

## Press Release

December 19, 2022 - N° 20

### SCOR renews its contingent capital facility

SCOR announces the renewal, for three years, of a contingent capital facility that would provide the Group with additional capital of up to EUR 300 million coverage in case of extreme events (natural catastrophe or life events impacting mortality) or a significant fall in the share price.

The facility aims to protect the Group's share capital and therefore its solvency.

This is the fourth renewal of this innovative facility, which was introduced in January 2011.

The contingent capital facility rests on share subscription warrants, issued by SCOR and subscribed by J.P. Morgan, which will be exercised automatically in the scenarios set out in the agreement.

The period covered by the renewed facility runs from January 1, 2023, to December 31, 2025. In the absence of any triggering event during this period, no shares will be exercised. SCOR has the option to terminate the agreement on December 31 of each year.

The exercise of the warrants could result in an increase in SCOR's share capital of up to EUR 300 million (including issuance premium), with the dilution limited to a maximum of 10% of the share capital in accordance with the authorization granted by the 2022 General Meeting.

The facility offers a very cost-effective alternative to traditional retro and ILS, and enhances the resilience of SCOR's balance sheet.

**Laurent Rousseau, Chief Executive Officer of SCOR, comments:** *"In a fast-changing environment driven by a number of paradigm shifts, SCOR has issued a new contingent capital facility and sticks to its strategic cornerstone of maintaining a robust capital shield."*

*The renewal of this contingent capital facility is an essential part of our active capital management and balance sheet protection policy, which helps to protect the Group's solvency and resilience at a low cost. We are building from a sound base to take advantage of market tailwinds such as the hardening of the P&C market, the increasing demand for life reinsurance products, and the increase in interest rates."*

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#### Characteristics of the contingent equity line

The transaction will give rise to the issuance of approximately 9.0 million warrants issued by SCOR to J.P. Morgan. Each warrant gives J.P. Morgan the right to subscribe to two new SCOR shares without exceeding 10% of SCOR's share capital.

The issuance of the warrants was authorized by the 23<sup>rd</sup> resolution of the Extraordinary General Meeting of SCOR shareholders on May 18, 2022, and was approved by a resolution of its Board of Directors on November 8, 2022.

Under the transaction agreement, SCOR has undertaken to drawdown the facility upon the occurrence of a triggering event resulting from natural or non-natural catastrophes as described below, and J.P.

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Morgan has undertaken to exercise accordingly the number of warrants necessary for the subscription of EUR 300 million<sup>1</sup> (issuance premium included) of new shares in two separate tranches of EUR 150 million each.

The drawdowns of the facility will only be available when:

- 1) the amount of the estimated ultimate net loss<sup>2</sup> incurred by the SCOR group as an insurer or reinsurer (as reviewed by SCOR's statutory auditors) reaches pre-defined thresholds in a given calendar year from January 1, 2023, to December 31, 2025, as a direct result of the occurrence within that year of one or more natural catastrophe-type events, including but not limited to:
  - earthquake, seaquake, earthquake shock, seismic and/or volcanic disturbance/eruption,
  - hurricane, rainstorm, storm, tempest, tornado, cyclone, typhoon,
  - tidal wave, tsunami, flood,
  - hail, winter weather/freeze, ice storm, weight of snow, avalanche,
  - meteor/asteroid impact,
  - landslip, landslide, mudslide, bush fire, forest fire and lightning.

Or, when:

- 2) the amount of ultimate net claims<sup>3</sup> of the SCOR group's life reinsurance segment over two (2) consecutive semesters over the period from July 1, 2022, to December 31, 2025, (as reviewed by SCOR's statutory auditors) reaches pre-defined thresholds as the consequence, in particular, of one or more of the following life business related events:
  - deviation of epidemic, pandemic or a similar incidence or wide spread of one or more medical conditions deriving from any disease(s),
  - acts of war, acts of terrorism,
  - accidents due to non-natural cause(s),
  - material deviation from forecast biometric trends (mortality, morbidity, disability or longevity) recorded by the life segment for any reason whatsoever.

In addition, subject to no drawdown having already been conducted under the facility, if the volume-weighted average price over three consecutive trading days of the SCOR shares on Euronext Paris falls strictly below EUR 10 (i.e. a price level close to the par value of the SCOR shares), an individual tranche of EUR 150 million (issuance premium included) will be drawn down in order to ensure the availability of this financial cover (the warrants being non-exercisable below par value) if a natural or non-natural catastrophe-type event occurs during the remainder of the Risk Coverage Period.

The warrants will remain exercisable until three months after the expiry of the Risk Coverage Period.

In accordance with the authorization granted by the General Meeting of SCOR shareholders on May 18, 2022, the maximum number of new shares issued in the event of exercise of the warrants may not exceed 10% of SCOR's share capital.

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<sup>1</sup> Without exceeding 10% of SCOR's share capital

<sup>2</sup> The estimated ultimate net loss is the aggregate of the individual estimated ultimate net losses of all natural catastrophe events in a given calendar year. The individual estimated ultimate net loss is the estimated pre-tax impact of any qualifying natural catastrophe event, net of all recoveries (reinsurance and derivatives) and additional expenses as recorded in the SCOR group books.

