Generali Group

INTEGRATION OF SUSTAINABILITY INTO INVESTMENTS AND ACTIVE OWNERSHIP GROUP GUIDELINE

Group Chief Investment Officer

GROUP GUIDELINE

generali.com

Extract of the "Integration of Sustainability into Investments and Active Ownership Group Guideline" for public disclosure

EXECUTIVE SUMMARY

The Group strategy is strongly focused and committed on sustainability objectives for creating long-term value for its stakeholders. Through the integration of sustainability objectives into the core business and processes, the Group aims at generating a positive social and environmental impact while protecting from exposure to Sustainability Risk.

In light of the above, the objective of the Integration of Sustainability into Investments and Active Ownership Group Guideline (hereafter the "Group Guideline") is to define:

- the strategy for the integration of Sustainability Factors into investments for insurance portfolios in alignment with the sustainability objectives and targets and supporting the broader Group strategy (chapter 3);
- the operating model for the management of sustainability into investments for insurance portfolios according to the broader Group investment governance framework (chapter 4);
- the framework, defining requirements and approaches to integrate relevant Sustainability Factors into investment decisions across asset classes and portfolios (chapter 5);
- the approach to comply with sustainable finance regulation requirements and the disclosure requirements the Group is subject to (chapter 6).

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1 Glossary and Definitions

Acronym/Term	Explanation/Definition
AG	Assicurazioni Generali S.p.A., an Italian insurance and reinsurance undertaking, listed on the Milan Stock Exchange, and ultimate parent company of the Generali Group.
AG BoD	The Board of Directors of AG, which have the broadest management powers for the pursuit of the corporate purpose and being supported by Board Committees with advisory, proposing and investigating responsibilities.
Asset Management Company or Asset Manager	Company authorized to provide the service of collective portfolio management, individual portfolio management and other investment services or activities; it also includes companies specialized in providing real estate management services.
Generali Group (or Group)	The Generali Group whose ultimate parent Company is Assicurazioni Generali S.p.A.
Group Asset Management Companies (GAM Cos)	Asset Management Companies subject to direct/indirect coordination and control by AG.
Group CEO (or GCEO)	The Chief Executive Officer at Group level, who is the main person responsible for the corporate management of the Group/BU/GLE.
Group CIO (GCIO) / Business Unit CIO (BU CIO) / Local CIO (LCIO)	The Chief Investment Officer at Group/BU/Local level.
Group Insurance Companies (Ins Cos)	Each of the Group consolidated subsidiaries, classified within the insurance segment, according to IFRS standard for Group consolidated financial reporting, as well as the Holding companies controlling insurance sub-Groups.
Investment Management Agreement (IMA)	Contractual scheme regulating the provision of Portfolio management activities between an Asset Management Company (GAM Cos or Third Party) and a Group Insurance Company, that can be provided either through a separate managed account or a reserved UCI.
Investment funds and vehicles or Undertakings for Collective Investment (UCI)	Collective investment undertakings in the form of autonomous assets, divided in shares and operated by a management company and investment structures created with the objective of raising capital from a plurality of entities for investment in financial instruments and/ or real estate assets.
Investment-linked Insurance Products' Portfolios	Investment portfolios covering technical provisions of investment-linked insurance products.
Investment-Linked Insurance Products (ILIP)	Insurance products where the investment risk is exclusively or mainly borne by policyholders (e.g., unit and index linked products, pension funds where the performance is directly linked to funds whose investment risk is exclusively or mainly borne by policyholders/beneficiaries).
Local level (or Local)	The Group Legal Entity level.
Own and Shared Risk Investments' Portfolios	Investments covering shareholder capital or technical provisions of insurance products where the investment risk is exclusively or mainly borne by the shareholder. More specifically: • Own risk: portfolios in which investment risk is fully borne by shareholders (e.g. shareholders' funds, P&C funds, Life funds with fixed pay-out); • Shared risk: portfolios in which investment risk is shared between shareholders and policyholders with presence of material guarantees provided by the company (e.g. Life funds with profit sharing, unit linked with guarantees where the guarantee is provided by the Group Insurance Companies).
Portfolio	Collection of assets, liabilities or both. It can be represented as Segregated UCI, Company or Segment for which the ALM & SAA exercise is performed.
Solvency II (or SII)	The set of legislative and regulatory provisions introduced following the issue of Directive 2009/138/EC of the European Parliament and the Council of 25th November 2009, on the taking up and pursuit of the business of insurance and reinsurance, published in the Official Journal of the European Union on 17th December 2009.
Sustainability Factors	Sustainability Factors referring to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Acronym/Term	Explanation/Definition
Sustainability Preferences	Customer's or potential customer's choice as to whether and, if so, to what extent, one or more of the following financial instruments should be integrated into his or her investment: • a financial instrument for which the customer or potential customer determines that a minimum proportion shall be invested in environmentally sustainable investments as defined in Article 2, point (1), of Regulation (EU) 2020/852 of the European Parliament and of the Council; • a financial instrument for which the customer or potential customer determines that a minimum proportion shall be invested in sustainable investments as defined in Article 2, point (17), of Regulation (EU) 2019/2088; • a financial instrument that considers principal adverse impacts on Sustainability Factors where qualitative or quantitative elements demonstrating that consideration are determined by the customer or potential customer.
Sustainability Risk	Sustainability Risk referring to an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential negative impact on the value of the investment or on the value of the liability.
Third-Party Asset Managers (or TP AMs)	Third-Party Asset Management Companies i.e. not belonging to the Generali Group.

