



CLIMATE-RELATED FINANCIAL DISCLOSURE 2022



The background features several red abstract geometric shapes and lines. At the top left, there is a solid red shape with a curved edge. A thin red line starts from the top left and curves downwards and to the right. Another thin red line starts from the top right and curves downwards and to the left. In the center, there are two overlapping parallelogram-like shapes with rounded corners, one slightly offset from the other. Below these, a thin red line curves upwards and to the right. At the bottom, there is a solid red shape with a curved edge on the right side, and a thin red line curves upwards and to the right from the bottom left.

CLIMATE-RELATED FINANCIAL DISCLOSURE 2022

INTRODUCTION

With the [Climate-related Financial Disclosure](#) we aim to provide investors and other stakeholders with relevant information to assess the adequacy of our approach to climate change and our ability to manage the risks and opportunities it brings.

Since 2017, we have welcomed the efforts of the [Task Force on Climate-related Financial Disclosures - TCFD](#) initiated by the Financial Stability Board and we have voluntarily committed to the disclosure of financially material information about the [impacts of climate change on our activities](#). We also chose transparent and proactive communication on the [actions](#) we have taken in [support of the Paris Agreement](#) of “limiting global warming to well below 2°C and to pursue efforts to limit temperature increases to 1.5°C above pre-industrial levels”. A tangible expression of this commitment is our joining the [Net-Zero Asset Owner Alliance](#) and the [Net-Zero Insurance Alliance](#), two coalitions of many of the world’s leading insurers and asset owners, convened by the United Nations, delivering on a bold commitment to reduce the greenhouse gas emissions related to their financial portfolios to net-zero by 2050.

The assessment of the climate-related impacts on the business is a complex activity and the methodologies for the effective reporting on these aspects are still evolving. This exercise is a starting point of a [journey](#) to the progressive refinement and sophistication of our analysis and disclosure.

The data and information included in this Disclosure are largely derived from the [Generali Group’s 2022 Annual Integrated Report and Consolidated Financial Statements](#) and they are organized so as to illustrate how we are implementing the recommendations of the TCFD, whose structure is reflected: Governance, Strategy, Risk Management, and Metrics and Targets.



This Disclosure is an integral part of our commitment to promote active leadership within the insurance industry in addressing climate challenges and fostering systemic responses for a just transition to a low-carbon society. In this spirit, we participate in a number of climate-related [working groups](#), including: [UNEP FI PSI and PRI](#), [Net-Zero Asset Owner Alliance](#), [Net-Zero Insurance Alliance](#), [Climate Action 100+](#), [CRO Forum](#), [Geneva Association](#), [EIOPA Pilot Exercise on Climate Change Adaptation in Non-Life Underwriting and Pricing](#) and [CDP](#).

GOVERNANCE

The Group governance is structured in such a way as to favour effective management of the risks and opportunities tied to climate change, which is considered one of the ESG factors most material for the Group, our value chain and the stakeholders.

Board of Directors' role

The Board of Directors ensures that the Group organization and management system is complete, functional and effective in monitoring climate change-related impacts. In 2018, it therefore approved the [Group Strategy on Climate Change](#), which was updated and further developed in March 2020, June 2021 and June 2022, outlining a plan for investment, underwriting and stakeholder engagement activities to mitigate climate risks and facilitate the just transition to a low-carbon economy. The Board of Directors also monitors the implementation of this strategy and the results achieved through the Innovation and Sustainability Committee. In 2022, these elements were analysed during 4 meetings of the Committee.

Management's role

Climate change may have pervasive impacts across the entire organization. For this reason, the decisions on how to integrate the assessment and effective management of climate change impacts into the different business processes are guided by the [Sustainability Committee](#) at top management level, which can rely on adequate responsibilities and a cross-functional vision across multiple Groups' functions and geographies. This Committee, sponsored by the Group CEO, consists of the heads of both the GHO functions and business units. The decisions set forth by the Committee are implemented by the competent management, each for its area of responsibility. In December 2022, the Sustainability Committee was incorporated into the responsibilities of the [Group Management Committee](#). A component of the variable remuneration of the Group CEO and top management depends on the results achieved in the implementation of the Strategy on Climate Change.

This cross-functional approach is also reflected in a work group that pools together the functions of Group Chief Investment Officer, Group P&C Retail, Group P&C Corporate & Commercial, Group Life & Health, Group Integrated Reporting, Group Risk Management, and Group Sustainability & Social Responsibility. The goal of this work group is to guarantee the management of the risks and opportunities tied to climate change in compliance with the strategy defined by the Board and to ensure the reporting on these aspects both to internal competent bodies and to external stakeholders, in line with the TCFD recommendations.

STRATEGY

Climate change is a material mega trend with complex impacts in different geographies and different sectors.

Climate change risks can be divided in:

- **physical risks**, arising from the worsening of catastrophic events such as storms, floods, heat waves;
- **transition risks**, arising from the economic developments generated by the transition to a greener economy, with lower or virtually zero levels of greenhouse gas emissions.

Climate change also generates **opportunities** for companies that can develop solutions supporting the transition to a climate resilient economy and that increase its resilience through adaptation.

PHYSICAL RISKS

As for the insurance industry, the worsening of climate-related weather phenomena - as part of physical risks - may impact on the **P&C segment** in terms of pricing, frequency and intensity of catastrophic events, impacting - conditions being equal - the number and cost of the claims and their management expenses, as well as reinsurance costs.

The **Life segment** might also be impacted: the intensification of the heat waves, the increased frequency of floods and the expansion of the habitats suitable for hosting carriers of tropical diseases indeed might worsen the expected mortality and morbidity rates.

