November 2019

Green Insurance-linked Securities Framework

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Introduction

1. Introduction

The Generali Green Insurance-linked Securities Framework is intended to be strictly aligned with the Generali Green Bond Framework. Simultaneously it will be treated as a separate document to acknowledge its distinctiveness.

1.1. Background

Generali believes that integrating sustainability into its core business represents a strategic and competitive approach.

This is fully supported by the Charter of Sustainability Commitments, approved by the Board of Directors of Assicurazioni Generali S.p.A. in 2017, and the three-year strategic plan Generali 2021 setting specific goals that tighten the link between sustainability and Generali's core business. Here we committed to increase premiums from social and green products by 7%-9% and allocate € 4.5 billion to green and sustainable investments between 2018 and 2021.

In addition, Generali promotes initiatives to empowering disadvantaged people in the communities where the Group operates, through The Human Safety Net initiative.

In February 2018, the Board of Directors of Assicurazioni Generali S.p.A. approved the Strategy on climate change with specific actions on investments and underwriting. As a relevant part of this strategy, Generali considers stakeholders' engagement through its products, services and investments, alongside dialogues and collaborations with Governments and sector associations to facilitate the transition towards a society with a low environmental impact.

The Generali Group also participates in the UNEP FI Principles for Sustainable Insurance (PSI) work group on the implementation of the TCFD Recommendations and in the Investor Leadership Network, promoted as part of the G7 Investor Global Initiatives, in which we also thoroughly investigate the topic of climate change together with the main players in the financial sector.

1.2. Generali's Insurance-linked Securities

Insurance-linked securities, or ILS, are Alternative Risk Transfer and financial instruments which are sold to investors and whose value is affected by insured loss events.

Generally, ILS have little to no correlation with the wider financial markets as their value is mainly linked to non-financial risks e.g. natural disasters, motor third-party liability risk, longevity risk or life insurance mortality.
Partly due to its technical underwriting quality, Generali has been able to position itself as one of the main European Sponsors in the ILS market, sponsoring two catastrophe risk bonds (Lion I Re and Lion II Re) and one motor third-party liability risk bond (Horse Capital I) in the last five years.

Euro 190.000.000
Lion I Re Limited
Europe Windstorm

April 2014

- **First** cat bond on European Windstorm indemnity under 144A rule
- **First** cat bond from an Italian Sponsor

Euro 255.000.000
Horse I DAC
Europe Motor Third Party Liability

December 2016

- **First** motor bond on European MTPL indemnity under 144A rule
- **First** motor bond in a risk transfer format
- **First** motor bond to protect Generali P&L

Euro 200.000.000
Lion II Re DAC
Europe Windstorm, Italy Earthquake, Europe Flood

June 2017

- **First** in the market European Flood Cat bond based on indemnity-trigger
- **First** cat bond to combine three top European perils

These hedging instruments allow Generali to fund the insurance risks covered by ILS with capital from the capital market operators. Generali transfers risks to a special purpose vehicle established in a member state of the European Union pursuant to EU Directive 2009/138/EC and authorised to carry on activity by the applicable regulatory authority of such EU member state. Such an entity fully funds its exposure with the issuance of notes. The proceeds of these ILS notes – at-risk, variable rate notes - are deposited in a collateral account. In the case an insured loss event occurs, Generali can receive loss reimbursement from the collateral.

Generali Green ILS Framework

2. Generali Green ILS Framework

In the context of Generali's broader sustainability strategy and Green Bond Framework[1], we intended to further contribute to the development of a sustainable financial market by also issuing Green ILS going forward.

In order to maximize the contribution to the Green market, we designed this Framework to reflect the structure of an ILS transaction, which allows us to allocate funds to Green initiatives following two different approaches:

1. Using the freed-up capital benefit achieved through the ILS transaction for our Green assets and underwriting.

2. Investing the ILS proceeds segregated in the SPV in a portfolio of Green investments.

Generali wants to consider sustainability in the capital management solutions. Notably, this Framework aims to be the first contribution to develop guidelines for Green ILS structures. This project was developed in the context of Generali's ambition to further enhance its ability to finance green projects, including insurance products, and to mobilize all its stakeholders around this objective.

