during which these decisions were made. This information is released each year when the Registration Document is made available.

#### **Stock option and free share allotment plans**

On meeting on 2 March 2010, the Board of Directors, upon authorisation granted by the Extraordinary general meeting of the Shareholders on 15 April 2009, and upon the recommendation of the Compensation and Remuneration Committee of 9 February 2010, decided to allot 125,000 performance shares to the Chairman and Chief Executive Officer. The granting will be effective at the end of a vesting period of two years and subject to the satisfaction of performance conditions as defined by the Compensation and Nomination Committee see Section 20.1.6.18 Note 18 Stock Options and Share Awards. Such granting is also submitted to a non-transferability period of two years at the end of which the shares will be available and be freely assigned. The Chairman and Chief Executive Officer shall retain 10% of these shares in the registered form until he ceases to hold his duties of corporate officer. He shall also acquire on the market un number of shares equal to 5% of the shares freely assigned to him, as soon as these free shares become transferable.

An allotment of 125,000 shares subscription options to the benefit of the Chairman and Chief Executive Officer was decide by the same Board of Directors, upon authorisation granted by the Extraordinary general meeting of the Shareholders on 15 April 2009, and upon the recommendation of the Compensation and Remuneration Committee of 9 February 2010. The exercise of these subscription options is subject to the satisfaction of the same performance conditions as those of the performance shares. The Chairman and Chief Executive Officer shall retain 10% of the shares

due to the exercise of the options in the registered form until he ceases to hold his duties of corporate officer of the Company.

#### **Life insurance**

Finally, at the meeting of the Board of Directors on 21 March 2006, it was decided that the Chairman and Chief Executive Officer will have specific life insurance to cover the risks inherent in the duties of Chairman and Chief Executive Officer of the Company, in an amount equivalent to three years of fixed and variable compensation; the insurance will be obtained by the Company.

#### **Benefits in kind**

As the Company representative, the Chairman and Chief Executive Officer is granted with a company car with a driver. The insurance, maintenance, fuel and all costs related to the driver are paid by the Company.

Moreover, the Chairman and Chief Executive Officer receives benefits in kind, of the following nature:

- (a) a health insurance policy under the terms of a contract dated 16 September 1988;
- (b) an “all causes” death or permanent disability insurance policy for Company Executives, dated 30 June 1993. The Company is currently re-negotiating this contract and it is specified that the Chairman and Chief Executive Officer will benefit from any policy that may replace the existing policy; and
- (c) death or permanent disability insurance for an accident, underwritten on 1 January 2006; it is specified that the Chairman and Chief Executive Officer will benefit from any policy that may replace the existing one.

#### **Retirement**

Like all the Group’s Executive officers based in France and employed by the Group as at 30 June 2008, the Chairman and Chief Executive Officer benefits from pension coverage capped at 50% of the reference salary, provided he has been with the Group for a minimum of five years. The rights to this pension are vested progressively, based on seniority over a period of 5 to 9 years, on the basis of the average compensation received over the last five years with the Group. The right to a supplementary pension is only acquired under the condition notably that the beneficiary is a corporate officer or an employee of the Company when he claims his rights for the pension, according to the rules in force at that time.

#### **Powers of the corporate officers**

At its meeting on 18 April 2002 and in compliance with Article L. 225-51-1 of the French Commercial Code and Article 16 of SCOR’s bylaws (“Executive Management”), the Board of Directors of the Company decided that the management of the Company will be carried out under his responsibility by the Chairman of the Board of Directors, with the title of Chairman and Chief Executive Officer, who may be assisted by a Deputy Chief Executive Officer.

Denis Kessler joined the Group on 4 November 2002 with the goal to sort it out as it was facing a very difficult financial situation. The Board of Directors considered that, in order to achieve such mission, it was preferable to entrust the powers of Chairman and of Chief Executive Officer to Denis Kessler.

No limitation on the powers of the Chairman and Chief Executive Officer, other than those stipulated by law, is included in the bylaws or any decision of the Board of Directors of the Company.

#### **General meetings of the Shareholders**

The modalities of the participation of the Shareholders to the General meetings and notably the main powers of the Shareholders’ General meetings, the description of the Shareholders’ rights as well as the modalities of the exercise of the voting rights are set forth by the Article 19 of the Company’s by-laws, an electronic version of which is available on SCOR’s web site ([www.scor.com](http://www.scor.com)).

## **II. Internal control and risk management procedures**

### **Introduction**

SCOR has integrated the internal control system in the overall approach developed to strengthen the Enterprise Risk Management (ERM) framework in the Group. The internal control system is in the responsibility of the Group’s General Management.

This report was prepared with the contribution of the Group Risk Management Department, the risk management departments of the operating companies, the Group Internal Audit Department, the General Secretary’s Department and the Finance Department. It was presented to the Audit Committee on 3 March 2011 and approved by the Board of Directors of the Company on 7 March 2011.