2 Introduction

2.1 OBJECTIVES

The Group Guideline defines key principles and requirements across the Group to integrate the Sustainability Factors into the investment process and manage Sustainability Risks deriving from the investment strategy and decisions.

2.2 APPROVAL AND REVIEW

The Group Guideline was approved by the Group CEO.

2.3 SCOPE OF APPLICATION

The Group Guideline applies to:

- Assicurazioni Generali S.p.A. (including AG Branches);
- Controlled Regulated Legal Entities, limited to Group Insurance Companies.

For Joint Ventures, the application of the Group Guideline depends upon the specific provisions set forth within the shareholder agreement.

As far as investment activities are concerned, group asset and wealth management activities are out of scope of the Group Guideline with reference to investment portfolios not belonging to Group Insurance Companies

3 Group Strategy and Role of Investments

Sustainability is the originator of Generali strategy, shaping the way the decisions are taken and leading Generali to be a generative and impact-driven Group, able to create shared value.

The Group aims to deliver a positive social and environmental impact on stakeholders by integrating sustainability in core business and processes.

To ensure the full implementation of its sustainability strategy, the Group periodically conducts a materiality assessment to identify the relevant Sustainability Factors that can significantly influence the Group's value creation (financial perspective) and/or can generate significant impacts on people or the environment (impact perspective). Identified Sustainability Factors are proposed as key drivers for Group business and sustainability strategy.

Group Insurance Companies' investments play a central role in shaping and implementing the Group strategy, including specific sustainability goals. To this extent, the investment strategy of the Group duly considers and incorporates relevant Sustainability Factors:

- which have been identified as material to the Group's strategy according to the materiality assessment;
- which can expose the Group to material Sustainability Risk: "outside-in risk" or "incurred risk";
- for which the Group commits to manage potential negative impacts generated by its investment decisions: "inside-out risk" or "generated risk";
- driving investment opportunities by integrating specific sustainable investment objectives with financial objectives and targets.

In order to support its sustainability strategy, the Group signs commitments or joins initiatives and networks aimed at establishing clear guidelines and best practices for the incorporation of environmental, social and corporate governance principles into investment practices across asset classes, such as:

- United Nations Global Compact in 2007;
- United Nations Principles for Responsible Investment (PRI) in 2011;
- UNEPFI PSI (Principles for Sustainable Insurance) in 2014;
- Climate Risk Statement of The Geneva Association in 2014;
- Paris Pledge for Action in 2015;
- EFR (European Financial Services Round Table) in 2015;
- Financial Stability Board Task Force on Climate-related Financial Disclosure (TCFD) in 2018;
- Investing in a Just Transition project in 2018;
- United Nations-convened Net-Zero Asset Owner Alliance in 2020;
- French Forum for Sustainable Finance (FIR), the European Forum for Sustainable Finance (EUROSIF), and the Italian Forum for Sustainable Finance (FFS);
- Institutional Investors Group on Climate Change (IIGCC) in 2021.

4 Group Operating Model

As general principle, the Group as asset owner is an institutional investor with delegated asset management activities.

Group Insurance Companies delegate all their asset management activities either to the GAM Cos or to TP AMs. GAM Cos and TP AMs perform the asset management activities implementing and executing the Investment Management Agreements (IMAs) and related portfolio management guidelines awarded by the Group Insurance Companies.

With the aim to integrate Sustainability (through environmental, social and governance, ESG) Factors into the long-term / liability driven investments strategy and to manage sustainability risk, the General Manager defines and updates the Framework for the Integration of Sustainability into Investments (hereafter the “Framework”) and the relative objectives and monitors its implementation at Group level.

The Group Responsbile Investment Committee[1] (GRIC) advices the General Manager on the decisions regarding guidelines, objective and target related to the Framework for the integration of the Sustainability Factors into the investment process and supervising their implementation.

The GCIO is accountable for the implementation and supervision of the Framework according to objectives and targets defined by the GM and report on their implementation.

[1] Membership: General Manager (chairman), Group Chief Investment Officer, Group Chief Risk Officer, Group Chief Sustainability Officer, Group Chief Financial Officer, GCIO – Sustainable Investments and Governance (secretary).

5 Group Framework

5.1 KEY PRINCIPLES

The Group Guideline defines the requirements for the integration of the Sustainability Factors into the investment process at Group level, to ensure the pursuit of Group's objectives.

The integration of the Sustainability Factors into the investment process is based on several considerations such as:

- availability and quality of ESG data, research and analysis[2] to inform investment decision-making;
- robust and marked-wide recognized methodologies and tools;
- assessment of impact on financial risk/return profile of the portfolios[3];
- relevant external regulation applicable at Group and Local level.

As a result of the above, the Group defines mandatory ESG incorporation approaches to be implemented by all Group Insurance Companies, in order to:

- support the Group in the achievement of its Strategy including specific sustainability objectives and targets;
- protect the Group from Sustainability Risk;
- consider the Group impacts on Sustainability Factors.

Moreover, since the Group is made of numerous Group Insurance Companies operating in different geographies worldwide, the integration of Sustainability Factors may depend on Local specific needs and requirements such as, but not limited to:

- structure, size, complexity and profile of Local insurance asset and liabilities (for example, the mix of general and life insurance business, and the specific type of insurance product offered);
- local specific requirements and organizational structure.

Group Insurance Companies can implement additional approaches if required by Local specific requirements or Local best practices.