In this context, the Generali Green ILS Framework is a set of voluntary guidelines for integrating Environmental, Social and Governance (ESG) elements within Generali's ILS, and for recommending transparency and disclosure by clarifying the approach for Green ILS.

For each one of the approaches defined above, Generali's Green ILS Framework is based on the following key pillars:

1. Use of Funds;
2. Process for Project Evaluation and Selection;
3. Management of Funds;
4. Reporting.

Generali's Green ILS can be structured under this Framework by Assicurazioni Generali S.p.A. Further details will be provided in the applicable announcements and transaction documentation.

2.1. Generali's Freed-up Capital

The European Directive 2009/138 has introduced the calculation of capital for insurance and reinsurance undertakings with an approach risk based and forward-looking. The greater the risk in terms of exposure held, the greater the required risk capital that a company must hold. In this context, Risk Mitigation Techniques, such as insurance-linked securities, can allow the freeing up a part of the risk capital when they effectively reduce risk held by (re)insurance companies. For the Generali Group, the calculation of the risk capital is performed for the majority of exposures with its own internal model approved by the College of Supervisors, with residual exposures being measured according to the Solvency II Standard Formula.

1 https://www.generali.com/doc/jcr:5d96a44f-03a2-4f5c-9150-5c44d37fb1b9/lang:it/Green_Bond_Framework.pdf

2.1.1. Use of the Freed-up Capital

An amount equivalent to the capital relief benefit achieved through Green ILS transactions will be exclusively used to allocate capital to or (re)finance, in whole or in part, Eligible Projects defined as per the below:

Eligible Assets in the form of project bonds or equity investments for which the freed-up capital can be allocated for financing or re-financing purposes; new financing includes Assets acquired after the Green ILS transaction, while existing eligible Assets can be considered for refinancing if they have a targeted look-back period of 2 years.

Eligible Products are insurance contracts of P&C business both retail and corporate, including renewals, for which the underwriting period is no more than 2 calendar years prior to issuance of the Green ILS.
Alternatively, Products can be considered for inclusion when underwriting periods start after the sponsoring of the Green ILS. The insurance contracts eligible in this context are intended to have a positive impact on the environment and/or to reduce environmental impact, including:

- Mitigation: products promoting responsible behaviour to decrease pollution.
- Adaptation: products reducing negative impact of climate change.
- Circular economy: minimising waste and making the most of resources.

Eligible Projects

Green Building

Objectives:
Increase the portfolio of buildings with sustainability certification.

Environmental benefits:
Energy savings, water conservation, recycling waste.

Asset examples:
Financings related to:
(i) The acquisition of green commercial and residential buildings, which meet regionally, nationally or internationally recognized standards of certifications such as LEED (Gold or above), BREEAM (very good or above), HQE (Excellent or above), or any equivalent and recognized green building Assessment system.
(ii) Expenses in building retrofitting with an improvement in energy efficiency resulting in a minimum of 30% of energy savings.

Contribution to SDG:
11 (Sustainable cities & communities)

SDG Targets:
11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
11.C: Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials.

11 SUSTAINABLE CITIES AND COMMUNITIES

Energy Efficiency

Objectives:
Fostering energy efficient infrastructure.

Environmental benefits:
Energy savings; GHG emissions reduction.

Asset examples:
Financings related to:
(i) Improved infrastructure (e.g. LED street lighting).
(ii) Energy storage.
(iii) Smart grid investments for more efficient transmission and distribution of energy or reduction of demand.
(iv) Smart Meters.

Contribution to SDG:
7 (Affordable and clean energy)

SDG Targets:
7.3: Double the global rate of improvement in energy efficiency by 2030.

7 AFFORDABLE AND CLEAN ENERGY

Renewable Energy

Objectives:
Encourage the development of renewable energy production; Promotion of energy innovation through investments in renewable energy resources.
We consider the following renewable sources:
(i) Onshore and offshore wind energy
(ii) Solar energy (Photovoltaics PV and Concentrated Solar Power CSP)
(iii) Geothermal facilities
(iv) Hydropower

Environmental benefits:
GHG emissions reduction; Climate change mitigation.