Because of the international activity of the Group, and to ensure a Group wide coherent approach for managing risks and operating the internal control system, the Group now uses the COSO 2 framework “Enterprise Risk Management – integrated framework” published by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) in developing and formalising the risk management and internal control systems. The four general objectives sought through the application of this framework are (1) to ensure that strategic objectives are properly implemented in the Group, (2) to ultimately achieve better operating efficiency and use of resources, (3) to ensure compliance with applicable laws and regulations, and (4) to ensure reliable accounting and financial information. The use of this framework requires us to cover the eight components set forth by the COSO 2, i.e. (1) defining the internal environment, (2) ensuring objectives are set, performing (3) a risk identification, (4) a risk evaluation and (5) a risk response, (6) documenting and formalising control activities, (7) presenting the information and communication process, and (8) ensuring monitoring of the risk management and internal control systems. The structure of this report is in line with the eight components of the COSO 2, components 1 and 2 being dealt with in the paragraph “Internal environment and setting of objectives” and components 3, 4 and 5 in the paragraph “Identification and assessment of risks”. The elements concerning accounting and financial reporting are separate and are presented in the last part.

Like any internal control system, the Group’s system cannot absolutely guarantee that the risks of not achieving the COSO objectives will be totally eliminated. For example, among the various limitations inherent in the effectiveness of internal controls relating to the preparation of financial documents, those involving decision-making errors based on human judgment are particularly high in a reinsurance company. In effect, the accounting data are subject to numerous estimates, primarily because of the evaluation by the reinsurer of claim reserves, either those not yet declared to the ceding companies or the reinsurer, or those for which development is uncertain or subject to a number of assumptions.

Since September 2009 SCOR’s ERM is rated “strong” by Standard & Poor’s.

**(a) Internal Environment and Setting of Objectives**

*General organisation*

The Group consists of SCOR SE and its 6 “Hubs”, subsidiaries, branches and representation offices throughout the world. SCOR SE, a European company having its registered office in Puteaux (France), has the responsibilities of a parent company, operational responsibilities for cash management and for the retrocession of the Group’s operating entities and functional responsibilities.

SCOR’s functional responsibilities cover a broad area extending to all of the Group’s activities. The heads of both the Finance Department (the Chief Financial Officer (CFO)) and the Group Risk Management Department (the Chief Risk Officer (CRO)) report to the Chairman and Chief Executive Officer and are members of SCOR’s Executive Committee (Group Comex). The Group Internal Audit Department reports to the Chairman and Chief Executive Officer. The other departments, namely Information Systems Department, General Secretary and Legal Department, Human Resources Department, Corporate Communications Department and Group Cost Control & Budget Department, report to the Chief Operating Officer (COO).

In particular:

- The Group Risk Management Department includes the Group Actuarial Department, the Group Retrocessions Department, the Group Risk Management Department, and the Group Financial Analysis & Risk Modelling (“Finmod”) department; in the course of a restructuring in SCOR Global Life, the Corporate Actuarial Department has been transferred to SCOR Global Life in mid-2010. Furthermore, the Risk Management Department at SCOR Group hosts the Group Solvency II project team set up in 2010.
- The Finance Department includes the Group Corporate Finance and Financial Communications Department, the Group Treasury Department, the Group Financial Planning & Analysis Department, the Group Accounting & Consolidation Department, the Group Tax Department and the Investment Accounting Department.

Reinsurance operating activities are divided between:

SCOR Global P&C	SCOR Global Life
Non-life treaties, Business Solutions (facultative), Joint-ventures and Partnership, specialty treaties	Life and health reinsurance

