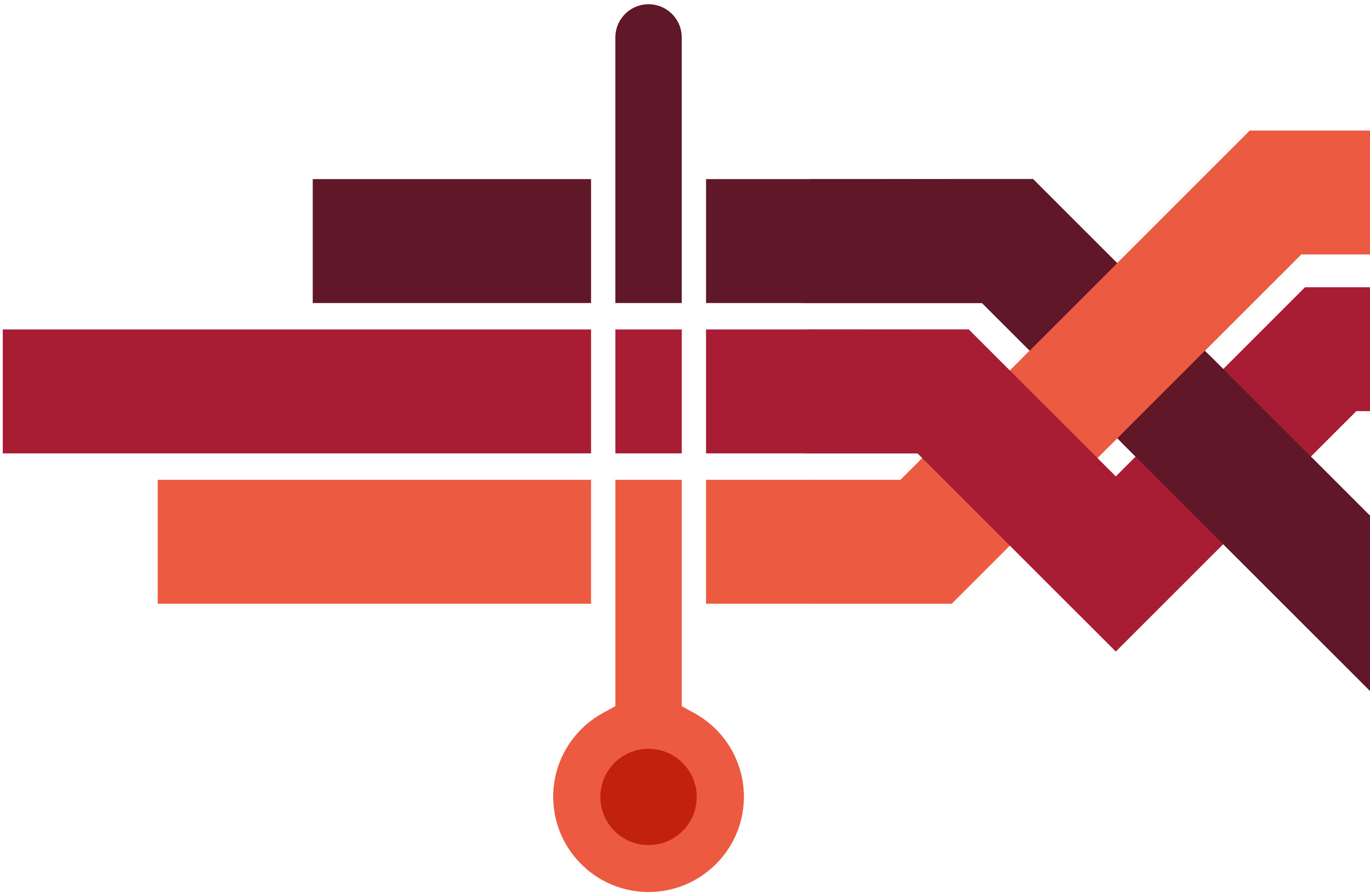
188th year

Climate-related Financial Disclosure 2019



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188th year

Climate-related Financial Disclosure 2019

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 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, a coalition of some of the world's leading asset owners, convened by the United Nations, delivering on a bold commitment to make their investment portfolios climate-neutral 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. We therefore consider this exercise as 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 2019 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 Objectives.

