



Generali Group

**RESPONSIBLE UNDERWRITING
GROUP GUIDELINE**

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1 Introduction

Generali Group (the Group) is a global financial player with a duty to act in the best interests of its policyholders, shareholders and other stakeholders. Sustainability is a long-term journey aimed at fulfilling our main ambition: being corporate citizens and creating value for our stakeholders. The Group believes that the proactive integration of environmental, social and governance factors into the P&C underwriting process will support the achievement of both financial return and social good.

The Group Guideline sets out the Group's position and beliefs on responsible underwriting through the definition of a common P&C underwriting management framework across the Group in order to ensure the adoption of a responsible conduct and reduce the exposure with clients whose behaviors are not aligned with the Group's principles set under the Group Charter of Sustainability Commitments.

The Group, as responsible insurer, requires its Chief Insurance Officers or equivalent and P&C underwriters to follow these principles, taking into account the scope, nature and complexity of the risks and business carried out, and to properly perform the implementing actions.

2 Objectives

The Group's aim is to play an active role in the field of environment, social and governance (ESG), pursuing the following key objectives:

- encouraging high standards of corporate governance as well as good management of environmental and social risks;
- promoting acceptance and implementation of the United Nations Global Compact and the UNEP FI Principles for Sustainable Insurance (PSI) within the Group;
- reducing the risk of involvement in activities not in line with the PSI;
- ensuring the application of responsible underwriting principles within the Group.

The Group Guideline outlines principles and rules aimed at assessing environmental, social and governance features of the prospective/insured clients in the P&C underwriting process. The respect of such principles ensures the adoption of a responsible conduct of underwriting management at Group level.

3 Scope

The Group Guideline applies to Assicurazioni Generali S.p.A. and all the subsidiaries belonging to the Generali Group that manage P&C insurance and/or reinsurance business subject to case underwriting (direct and facultative acceptances) including insurance holding companies.

P&C insurance business refers to the following P&C case underwriting market segments: SMEs and Corporate & Commercial.

3.1.1 Effective Date

The Group Guideline has been approved by the Group CEO of Assicurazioni Generali S.p.A. and is effective as of January 1st, 2019.

The Group Guideline shall be promptly reviewed, and in any case at least every two years to include developments in applicable legislation, market and/or best practices, Group strategy and organisation as well as updates of the sensitive sectors list.

3.1.2 Waivers

Waivers are allowed only if a conflict with local laws, regulations or collective labor agreements arises from the Group Guideline.

4 Sustainable Insurance

4.1.1 Principles for Sustainable Insurance

As a signatory of the United Nations Global Compact in 2007 and of the UNEP FI Principles for Sustainable Insurance (PSI) in 2014, initiatives aimed at disseminating and incorporating environmental, social and governance criteria also into the underwriting decision making processes, the Group is committed in the fulfillment of the following principles:

- to embed in the decision-making process environmental, social and governance issues relevant to the insurance business;
- to work together with clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions;
- to work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues;
- to demonstrate accountability and transparency in regularly disclosing publicly the progress in implementing the PSI.

4.1.2 P&C insurance business with ESG issues

As regards ESG, the Group considers with higher risk the P&C insurance business written with counterparties that meet at least one of the following criteria:

- are **coal-related business**;
- are involved with the following **controversies**:
 - productions 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;
- are exclusively or predominantly involved with the **sensitive sectors** as defined under § 6.

5 Implementing Actions

In order to implement the Group Guideline, to ensure consistency with decisions and practices adopted for the responsible management of the Group insurance portfolio, the Group has identified the following actions to be implemented in performing its P&C underwriting activities:

5.1.1 Coal-related Business

As a signatory of the Climate Risk Statement of The Geneva Association, EFR Statement in support of a Strong, Ambitious Response to Climate Change and the Paris Pledge for Action, the Generali Group supports the transition towards a low-carbon society playing an active role as a corporate citizen.