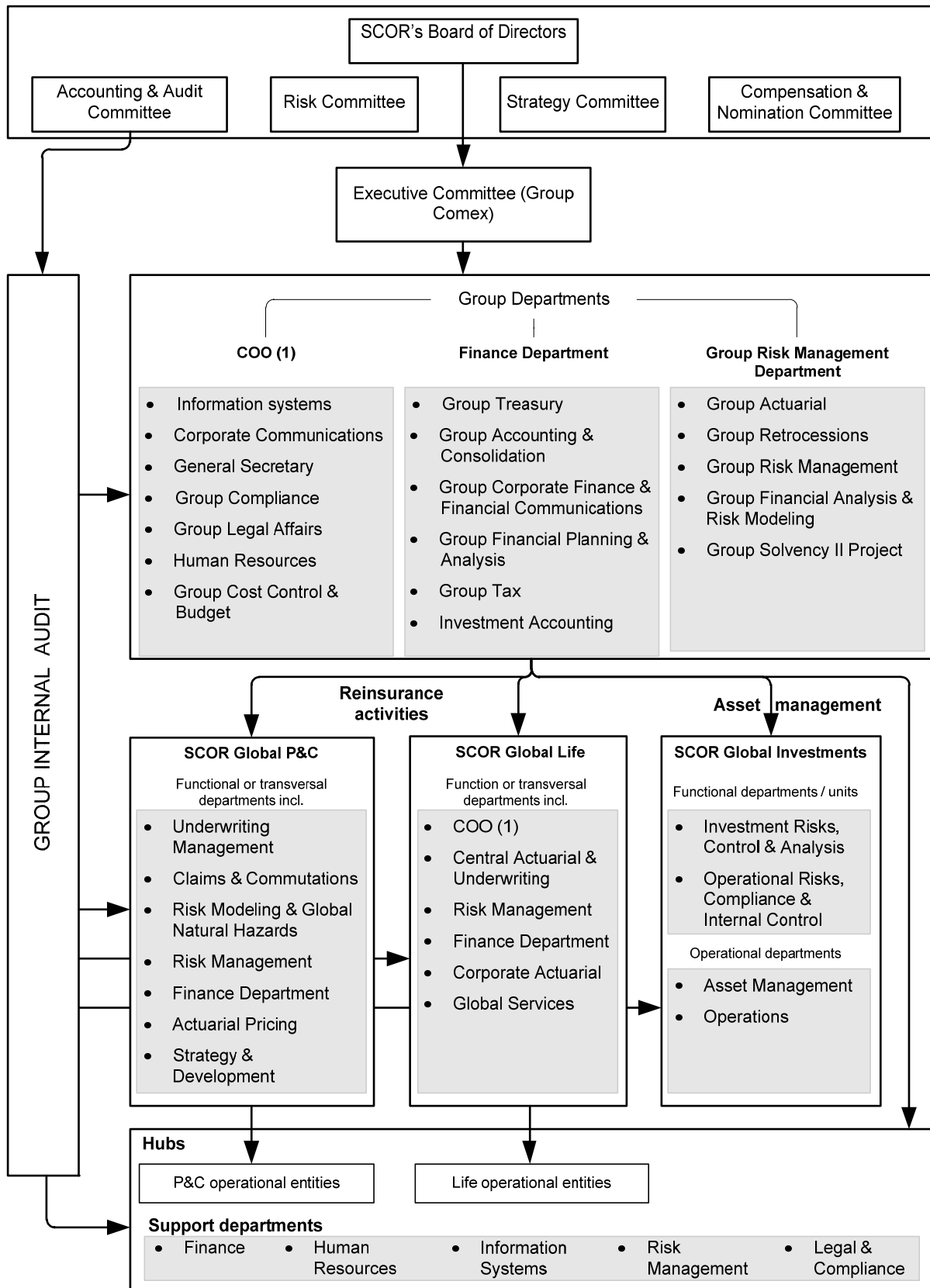
Each of the two reinsurance companies includes functional departments, including a dedicated Risk Management Department.

Furthermore, the Group is organised around six “Hubs” (Paris, Zurich, Cologne, London, Singapore and New York), each Hub having local, regional and Group responsibilities. The heads of Hub report to the Group COO. This organisation enables:

- the operational structures and support functions to be optimised by creating service entities in charge of managing pooled resources: information systems, human resources, legal and others in the Group's main locations. These service entities are distinct from the underwriting units which have direct reporting lines within the respective SCOR Global P&C and SCOR Global Life organisations,
- several Group functions to be carried out in a geographical location other than Paris in order to benefit fully from the competences within different locations.

Each Hub includes the following functions: a Legal and Compliance Officer, a Head of Information Systems, a Head of Finance, a Head of Human Resources and a Risk Manager.

## GROUP INTERNAL CONTROL STRUCTURE : THE PARTICIPANTS



(1) Chief Operating Officer

→ Control activities

Within this environment, control responsibilities are exercised as follows:

- SCOR's Board of Directors relies on the Audit Committee and the Risk Committee to exercise its control responsibility over the objectives it has set for the Company;
- SCOR's Executive Committee defines the procedures for implementing the strategy decided by the Board of Directors, the underwriting policy, the financial policy, the retrocession policy, and the claims management policy. It meets on a weekly basis and is currently made up of the Senior Managers of the Group: the Chairman and Chief Executive Officer of SCOR, the Chief Executive Officer of SCOR Global P&C and his deputy, the Chief Executive Officer of SCOR Global Life and his deputy, the Chief Executive Officer of SCOR Global Investments, the Chief Risk Officer, the Chief Financial Officer, and the Chief Operating Officer. SCOR is represented in the governance bodies of its principal subsidiaries. Eventually, SCOR's Board of Directors, following a recommendation made by the Compensation and Nomination Committee, has decided to appoint independent directors of SCOR in each of the principal foreign subsidiaries;
- the Group departments and functional or transversal departments of SCOR Global P&C, SCOR Global Life and SCOR Global Investments invested with a control responsibility have the task of defining and controlling the implementation of rules pertaining to the areas of their responsibility and applicable to all of the Group's entities. These rules, and the participants, are described in detail in part c) of this report on control activities;
- the Hubs' support departments, the operational entities of SCOR Global P&C and SCOR Global Life and the operational departments of SCOR Global Investments must apply the rules defined above. They carry out all of the first-level controls related to business management and ensure compliance with regulatory, accounting and fiscal laws, at both local and Group levels;
- The Group Internal Audit Department eventually checks independently the effectiveness and relevance of the internal control procedures for all the Group's entities whatever the area following a methodical risk based approach.