The physical risks caused by climate change, which worsen the living conditions of the population and increase damages not covered by insurance, might also lead to a deterioration of **socio-political stability** and the **macroeconomic and geopolitical conditions**, with cascade effects on the financial system and on the overall economy.

TRANSITION RISKS

The transition to a greener economy (transition risks) is driven by changes in national or international public policies, in technologies and in consumer preferences that might affect different sectors, especially those with a higher energy intensity, up to leading to the phenomenon of the so-called **stranded assets**, which is the loss of value for the so-called carbon intensive sectors.

A good portion of the impact of these risks depends on the speed to come into line with **stricter environmental standards** and on the **public support** that will be guaranteed for reconversion. The transition risks are therefore influenced by factors marked by a high degree of uncertainty, such as political, social and market dynamics and technological changes. Even though the speed of transition and its risks are hard to determine today, they will probably have wide-ranging consequences, especially in several sectors such as **energy**.

Financing or insuring companies operating in sectors characterized by high greenhouse gas emissions and do not have adequate decarbonization strategies might also expose to **reputational risks**.

OPPORTUNITIES

Climate mitigation and adaptation strategies offer investment opportunities as well as opportunities for the development of the insurance market. As weather phenomena and extreme natural events evolve and intensify, a related **increase in the demand for protection** through specific insurance solutions and risk management is plausible.

The new regulations and the public plans launched in Europe aimed at creating incentives for transition to a green economy, together with the changes in consumer preferences, are supporting the demand for **insurance products** tied to the sector of **renewable energy, energy efficiency and sustainable mobility**. They are increasing the retail demand for green insurance products and services linked to sustainable lifestyles and strengthening the demand for **investment products linked to green finance**.

The decarbonization of the economy and, more specifically, the large-scale spread of systems producing **energy from renewable sources** require substantial investments that are only partly covered with public funds, in this way increasing investment opportunities for private parties.

RISK AND OPPORTUNITIES MANAGEMENT

We have defined processes and tools to mitigate climate risks and to seize the opportunities arising from the green transition. These include monitoring the adequacy of the actuarial models to assess and rate risks, recourse to risk transfer mechanisms, periodical analysis of the investments, product and service innovation processes, dialogue with stakeholders and development of partnerships to share knowledge and identify effective solutions. Particularly noteworthy is our participation in the Net-Zero Asset Owner Alliance, the Net-Zero Insurance Alliance, the PRI (Principles for Responsible Investments), Climate Action 100+ network, and the LSE Investing in a Just Transition project.

PHYSICAL RISKS

We manage short-term physical risks by adopting a risk monitoring and careful selection aimed at **optimizing the insurance strategy** with the use of **actuarial models** that are periodically updated in order to estimate potential damage, including natural catastrophe damage, influenced by climate change.

We turn to **reinsurance contracts** and **alternative risk transfer instruments**, such as the issue of insurance securities protecting against natural catastrophe risks, i.e. cat bonds, like Lion III Re.

In order to reduce exposure to physical risks of our corporate customers in the Property & Casualty segment, we provide **consulting services** to introduce technical-organisational improvements capable of increasing the protection of the insured assets even from extreme natural events, and we define **claim prevention programs** and periodically monitor them.

We set up special procedures to **speed up damage appraisal** and **claims settlement** in the case of natural catastrophes and extreme events so as to strengthen the resilience of the territories struck and to facilitate the post-emergency assistance and return to normality phase.

TRANSITION RISKS

As for the transition risk management, **we are reducing the already limited exposure of the investment portfolio to issuers of the coal sector in order to reach zero exposure in OECD countries by 2030 and in the rest of the world by 2040.** A gradual exclusion approach is also applied to the **tar sands sector** and to **oil and gas extracted through fracking** and in the **Arctic**.

We also set the target of transitioning our **investment portfolio to net-zero greenhouse gas emission by 2050**, in line with the Paris Agreement's goal of limiting global warming to 1.5°C compared to pre-industrial levels.

The exposure of our client portfolio to fossil fuel sector is low: **we exclude underwriting risks associated with oil and gas exploration and extraction – both conventional and unconventional** - and since 2018 we no longer offer insurance coverage for the construction of new coal-fired power plants, for existing **coal-fired power plants** of new customers and for the construction of **new coal mines**. Also for underwriting, we set the goal of **gradually reducing our current limited exposure to the thermal coal sector in order to reach zero exposure in OECD countries by 2030 and in the rest of the world by 2038.**

In parallel with what we are doing for investments, we are also committed to ensuring that the **emissions associated with our insurance portfolio** enable the achievement of the objectives set out in the Paris Agreement, through a strategy of decarbonisation aimed at achieving net-zero emission by 2050.

Finally, Generali champions the principles of the **Just Transition** through its **engagement activity** with issuers and clients. This activity has historically been targeted at energy companies in countries heavily dependent on coal as a primary energy resource. The purpose is in fact to accelerate their energy transition, combining climate protection with the adoption of measures to protect communities and workers.

To demonstrate consistency with the commitments required to our customers, issuers and business partners, **we are reducing greenhouse gas emissions generated by our operations** by optimizing spaces, purchasing green energy, pursuing digitalization and promoting the use of more sustainable means of transport.

OPPORTUNITIES

In order to seize the investment and development opportunities arising from mitigation and adaptation to climate change, we offer: insurance solutions to **protect customers from natural catastrophe damage, including damage influenced by climate change**; coverage for **industrial power generation plants from renewables**; and insurance solutions to support customers in adopting **sustainable lifestyles**. We are also working to expand the offer of thematic investment products linked to green finance for the retail segment.

We are increasing our direct investments in **green and sustainable assets** as stated in our Lifetime Partner 24: Driving Growth strategy and we continue to issue bonds with the aim of financing or refinancing also projects relating to green buildings, renewable energies, energy efficiency and clean transportation.