5.2 ESG INCORPORATION APPROACHES

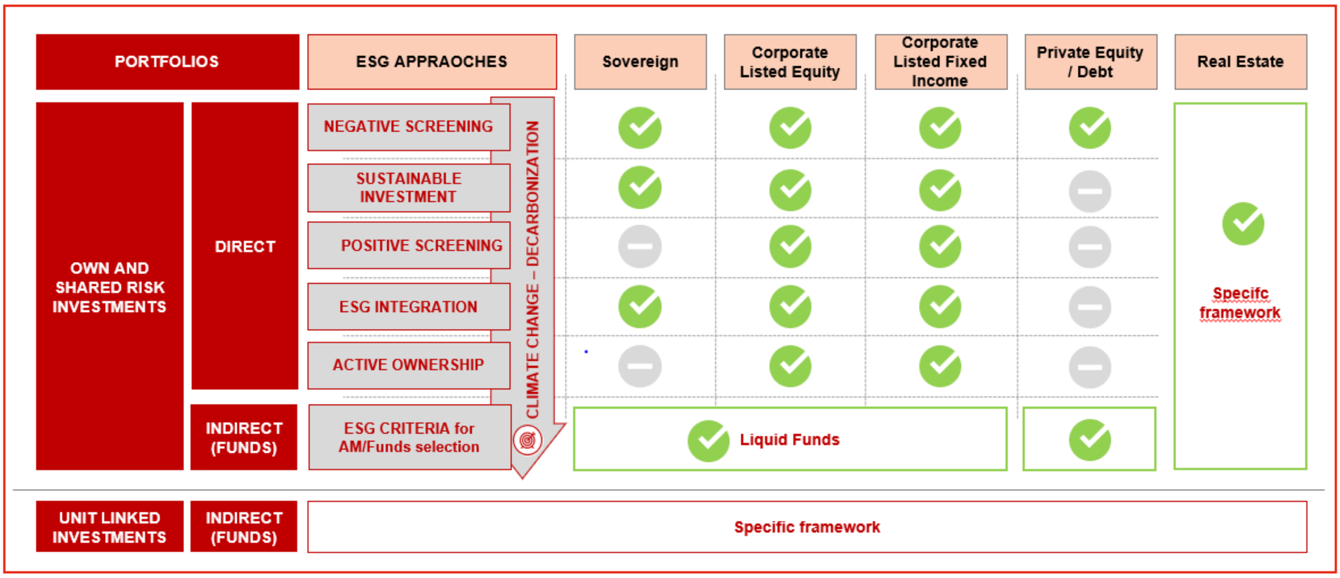
For what concerns Own and Shared Risk Investments Portfolios, ESG incorporation is implemented through approaches and levers which differ depending on the investment's type:

- direct investments[4]: management levers are directly available to integrate (steer and control) relevant Sustainability Factors into decision-making, across different types of asset classes, also describing "Active Ownership Approach";
- indirect investments (investments in shares and quotes of UCIs open to third-party investment investors): there are no direct management levers to integrate Sustainability Factors and steer the investment choices of the Asset Managers. Therefore, ESG incorporation for the indirect investments is carried out through screening, selection and monitoring of UCIs and Asset managers, by defining specific requirements the Group considers relevant for its overall sustainable investment objectives and targets;
- Real Estate investments (both direct and indirect): due to the specificities of such asset class, ESG incorporation approaches are defined separately;

For Investment-Linked Insurance Products Portfolios, in consideration of the specificities of such financial products, an ad hoc Framework applies.

[2] Issuers' non-financial information and Indicators (such as ESG ratings, principal adverse impact on Sustainability Factors, EU taxonomy alignment, Sustainability Risks) provided both by issuers, external providers and/or internal structures
[3] e.g., Impacts restriction of investment universe, expected returns, concentrations, reputational risk etc
[4] Including investment in UCI reserved to Group Insurance Companies' investments.

Figure 1 - ESG Incorporation Approaches



5.3 OWN AND SHARED RISK INVESTMENTS' PORTFOLIOS

5.3.1 Direct Investments

Incorporation of Sustainability Factors into investment analysis and decision-making processes is carried out through a mix of different approaches:

- Mandatory: applicable to all Group Insurance Companies' direct investments:
  - negative screening;
  - sustainable investment;
  - active ownership (Proxy Voting and Engagement) – refer to paragraph 5.3.4.
- Additional: on a case by case basis (specific Group Legal Entity / Portfolios) and subject to GCIO's review and validation:
  - positive screening;
  - ESG integration.

For climate change and decarbonization approach, refer to paragraph 5.3.5

Negative Screening

The negative screening aims at excluding from the Group investable universe issuers, sectors or activities with poor ESG practices[5] potentially impacting on their long-term financial performance and/or exposing the Group to higher sustainability and reputational risk.

The negative screening approach envisages the following types of exclusion:

- controversies exclusion for corporate and sovereign issuers;
- laggard exclusion for corporate and sovereign issuers;
- sector and controversial activity exclusion for corporate issuers, specifically:
  - coal sector exclusion for corporate issuers;
  - unconventional oil & gas: fracking, artic and tar sands sector exclusion for corporate issuers;

[5] Not aligned to Group minimum standards, business best practice or not based on international norms related to responsible investment.

- unconventional weapons exclusion for corporate issuers.

Issuers excluded from the Group investable universe according to the negative screening criteria are included into the Restricted List.