Asset examples:
Financings related to the acquisition, conception, construction, development and installation of infrastructures in renewable energy production units; as well as the connection of renewable energy production units to the electricity grid and the transportation through the network. In particular, taxonomy applied to the following sources is:

(i) Solar energy through facilities that generate no more than 15% of electricity from non-renewable sources.
(ii) Geothermal facilities with direct emissions ≤ 100g CO_2 e/kWh.
(iii) Hydropower with a capacity up to 20MW; and with power density > 5W/m2; or emissions intensity < 100g CO_2 e/kWh subject to an assessment, based on recognized best practice guidelines, of environmental and social risks and measures to address such risks.

Product Examples:
Products, or insurance contracts/solutions, related to insure risks for renewable energy production units; as well as the relevant dedicated connection of renewable energy production units to the electricity grid and the transportation through the network. In addition, products can also insure the loss of profits for renewable energy generation equipments covering income loss due to lack of wind or sunshine, and other coverage for renewable energy generation equipment.

Contribution to SDG:
7 (Affordable and clean energy)
13 (Climate Action)

SDG Targets:
7.1: By 2030, ensure universal access to affordable, reliable and modern energy services.
7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.
13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

Clean Transportation

Objectives:
Encourage the development of low-energy and low-carbon transport.

Environmental benefits:
GHG emission reduction, pollutant emission reduction.

Asset examples:
Financings related to the development, construction, acquisition, operation, maintenance, and upgrades of low-energy and low-carbon transport assets, including:

(i) Transportation infrastructure for mass transportation (expansion of train/metro networks, projects in relation to capacity improvement, station upgrade).
(ii) Electric passenger & freight vehicles Dedicated charging to foster the development of electric vehicles.

Product Examples:
Products, or insurance contracts, related to insure risks of low-energy and low-carbon transports. In addition, products incentivizing actively [i.e. differential pricing for low-carbon alternatives] clients' responsible behaviors can be:

(i) Insurance products for green cars (electric and hybrid).
(ii) Environmentally-friendly driving behaviour[2] and insurance products for cars with 5.000 km or below annual mileage.
(iii) Insurance products for bikes or scooters (electric or not motorized).

Contribution to SDG:
9 (Industry, Innovation, Infrastructure)
11 (Sustainable cities & communities)

SDG Targets:
9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.

2 Connected products such as telematics insurance policies "Pay how you drive(PHYD)" give the opportunity, through the feed-back available in the intranet of PHYD products, to track the customers' driving behaviour braking patterns, acceleration events, speed, types of roads used); the insurer can use the information about the insured driving performance to charge premiums according to individual driving habits. The customer is incentivized to change its way of driving, reducing CO_2 emission also thanks to the tailor based premium. Moreover, differential pricing is given to those drivers showing a low annual mileage with a direct impact on traffic congestion and safety plus pollution emission reduction.

Sustainable Water Management

Objectives:
Contributing to the building of sustainable water infrastructure.

Environmental benefits:
Safe drinking water, improving water resources management practices.

Asset examples:
Financings related to the development, construction, acquisition, installation, operation, and upgrades of sustainable water management projects, including:

- (i) Drinking water treatment and distribution systems.
- (ii) Water recycling systems, wastewater treatment facilities.
- (iii) Flood prevention, flood defence or storm-water management such as green roofs.
- (iv) Wetlands, retention berms, reservoirs, lagoons, sluice gates, drainage systems, tunnels and channels.
- (v) Other water related projects including irrigation, etc.

Contribution to SDG:
6 (Clean water and Sanitation)
11 (Sustainable cities & communities)

SDG Targets:
6.1: By 2030, achieve universal and equitable access to safe and affordable drinking water for all.
11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and waste management.

Recycling, re-use & waste management

Objectives:
Implementing waste management infrastructure and promoting circular economy.

Environmental benefits:
Energy savings; GHG emissions reduction.