<sup>3</sup> The ultimate net claims amount is the aggregate of all claims relating to non-natural catastrophe events affecting the SCOR group's life segment over a two (2) semester time period (i.e. amount of gross benefits and claims – amount of ceded benefits and claims over the time period considered).

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All subscriptions for new shares by J.P. Morgan will be made at a price equal to the volume-weighted average price of the SCOR shares on Euronext Paris over the three trading days preceding the exercise of the warrants, with a discount of 7.5%.

J.P. Morgan is committed to subscribing to the new shares but does not intend to become a long-term shareholder of SCOR and will resell the shares by way of private placements and/or sales on the open market. In this respect SCOR and J.P. Morgan have entered into a profit sharing arrangement whereby 75% of the gain, if any, will be shared with SCOR. If the resale of the new shares occurs immediately upon exercise of the warrants through an off-market transaction, the profit share ratio owed to SCOR will be paid in the form of SCOR shares in order to limit the dilutive impact of the transaction for SCOR's shareholders.

From the notification of the occurrence of a triggering event by SCOR to J.P. Morgan until the exercise of the warrants, J.P. Morgan will be prohibited from engaging in hedging transactions on SCOR shares, other than ordinary course of business transactions undertaken independently by J.P. Morgan's affiliated banking and brokerage businesses.

By way of illustration:

a/ Under current market conditions (i.e. an issuance price of EUR 19.2 based on a 7.5% discount on a three-trading day volume-weighted average price of EUR 20.7<sup>4</sup> per share), drawdown of the total cover (EUR 300 million) would account for a maximum of 8.7 % of SCOR's share capital<sup>5</sup>.

b/ In the highly adverse event that a single tranche of EUR 150 million is drawn down due to the fall of SCOR's share price, based on a 3-trading day volume-weighted average price of EUR 10 per share (i.e. an issuance price of EUR 9.3 per share after the 7.5% discount) the transaction would account for 9.0% of SCOR's share capital<sup>6</sup>.

Given these theoretical dilution levels, and because the number of new shares issued upon exercise of the warrants cannot exceed 10% of SCOR's share capital, no prospectus for the AMF will be prepared in connection with the setting up of this contingent equity line. Should the contingent capital be triggered and issued, SCOR will make the appropriate disclosures to the market in compliance with applicable market regulations as at the time of issuance of the new shares, regarding the circumstances of such issuance, the amount of the drawdown, the issuance price, the number of shares issued and the consequences of such issuance for its shareholders.

The transaction will have no impact on SCOR's 2022 accounts except for the immaterial subscription amount received by SCOR from J.P. Morgan for the warrant issuance (EUR 0.001 per warrant).

### Limited potential dilutive impact of the transaction for SCOR shareholders

This financial coverage is an event-driven contingent capital equity line, which may only be triggered by the occurrence of the aforementioned triggering events. Its potential dilutive impact therefore depends on the probability of occurrence of such triggering events, as well as on the share price at the time of trigger.

SCOR's management believes that such a contingent capital solution provides a significant net economic benefit for its shareholders, as it favorably compares to traditional retrocession and Insurance-

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<sup>4</sup> From December 12, 2022, to December 14, 2022.

<sup>5</sup> On the basis of SCOR's share capital made up of 179,671,295 shares as at November 30, 2022, as publicly disclosed on December 5, 2022.

<sup>6</sup> *Idem* note 5.

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Linked Securities (ILS) and it optimizes SCOR's risk protection costs with a limited potential dilutive impact.

The following chart summarizes the potential dilutive impact of the transaction under various scenarios for a shareholder holding 1% of SCOR's share capital prior to the share issuance (calculated on the basis of the number of shares that make up the share capital as at November 30, 2022).

Share issuance price	Scenario	Number of new shares issued	Percentage interest of an example shareholder	
			Non-diluted basis <sup>(1)</sup>	Diluted basis <sup>(2)</sup>
At the current 3-day VWAP of EUR 20.7 (issuance price = EUR 19.2)	No trigger	0	1.000%	0.976%
	2 tranches drawn down	15,639,479	0.920%	0.899%

(1) Based on the dilution of share capital as at November 30, 2022.

(2) Based on the dilution of share capital as at November 30, 2022, which would result from the exercise of all the outstanding stock option plans (options allocated but not vested and options vested but not exercised)

This table should be read as follows: a shareholder currently holding 1% of SCOR's share capital (on a non-diluted basis) would hold, on the occurrence of a triggering event, 0.920% of the capital following exercise of the warrants on the basis of an issuance price of EUR 19.2 per share (including discount).

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The Art & Science of Risk

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### **SCOR, a Global Tier 1 Reinsurer**

SCOR, a leading global reinsurer, offers its clients a diversified and innovative range of reinsurance and insurance solutions and services to control and manage risk. Applying “The Art & Science of Risk”, SCOR uses its industry-recognized expertise and cutting-edge financial solutions to serve its clients and contribute to the welfare and resilience of society.

SCOR offers its clients AA-level security and holds a rating of AA- or equivalent from Moody's and AM Best and of A+ from S&P and Fitch.

The Group generated premiums of more than EUR 17.5 billion in 2021 and serves clients in more than 160 countries from its 36 offices worldwide.

For more information, visit: [www.scor.com](http://www.scor.com).