Sustainable investments

According to prevailing market standards and relevant EU regulations[6], sustainable investments are defined as investments in economic activities which:

- contribute to an environmental objective[7], or/and
- contribute to a social objective[8],

provided that:

- such investments do not significantly harm any of those objectives, and
- that the investee companies (in case of investment in corporate issuers) follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Positive Screening

Applying filters to a universe of securities, issuers, investments, sectors or other financial instruments, the positive screening approach allows Group Insurance Companies to invest in issuers or projects selected also for their positive ESG performance[9] relative to peers across different criteria (e.g. industry, sector, geography, regions, business activities and practices, product and services etc.) with a best-in-class, best-in-universe, and/or best-effort approach deriving from the ESG analysis.

ESG Integration

The approach envisages the explicit and systematical inclusion of material Sustainability Factors in investment analysis and decisions, to better manage risks and improve returns, using qualitative and quantitative ESG information at the portfolio or single issuer level:

- integrated analysis for active stock-picking or other equity investments includes analysing how Sustaniability Factors can affect a company's balance sheet, income statement or cash flow models, by affecting costs, revenues, and business growth assumptions (i.e. in the estimation of a company's fundamental value);
- integrated analysis for active bond-picking and other debt funds involves analysing how Sustainability Factors can affect an issuer's creditworthiness;
- integrated analysis for both equities and bonds can include an assessment of a company's quality of management and the business risks and opportunities it faces related to Sustainability Factors, allowing comparisons between companies.

As Group Insurance Companies are an asset owner with delegated asset management activities, the ESG integrations approach is carried out at portfolio management level by delegated GAM Cos and/or TP AMs based on their respective internal methodologies and processes.

5.3.2 Indirect Investments

The approach envisages the definition of ESG criteria in the investment decision-making process for the selection and monitoring of AM and UCIs established / managed by Group / TP AMs for:

- Liquid Funds[10]: considering the higher level of transparency and availability of ESG data on the UCIs' underlying investments (Listed-Public), ESG incorporation requirements are defined with an higher level of detailes in terms of approaches-criteria to be adopted in the investment policy of the target Fund / Asset Manager;

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[6] SFDR 2088/2019 Regulation Art 2 (17)

[7] As measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy.

[8] In particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities.

[9] Assessed trough ESG ratings (one or more, internal or from external ESG providers)

[10] Funds investing in listed financial instruments, corporate and sovereign asset class, traded on regulated market and/or other facilities (private debt, equity and Real Estate Funds are excluded); both with active and passive (ETF included) investment approach.

- Private & Real Asset Funds[11]: considering the nature of the underlying investments/assets (private) and the current lower level of ESG data and information available, ESG incorporation requirements are defined mostly with the aim of evaluating the overall ESG or Sustainability policy of the target UCI and Asset Manager commitment to sustainable investments.

5.3.3 Real Estate

Investing in real estate presents some specific ESG considerations when compared with other asset classes:

- real estate is usually a long-term investment, allowing more time for material Sustainability Factors to play out in ways that affect investors, the environment and society;
- many Sustainability Factors play out at a local level[12] and as a consequence real estate investments are inextricably linked to a specific geographic location, making the incorporation of ESG Sustainability Factors particularly relevant.

According to Group investment governance framework, Group Insurance Companies' real estate investments (both direct and indirect) are carried out by specialized Group real estate GAM Cos (RE GAM Cos) and based on the following principles[13].

- For what concerns direct investments[14]:
    - deal sourcing: the material Sustainability Factors are identified during screening, due diligence and in the planning of new developments and major renovations. Sustainability Factors are investigated assessing the potential for improvements, identifying legacy issues and analysing the impact of Sustainability Factors, such as physical climate risks or energy efficiency standards. It should be also considered how these factors – and the quality of relevant local infrastructure – might impact property valuations;
    - investment decision: the investment decision by relevant decision-making bodies shall be supported by appropriate evaluation including any material Sustainability risks, mitigation strategies, associated costs and assumptions identified during the due diligence process;
    - ownership: Sustainability Factors are included in the management of the asset (including certification), selection and monitoring of external mandated property managers and implemented in engagement commitments with tenants (like green leases and information campaigns) whose behaviour affects buildings Sustainability Factors such as energy use and recycling;
    - sale: managing Sustainability Factors and improving performance during the ownership phase can reduce risk and enhance value, which can be realised on the asset's sale.
- For what concerns investment in RE funds managed by Third Party Asset Managers, RE GAM Cos (in charge for the selection and monitoring) shall:
    - consider ESG incorporation criteria for the selection and monitoring of Private & Real Asset Funds;
    - monitor and, where necessary, engage Third-Party Asset Managers about the policies, systems and resources used to incorporate Sustainability Factors consistent with the principles adopted by the Group.

5.3.4 Active Ownership approaches

Key Principles

As a long-term liability-driven institutional investor and asset owner with a fiduciary duty, each Group Insurance company, in line with the Group, incorporates active ownership in its Framework, considering it a contributor to long-term risk mitigation and value creation for clients and shareholders.

By engaging investee companies and exercising voting rights, the Group aims at influencing investee companies' business behaviors and accountability on Sustainability Factors, as a consequence mitigating the sustainability risks the Group is exposed to and managing principal adverse impacts on Sustainability Factors deriving from its investment strategy.