Governance
The organization's governance around climate-related risks and opportunities.

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

Risk Management
The processes used by the organization to identify, assess, and manage climate-related risks.

Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

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 working groups, including: UNEP FI PSI – TCFD Pilot Group, Net Zero Asset Owner Alliance, Climate Action 100+, Investor Leadership Network, CRO Forum, Geneva Association and CDP.

Our participation in benchmark analyses promoted by ShareAction and Unfriend Coal Coalition also goes in the direction of an open dialogue on the results we have achieved in integrating the climate factor into risk management and corporate strategy:

ShareAction

Network that brings together several associations - including WWF, Greenpeace, Oxfam and Amnesty International - to promote responsible investment and active ownership practices.

May 2018
Generali ranks 11th out of 80 companies analyzed in the benchmark on transparency in the management of climate-related impacts.

September 2019
Generali's strategy is outlined in the collection of examples of best practices in the insurance sector for the effective management of climate-related impacts.

Unfriend Coal Coalition

Advocacy group involving various environmental associations to raise awareness among insurance companies of their relations with the coal industry and support the transition to cleaner energy sources.

December 2018 e December 2019
Generali ranks among the top 7 insurance companies among the 30 analyzed, with reference to the best strategies for managing exposure to the coal sector.

Governance

The Group's governance is structured to support effective management of climate-related risks and opportunities, considered one of the most relevant ESG factors for the Group, our value chain and the stakeholders.

Board of Directors' role

The Board of Directors ensures that the Group's organisation and management system is complete, functional and effective in monitoring the impacts of climate change. On 21 February 2018, it therefore adopted the Group Strategy on Climate Change, which was updated in March 2020, 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 is then informed through the Corporate Governance, Social and Environmental Sustainability Committee about the implementation of this Strategy and the results achieved. In 2019, these elements were analyzed during four meetings of the Committee.

Management's role

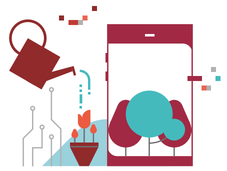
Climate change has pervasive impacts across the entire organization. For this reason the decisions on how to integrate the assessment and effective management of climate impacts into the different business processes are guided by the Sustainability Committee at the top management level, which can rely on adequate powers and a cross-functional vision across multiple Groups' functions and geographies. This Committee, sponsored by the Group CEO and chaired by the Group CIO, consists of the heads of the GHO functions and of some Countries.

This Committee supports the Group CEO in addressing risks and opportunities arising from climate change and integrating them into business processes with a cross-cutting and consistent approach through 1) the identification and assessment of such impacts, 2) the development of guidelines to effectively manage such impacts, 3) the monitoring of progress and results against the targets, 4) the participation and promotion of internal and external initiatives.

The decisions set forth by this Committee are implemented by the relevant management, each for its area of responsibility, in particular the Chief Investment Officer (CIO) is responsible for the execution of new green and sustainable investments and divestment from issuers in the coal and tar sands sectors. He/she also oversees the active ownership activities, including those for the promotion of a just transition, and the execution of assessment of the climate-related risks underlying the investment portfolio and its alignment to the goals of the Paris Agreement. The Group P&C, Claims and Reinsurance Director and the CEOs of the Group's insurance companies are responsible for increasing premium from green products and they oversee the restrictions on the underwriting of customers in the coal and tar sands sectors. The Group Risk Officer and the Group Head of Sustainability and Social Responsibility are responsible for supporting business functions in identifying climate-related risks and opportunities and assessing the suitability of measures in place to manage them; they also support the monitoring and reporting on climate impacts to internal and external stakeholders. Finally, the Group Chief Financial Officer is responsible for reporting financial information to investors and other stakeholders, including the disclosure of material information on climate impacts.