In addition to the climate risk management interventions described above, in 2019 we launched a further project of progressive integration of climate factors in risk management processes, adopting an approach based on materiality to guide the identification, assessment and management of the impact of climate risk drivers on traditional risk categories of with reference to the most significant areas of the business with respect to physical and transition risks.

The project, known as Climate Change Risk Project, is encompassed within:

- the process of emerging and sustainability risks' identification, already defined in the Risk Management Group Policy and carried out within the Main Risk Self Assessment (MRSA), which includes main and emerging risks;
- the Strategy on Climate Change and, in particular, to help monitoring the targets of the Net-Zero Asset Owner Alliance and Net-Zero Insurance Alliance initiatives.

Given the nature of the impacts related to sustainability risks, for climate change risk, two perspectives¹ are considered:

- outside-in (or **incurred risk**) related to the impacts of climate change on the Group, in particular on the value of investments and on the profitability of products and services. The Group assesses the impacts of:
 - physical risk, related to losses caused by changes in frequency and severity of climate-related natural events;
 - transition risk, related to losses caused by variation in costs and revenues deriving from the transition to a green economy;
- inside-out (or **generated risk**) related to the impacts that the Group generates through its operations and, indirectly, through investments, services and products.

Within such project the Group Risk Management function aims at defining a climate risk management framework that considers both perspectives jointly.



In terms of governance, given the cross-cutting nature of the risk and the need to ensure its effective integration in the business as well as a shared understanding of the methodological aspects related to its assessment, the project working group includes Group Sustainability, Group Integrated Reporting and Group Corporate Affairs functions, as well as Group P&C, Claims & Reinsurance, Group Actuarial Function and Group Investments.

The work is then shared with Group companies to grant an adequate and timely implementation. The framework is based on the four phases of the Risk Management process already defined in the Risk Management Group Policy, being identification, measurement, management and reporting.

During 2022, we have:

- defined a proprietary methodology and an internally developed tool, (Clim@Risk), for assessing the impact of climate scenarios on the investment and P&C underwriting portfolio;
- designed a system of risk limits to manage both the exposures to this risk in the outside-in perspective and the monitoring of the defined targets' achievement in the inside-out perspective;
- strengthened the risk reporting process, on the framework and the findings of the assessments conducted, which were presented to:
 - the top management, the Board of Directors and the Risk and Control Committee;
 - the Supervisory Authority through the Own Risk and Solvency Assessment (ORSA) Report at Group and local level, the latter after sharing this methodology with Group entities;
 - the market, through this disclosure;
 - the rating agencies and as part of the required disclosure on sustainability risks.

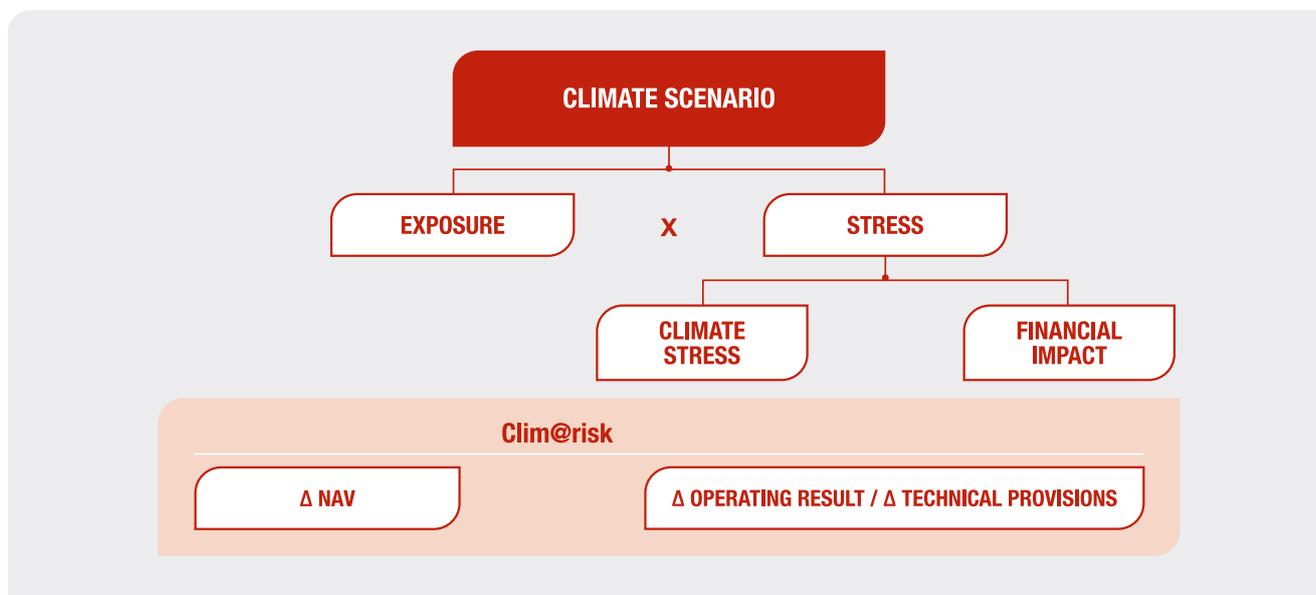
A further cue to raise awareness on the importance of climate risks has been also provided in the Emerging Risk Booklet, which identifies the main emerging risks and the related impacts.

¹ In the first phase of the framework's definition, transition risk and physical risk were included. Litigation risk, which stems from lawsuits for environmental damages and/or following improper or missing corporate disclosure on environmental standards, will be considered within ongoing future developments.