According to the Climate Change Strategy approved by Assicurazioni Generali S.p.A. Board of Directors, the Group has determined the following stringent criteria to define coal-related businesses. To be defined as a coal-related business, a counterparty must meet at least one of the following criteria:

- a) companies for which more than 30% of revenues derive from coal.
- b) companies for which more than 30% of energy produced derives from coal.
- c) mining companies that produce more than 20 million tonnes per year of coal.
- d) companies actively involved in building new coal capacity (coal plants) as identified by Urgewald in its 'Top 120 Coal Plant Developers' list.

The Group is committed not to increase its minimal insurance exposure to coal-related activities. To this end, the Group will not provide insurance Property coverage for coal-related assets of potential new clients that fall within the definition of coal-related business, regardless of their economic size and geographical position.

Moreover, Generali will no longer offer Construction covers for any new coal mine and new coal plant. This exclusion does not refer to the modernization or retrofitting of existing power plants/units owned or operated by existing clients.

5.1.2 Controversies and Sensitive Sectors

As regards activities related to controversies and sensitive sectors, the Group has set up a specific process aiming at identifying and evaluating counterparties with a higher exposure to ESG issues and applying the relevant decision process to grant their insurability within the Group, including the escalation to cross-functional Committees at Local and Group level are in charge for the fair and neutral evaluation of issuers with serious ESG issues.

As regard instruments, the Group has adopted both internal and external tool and methodology for assessing counterparties involved in controversies and/or operating in the identified sensitive sector with significant ESG issues before bounding business. To this extent, the Group also leverage on services provided by a leading global player in the provision of environmental, social, governance (ESG) research that serves as a risk research, risk monitoring, and due diligence tool for ESG and reputational risks.

With specific regard to the sensitive sector IUU Fishing, as a signatory of the Insurance Industry's Statement against Illegal Unreported and Unregulated (IUU) Fishing in 2017, Generali encourages the adoption of measures to foster sustainable marine insurance. The Group will not knowingly insure or facilitate the insuring of vessels that have been officially blacklisted for their involvement in IUU fishing. To this end, the Group has set up a specific process to avoid insuring vessels published on the online lists adopted by the EU Commission.

6 List of Sensitive Sectors and related ESG risks

This section lists the main ESG risks related to P&C insurance business in the identified sensitive sectors.

Defense

Key concerns include the following activities:

- Production of unconventional weapons (cluster bombs, antipersonnel landmines, nuclear arms, etc. that violate fundamental humanitarian principles through their normal use);
- Transport of weapons to high-tension areas.

Hydro-electric power construction

Hydro-electric power can refer to both massive hydroelectric dams and small river installations for electricity generation. Depending on each plant specific characteristics, environmental and social impact can change significantly. Key concerns can include:

- Excessive land use, especially with regard to hydropower plants built in flat and hilly areas. Associated impact can be extremely heavy both at an environmental (loss of flora and wildlife, erosion, deforestation, risk of landslide) and social level (agricultural land flooding, local communities' disappearance);
- Greenhouse gases emissions related to the construction and operational phase. In particular, emissions associated with operations originate from soil vegetation decomposition and can be significant when power plants are built in tropical areas.

Mining

Key concerns can include:

- Adverse impacts on natural habitats and protected areas from land use (open pits, erosion, deforestation, risks of landslides) and pollution potentially resulting in leaks, spills or other accidental releases into soils, surface water, and/or groundwater resources (e.g. cyanide);
- Risks associated with airborne emissions from fugitive dust from blasting, exposed surfaces such as tailings facilities, stockpiles, waste dumps, haul roads and infrastructure, and gases released from combustion of fuels;
- Energy and water use;

- Risks to community and labour health and safety e.g. accidents, land and water pollution, and the spread of HIV due to influx of labour.

Health care

Key concerns include the following activities:

- Clinical trials

Companies formally accused of:

- Participation of vulnerable people in clinical trials;
- Insufficient ethical and scientific reviews;
- Insufficient evidence of willing consent;
- Companies making use of development of Genetic Engineering or Genetic Modification on humans;
- Companies that genetically modify plants for non-medical purposes, such as seeds and crops, and other organisms intended for agricultural use or human consumption;
- Animal testing
 - Companies that conduct animal testing for non-pharmaceutical products including cosmetic, personal care, and household cleaning products, as well as industrial and chemical products;
 - Companies operating fur farms and/or involved in the manufacturing and trade of fur and leather production;
 - Companies using dynamite or poison related to the catching of marine and fresh water species and shellfish in the wild;
 - Companies involved in shark finning and/or commercial whaling.

