

# Generali Group Strategy on Climate Change

## Technical Note

Update, March 2020

### Insuring and investing for a low-carbon society

On 21 February 2018, the Board of Directors of Assicurazioni Generali S.p.A. approved the Group's strategy on climate change, adopting significant actions in investments and underwriting, which represent the Group's core activities. Complying with this resolution, the present document updates and details the operational implications of the strategy aimed at facilitating the transition towards a low-carbon future.

#### > Investments as asset owner

- New green and sustainable investments amounting to €4.5 billion by 2021.
- Exclusion of any new investments in businesses associated with the coal sector and gradual divestment of the €2 billion exposure on coal-related assets.
- Exclusion of investments in issuers producing fossil fuels from tar sands.
- Gradual decarbonization of the general account portfolio to reach its carbon neutrality by 2050, consistent with the Paris Agreement's goal to limit the global warming to 1.5°C above pre-industrial levels.

#### > Underwriting

- Creation of a competence center to develop and share the best practices for underwriting the specific risks of the renewable energy sector.
- Commitment not to increase the minimal insurance exposure to coal-related activities.
- Commitment not to insure any new coal-related customer and any new construction of coalmines and coal power plants.
- Continuation of the commitment not to insure clients producing fossil fuels from tar sands.

#### > Transparency and stakeholder engagement for the 'Just Transition'

- In countries in which the economy and employment depend heavily on the coal sector, implementation of the engagement activities with coal-related counterparties, in line with the 'Just Transition' principles.
- Disclosure on the progress of the engagement activities and annual update on this process through the Group non-financial reporting.

## Introduction

The long-term goal adopted under 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” requires the rapid decarbonization of the global economy. The Special Report on Global Warming of 1.5°C published in 2018 by the Intergovernmental Panel on Climate Change (IPCC) has reiterated the urgency of an action by the whole civil society.

In this context, Generali’s strategy is in line with the Paris Pledge for Action defined as part of the 21st Conference of the Parties (COP21), which is supported by the Group since 2015. In January 2020, in order to align the Group general account investment portfolio with the Paris long-term commitments, Generali joined the Net-Zero Asset Owner Alliance, a coalition of some of the leading institutional investors, convened by the United Nations, delivering on a bold commitment to transition their investment portfolios to carbon neutrality.

Furthermore, Generali supports the Task force on Climate-related Financial Disclosure (TCFD), committing itself to voluntarily disclose the risks and opportunities associated with climate change. The Group also supports the project Investing in a Just Transition, promoted by The Grantham Research Institute/London School of Economics and the Harvard University in partnership with PRI (Principles for Responsible Investments). The aim of this initiative is to support a ‘just’ transition towards a low-carbon economy, integrating the social dimension into the climate strategy.

## Investments as asset owner

- **Green and sustainable investments by 2021**

Generali is strongly committed to supporting the transition to a greener and more sustainable economy. To this end, the Group will increase its investments in green and sustainable assets by €4.5 billion by 2021. This represents a strengthened goal compared to the target of € 3.5 billion of new green and sustainable investments previously communicated.

Generali will continue monitoring the implementation of the investments plan and provide annual updates on its status.

- **Positioning on coal-related activities\***

As announced in February 2018, Generali ceased to invest in issuers associated with the coal industry.

Moreover, as regards the commitment made in 2018 to divest the €2 billion exposure of the general account portfolio to coal-related assets, Generali has disposed of its equity investments and is gradually eliminating bond investments by bringing them to maturity and/or considering the possibility of divesting them before maturity.

In countries in which the economy and employment depend heavily on the coal sector, Generali is engaging the issuers in a constant dialogue about their transition plans (more details about these activities are provided in the paragraph

“Transparency and stakeholder engagement for the ‘Just Transition’”). In these areas, the current exposure is minimal and it amounts to 0.01% of the general account investment portfolio.