THE RISK ASSESSMENT MODEL - OUTSIDE-IN PERSPECTIVE

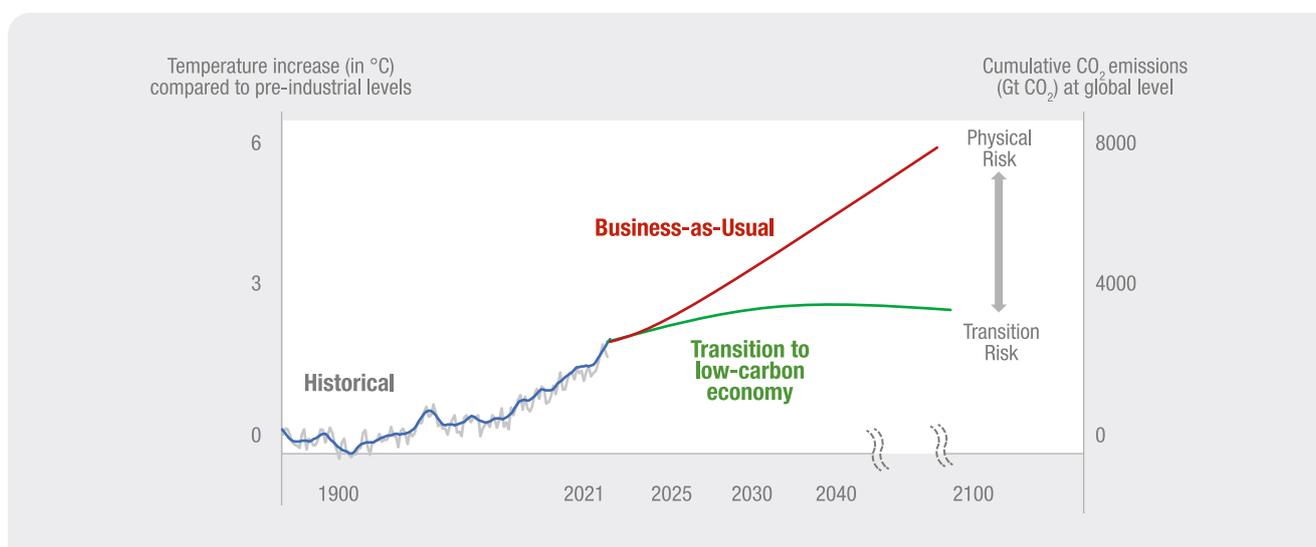
The impact of climate change risk on the Group's portfolio is assessed through the Clim@Risk methodology that allows to capture, for each reference climate scenario, the impact on the Group's exposures through the application of different levels of climate stress representing:

- the change in frequency of severity and intensity of climate perils for physical risk;
- the change in the profitability of the various economic sectors for transition risk.



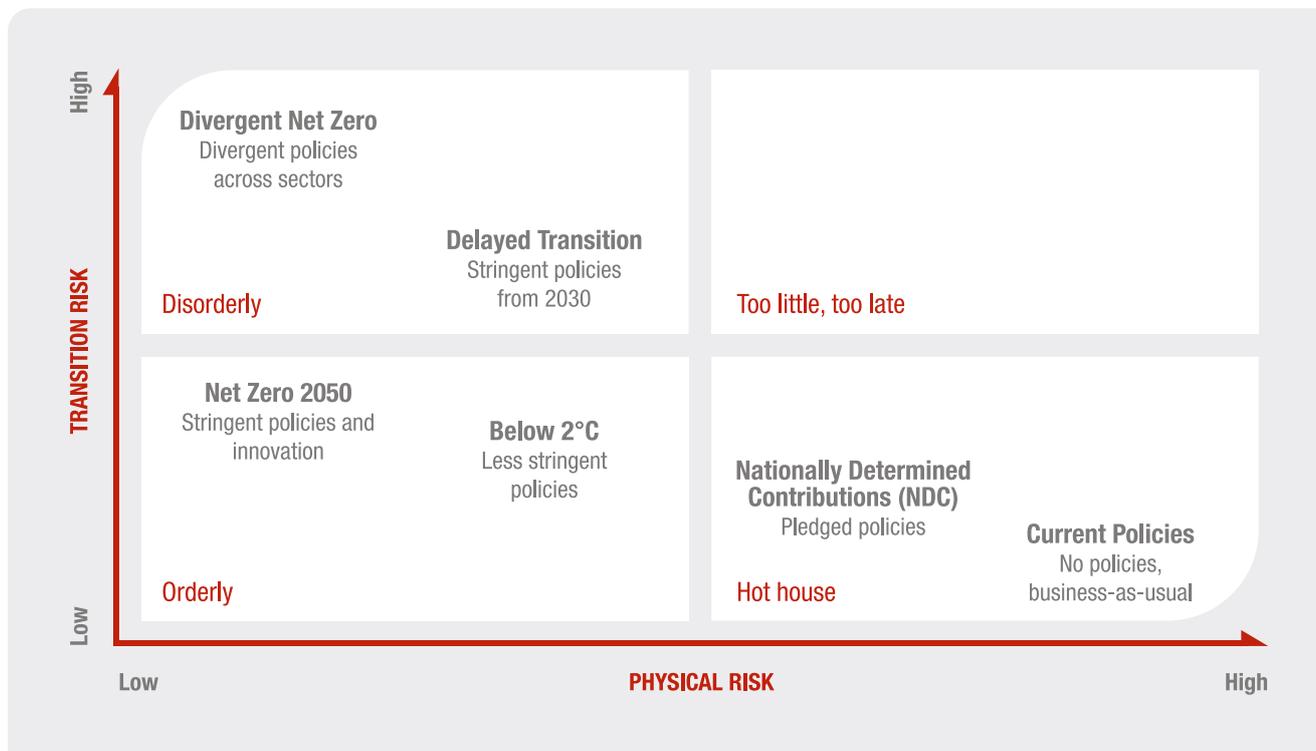
Climate scenarios currently used describe a change in the global temperature expected at the end of the century compared to the pre-industrial period, mainly deriving from the assumptions of greater or lower emissions of CO₂ and other greenhouse gases in the atmosphere and their effect on geophysical variables that regulate the Earth's climate.