Active ownership is based on the following pillars:

- Monitoring investee issuers on relevant matters such as strategy, financial and non-financial results, risks, structure of capital, social and environmental impact, corporate governance. With specific reference to monitoring, Ins Cos require delegated Asset Managers (both Group and TM AM) to perform monitoring activities on investee issuers according to

[11] Private Equity, Private Debt and Real Estate Funds. Fund of Funds excluded. For what concerns Real Estate, also in addition par 5.3.3 applies.
[12] For example, extreme weather, water stress, legislative and/or regulatory requirements and community relations.
[13] Aligned with the PRI principles for RE investments
[14] Including investments in reserved RE UCIs managed by RE GAM Cos.

investment management agreements and to provide Ins Cos with information flows and reports related to the services provided and consistently with applicable Group internal regulations[15].

- Engagement: dialogue with investee issuers. To a greater extent, the Group commits to dialogue and collaboration with institutions and national and international associations to promote the diffusion of sustainability practices, as well as to take part in working groups[16] to foster knowledge, through studies, research and publications.
- Voting: exercise of voting rights and other rights attached to shares/bonds. The Group believes that decisions taken at general meetings of investee companies are of utmost importance for the achievement of companies' long-term strategies. The Group adopts principles and criteria, including the consideration of material Sustainability Factors and risks, in the definition of voting decisions consistent with the interest of the Group and its clients.
- Transparency: the Group commits to i) report to its stakeholders the information concerning active ownership activities, by ensuring the proactive, effective and timely communication of relevant information to the financial market community as well as to external specialized analysts and rating agencies, ii) publish on the website the report on active ownership activities foreseen by relevant regulation[17].
- Management of current and potential conflicts of interest in relation to the Group commitment to active ownership is performed in compliance with the Generali Group Code of Conduct, and the relevant Employees' Conflicts of Interest regulation Group Guideline[18]. Consequently, Ins Cos and their employees involved in each (and all) of the active ownership activities must: i) be aware of situations of conflicts of interests that may arise during active ownership activities and are encouraged to contact the respective direct manager or the competent Compliance Officer function whenever in doubt; ii) avoid any situation which may give rise to an actual or potential conflict of interests. When conflict is unavoidable, Ins Cos and their employees involved in each (and all) of the active ownership activities must: i) refrain from performing any active ownership activities and/or making decisions on behalf of the company or the Group; ii) disclose the conflict in writing to the direct manager or the competent Compliance Officer function and wait for indications on how to proceed. Competent Group functions/structures must verify if the conflict may endanger the interests and reputation of the Group and, if necessary, define appropriate remedial measures to prevent loss to the Group. Further duties are envisaged in the Conflicts of Interest Group Guideline (duty to abstain, duty to declare, prior approval needed), to which reference should be made for further information. For services provided by delegated Asset Managers (both Group and TM AM), the Group relies on the policies on conflicts of interests as adopted and disclosed by the latter.

5.3.4.1 Engagement with investee companies

Objective

Through the dialogue with investee companies, the Group intends to pursue the following general objectives:

- acquire more information about sustainability practices as well as overall strategy, management and issues of the investee companies;
- encourage improved/increased sustainability practices and/or the level of disclosure;
- exert an influence on investee companies, seeking to improve their overall business practices, including sustainability practices and performance, to lower their sustainability risk and ultimately improve their long-term profitability;
- make better investment decisions in the context of the asset management of Group Investments.

Approach

The Group:

- engages companies from the perspective of a long-term investor and irrespective of whether a holding is in an active or passive investment strategy. To this extend, both equity shareholding and fixed income investments are considered as relevant to assess the materiality of an investment. The Group is also in favor of engaging with Governments where relevant to its investment strategy and in case the specific matters envisage such kind of engagement levers, in the contest of collective initiatives[19] with other Asset Owner and Institutional Investors;

[15] As an exception, in case of assets whose management is not delegated, a Financial Participations Governance Group Guideline is in place in order to define a centralized process for the management and control of the Group financial participations. The process entails participations mapping and portfolio monitoring based on selected financial information.
[16] E.g., Generali Group joined the United Nations-convened Net-Zero Asset Owner Alliance, committed to decarbonize their portfolios to net-zero emissions by 2050 to avoid a global temperature increase above the 1.5°C Paris target, the Principles for Responsible Investment (2011), National Forum for Sustainable Finance.
[17] E.g., annual report pursuant to directive 828/2017.
[18] For services provided by GAM Cos and TP AMs, the Group relies on the policies on conflicts of interests as adopted and disclosed by the latter.
[19] For e.g., UN-convened Net Zero Asset Owner Alliance

- engages in a constructive manner, explaining any concerns, asking questions and trying to provide valuable feedbacks from the perspective of the Group and of its stakeholders;
- is in favor of the submission of shareholder resolutions on the dissemination of best sustainability practices in terms of e.g., governance, professional ethics, social cohesion, environmental protection, and digitalization;
- interacts and collaborates with investors, institutions and national and international associations to promote the diffusion of sustainability practices and supports sustainability focused organizations and NGOs[20], e.g., by speaking at conferences, advocating for - and in some cases providing consultation on - codes and standards and regulatory frameworks, sharing Group perspectives with interested stakeholders.

Engagement can be carried out:

- directly: individually carried out by the Group internal staff or delegated Asset Managers and conducted in the name of the organization (i.e., the companies with which the Group engages can identify it unitarily);
- collaboratively: jointly with other investors (with or without the involvement of a formal investor network or other membership organization), taking advantage of opportunities and exercising the best judgment to achieve the result;
- with intensity and effort that can vary from case to case, depending on the specific objective and cost. If the opportunity rises (especially in cases where corporate engagement becomes increasingly less effective or when the business case for the requested action is impractical, uneconomic, or uncertain), efforts may be extended to relevant stakeholders of investee companies, private and public bodies, asset managers.