Management is held responsible for achieving the objectives outlined in the Group Strategy on Climate Change and a component of the variable remuneration of the Group CEO and top management depends on the results achieved in its implementation.

The cross-functional approach of the Sustainability Committee is also reflected at operational level by the Climate Strategy Task Force, which brings together the functions of Group Investment, Asset & Wealth Management, Group P&C Retail, Group P&C Corporate & Commercial, Group Life & Health, Group Integrated Reporting and Group Risk Management, coordinated by Group Sustainability and Social Responsibility. The objective of this working group is to ensure the execution of the strategy defined by the Board and to report on these aspects to both internal competent bodies and external stakeholders, in line with the recommendations of the TCFD. A Coal Companies Engagement Committee is active within this Task Force, which analyses the transition plans of the engaged coal companies, monitors their implementation and encourages further progress.



Strategy

We have initiated a process to assess the sustainability and resilience of our business model to the impacts of climate change, with particular focus on the activities of investment, insurance underwriting, and customer and stakeholder engagement.

We recognize that climate change constitutes both a significant threat to the environment and society as well as a material risk for our Group, with possibly more limited effects in the short term, but potentially catastrophic ones in the long term.

These risks are associated with a high degree of uncertainty in determining precisely the timing and magnitude of their impacts, especially at the local level. These risks can be classified as physical risks, transition risks (from which litigation risks may arise) and opportunities.

Physical risks

Physical risks are determined by the change or intensification due to climate change of weather phenomena, including heavy precipitation, atmospheric wind circulation, drought and melting ice, which contribute to the occurrence of extreme events such as floods, storms, cyclones, wildfire, sea level rise and heat waves. For the insurance sector, these phenomena mainly affect pricing and catastrophic risks in the Non-Life segment, impacting - other conditions being equal - on the number and cost of the claims and the related management costs, as well as reinsurance costs.

The Life segment might also be impacted: the intensification of heat waves and the expansion of habitats suitable for hosting vectors of tropical diseases might worsen expected mortality and morbidity rates.

Furthermore, climate-related physical risks, worsening the living conditions of the population and increasing the damage not covered by insurance, might lead to a deterioration of socio-political stability and the macroeconomic conditions, with a cascade effect on the overall economy and on the financial system. In the absence of adequate measures to mitigate and adapt to climate change that strengthen the resilience of communities, the insurance sector might be subject to reputational risks linked to the declining capacity to offer adequate protection commensurate with the increased level of risks or in any case to offer them at affordable economic conditions.

Transition risks

This category of risks is associated with the decarbonisation of the economy: changes in national or international public policies, in technologies and in consumer preferences might affect the value of assets linked to activities, sectors or countries with a high carbon footprint, leading to their early depreciation.

Much of the impact of these risks depends on the speed required for compliance with more stringent environmental standards and on the public support that will be provided for the reconversion. The transition risks are therefore influenced by highly uncertain factors, such as political, social and market dynamics and the technological innovations that will become available.

Even though the speed of transition and the related risks are hard to determine today, they will probably have far-reaching consequences in some sectors, including the energy industry.

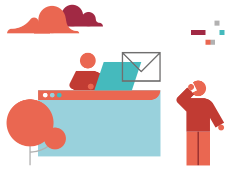
Among the transition risks we also identify the reputational risks of having business relations with coal-related companies, which are subject to increasing stigmatization by the international public opinion. At the local level, in communities strongly dependent on coal as a source of energy and employment, the decision to terminate business relationships with coal companies or to maintain them subject to the implementation of transition plans might also lead to reputational risks.

Opportunities

The implementation of climate mitigation and adaptation strategies also offers investment opportunities as well as opportunities for the development of the insurance market. As weather phenomena and extreme events evolve and intensify, a related increase in the demand for protection through specific insurance solutions is plausible.