Each scenario is identified by the global warming level assumed in 2100 compared to pre-industrial levels. Scenarios that consider the implementation of policies to contain greenhouse gas emissions are characterised by a limited increase in global temperature by 2100 and, therefore, are mainly exposed to transition risks, mainly concentrated in the short-medium term. On the contrary, scenarios which consider weak (or absence of) policies to support the transition are characterised by significant increases in temperature by 2100 and, therefore, by a high physical risk, the effects of which are expected to span over longer time horizons, with a more pronounced acceleration in the second half of the century. For the purpose of the transition risks' calculation, scenarios are also distinguished based on how the decarbonisation policies are implemented, which can be in a more or less orderly and timely manner.



We have selected six scenarios with different possible future trends based on the most recent recommendations of the [Network for Greening the Financial System \(NGFS\)](#)² and the [Intergovernmental Panel on Climate Change \(IPCC\)](#) that allow for capturing both the transition impacts, taking into account different speed and order for the implementation of decarbonisation policies, and the physical impacts³.

We consider the following NGFS scenarios:



- NATIONALLY DETERMINED CONTRIBUTIONS (NDC)**

Assumes a gradual and homogenous introduction of stringent climate policies for all economic sectors (“orderly” transition), as well as an increasing development and penetration of innovative low-carbon power generation technologies, thus reaching net zero CO₂ emissions around 2050 and limiting global warming to 1.5°C by 2100.
- BELOW 2°C**

Assumes an orderly transition like the Net-Zero 2050, but with less stringent policies and a more contained technological development, thus limiting global warming to 2°C by 2100 in line with the 2015 Paris Agreement (COP 21).
- DIVERGENT NET-ZERO**

Shares with the Net Zero 2050 scenario the common target of net-zero emissions by 2050, although pursued in a disorderly manner and characterised by higher costs to sustain the decarbonisation process, due to less planned climate policies and differently impacting each economic sector (“disorderly” transition).
- DELAYED TRANSITION**

Is characterised by a “disorderly” transition in terms of timing, as it assumes a business-as-usual scenario until 2030 and the introduction of very stringent policies from that year onwards to limit warming to 2°C by the end of the century.
- NATIONALLY DETERMINED CONTRIBUTIONS (NDC)**

Assumes the achievement of all announced decarbonisation targets by 2030 and a business-as-usual scenario from that year onwards; the projected temperature increase is above 2°C by 2100.
- CURRENT POLICIES**

Assumes a business-as-usual scenario with no further climate policy introduced nor technological development to support the transition; also in this scenario, the target of limiting the temperature increase to below 2°C by 2100 is not achieved.

2 The Network for Greening the Financial System (NGFS) is a group of central banks and supervisors committed to sharing best practices, contributing to the development of climate – and environment – related risks management in the financial sector and mobilizing mainstream finance to support the transition toward a sustainable economy.
 3 In the 2022 exercise we used the scenarios defined by the NGFS Phase III, published in September 2022, and for the physical part, the IPCC Coupled Model Intercomparison Project, Phase 6 (CMIP6).

In addition to the NGFS scenarios, for physical risks the corresponding IPCC scenarios were considered: Shared Socioeconomic Pathways - SSP1-2.6, SSP2-4.5 and SSP5-8.5. To capture the most significant expected impacts, we focused on short, medium and long-term time horizons, respectively 2025, 2030, and 2050.

Regarding the scenarios' selection, we are monitoring the evolution of the regulatory environment and of market best practices, in particular the development of the NGFS recommendations following the recent geopolitical instabilities, the development of IPCC's Shared Socioeconomic Pathways (SSP) evidences, together with the regulatory stress tests introduced within European countries.

In carrying forward the activities already undertaken, our analysis focused on the:

- **investment portfolio**, including equities and corporate bonds, government bonds and real estate of the general account portfolio⁴;
- **P&C underwriting portfolio**.

The analyses were performed on the existing portfolios and no further management and mitigation actions are considered in the assessment.

As for investments, to identify the most material exposures, we analysed economic sectors for the equities and corporate bonds portfolio and focused on the ones most vulnerable to climate change, classified according to the Climate Policy Relevant Sectors (CPRS) literature and to the geographical distribution of the activities. In particular, a limited exposure to the sectors most impacted by climate change, such as fossil fuel and transportation, was confirmed.

Government bonds were classified based on the reference country, mostly attributable to European countries, and assessed on the basis of the sectoral composition of the related economies. Also the real estate portfolio, analysed on the basis of the buildings' energy consumption characteristics, of the CO₂ equivalent emissions, and of their geolocation, is diversified among all energy classes and is mostly based in the European countries in which the Group operates.

Similarly to the investment portfolio, also for P&C underwriting portfolio we considered the different geographies and, for the purpose of the analysis, we focused on the Solvency II lines of business most relevant for the Group, namely Fire and other damage to property and Motor.

We then measured physical risk and transition risk using a model that allows to determine impacts of climate scenarios on the exposures identified based on climate stress tests.

In terms of exposures, we use:

- internal data, related to the Group's investments and P&C underwriting portfolios' exposures;
- external data, such as detailed information on assets, transition plans, technologies and geographical distribution of each issuer in the portfolio.