Notwithstanding the above-mentioned ways of conducting the engagement, to pursue its objectives, the Group uses the following types of engagement:

- Portfolio management-related engagement: the objective is to engage specific companies with poor sustainability performance that nevertheless show potential for a drift towards a more sustainable business conduct. In particular, this engagement focuses on companies in which the Group has a long-term financial interest but presenting material specific Sustainability Risk[21]. This type of engagement is typically proposed, executed and reported by delegated Asset Managers;
- Proxy voting related engagement: the objective is to stimulate investee companies to improve their governance, as well as their sustainability practices by dialogues with companies on votes casted in exercising voting rights towards them[22];
- Engagement related to the Group Strategy and commitments: the objective is to engage specific companies on the base of strategic considerations related to the Group (i.e. Business Strategy, Sustainability Strategy, Sustainable Investment Strategy) and existing external commitments (e.g. UN Global Compact, NZ AOA), or local stewardship codes, to which the Group voluntarily adheres.

5.3.4.2 Proxy voting

Proxy Voting refers to the exercise of voting rights at shareholder (as well as bondholder) meetings to formally express approval (or disapproval) on relevant matters. It includes not only expressing opinions on topics raised by management or by shareholders (or bondholders), but also submitting resolutions for others to vote on. Voting can be done in person or remotely. Voted items are not always closely related to Sustainability Factors, but can also cover financial performance, risk management, strategy and corporate governance matters.

Objective

Through the exercise of voting rights, the Group intends to maximize the amount of votes cast, taking voting decisions finalized to value the companies in which it invests.

Approach

The Group:

- adopts voting principles[23] in order to provide guidance (so-called “voting recommendations”) on how voting rights shall be exercised and to ensure consistency in voting behavior;

[20] E.g., NZ AOA
[21] Material both in terms of relevance of the Group exposure in the investee company and due to its involvement of very severe ESG controversies or having low ESG rating compared to the reference sectors and peers.
[22] Examples of dialogue may include: board composition, remuneration, say on climate, capital management, shareholder rights, other ESG topics within the voting agenda;
[23] Detailed in the Annex– Voting Principles.

- exercises voting rights whenever reasonably possible, without discriminations based on the subject of the vote or the size of the holdings, but with possible exclusion of meetings in which the exercise of voting rights is administratively, operationally or economically burdensome;
- is committed to having a thorough knowledge of the proposed resolutions in order to express an informed vote, aligned with the Group strategy. In this regard, it does not rely on voting recommendations of proxy advisors to take voting decisions, although the Group uses their voting research;
- interacts with other market participants considering it a precious source of information for fostering internal sustainability practices and ensuring consistency among the Group; when assessing resolutions to be voted, the Group considers all information derived from the stakeholders it relates with;
- in case of securities under lending agreements with third parties, the Group has a case-by-case approach to evaluate if shares should be recalled to vote, taking into account the availability of information in due advance, the existence of a material impact justifying the opportunity to recall the shares, and the cost of the foregone lending income.

5.3.4.3 Class Action steering and supervision

The GCIO is accountable for steering, supervising and internal reporting on class action / collective litigation activities related to insurance investment portfolio at Group Level.

5.3.5 Climate Change and Decarbonization

The Group is committed to promote the transition towards a low-carbon economy, integrating the social dimension into the climate strategy and disclosing the risks and opportunities associated with climate change.

In such context, the Group Strategy on Climate Change[24] defines decisions and actions taken by the Group to promote a fair and socially just transition to a net-zero emission economy both as an issuer, an Asset Owner and underwriter.

To drive the transition to a low-carbon economy, the Group as Asset Owner has set climate and environmental targets by adhering to the UN-convened Net-Zero Asset Owner Alliance.

As member of the Alliance, the Group commits to transitioning its investment portfolios to net-zero GHG[25] emissions by 2050 consistent with a maximum temperature rise of 1.5C degrees above pre-industrial temperatures, taking into account the best available scientific knowledge, and regularly reporting on progress, including establishing intermediate targets every five years in line with Paris Agreement Article 4.9.

In order to pursue its commitment on climate changes and investment portfolio decarbonization objectives, the Group defines and implements in its investment strategy and decisions a combination of specific ESG incorporation approaches.

For direct investments:

- Active Ownership:
    - setting engagement targets on portfolio's companies which represents the highest CO2 emissions[26] to influence their plan to transition to a net-zero world by 2050;
    - aligning Group voting principles with net-zero commitment and use votes to hold companies accountable when they are not making satisfactory progress to address climate change or support climate change mitigation.
- Negative screening: defining investment restriction on (or phasing out from) activities/sectors/issuers (such impacting the most on global warming);
- Positive Screening / ESG Integration: gradually introducing in the portfolio constructions and allocation also climate-related consideration to assess relevant sectors and issuers based on their decarbonization path;
- Sustainable Investment: setting dedicated investment program, across asset classes, in order to finance companies and projects with clear environmental[27],social objectives and good governance practices.

For indirect investments: defining and periodically updating ESG criteria for the selection and monitoring of AM/UCIs which integrate adequate climate-related objective in their investment strategy and provide for adequate level of transparency and disclosure on them.