#### *Enterprise Risk Management and Group internal control approach*

The main tasks of the Group Risk Management Department are to further develop the Enterprise Risk Management (ERM) framework and to promote an ERM culture within the Group so that risks are managed consistently within each department. The Group Risk Management Department is supported in these tasks by the departments in charge of Risk Management at SCOR Global P&C, SCOR Global Life and SCOR Global Investments. In addition the Hub risk managers are involved in these tasks at a local level.

To this end, the Group Risk Management Department has defined a framework ("ERM framework") which aims at structuring and promoting ERM within the Group and implementing a harmonised, formalised and structured internal control system according to Group standards. Experts, who report to the different Risk Management Departments are dedicated to the coordination of the internal control activities formalization within SCOR, SCOR Global P&C and SCOR Global Life and support the relevant business process owners if necessary.

The approach used to develop the internal control system was adopted and is monitored by the Risk Committee. The principal characteristics of this approach are as follows:

- establishment of an Internal Control Group Policy specifying the approach, the reference framework, the Group principles, the responsibilities of the different participants in internal control and the quality requirements. This policy is supported by various guidelines,
- appointment of global process owners (GPO) at the Group, SCOR Global P&C, SCOR Global Life and SCOR Global Investments levels and local process owners (LPO). The GPOs' responsibility is to document the processes, identify the related critical risks, define the appropriate key controls and to ensure their deployment and application in the various entities of the Group. The LPOs' main responsibilities are to assess processes, risks and controls on a local level based on the defined global process and to ensure application of risk based control activities,
- monitoring, upon completion of the initial documentation through (a) a self-assessment procedure on the maturity (quality) of their processes and controls by the GPOs and LPOs and (b) periodic missions of the Group Internal Audit Department. An insufficient level of maturity requires an action plan to be established.

#### *Compliance to local regulations and constraints is ensured by Hub compliance officers.*

This approach was deployed first during 2009 and continued in 2010 on the processes assessed as highly critical. It is being rolled out on the processes deemed critical.

Furthermore SCOR is closely monitoring the potential impacts of the Solvency II Directive. SCOR's Executive Committee decided in December 2009 to conduct a first comprehensive assessment of the situation in relation to the Solvency II requirements. The result of this process was imparted to SCOR's Solvency 2 project initiated in 2010, addressing the anticipated requirements with specific work streams, all of which sponsored by a member of SCOR's Executive Committee.

#### *Group standards and Registration documents*

To be in line with the ERM and internal control approach, SCOR has created Group standards or has revised existing local documents in order to create Group references.

Thus, Group principles relative to delegations of powers, to the use of the double signature in documents which bind SCOR and to the Group IT security policy are available. The Anti-money Laundering and Combating Terrorism Financing Guidelines cover the activities of SCOR Global Life and SCOR Global P&C as well.

In 2009, the Group drafted a new code of conduct which has been approved by the Risk Committee and presented to SCOR's Board of Directors. This Code describes the expected behaviour that each employee must apply to decision making and business activities.

The compliance framework has been further strengthened. Following the rollout of the Group Code of Conduct, other Group Compliance Policies were issued such as Group Guidelines for Reporting Concerns, Group Guidelines on Data Protection, Group Archiving and Retention Principles and Group Guidelines on Trading in SCOR and other Public Securities giving further guidance on key compliance principles related to those areas.

To embed these Group Policies and other legal & compliance topics into the organization, training has been undertaken in a broad range of formats, including workshops, panel discussions, learning-over-lunch session and e-learning.

The Information Charter, which describes the importance of information for SCOR's Paris entities and establishes the framework for using information systems, has been revised to become a Group reference ("SCOR IT Policy") and approved by the Executive Committee. It especially sets forth the applicable security measures and the legal considerations involved in using information technology resources. The other purposes of this Charter are to avoid misuse of professional and personal information and to guarantee compliance with the confidentiality of said information.

More than 30 sessions were held so far and more than 700 employees participated in total in those training initiatives.

When approved, these documents are made available to Group employees on the SCOR intranet on a dedicated page where Group policies are all grouped together.