New regulations and public plans launched in Europe to stimulate the transition to a green economy, together with changes in consumer preferences, are supporting the demand for insurance coverages in the renewables and energy efficiency sectors. This increases also the retail demand for green insurance products related to sustainable lifestyles and it strengthens the demand for green finance investment products, both from institutional investors and in the retail segment.

Finally, the transition to a low carbon economy, in particular the construction of large-scale renewable energy production plants, requires substantial investments, which are only partly covered by public funds, thus increasing investment opportunities for private investors.



Risk and opportunities management

A cross-functional project led by the Group Risk Management was launched in 2019 to define a framework for managing climate-related risks in a forward-looking perspective. It is articulated in the four main phases of risk management, i.e. identification, measurement, management and reporting.

We defined processes and tools to mitigate the climate-related risks and to seize the opportunities arising from the green transition. These include monitoring of the adequacy of actuarial models for assessing and pricing risks, recourse to risk transfer mechanisms, regular analysis of investments, product and service innovation processes, dialogue with stakeholders and development of industry partnerships to share knowledge and identify system solutions. Particularly noteworthy is our participation in the UNEP-PSI TCFD group, the PRI Climate Action 100+ network, the PRI and London School of Economics and Political Science "Investing in a Just Transition", the Investors Leadership Network and the Net Zero Asset Owner Alliance.

Physical risks

We manage physical risks in the short term by monitoring and carefully selecting them in order to optimize the underwriting strategy. To this end, we also use regularly updated actuarial models with which we estimate potential losses, including those related to climate change.

We turn to reinsurance contracts and to alternative risk transfer instruments, including the issue of catastrophe risk insurance linked securities - cat bonds -, such as Lion II Re.

In order to reduce exposure to physical risks in the P&C corporate segment, we provide clients with technical-organizational advisory services to improve the protection of insured assets from extreme events by defining loss prevention programs and periodically monitoring their implementation.

Lastly, we have set up special procedures to speed up damage appraisal and the claims settlement in the event of extreme events so as to strengthen the resilience of the affected areas, facilitating the post-emergency assistance phase and the return to normal.

Transition risks

We are reducing the already limited exposure of the investment portfolio to issuers in the coal and tar sands sectors, identified according to the following criteria: more than 30% of revenue or power generation from coal, extraction of more than 20 million tons of coal per year, construction of new coal-fired power plants, 5% and more of revenue generation from tar sands, operators of controversial pipelines dedicated to the transport of tar sands. We also set the objective of making the general account investment portfolio climate-neutral by 2050, in line with the Paris Agreement's goal of limiting global warming to 1.5°C compared to pre-industrial levels.

Since 2018, we no longer offer property and engineering insurance coverage for the construction of new coal-fired power plants, for the construction of new coal mines or for the coverage of existing coal-fired power plants if they belong to new customers, so as not to increase our minimal underwriting exposure to this sector. We also continue not to underwrite risks of companies operating in the tar sands sector.

In countries where coal accounts for over 45% of the domestic electricity mix, to limit the negative social impacts deriving from the decision to quit this sector, we are engaging with client companies to promote a just transition, that combines the need for climate protection with minimizing the consequences for local employment and energy supply. The engagement activity focuses on monitoring the plans to reduce emissions, protect and reskill workers, as well as to support local communities, analyzing expenses and investments for these objectives.

To demonstrate consistency with the commitments required of our customers, issuers and business partners, we are reducing greenhouse gas emissions from our sites and business trips by purchasing green energy and promoting the use of more sustainable means of transport.

Opportunities

To seize the opportunities arising from climate mitigation and adaptation, we promote insurance solutions for catastrophic damage protection, including those related to climate change, coverages for industrial power generation plants from renewables, and insurance solutions to support customers in adopting sustainable lifestyles. This range of our products includes, for example, covers for electric and hybrid vehicles, for construction work to improve energy efficiency, for damage to photovoltaic systems and interruptions of energy production, or for agricultural businesses in the event of catastrophic damage or crop losses due to adverse weather conditions.