- **Positioning on tar sands-related activities\*\***

Since November 2019 Generali is committed not to make new investments in tar sands projects and companies, including the operators of the related pipelines.

Consistently, Generali is divesting its residual bond exposure to this sector of less than €15 million, an amount equivalent to the 0.003% of the general account investment portfolio.

## Underwriting

- **Growth of green insurance**

With specific regard to the P&C premiums, Generali will set up a competence center to develop and share the best practices for underwriting the specific risks of the renewable energy sector.

Generali will keep increasing the range of products with environmental value for the retail and SME market, for example those aimed at supporting the energy efficiency of the buildings or those aimed at promoting a sustainable mobility.

- **Positioning on coal-related activities\***

Generali 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 fulfil the definition of coal-related business, regardless of their economic size and their geographical location.

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

With regard to the current minimal exposure of the underwriting portfolio to coal-related activities, representing less than 0.1% of the all P&C premiums, Generali is engaging with its clients in a constant dialogue on their transition plans (more details about these activities are provided in the paragraph “Transparency and stakeholder engagement for the ‘Just Transition’”).

- **Positioning on tar sands-related activities\*\***

Generali remains committed not to underwriting risks associated with tar sands companies, including the operators of the related pipelines.

The Group will therefore continue to maintain zero exposure to this sector.

## Transparency and stakeholder engagement for the 'Just Transition'

According to the UNFCCC - United Nations Framework Convention on Climate Change data, the transition to a low-carbon economy will affect nearly 1.5 billion workers across the world. For this reason, Generali supports the idea of a 'Just Transition' even for workers and communities contributing to a healthy, resilient, and sustainable society, where no one is 'left behind'.

This is why Generali's strategy not only includes actions in investments and underwriting, but it also relies on the engagement with key stakeholders including policy-makers, non-governmental organizations (NGO) and companies.

In particular, in countries in which the economy and employment depend heavily on the coal sector, Generali is actively involving issuers and clients with the aim of accelerating their efforts towards the just transition, through plans to reduce the environmental impacts, strategies to shift to low-carbon activities and the adoption of measures for protecting the community and citizens.

The engagement process, started in July 2018, involves coal-related companies in countries where the coal's share in the national power mix exceeds 45% (according to the International Energy Agency data) and where the Generali Group is a primary investor and/or insurer. Updates on this process are regularly disclosed through the Group non-financial reporting.

This engagement enables Generali to decide whether to continue insuring the coal-related activities of these companies, and including them in the general account investment portfolio. The renewal of property coverages and the investments are subject to the engaged company's commitment to present and implement effective transition plans. In this case, every two years Generali will monitor the level of implementation of these plans.

During 2019, following the negative outcome of the engagement process, Generali decided to stop activities with 2 companies.

To date, the Group is engaging with 6 companies, of which only 2 are among the world's top 120 companies in terms of coal capacity expansion plans, as identified in the 2019 Urgewald database.

The interruption of the engagement process and the consequent termination of the business relationship represents the last and most critical option. The Group and the stakeholders involved recognize that dialogue is the most effective solution to accelerate the transition towards a low carbon society, ensuring its 'just' deployment through the inclusion of the workers and the communities most directly affected.

**\* Definition of coal-related businesses**

Generali uses the following stringent criteria to define coal-related businesses:

- companies for which more than 30% of revenues derive from coal;
- companies for which more than 30% of energy produced derives from coal;
- mining companies that produce more than 20 million tones per year of coal;
- companies actively involved in building new coal capacity (coal power plants): reference is made to the 120 companies with the largest coal capacity expansion plans, identified through the global ranking provided by Urgewald in 2019 (updated compared to the 2018 version).

**\* \* Definition of tar sands-related businesses**

Generali uses the following stringent criteria to define tar sands-related businesses:

- companies for which more than 5% of revenues derive from tar sands extraction;
- operators of controversial pipeline dedicated to the transport of tar sands.