#### *Setting of objectives*

SCOR has implemented and formalised for several years 3 year strategic plans. The new plan, "Strong Momentum" covers the years 2010 to 2013. "Strong Momentum" strategic plan was approved by SCOR's Board of Directors in July 2010 and includes objectives such as risk appetite and risk tolerance as well as level of security, financing, profitability and written premiums. For the new initiatives set in the plan, SCOR will apply reinforced ERM through the development of specific indicators.

As mentioned here before, the Executive Committee defines the procedures for implementing the strategy and reviews the consistency of the operational plans or policies (e.g. underwriting, finance, retrocession, IT) with the strategic plan. The Executive Committee also ensures that there is an optimal risk-based allocation of capital and diversification.

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

#### **(b) Identification and Assessment of Risks**

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

- A Risk Enquiry process

The methodology of this process is based on a large number of interviews carried out by members of the risk management departments in the different companies and functional departments of SCOR with members of the Executive Committee, other senior managers and subject matter experts. The risks identified during the interviews are analysed and grouped into three different categories according to their importance, with mention, if possible, of the action underway or to be recommended. This complete review is carried out once a year.

- An Emerging Risks process

Emerging risks are subject to a specific process of identification and analysis. A dedicated collaborative site has been created on the Group's intranet allowing designated observers, who are experts in their field, to collate market information, articles or studies on topics that might constitute emerging risks. In addition, a special email address allows all Group employees to submit information. This information is processed by a Committee composed of members of the Group Risk Management Department, Group actuarial function, SCOR Global P&C Risk Management Department, SCOR Global Life Risk Management Department, Group Legal Department and Group Competitive Intelligence unit which is hosted by the Information Systems Department.

All the resulting conclusions and studies of the two processes: Risk Enquiry process and Emerging Risks process are summarised in reports submitted each year to the Chief Risk Officer to agree on further actions to be taken.

- An Extreme Scenarios process

This process aims to review and assess the potential impact of selected extreme scenarios. Subject specific working groups constituted of experts across the Group then perform quantitative studies which are summarised in specific reports.

The Chief Risk Officer presents any major scenario, if any, which exceeds the Group's risk tolerance to the Executive Committee and the Risk Committee.

Furthermore operational risks are being identified, listed and assessed within each critical process and appropriate measures implemented. This includes the assessment of reporting and compliance risks.

All the above-mentioned initiatives and processes are coordinated by the Group Risk Management Department, supported by the Risk Officers of SCOR Global P&C and SCOR Global Life.

Furthermore, the Group Risk Management Department coordinates an ERM coordination committee, made up of representatives of SCOR Global P&C, SCOR Global Life, SCOR Global Investments and the Group departments. This committee discusses the major risks identified within each Group entity as well as new approaches and developments in ERM which are of importance for the Group.

### **(c) Principal Activities and Participants of Risk Control**

Because of its activities, SCOR is exposed to many risks: reinsurance related risks, market risks and other risks (e.g. liquidity, rating). These risks, as well as the main procedures implemented by SCOR to control or mitigate them are detailed in the part 4 – Risk Factors of the 2010 Reference Document. This report does not detail these risks, but aims at summarising the principal activities and participants of Risk Control for the following important areas.

- i) activities related to reinsurance,
- ii) asset management,
- iii) accounting management,
- iv) Central functions.

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

The formalisation is being revised in accordance with the new Group standards.

#### **i) Activities related to reinsurance**

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

- SCOR uses an internal model for determining economic capital managed by the Group Financial Analysis & Risk Modelling Department of the Group Risk Management Department, necessary to implement its underwriting and asset management policies. Economic capital is allocated to SCOR Global P&C and SCOR Global Life and constitutes the reference for deciding and verifying the profitability expected from each of them;
- Most of the business underwritten by SCOR Global P&C is renewed on agreed dates. This situation enables SCOR to establish annual underwriting plans, both qualitative (description of the environment) and quantitative (activity budget). These plans are approved by the Group Comex. Concerning SCOR Global Life, business is underwritten along the year. As a result, the notion of underwriting plan is different. The plan is a multiyear plan and is updated on a quarterly basis with the business actually underwritten;

A quarterly review of technical results is performed for:

- SCOR Global P&C, by sector (P&C Treaties, Specialties, Business Solutions) and region (EMEA (Europe, Middle East & Africa), Americas, Asia-Pacific). The review enables to analyse technical results by underwriting year, by nature and by line of business;
- SCOR Global Life, by Market Unit and provides technical results by legal entity, by region (i.e. France, Germany, UK/Ireland, Rest of Europe, North America, Asia/Pacific, Middle East, Others) and by line of business;

Underwriting and pricing guidelines, defined respectively by SCOR Global P&C and SCOR Global Life, specify the underwriting capacities delegated to each entity, as well as the underwriting rules and principles to be complied with. They follow update and approval processes as well as a formalism that are specific to each division. Business opportunities going beyond the stipulations of the guidelines thus defined are subject to special referral procedures at two key levels. These cases are examined respectively:

- for SCOR Global P&C, by its Underwriting Management Department;
- for SCOR Global Life, by the Central Actuarial & Underwriting Department and where applicable the Risk Management Department and the Finance Department of SCOR Global Life;

Cases which may have a significant impact on the balance sheet (thresholds and/or conditions defined in a procedure or specific guidelines) must be reviewed by the Group Risk Management Department;

Concerning claims management

- for SCOR Global P&C, the definition of a global claims and commutations management policy for all Treaty, Facultative and Specialty business of SCOR Global P&C is carried out by the Claims & Commutations Department of SCOR Global P&C; this department manages major, serial, contentious and latent claims. In addition, audits of the clients' claim departments are conducted by claim experts from the principal entities of SCOR in order to review important files and to provide technical support to these cedants;
- for SCOR Global Life, claims exceeding a predefined threshold are reviewed by the Central Actuarial & Underwriting Department of SCOR Global Life;
- A "Large Loss" Committee, common to both SCOR Global P&C and SCOR Global Life, meets on a regular basis to review the Group's large losses;

Catastrophe risk accumulations are monitored as follows:

- for SCOR Global P&C, the Risk Modelling & Global Natural Hazards Department is in charge of monitoring accumulations. A "Cat" committee meets regularly to review the accumulation reporting package and decide or arbitrate the allocation of Cat capacities by country. Earthquake and storm risks are managed by market models (Eqecat, AIR and RMS) in the regions considered to be the most exposed;
- for SCOR Global Life, scenarios are established in conjunction with the Risk Management Department of SCOR Global Life in order to define the need for retrocession coverage;
- Risks specific to the administration of contracts are subject to controls performed at the level of the subsidiaries and branches. SCOR's Group Information System includes multiple automatic controls and additional control tools;
- Primary role of the Group Chief Actuary is to ensure that reserves are adequate for P&C and Life activities. In this framework, the Group Chief Actuary performs a centralised control of the methods and reserving tools. His role is to implement reserving standardized methods for the entire group as well as to ensure consistency of the reserving policies. To do so, the Group Chief Actuary performs analysis and peer reviews of all segments where the level of adequacy is particularly difficult to assess due to volatility features (P&C reserving segments and Life segments). The Group Chief Actuary reports to the Group Executive Committee and the Audit Committee of the Board of Directors of the Company on a quarterly basis.
- The Group Retrocession Department establishes and implements the external retrocession plan for P&C and Life activities. This department is responsible for its proper application, for monitoring the solvency of the retrocessionaires, the related counterparty risks and, when necessary, for the collection of balances due.

## ii) Asset management

- the Group has harmonised the principles governing asset management: the Statement of Group Investment Principles defines the Group's governance in terms of asset management and the Manual of Group Investment Guidelines determines the conditions in which SCOR Global Investments will implement, on behalf of all Group subsidiaries, the investment policy as defined by the Group's Investment Committee; both of these documents have been approved by the Group's Executive Committee;

- in 2008, SCOR Global Investments was specially created to manage all of SCOR's financial assets and obtained on May 15th, 2009 approval from the French financial market regulatory body (AMF) as an asset management company. To this end, the management and control procedures have been revised and investment decisions are implemented by SCOR Global Investments in accordance with the directives of the Group Investment Committee and with the investment guidelines. The Group Investment Committee meets at least once every quarter. Its role is to coordinate tactical asset allocation on a Group level and to supervise the application of objectives by the asset management company, observing the constraints established;
- a regular reporting allows SCOR to monitor the management of assets entrusted to SCOR Global Investments;
- the investment portfolios managed by external service providers are reviewed during quarterly investment committees, attended by the external fund managers, the Senior Managers of the subsidiary in question and representatives of SCOR Global Investments;
- the information systems used by SCOR Global Investments monitor transactions on publicly traded securities (audit trail, valuation of securities). Assets owned by all Group entities are since 2009 monitored in one central information system and the accounting tools implemented in Paris in 2008 are being deployed in the Group's principal subsidiaries. Risk monitoring tools are being deployed as well;
- a head of Compliance and Internal Control was appointed in 2009 in order to meet the requirements of the regulatory body. His role is to implement an effective internal control programme which covers all activities relating to financial asset management.

### iii) Accounting management

Refer below to (f) Financial Reporting .