[40] Generali Group Strategy on Climate Change - Technical Note approved by the AG BoD
[41] Greenhouse Gases
[26] Measured in terms of relative (intensity based) or absolute emission
[27] Climate solution or "green" investments are investments in economic activities considered to contribute to climate change mitigation (including transition enabling) and adaptation, in alignment with existing climate related sustainability taxonomies and other climate related frameworks

5.4 INVESTMENT LINKED INSURANCE PRODUCTS' PORTFOLIOS

Integrating Sustainability Factors into investments portfolios underlying ILIPs is strictly dependent on several factors such as:

- the return and risk of the investments are exclusively or mainly retained by policyholders. In addition, in some markets the policyholder and/or distributor selects the underlying investments embedded in the wrapper provided by the Group Insurance Company;
- the selection of the underlying investment shall take into account among others the Sustainability Preferences[28] of the policyholders;
- the product design at the point of sale defines, often in a relatively narrow way, the investment risk/return profile of the assets backing the product (e.g., UCIs with benchmark or dedicated to a specific asset class);
- unit linked portfolios are often exclusively or mainly invested in UCIs, which can be open to third party investors and have their own investment policy;
- the specific Local markets features and distribution model.

For the reasons above, the Framework outlined in the Group Guideline (and related objectives and targets) does not apply entirely to Unit linked portfolios.

Nevertheless, considering the ongoing evolution of the regulations[29] and market-business practices, and regardless of the sustainability features of the reference insurance product, the Group defines and updates minimum ESG requirements for the selection of investments underlying ILIPs in order to:

- provide policyholder with a minimum level of safeguard and protection in relation to Sustainability Risk;
- minimize the exposure to reputational risks for the Group.

With reference to indirect investments portfolios the Group defines ESG minimum requirements for the selection and monitoring of AM and UCIs as underlying investments.

With reference to direct investments, as minimum ESG requirements, the negative screening approach applies, according to provisions of the present Group Guideline.

Minimum ESG requirement, both for direct and indirect investments, apply to new ILIPs ore re-design of the existing ILIPs.

[28] Ref. to Del. Reg. EU 2021/1257 amending IDD
[29] Ref. to SFDR and Taxonomy Regulations.

6 Regulatory Requirements on Sustainable Finance

In March 2018, the European Commission published a "Action Plan: Financing Sustainable Growth"[30], defining the strategy for the creation of a financial system for the promotion of sustainable development from an economic, social and environmental point of view, which may help the implementation of the Paris Agreement on Climate Change and the United Nations 2030 agenda for sustainable development[31]. This Action Plan on sustainable finance is part of broader efforts to connect finance with the specific needs of the European and global economy for the benefit of the planet and our society. Specifically, this Action Plan aims to: (i) reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth; (ii) manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues; and (iii) foster transparency and long-termism in financial and economic activity.

The Group systematically assesses the impact of the regulation on the Group investment strategy and process, and consequently define and implement possible improvements to the Framework to integrate Sustainability Factors into investment decision.

6.1 SUSTAINABILITY IN SOLVENCY II

The Del. Reg. 2021/1256 amending Solvency II Delegated Regulation (EU) 2015/35 integrates sustainability risks into the investment system of insurance and reinsurance undertakings and requires to:

- include in investment risk management policies actions to ensure that sustainability risks related to the investment portfolio are properly identified, assessed and managed;
- integrate sustainability risks in the prudent person principle when identifying, measuring, monitoring, managing, controlling, reporting and assessing risks arising from investments;
- take into account the potential long-term impact of their investment strategy and decisions on sustainability factors;
- consider customers' sustainability preferences taken into account in the product approval process in the investment strategy and decisions where relevant.

The Framework described in the Group Guideline integrates the management of the sustainability risks deriving from the investment strategy and decisions.

6.2 SUSTAINABLE FINANCE DISCLOSURE REGULATION (SFDR)

The Sustainable Finance Disclosure Regulation (SFDR) is a European regulation introduced to reduce information asymmetries in financial market participants[32] - investors relationships with regard to the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics, and sustainable investment, by requiring financial market participants to make pre-contractual and ongoing disclosures to end investors.

The SFDR requires comprehensive sustainability disclosure requirements covering a broad range of environmental, social & governance (ESG) metrics at both legal entity (financial market participant) and financial product level.

The ESG incorporation approaches described in the Group Guideline provide the framework for the Group Insurance Companies to comply with the SFDR:

- at legal entity level, by publishing the "Statement on principal adverse impacts of investment decisions on sustainability factors" which includes information about the identification and prioritization of principal adverse impacts of investment decisions on sustainability factors;
- at financial product level: by providing the key strategies to determine if the portfolios promote environmental or social characteristics (also following good governance practices), according to the requirements set out in the SFDR.

6.3 EU TAXONOMY FOR SUSTAINABLE ACTIVITIES

The EU Taxonomy entered into force in July 2020. It is a classification system that translates the EU's climate and environmental objectives into criteria to define specific economic activities as "green" for investment purposes.

It recognizes as green, or 'environmentally sustainable', economic activities that make a substantial contribution to at least one of

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[30] Sustainable Finance Action Plan, which includes among others Sustainable Finance Disclosure Regulation Reg. EU 2019/2088 (as known as SFDR),Reg. EU 2020/852 (as known as Taxonomy), Del. Reg. EU 2021/1256 amending Solvency II, Non-Financial Reporting Directive - Dir. EU 2014/95 (as known as NFRD), IVASS Italian Reg. 38/2018, Markets in Financial Instruments Directive 2014/65/EU ("MiFID II"), Del. Reg. EU 2021/1257 amending IDD.