Pornography and prostitution

Key concerns include companies that produce, direct, or publish adult entertainment materials that fall into the following six categories:

- Companies that produce or publish motion pictures and videos containing sexually explicit material;
- Companies that produce sexually explicit programs that are made specifically for television targeting adult viewers, including pay-per-view;
- Companies that produce sexually explicit video games for adult consumers;
- Companies that produce newspapers, magazines, or books that contain images of sexually explicit material for adult consumers;
- Companies that own, operate, or license commercial establishments such as strip clubs, gentleman's clubs, nude stage shows, or adult entertainment booths, where the owner, agent or an employee participates, permits, allows, encourages, or pays any person to engage in nude or sexually explicit entertainment on the premises. All live acts showing any nudity are considered if they are limited to adult viewing;
- Companies that retail adult entertainment products through specialty stores or online sites.

Betting and Gambling

Key concerns related to:

- Companies that own or operate gambling facilities such as casinos, racetracks, bingo parlors, or other betting establishments, including: horse, dog, or other racing events that permit wagering; lottery operations; pari-mutuel wagering facilities; bingo; pachislot and pachinko parlors; Jai-alai; slot machines; mobile gambling; and sporting events that permit wagering;
- Companies that provide key products or services fundamental to gambling operations, including:
 - Products manufactured exclusively for gambling, such as slot machines, roulette wheels, or lottery terminals;
 - Gambling technology and support designed for gambling applications such as IT maintenance, software design, security or surveillance systems, and lottery ticket printing services;
 - Gambling-related services such as credit lines, and casino management and consultation;

- Leasing of gambling machines and provider of broadcasting services to sports events either to bookmakers, wagering hubs, or personal home.

IUU Fishing

Illegal Unreported and Unregulated Fishing is fishing that is conducted contradictory to legal conservation and management measures currently in place around the world and is considered as a major threat to the long-term sustainability of the world's oceans. IUU fishing behaviors include activities referred to as serious violations in the UN Fish Stocks Agreement, such as fishing without a valid license, misreporting catch data, falsifying or concealing the vessel's identity or itinerary, or obstructing the work of inspectors or enforcers.

Oil and gas extraction and prospection (upstream) activities

The exploration and development of new oil and gas extraction and prospection assets take place in increasingly complex operating environments, such as deep offshore waters, remote locations, and countries with weaker governance, or conflict zones. Key environmental and social risks can include:

- Adverse impacts on natural habitats and protected areas, including offshore marine habitats;
- Air emissions, including significant greenhouse gas generation and release of toxic gases such as sulphur and nitrogen oxides;
- Water contamination and water use in water-scarce areas;
- Oil spills and leakages;
- Unknown effects of new practices like shale gas fracking.

Tar sands and associated pipelines

Oil sands extraction can affect the land when the bitumen is initially mined, water resources by its requirement for large quantities of water during separation of the oil and sand, and the air due to the release of carbon dioxide and other emissions.

Nuclear energy

Key concerns are related to companies that provide essential products and/or services to active nuclear power plants, including but not limited to:

- Companies that build or design nuclear power plants or nuclear power technology, which includes:
 - Suppliers of key components for nuclear power plants, or essential services for the design, construction, engineering, or operation of nuclear power plants;
 - Producers and developers of nuclear fuel products, nuclear reactors, nuclear control rods, and other nuclear power-specific equipment, etc.;
 - Engineered containments, including engineering and construction of structures for beyond-design basis facilities.
- Companies that manufacture or supply essential components and equipment;
- Companies that provide repair and maintenance services to nuclear power plants, which includes non-destructive testing of key nuclear power equipment, like reactors, and site testing;
- Companies involved in uranium mining, uranium conversion, uranium enrichment for nuclear power, nuclear fuel assembly, etc.
- Companies that provide distribution and handling services of nuclear fuel, including those that provide spent fuel handling and processing and spent fuel storage services;
- Companies that handle radioactive material including fuel.