### iv) Central functions

The Group's central functions, different from the finance and communication functions dealt with in parts (d) and (f) thereafter, comprise Risk Management, Treasury, budget & forecasting and functions relating to legal and tax issues, information systems, human resources and general service departments. These include:

- the Group Risk Management Department's primary focus is to develop and manage ERM mechanisms, promote ERM concepts throughout the Group and perform a second-level control over reinsurance underwriting as mentioned above. The Department also supervises the placement of the Group's insurance policies;
- the Group Treasury Department manages the Group's operating cash flow, directly or indirectly and carries out a weekly centralised reporting of the Group's cash situation;
- control of the Group information system stands at two complementary levels: IT processes and business processes all covered by IT solutions. For IT processes a unit has been established with the Group Information System Department to deal with all issues of information system security. Periodic audits of information security applications and procedures are conducted. Since several years, SCOR has been improving its control procedures by basing them on the COBIT guidelines (Control objectives for information and technology) to cover the risks, listed in the 12 major processes of COBIT, relating to the development of programmes, changes in programmes, operation and access to data programmes. An IT contingency plan has been established, including an emergency and back-up centre located outside of SCOR's head office and covers all Group entities;
- the budgetary control system for general expenses is organised and managed by the Group Cost Control & Budget Department;
- the Group Financial Planning & Analysis Department establishes an annual financial plan for the Group by company and monitors actual data in relation to this plan on a quarterly basis. A presentation of the results of the analysis is made to the Executive Committee every quarter;
- the objective of the Group Tax Department is to ensure that the various entities of SCOR meet their tax obligations and promote the use of best practices in this domain;
- The General Secretary and the Group Legal Department exercise control at various levels. It is their responsibility to ensure compliance, both with the laws and regulations and with internal rules, decisions, commitments and practices of SCOR. This task particularly affects the legal organisation of the Group's entities, the entry into agreements, and supervision of major disputes. They also monitor compliance with the Group's filing obligations. In addition, in order to minimise compliance and reputation risks, the Group Compliance Officer, reporting to the General Secretary, must ensure that the various aspects of regulatory and legal compliance are properly identified and managed.

Following the organisation of the Group within six “Hubs”, the local support functions are gradually assumed by entities especially dedicated and set up in each Hub. This organisation enables to create centres of expertise and to strengthen the coherence and control of our activities. Thus the head of Hub is responsible for defining the business continuity plan and implementing it in all locations within his Hub. Furthermore, the Hub is a key element for the implementation of Group procedures and policies.

#### **(d) Information and Communication**

##### *Financial communication:*

The establishment and centralisation of all financial information - particularly press releases, intended for the market, investors, financial analysts, and the press - are the responsibility of the Corporate Communications Department and the Group Corporate Finance & Finance Communications Department, which respects a formalised process. Financial information intended for rating agencies is the responsibility of the Group Corporate Finance & Finance Communications Department. All of this information is ultimately controlled by General Management.

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

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

##### *Internal communication:*

SCOR strives to make all documents deemed important available to all SCOR employees (or to certain categories if necessary) on SCOR's intranet.

Furthermore, SCOR has increased the use of collaborative sites enabling it to share and retain document history or to collect and centralise information specific to certain subjects (e.g. emerging risks) from various sources.

#### **(e) Internal Control System Monitoring**

Monitoring of the internal control procedures falls under the remit of General Management which is supported by two departments: the Group Risk Management Department and the Group Internal Audit Department with the aim of optimising resources and having regular, formalised reporting of the state of documentation and structuring of internal control procedures. Furthermore, the Finance Department has developed the “management representation letters” process, detailed in part f) on financial reporting, which also incorporates certain points relative to internal control of accounting and financial reporting.

The Group Risk Management Department monitors the documentation and formalisation status, according to Group standards, of the processes deemed critical.

The Group Internal Audit Department's main responsibility is to inform the Chairman and Chief Executive Officer and the operating and functional departments of any operating irregularities through the implementation of an annual audit plan based on an analysis of risks, resulting amongst other things from discussions with the Group, P&C and Life Risk Management Departments, and approved by the Audit Committee.

The Group Internal Audit Director reports his activity to the Audit Committee of the Board of Directors of the Company.

#### **(f) Financial Reporting**

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

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

General accounting for SCOR subsidiaries is supported by two main auxiliary group of accounting systems, namely (1) technical reinsurance accounting: premiums, claims, commissions, technical reserves, interest on funds held; and (2) financial asset accounting: securities, bank accounts, investment income and expenses.

The processes described below concerning reinsurance accounting and calculation of technical reserves, which are within the single technical information system (OMEGA), are being applied by Group entities. A high level of control already exists in Omega. Its reengineering which has been decided as a strategic project in July 2010 by the Board of the Group and by the Executive Committee will even reinforce this strong internal control.

Concerning reinsurance accounting, numerous regular controls are conducted directly (automatic and systematic, or for consistency or by testing) by the Technical accounting teams located in the subsidiaries using both Group tools and Group or specific control reports. Quarterly inventories are also subject to specific control procedures.