The value of the stresses is defined based on the trend of the available NGFS and IPCC variables. The level of each risk factor varies according to the underlying scenarios and the reference time horizon and allows to derive a:

- change in frequency and severity of climate perils for each geography;
- change of the profitability of the different economic sectors for each geography, and of the single counterparties in the portfolio, taking into account transition plans.

The financial impact is primarily determined by the climate stress which is multiplied by the exposures, resulting in an impact on the balance sheet (Market Value Balance Sheet - MVBS).

In particular, for investments, the financial impact of such variations is then determined through dividend discount models or based on rates to take into account the loss probability to derive the impact on the Net Asset Value (NAV). The change in NAV is assessed for equities and corporate bonds at counterparty level, as a combination of sector and geography, and for real estate at energy class level. For government bonds the relevant country has been considered.

From the NAV impact, the impacts on own funds resulting from the change in asset values under the different climate scenarios are then estimated.

⁴ The assessment does not cover the issuers of the UL portfolio and those underlying the investment funds.

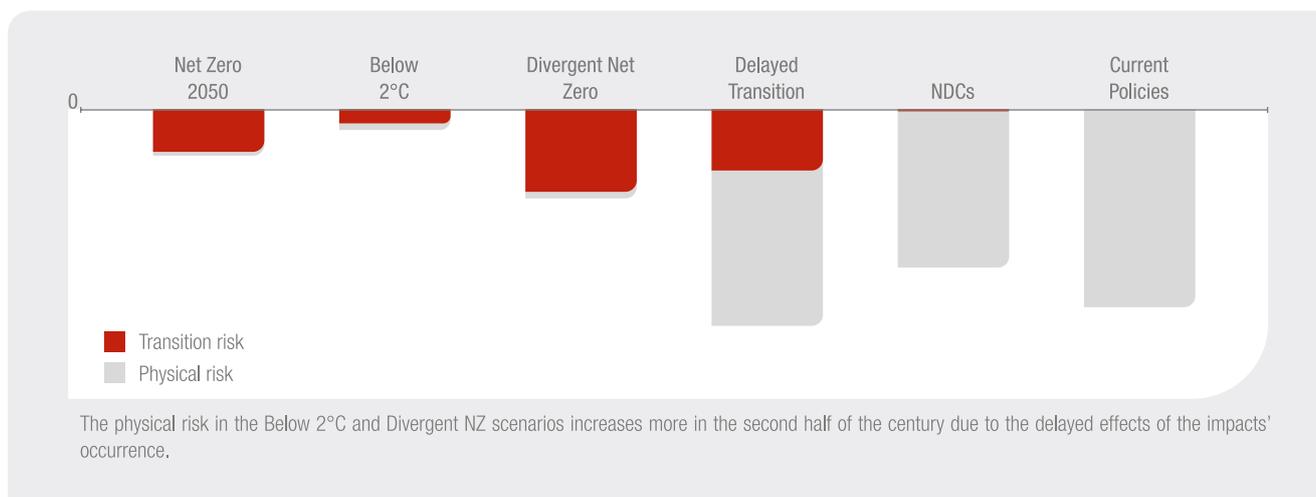
On the other hand, for the P&C underwriting portfolio, the financial impact is calculated in terms of:

- higher claims resulting from the change in perils' frequency and severity, also considering the different vulnerabilities of each insured asset;
- change in premiums as a result of higher/lower demand for insurance coverage in each economic sector.

The impact is presented in terms of change in operating profit for each combination of line of business, sector and geography, and a further estimation on technical provisions and own funds.

The results obtained provide forward-looking indications of the effects of climate change on the Group's portfolios and mainly show impacts deriving from physical risk, which are especially high in scenarios characterised by higher temperature rise, while the effects of transition risk in the short and medium term remain significant, particularly in absence of orderly decarbonisation measures.

The following chart shows the impacts of transition risk and physical risk for the **investment portfolio**, in terms of change in NAV.



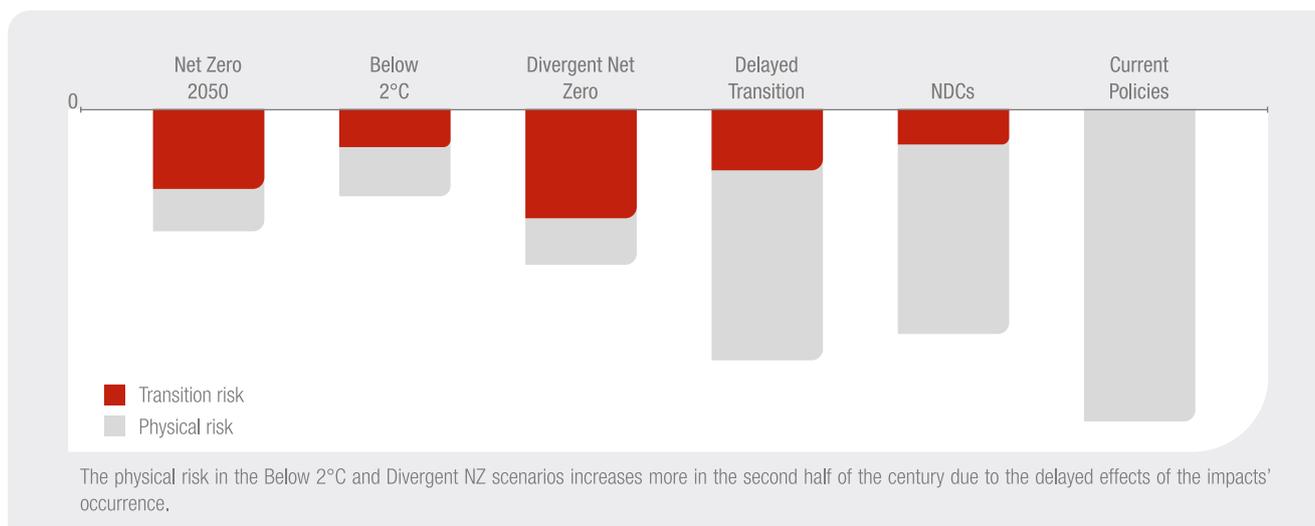
It can be observed that:

- **transition risk** is particularly severe in the scenario with disorderly implementation of decarbonisation measures (Divergent NZ) and in the scenario with delayed implementation (Delayed Transition), in contrast with the Net Zero scenario, which, in the presence of orderly and timely measures, assumes a substantial balancing of costs and opportunities, resulting from the high level of diversification of the Group portfolio and the low exposure to particularly emissive sectors. Therefore, the impact of transition risk remains limited with estimated losses on the Group portfolio of less than 5% of NAV;
- **physical risk** remains the most relevant and increasing risk in the medium and long term, with impacts ranging from 5% to 10% in the scenarios assuming lower emissions' reductions. It is worth noting that all climate scenarios foresee an intensification of extreme weather events in the second half of the century.

More specifically, in analysing the investment portfolio we observed that:

- the **equity and corporate bond portfolio** shows the trend already described, which differentiates scenarios with orderly from disorderly transition where the impact of the transition is higher. In particular, as the Group has little exposure in highly emissive sectors, such as coal and metallurgical ones, the impacts of transition remain limited, partially offset by the opportunities in sectors where growth is expected, such as the utilities one;
- the **government bond portfolio** shows limited impacts, while maintaining the general trend that differentiates scenarios with orderly transition from disorderly ones. Specifically, impacts from transition are minimal for all scenarios, due to the greater presence of exposures in European countries, which already have a higher level of preparedness regarding the implementation of transition policies with respect to other regions. In the scenarios with low or no transition, the physical impacts are more significant, though still limited, particularly in the second half of the century;
- the **real estate portfolio** shows impacts mainly related to the transition to the energy efficiency requirements represented by the alignment with the CRREM (Carbon Risk Real Estate Monitor) targets. It is worth noting that the physical risk is less significant and mainly attributable to properties used as offices, located in the countries where the Group has its main operations.

The following chart shows the impacts of transition risk and physical risk for the **P&C underwriting portfolio**, in terms of change in operating profit.



In analysing the P&C underwriting portfolio, we observed that:

- in scenarios with stringent emissions reduction policies, the impacts of an orderly transition (Net Zero) are limited, while the impacts of a disorderly transition (Divergent NZ) are more significant, albeit limited. The most vulnerable line of business is Motor, given the expected increase in the use of car sharing and public transport to support the reduction of emissions from private transport. On the other hand, the Fire and other property damage line of business benefits from the increase in the value of insured assets subject to renovation for energy efficiency;
- in scenarios where little or no transition is expected, physical risk is prevalent and increasing over time. The most relevant physical impacts derive from floods and storms, whose increase in frequency and intensity is foreseen in all geographical areas where the Group operates. In particular, in the worst case, by 2050, the increase in flood risk, in specific areas, is expected to exceed 300% in Europe compared to the current level. The intensification of the phenomena of droughts and wildfires, as well as tropical cyclones, has also been assessed. Although, according to some studies, these are expected to increase by more than 200% in some Caribbean areas and in the United States, they do not present significant impacts given the Group's limited exposure. It should also be noted that the Group, through its Internal Model for calculating the capital requirement, already considers the increasing level of losses due to catastrophic events including floods and storms.

The use of different scenarios, which should be understood in light of the multiple assumptions used, the underlying uncertainties and the simplifications needed, has proven effective in obtaining a broader understanding of the Group's resilience to climate change risk and of the complexity of the phenomenon addressed in the short, medium and long term.

THE RISK ASSESSMENT MODEL - INSIDE-OUT PERSPECTIVE

Our analysis focused on the investment portfolio, including equities, corporate bonds and real estate, in line with the targets already announced as part of the Net-Zero Asset Owner Alliance (NZAOA) initiative.

In relation to the investment portfolio's carbon intensity decarbonisation target of 25% by 2024, the Group has defined a system of intermediate targets, with related tolerances, to be monitored on a regular basis, in order to identify, monitor and manage any deviation from these and from the announced target. In particular, these targets have been defined taking into account the carbon intensity metric components, i.e. the active portfolio management lever and the levers not directly under Generali's control (individual counterparty emissions and their market value trend, expressed in terms of Enterprise Value Including Cash - EVIC). Possible remedial actions to be activated in case of deviation from the internal investment's portfolio carbon intensity decarbonisation targets have also been defined.

On the other hand, for the P&C underwriting portfolio, we focused on the Motor retail and Commercial (small and medium-sized enterprises and Corporate & Commercial) lines of business, which represent the perimeter for the definition of decarbonisation targets within the Net-Zero Insurance Alliance (NZIA) initiative.

MANAGEMENT

Climate change risk, considering both incurred and generated risk, is integrated in decision-making processes through the definition of a specific appetite, including limits and escalation processes in case of breaches.

During 2022, we defined limits for the investment portfolio, complementing the already existing set of controls related to the application of the ESG principles in the investment and underwriting processes.

In relation to the outside-in perspective (or incurred risk), this integration aims at maintaining the Group's risk profile within the thresholds defined based on the Clim@Risk, at portfolio level.

In relation to the inside-out perspective (or generated risk), this integration aims at ensuring the achievement of emissions' reduction targets by setting a tolerance limit on transition targets with an annual monitoring of intermediate targets as well as the adoption of mitigation measures or the review of the investment strategy.