Asset examples:
Investment related to waste management, circular economy, pollution prevention and control related to:

- (i) Facilities for collection, sorting and material recovery.
- (ii) Facilities for the recycling/reuse of materials.
- (iii) Facilities for the production of compost/ biogas from organic waste.

Waste to energy plants with a 25% minimum conversion rate and emissions intensity of ≤ 100g CO_2 e/kWh for electricity generation and of < 18.8 g CO_2 e/MJ for heat generation.

Contribution to SDG:
11 (Sustainable cities & communities)
12 (Responsible consumption and production)

SDG Targets:
11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and waste management.
12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

In the context of allocating the free-up capital to Eligible Projects, the following Exclusion Criteria apply:

Entities which have direct exposure to the following controversies:

- Production of weapons that violate fundamental humanitarian principles through their normal use (cluster bombs, antipersonnel landmines, nuclear arms, etc.)
- Serious or systematic human rights violations
- Severe environmental damages
- Gross corruption.

Specific to Assets, the following activities:

- Fossil-fuel energy
- Nuclear energy
- Large hydropower plants (>20MW)
- Gambling
- Tobacco
- Alcohol
- Weapons.

Specific to Products, Entities performing activities for which they are exclusively or predominantly involved with the following sectors:

- Defense
- Hydro-electric power construction
- Mining
- Health care (e.g. clinical trials, animal testing)
- Pornography and prostitution
- Betting and Gambling
- IUU Fishing.

Specific to Products, Entities being involved in:

- Coal-related business
- Oil and gas exploration and production (upstream only) activities
- Tar sands and associated pipelines
- Nuclear energy.

2.1.2. Process for Project evaluation and selection

Generali ensures that Eligible Projects comply with national and international environmental and social standards and local laws and regulation on a best effort basis.

Eligible Projects selection also complies with all Generali Group's internal ESG policies and guidelines such as[3]:

– Code of Conduct
– Group Sustainability Policy
– Charter of Sustainability Commitments
– Group Policy for the Environment and Climate
– Group Responsible Investment Guideline for Eligible Assets
– Responsible Underwriting Group Guideline for Eligible Products
– P&C Underwriting and Reserving Group Policy
– P&C Underwriting Group Guidelines (both Retail & Case Underwriting)
– Group Non-Life Risk Guidelines.

As an integral part of its governance for Green ILS, Assicurazioni Generali S.p.A. will set up a Green ILS Committee, bringing together various departments within the Group to supervise the activities following the potential sponsorship of the Green ILS, the selection and monitoring of the pool of the Eligible Projects and to ensure the compliance of the Green ILS with best practices.

More specifically, the role of the Green ILS Committee will be:

i. To review and validate the existing pool of Eligible Projects;
ii. To review and validate the new underwriting and investments/financing to be included in the pool of Eligible Projects
ii. To manage any future updates of the Framework.

The Green ILS Committee will meet on a semi annual basis and will be chaired by the Group Head of Capital Management function.

3 Some documents are available on the Generali's web-site:
- https://www.generali.com/doc/jcr:7a783bc2-5178-43c6-a7fa-36698388f017/lang:en/CoC_NEW_GRAPHICS_ENG.pdf
- https://www.generali.com/doc/jcr:3761c796-e150-4837-85bc-c7f710d9f565/lang:en/Sustainability_Group_Policy_ENG.pdf
- https://www.generali.com/doc/jcr:a095ac7c-23b3-4aed-bc64-31d32c1283b1/lang:en/Charter_of_Sustainability_Commitments.pdf
- https://www.generali.com/our-responsibilities/our-commitment-to-the-environment-and-climate/policy-for-the-environment-and-climate
- https://www.generali.com/our-responsibilities/responsible-investments
- https://www.generali.com/doc/jcr:006d5b90-ef90-4cb2-90ac-262af6f94fee/lang:en/RUGG_website.pdf
- https://www.generali.com/doc/jcr:006d5b90-ef90-4cb2-90ac-262af6f94fee/lang:en/RUGG_website.pdf