*(A) Concerning SCOR Global P&C:*

The calculation of technical reserves (including IBNR - Incurred But Not Reported) having a significant impact on the balance sheet and income statement, is largely based on contractual and accounting data, the relevance of which is verified upstream. This calculation of technical reserves inventories is subject to the following successive controls:

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

*(B) Concerning SCOR Global Life:*

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

Finally, reinsurance technical results are analysed quarterly by the finance departments of SCOR Global P&C and SCOR Global Life. At year-end, the Group Chief Actuary establishes a report on the adequacy of the reserves of SCOR Global P&C and SCOR Global Life.

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

The implementation of a new information system which enables to book, value and monitor of assets owned by all Group entities improves substantially the investment accounting model., These accounting tools have been substantially deployed throughout the Group's principal subsidiaries. The completion of this project in early 2011 will improve the investment accounting organisation, definition of roles, responsibilities and processes.

Regarding the process of aggregating and consolidating accounting data by the Group Accounting Department, current internal control is ensured:

- by the use of general and consolidation accounting software shared by all Group entities;
- by the definition by the Group Accounting & Consolidation Department of a closing process, clear responsibilities and a detailed financial statement closing schedule, which is monitored, in the closing period, on a daily basis;
- by a definition of responsibilities for controlling the integration of auxiliary accounting systems;
- by the centralised management of charts of accounts;
- by the works of the IFRS Centre of Excellence whose objectives are to (1) communicate developments and standards to all contributors and (2) coordinate justifications and documentations of accounting processes for complex operations.

At the end of 2009 SCOR decided to finalise its information systems integration by launching a Group wide "one ledger" project. The initial phases of this project of defining the business requirements and developing a detailed design have been completed. The conclusion of the project will provide a complete finance system integration by promoting consistency, quality visibility and control with the use of one general accounting software and one chart of accounts for the Group.

Control of the quarterly consolidation procedure under IFRS is provided in particular through:

- use of a market recognised consolidation software package ("SAP BFC") and common to all Group entities, which ensures the whole consolidation process through automated and formalised controls;
- the formalisation of the reconciliations between the systems or auxiliary accounting methods with the general and consolidation accounting systems;

- at least three levels of control of the consistency and completeness of the consolidation package, one by the entity in question, another by the finance departments of SCOR Global P&C and SCOR Global Life and the third by the Group Finance Department;
- systematic analyses of the results, shareholders' equity, taxation and cash flow;
- internal monitoring of changes in legislation and accounting standards, together with the Group's external consultants and auditors;
- daily monitoring of the closing process of each of the Group entities;
- internal monitoring of changes in legislation and accounting standards, together with the Group's external consultants and auditors;
- an audit performed by external auditors as at December 31, 2010 and a limited review as at June 30, 2010.

In addition, and without calling into question the implementation of internal control rules by SCOR and its managers, General Management requests, within the framework of the reporting and quarterly consolidation procedure, that all local managers of Group entities, as well as Senior Managers of SCOR Global P&C and SCOR Global Life, make a specific quarterly statement to the Chairman and Chief Executive Officer, and to the Group Chief Financial Officer in the management representation letters as to the reliability and fair presentation of the accounts of the entities they manage and the effectiveness of the internal controls. The results are analysed and monitored by a committee including the General Secretary of SCOR, the Group Accounting Director, the accounting departments of SCOR Global P&C and SCOR Global Life, and the Head of the IFRS Centre of Excellence. The key points are communicated to the Executive Committee.

#### **Conclusion on the control procedures implemented**

SCOR believes that its risk management and internal control systems are appropriate and adapted to its activities and is engaged in an ongoing process to improve its internal control standards and their implementation. The numerous initiatives launched in 2010 in the field of compliance issues as well as the roll-out of the Group policies at solo level through the Hubs illustrate this will and significantly contribute to the Group's last improvements in terms of control.

### **III. Statutory auditors' report, prepared in accordance with article L. 225-235 of the Commercial code, on the report prepared by the Chairman of the Board of Directors of SCOR SE**

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

#### **Statutory auditors' report, prepared in accordance with article L. 225-235 of the French Commercial Code (code de commerce), on the report prepared by the Chairman of the Board of Directors of SCOR SE**

To the Shareholders,

In our capacity as statutory auditors of SCOR SE and in accordance with article L. 225-235 of the French Commercial Code (code de commerce), we hereby report on the report prepared by the Chairman of your company in accordance with article L. 225-37 of the French Commercial Code (code de commerce) for the year ended 31 December 2010.

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

Our role is to:

report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information,

confirm that the report also includes the other information required by article L. 225-37 of the French Commercial Code (code de commerce). It should be noted that our role is not to verify the fairness of this other information.

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

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

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

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

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

#### **Other information**

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

Paris-La Défense, 7 March 2011

The statutory Auditors

ERNST & YOUNG AUDIT

MAZARS

Pierre PLANCHON

Michel BARBET-MASSIN

Antoine ESQUIEU