We are also expanding our range of thematic investment products related to green finance for the retail segment, including the Genera Sviluppo Sostenibile investment insurance solution and the possibility of developing investment portfolios that contribute to Goals 7 and 13 of UN Agenda 2030 related to the fight against climate change and the promotion of clean and accessible energy.

We are increasing our green and sustainable investments with the aim of achieving €4.5 billion of new investments over the three years 2018-2021.

Finally, in 2019 we issued a €750 million green bond to finance or refinance projects related to improving the energy efficiency of our real estate assets and we have also developed a model for the issuance of Green Insurance Linked Securities, characterized by the investment of collateral in assets with a positive environmental impact and the allocation of capital transferred to green initiatives.

Metrics, targets and results to 2019

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 € 1,391 mln *(+ 10.7% compared to 2018).*

P&C segment combined ratio of 92.6%, the best amongst our peers in the market.

This result includes the impact of natural catastrophe claims, both influenced by and independent of climate change, for approximately € 413 million, that affected Central Europe and Italy in June, as well as storms and floods. Similar events had an impact of approximately € 342 million at 31 December 2018.

Transition risks

Decarbonisation of the general account investment portfolio to make it climate neutral by 2050.

No new investments in coal and tar sands issuers, constant reduction of residual investments made up of run-off bonds.

Exclusion of P&C underwriting for coal and tar sands-related risks of new customers of these sectors, for development of new coal mines and for construction of new coal capacity (coal plants).

No customers in the tar sands sector, no new customers in the coal sector and no coverage for the construction of new coal mines and new coal capacity.

Premiums from customers in the coal sector below the threshold of 0.1% of total P&C premiums.

Lower insurance exposure, below the 0.1% threshold of P&C premiums.

Engagement for a just transition of the eight coal companies operating in heavily coal-dependent countries, where we have a primary presence as investors and/or insurers. Six out of eight companies are identified by Urgewald in its Top 120 Coal Plant Developers' 2018 list.

Interruption of investment and P&C underwriting activities with two companies due to their unwillingness to discuss the issue. Ongoing engagement with six companies, two of which are among the top 120 operators in the world for coal capacity expansion, as identified in the Urgewald 2019 database.

20% reduction in GHG emissions related to the Group's direct activities (2013-2020).

The Group's carbon footprint[1] is t 96,784 CO_2e *(- 20.1% compared to 2013).*

Increase in purchases of electricity from renewable sources.

99% of total purchases of electricity from renewable sources *(+ 11% compared to 2018).*

Opportunities

€ 4.5 billion of new green and sustainable investments (2018-2021).

€ 2,667 million of new green and sustainable investments[2].

Increase in premium from green products.

€ 1,359.5 million premiums from green products *(+ 5,5% compared to 2018[3]).*

Green innovation in financial management.

Placement of a € 750 mln green bond and definition of a framework for issuing Green Insurance Linked Securities.

1 The greenhouse gas emissions (location-based methodology) and purchases of electricity from renewable sources comprise the impacts generated by the employees working in offices managed by the Group in Austria, France, Germany, Italy, Czech Republic, Spain and Switzerland, equal to 42% of the total of our people..

2 Data refer to the 2018-2019 cumulative data of Generali Insurance Asset Management and Generali Global Infrastructure. About 50% of these investments were made in 2019.

3 The definitions of environmental products were reviewed in 2019 to meet the different stakeholders' requests and reflect the market evolution in terms of sustainability. Therefore, the change in premiums from environmental products is calculated on 2018 data restated. The premium from multi-risk policies covering NATCAT events only refers to the NATCAT guarantee. If the premium cannot be split into green-related component and other components, only the premium from the policies which are predominantly providing a green coverage or service is reported.