Members of the Green ILS Committee will include the following departments:
- Group Capital Management: in charge of coordinating the different teams involved in the process, taking the decision of new sponsorship, allocating the unallocated freed-up capital.
- Group Debt and Treasury: responsible for ensuring the consistency and avoiding overlap of investments/ financing by any Generali's Green Bond as defined in the Generali Green Bond Framework[4].
- Corporate Sustainability and Social Responsibility team: responsible for ensuring the consistency between the characteristics of the Eligible Projects and the broader Generali Group sustainability strategy.
- Group Investment Governance team: responsible for ensuring that the eligible assets are consistent with the Group Responsible Investments guidelines and in charge of providing updates on the investment/ financing activity performed in the sustainable infrastructure category.
- Group Risk Management: Group control function responsible for providing and monitor risk capital and freed-up capital on an on-going basis and for performing a second line of defense control role.
- Generali Real Estate team: responsible for providing semi-annual updates on the investment/financing activity performed in the Green Buildings category.
- Group Integrated Reporting team: to validate the annual reporting for investors and to review the appropriate external independent auditors' report and address any issues arising.
- Group Investor Relations team: responsible for liaising with external parties within the analysts and investor communities.

On specific topics Group Reinsurance, Group P&C Retail and Group P&C Corporate & Commercial can be present upon request. They are in charge of providing updates on the underwriting activity performed in the sustainable category and, in particular, Group P&C C&C is responsible for defining and monitoring the implementation of the Responsible Underwriting Group Guidelines.

Any other teams deemed necessary to be represented may also be included.

The process for evaluation and selection of Eligible Projects reflects the integration of sustainability criteria within the Group's processes:
1) Analysis of eligibility: the persons in charge of Real Estate and Infrastructure investments/financings and underwriting are trained, within each selected area, to evaluate the compliance with the criteria for Eligible Products.
2) Confirmation of eligibility: the identified projects are then subject to a second analysis with respect to their conformity to the criteria. This examination is carried out by the Green ILS Committee.
3) Allocation decision: the Green ILS Committee takes the final decision on the allocation of designated freed-up capital to projects. The Committee also examines twice a year the pool of projects already allocated to verify their continued compliance and absence of significant controversy. The occurrence of a potential controversy regardless of its nature can lead to a retraction, temporary or permanent, of a project from the list of Eligible Projects. A new project would then be suggested as a substitute in case the pool of Eligible Projects, considered for the capital allocation, is the is lower than the amount of freed-up capital raised through the issuance of Green ILS.

4 https://www.generali.com/doc/jcr:5d96a44f-03a2-4f5c-9150-5c44d37fb1b9/lang:it/Green_Bond_Framework.pdf

2.1.3. Management of funds

In accordance with the evaluation and selection process presented above, an amount equivalent to the freed-up capital by the Green ILS will be allocated to Eligible Projects and managed by Generali's Green ILS Committee.

Generali commits on a best effort basis to reach full allocation of the freed-up capital amount within one year following Green ILS sponsorship. The Group will monitor and track the freed-up capital through its internal accounting and risk management processes. Pending full allocation, unallocated freed-up capital may temporarily be allocated and/or invested in cash, deposits or money market instruments. Generali intends to ensure that the outstanding balance related to the portfolio of Eligible Projects always equals or exceeds the total balance of Green ILS freed-up capital. If any Eligible Projects exit Generali's portfolio or cease to fulfil the Eligibility Criteria, Generali will strive to substitute those projects with replacement Eligible Projects that comply with the Eligibility Criteria, as soon as reasonably possible.

Further details will be provided in the applicable announcements and transaction documentation for each Green ILS transaction.

2.1.4. Reporting

Generali will endeavour to produce annual reporting until full allocation, providing details on any material changes that would affect the portfolio of Eligible Projects.

The reporting will include allocation and impact reporting sections as detailed below.

Allocation reporting

Allocation reporting will include the following details:

1. Amount of Green ILS freed-up capital;
2. Ratio of Green ILS freed up capital to ILS issuance size;
3. Balance of unallocated freed-up capital at reporting end-period (if any);
4. Breakdown of total amount of Eligible Projects per category and Assets/Products;
5. Breakdown by country – or any other relevant geographic area.