[31] This strategy was subsequently upgraded with the publication, in July 2021, of the Strategy for Financing the Transition to a Sustainable Economy, following the adoption by the European Commission of the *European Green Deal* in June 2019.

[32] Including insurance undertaking which makes available an insurance-based investment product (IBIP)

the EU’s climate and environmental objectives, while at the same time not significantly harming any of these objectives and meeting minimum social safeguards.

The Group is obliged to publish non-financial information pursuant to Directive 2013/34/EU, shall disclose information relating to investments in the portfolio eligible with the Taxonomy criteria as well as investment in the portfolio aligned with the Taxonomy, accordingly to the implementation steps defined by the Taxonomy Regulation and delegated acts.

6.4 INTERNATIONAL SANCTIONS

The Group is firmly committed to comply with the relevant International Financial and Trade Sanctions legal and regulatory requirements in all jurisdictions in which it operates. The Group recognizes that the failure to comply with sanctions laws would not only constitute a breach of legal and/or regulatory requirements but could bring significant reputational damage to the Group itself.

To this end, the Group has adopted dedicated policies and guidelines[33] aimed at defining the minimum requirements to be followed to comply with the applicable sanctions and embargoes regulations which are outside of the scope of the present guideline.

[33] Group International Sanctions Policy, Group International Sanctions Guideline.

Annex - Group Voting Principles

The following macro-areas are encompassed by the voting principles integrated into Group investment strategy:

- Shareholder Rights
- Corporate Boards
- Remuneration
- Transparency and Quality of Financial and Non-Financial Information
- Equity Transactions
- Sustainability Risk and Sustainability Factors
- Special Provisions for Market-wide and Systemic Risks
- Special Provisions for Small and Unlisted Companies
- Related Parties Transactions
- Coordination with Engagement Results
- Issues not Foreseen by Voting Principles

KEY PRINCIPLES

Upholding Shareholder Rights

Generali voting principles emphasize the importance of providing adequate and timely disclosure of resolutions to shareholders for informed voting. The "one share, one vote" principle is supported, and deviations require transparent disclosure. Generali voting principles also address limitations on shareholder rights, such as holding virtual meetings, introducing shareholder proposals, and anti-takeover mechanisms.

Promoting Balanced Corporate Boards

Generali's voting principles prioritize balanced governance and director accountability in corporate boards. Independent directors are considered crucial for board accountability, with their representation majority or at least one-third depending on circumstances. Generali voting principles also address employee representatives, professional skills, diversity, election methods, and director appointment duration. Board committees should have independent chairs and specialized committees to handle conflicts of interest. Disclosure of committee duties and membership is encouraged.

Ensuring Fair Remuneration Practices

Generali voting principles emphasize the importance of a remuneration policy aligned with industry best practices for investee companies. The policy should consider company performance, effective contributions by directors, and long-term value creation. It should align management's interests with shareholders' for sustainable growth and incorporate sustainability risks and non-financial criteria. Shareholder approval is required for changes to the policy. The remuneration structure should include fixed and variable components, with balanced variable pay promoting long-term performance.

Transparency and Quality of Information

Investee companies should provide transparent and complete financial and non-financial information. The Group expects reports and statements to highlight the long-term strategy, prospects, and risks. The appointment of external auditors should consider their independence, and dividend payout policies should be disclosed. Generali voting principles also highlight the importance of disclosure and alignment with shareholders' expectations.

Responsible Equity Transactions

Investee companies are expected to provide transparent and comprehensive financial and non-financial information. The approval of statements may be withheld in case of material breaches or reservations expressed by independent auditors. The appointment of external auditors should prioritize independence, avoiding conflicts of interest. Dividend policies should be disclosed and aligned with shareholder expectations and the company's financial needs. Generali encourages employee shareholdings within reasonable limits.

Addressing Sustainability Risk and Factors

Investee companies are expected to assess sustainability risks and disclose the results of this assessment, management measures in place, and the integration of environmental and social objectives into their business model. Severe or systematic violations or lack of processes in these areas may result in Generali not supporting the re-election of directors responsible for environmental and social matters.

Managing Market-wide and Systemic Risks

The Group recognizes potential market-wide and systemic risks, such as interest rate changes, geopolitical issues, climate change, and pandemics. A case-by-case approach is promoted to support a long-term sustainable recovery and resilience of companies to changed conditions.

Balancing Governance for Small and Unlisted Companies

The Group recognizes the differences between listed and unlisted companies but believes in promoting Corporate Governance and sustainability practices in unlisted companies. The principles are applied proportionally to avoid imposing excessive costs on small and unlisted companies. Transparency is crucial for shareholders to assess resolutions and alignment with strategic goals.

Ensuring Fair Related Parties Transactions

Investee companies should have transparent procedures for related party transactions, supervised by an independent committee. Fairness and disclosure of relevant information are expected, and Generali considers the committee's opinion and transaction fairness when voting.

Aligning Voting with Engagement Results

When ongoing engagement fails, the Group may express disappointment by voting against management proposals or remuneration not aligned with sustainability targets. Dissenting votes are recorded, and productive engagement does not excuse deviating from ordinary voting behavior.

Addressing Unforeseen Resolutions

For resolutions not foreseen in the voting principles, the Group considers circumstances, rationale, risks, governance, information, and alignment with long-term investors' interests when voting.