METRICS, TARGETS AND RESULTS AS OF 2022

We have defined metrics and targets to monitor the implementation of our strategy to manage climate change impacts and to support the just transition to a low carbon economy.

PHYSICAL RISKS

Maintenance of excellent technical results as regards operating result and combined ratio in the P&C segment

P&C segment operating result of € 2,696 mln (+ 1.7%)

P&C segment combined ratio of 93.2% (+2.4%)

TRANSITION RISKS

Decarbonization of the general account investment portfolio to achieve net-zero emissions by 2050: 25% reduction in carbon footprint of listed equities and corporate bonds portfolios against 2019 as baseline by 2024; alignment of at least 30% of the real estate portfolio with the global warming trajectory of 1.5°C

Measurement of the carbon footprint Group's portfolio for shares and corporate bonds:

- Absolute Emissions: 6.8 mln tCO₂e (-55.9% vs 2019)
- Carbon intensity (EVIC): 100 tCO₂e per mln € invested (-45.1% vs 2019)
- Carbon intensity (sales): 188 tCO₂e per mln € in sales (-32.1% vs 2019)

Alignment of the RE portfolio to the CRREM:

- >30% of the value

Exclusion of new investments and progressive divestment from companies active in the coal sector and in the exploration and production of unconventional fossil fuels: tar sands, oil and gas extracted through fracking and upstream operations in the Arctic

Gradual reduction in the exposure of the investment portfolio to the thermal coal sector, in order to reach zero exposure in OECD countries by 2030 and in the rest of the world by 2040

We are not making new investments and we are constantly reducing our residual investments in the fossil fuel excluded sectors by applying restrictive thresholds to identify the most carbon intensive companies

As a member of NZIA, Generali declared its pledge to transition its insurance underwriting portfolio to net-zero emission by 2050, to establish science-based interim reduction targets, to report on its progress against these targets annually, to engage with clients about their decarbonisation strategies, and to advocate for governmental policies for a socially just transition

In order to pursue these ambitious goals, with the cooperation of Generali as NZIA member, the Insurance-Associated Emissions Working Group (which Generali joined) supported by Partnership for Carbon Accounting Financials (PCAF) undertook to define a comprehensive and standardized methodology for measuring greenhouse gas emissions associated with re/insurance underwriting portfolios (insurance-associated emissions)

Gradual reduction in the exposure of the insurance portfolio to the thermal coal sector, in order to reach zero exposure in OECD countries by 2030 and in the rest of the world by 2038

The residual exposure with respect to these pre-existing clients is constantly decreasing: at the end of 2022 it amounted to less than 0.1% of premiums related to the P&C portfolio (-90% vs 2018)

Commitment not to provide insurance coverage to its clients for risks associated with both conventional and unconventional oil and gas exploration and production activities, including their expansion

The exposure to this specific industrial sector represents the 0% of premiums related to the P&C portfolio

Reduction of the GHG emissions related to offices, data centers and company car fleet by at least 25% against 2019 as baseline by 2025

Group's operations GHG emissions equal to 55,804 CO₂e (-21.6% vs 2019)

Purchase of 100% renewable energy, wherever possible.

87% of total purchases of electricity from renewable sources (+3% vs 2019)

OPPORTUNITIES

€ 8.5 - € 9.5 billion of new green, social and sustainable investments (2021-2025) with reference to market standards, namely ICMA principles

New green and sustainable investments (2021-2022) equal to € 5,727 mln €

Sustainable finance

Issuance of three green bonds and a sustainability Bond, confirming the focus and innovation on sustainability, as well as the commitment towards the achievement of environmental and sustainability targets

Commitment to developing insurance solutions with ESG components, increasing the premiums by a 5-7% CAGR increase over 2022-2024 period

Premiums from insurance solutions with ESG components
19,868 mln € (+11.7%)

Of which premiums from insurance solutions with ESG components - environmental sphere
2,419 mln € (+14.0%)

SIGNIFICANT EVENTS AFTER 31/12/2022

In March 2023, the Group's Board of Directors approved a new, science-based target, re-launching the ambition of Group operations for 2025. Specifically, the new target is to reduce greenhouse gas emissions by -35% by 2025 compared to the 2019 baseline. The new strategy includes Scope 1, 2 and Scope 3 emissions related to operational activities (offices, data centre, mobility). This reduction will be supported through the workplace innovation and the space optimization, by further improving the energy efficiency and leveraging on the purchase of renewable energy. The share of hybrid and electric vehicles in the company car fleet will also be increased.

In March 2023 Generali, together with other 47 companies including asset owners, asset managers, stakeholders of the financial industry and the French Sustainable Investment Forum (FIR) mobilized to call for improving shareholder dialogue and to partner companies in accelerating the energy transition. Following the positions taken by the FIR since 2021, a new statement has been signed to renew convictions and expectations concerning the "Say on Climate" resolutions.

MAPPING OF THE CLIMATE-RELATED FINANCIAL DISCLOSURE AGAINST THE TCFD FRAMEWORK

In order to facilitate the use of this document, below is a prospectus of the Group's Climate-related Financial Information with respect to the Pillars, Recommendations and Recommended Disclosures of the TCFD.

Pillars	Recommendations	Recommended disclosures	Pag
Governance	Disclose the organization's governance around climate-related risks and opportunities	a) Describe the board's oversight of climate-related risks and opportunities.	5
		b) Describe management's role in assessing and managing climate-related risks and opportunities.	5
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	6
		b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	6, 11-13
		c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	13
Risk Management	Disclose how the organization identifies, assesses, and manages climate-related risks.	a) Describe the organization's processes for identifying and assessing climate-related risks.	9-11
		b) Describe the organization's processes for managing climate-related risks.	9-11, 14
		c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	8
Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	9
		b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	15
		c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	15