Impact reporting

Generali commits on a best effort basis to report on relevant impact metrics, which may include:

Eligible Categories	Impact Metrics
1. Green Buildings	· Annual energy savings (MWh) · Estimated annual GHG emissions reduced/avoided (in tons of CO_2 equivalent)
2. Renewable Energy	· Breakdown of Renewable Energy loans by energy type · Installed renewable energy capacity (MW) · Expected annual renewable energy generation (MWh) · Estimated annual GHG emissions reduced/avoided (in tons of CO_2 equivalent) · Number of schools having access to renewable energy
3. Energy Efficiency	· Type of projects · Country · Smart meters: number of installed points · Estimated energy saved (MWh)

4. Clean Transportation	· Length of rail construction · Number of electric vehicle charging points installed · Estimated annual GHG emissions reduced/avoided (in tons of CO_2 equivalent)
5. Sustainable Water Management	· Amount of wastewater treated, reused or avoided before and after the project · Volume of water saved · Volume of wastewater treated for reuse · Number of people provided with safe and affordable drinking water · Irrigated surface · Area covered by water resources management practices
6. Recycling, re-use & waste management	· Waste that is prevented, minimized, reused or recycled before and after the project · Number of people benefitting from selective collection of recyclables · Materials sourced sustainably or recycled · Avoided emissions to air

2.2. SPV's Guidelines

The special purpose vehicle (the "SPV") involved in an ILS transaction is established in an EU member state pursuant to the rules for SPVs set out in EU Directive 2009/138/EC and supplemental EU regulations which contain provisions relation to the authorisation, regulatory requirements and supervision of SPVs which assume risks from an insurance undertaking through reinsurance contracts or similar arrangements.

In order to carry on such activities, the SPV must be authorised by the applicable regulatory authority of the EU member state of its establishment. The activities of the SPV are limited and details of the proposed activities must be disclosed to the applicable regulatory authority as part of the application for authorisation of the SPV. The corporate affairs of each SPV are administered by a third party insurance manager in the EU member state of its establishment. The holder of the shares in the SPV is typically a nominee company of such insurance manager which holds the shares on trust for charitable purposes.

The board of directors of the SPV comprises persons who are employees of the insurance manager or external directors, the majority of whom have no connection with Generali.

The shareholder and the directors of the SPV are required to satisfy fit and proper requirements set out in EU Directive 2009/138/EC and the regulatory authority in the EU member state in which the SPV is established will only authorise the SPV if satisfied that such fit and proper requirements are satisfied.

2.2.1. Selection of Service Providers

The choice of the main service providers of the SPV considers also their commitment to a sustainable framework in performing their activities.

The selection process of the main service providers of the SPV incorporates Environmental, Social and Corporate Governance (ESG) criteria in order to reduce the risks, including potential reputational risks, deriving from the interaction with companies with poor ESG practices. The choice of the main service providers of the SPV considers also their commitment to a sustainable framework in performing their activities.

2.2.2. Use of ILS Proceeds

The SPV invests the net proceeds from the issue of the ILS notes in accordance with provisions set out in the documents under which the SPV issues the ILS notes and as disclosed to the applicable regulatory authority as part of the application by the SPV for authorisation.

One of the requirements for SPVs under EU Directive 2009/138/EC and supplemental EU regulations is that the SPV has at all times assets the value of which is equal to or greater than the aggregate maximum risk exposure of the SPV. As such, the investments of an SPV are assets which maintain a stable value rather than a fluctuating value, e.g. debt investments rather than equity investments, and which have a high level of creditworthiness.
The SPV may need to pay amounts to Generali from time to time pursuant to the reinsurance contract or similar arrangement entered into between the SPV and Generali. In order that the SPV is in a position to make such payments in a timely manner, the investments of the SPV must be capable of being liquidated into cash in a timely manner and without any discount or penalty being applied.

Article 327 of Commission Delegated Regulation 2015/35 sets out requirements which apply to investments by SPV. The applicable regulatory authority only authorises the SPV upon being satisfied that the arrangements for the investment of the net proceeds from the issue of the ILS notes comply with those requirements.

Eligible Investments
For any ILS transaction, the investments in which the net proceeds from the issue of the ILS notes are invested (the "Eligible Investments") are determined by Generali and are subject to the approval of the applicable regulatory authority that authorizes the SPV for the transaction. The Eligible Investments are disclosed to prospective investors in the ILS notes as part of the marketing process of the ILS notes. Prospective investors will only acquire the ILS notes if they are satisfied with the Eligible Investments.

Once the ILS notes are issued neither Generali, nor the directors of the SPV, nor any other person has any discretion regarding the Eligible Investments. However, the terms of the ILS transaction may provide for more than one type of Eligible Investment by specifying an initial Eligible Investment but also specifying one or more fall-back or alternative Eligible Investments in the event that the initial Eligible Investment is no longer available or becomes less creditworthy.

The market norm for ILS transactions is for the Eligible Investments to comprise redeemable notes issued by a highly rated multilateral institution (e.g. European Bank for Reconstruction and Development or International Bank for Reconstruction and Development) and/or shares in money market funds.

These Eligible Investments have the following characteristics:
- Denominated in the currency in which the ILS notes are issued and the payments under the reinsurance contract are to be made, in order that there is no FX risk;
- Chosen for security not yield;
- In the case of redeemable notes, the issuer is rated of at least "AA-" (S&P) and "Aa3" (Moody's);
- In the case of money market funds, invests solely in short-term securities issued by governments or supranationals or repos of such securities;
- Pay without any withholding tax;
- Redeemable at par (100%).

The initial Eligible Investment for the Green ILS transactions will be redeemable notes the proceeds of which are applied to finance Eligible Projects in one or more of the categories set out at paragraph 2.1.1 above.

For the avoidance of doubt, Eligible Investments will not include any redeemable notes the proceeds of which are applied to finance any of the following:
- fossil-fuel energy;
- nuclear energy;
- large hydropower plants (>20MW);
- gambling;
- tobacco;
- alcohol and weapons.

Further details will be provided in the applicable announcements and transaction documentation for the Green ILS transactions.

As noted above, those money market funds that are Eligible Investments for ILS transactions are those which invest solely in short-term securities issued by governments or supranationals (or repos of such securities). The pool of such securities that also satisfy ESG or green criteria is extremely limited. Therefore, there is the possibility that there are not currently any money market funds which both invest solely in short-term securities issued by governments or supranationals (or repos of such securities) and also satisfy ESG or green criteria.

2.2.3. Process for Investment evaluation and selection

The Eligible Investments comply with national and international environmental and social standards and local laws and regulation on a best effort basis.

2.2.4. Management of proceeds

The net proceeds from issuance of the ILS notes will be fully invested in redeemable notes which satisfy the Green criteria, as described above. If all such Eligible Investments cease to be available then the net proceeds of the ILS notes will be invested in specified money market funds or, if such money market funds are not available or do not satisfy specified criteria, will be as a cash deposit with the bank that is acting as trustee for the ILS transaction. As noted above, neither Generali, nor the directors of the SPV, nor any other person has any ongoing discretion regarding the Eligible Investments in which the proceeds of the issuance of the ILS notes are invested, the arrangements for such investments being specified in the terms of the issuance of the ILS notes.

2.2.5. Reporting

The SPV will provide to investors in the ILS notes all reporting in relation to the redeemable notes received from the issuer of the redeemable notes, including the information provided by the issuer of the redeemable notes regarding allocation and impact reporting, which is anticipated to be in line with metrics detailed in paragraph 2.1.4 above.

External review

3. External Review

Second-Party Opinion

Prior to issuance, Generali has commissioned Sustainalytics to conduct an external review of its Green ILS Framework and issue a Second Party Opinion on the Framework's environmental and social credentials. The Second Party Opinion will be made available on Generali's website.

Verification of the reporting

Generali will request on an annual basis, starting one year after issuance and until full allocation, an assurance report of the amount and the allocation of the Freed-up Capital achieved by the Green ILS to Eligible Projects, provided by its external auditor (EY or any subsequent external auditor).