Generali Group

RESPONSIBLE UNDERWRITING GROUP GUIDELINE

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1 Introduction

Generali 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 Group purpose to "enable people to shape a safer future by caring for their lives and dreams" and ambition of being a Lifetime Partner, thus creating value for our stakeholders.
The Group believes that the proactive integration of relevant sustainability considerations into the 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 P&C underwriting through the definition of a common P&C Underwriting management framework across the Group. The Guideline ensures the adoption of a responsible conduct with the main objective of avoiding/ minimizing the exposure to companies/clients whose behaviours are not aligned with the Group's principles.

In this context, the Group, as responsible insurer, requires its BU[1]/Local CInsOs[2]/P&C underwriters to follow these principles, considering the scope, nature and complexity of the risks and business carried out, and to properly perform the implementing actions in order to minimize/avoid the insurance exposure to sensitive business and therefore to potential reputational risks.

2 Objectives

The Group aims at playing an active role in the proper management of sustainability, pursuing the following key objectives:

- encouraging high standards of corporate governance as well as good management of risks related to environmental and social factors;
- promoting acceptance and implementation of the United Nations Global Compact and the United Nations Environment Programme Finance Initiative (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 factoring-in clients'/companies' sustainability considerations within the P&C underwriting process. The respect of such principles and rules, and the implementation of the relevant actions, aim to ensure the adoption of a responsible underwriting management conduct at Group and Local level.

3 Scope and effective date

The Group Guideline applies to Assicurazioni Generali S.p.A. (including branches) and all the Group Legal Entities regulated and controlled by the Group which manage P&C insurance and/or reinsurance business subject to case underwriting (direct business and facultative reinsurance acceptances).

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

The Group Guideline has been approved by the Group CEO of Assicurazioni Generali S.p.A. and is effective as of 31st October

[1] Business Units
[2] Chief Insurance Officers

2018. This new version of the Group Guideline is effective as of 28th February 2024 .

4 Responsible Insurer

As a signatory of the United Nations Global Compact in 2007 and of the UNEP FI Principles for Sustainable Insurance (PSI) in 2014, the Group commits to fulfill initiatives aimed at integrating the effective management of risks and opportunities related to environmental, social and governance factors into the underwriting decision-making processes.

This commitment is based on the following principles:

- to embed in the decision-making process the assessment of sustainability considerations relevant to the insurance business;
- to work together with companies/clients and business partners to raise awareness on the careful management of sustainability, manage the related risks and develop solutions;
- to work together with governments, regulators and other key stakeholders to promote widespread action across society on sustainability;
- to demonstrate accountability and transparency by regularly disclosing publicly the progress in implementing the PSI.

4.1 Definition of controversies and sensitive sectors

In addition to the usual technical assessments which is carried out during the risk underwriting process, the Group also considers the sustainability profile of the businesses, aiming to:

a. avoid the underwriting of companies which are involved in very severe **controversies**[3] as

- Direct involvement in armament and weapons that violate fundamental humanitarian principles through their normal use (e.g. cluster bombs, landmines, biological and chemical weapons, nuclear weapons, depleted uranium weapons);
- human rights and labour rights violations;
- product safety;
- negative impact on local communities;
- environmental damages;
- corruption and fraud cases.

b. having a conscious underwriting of companies[4] which perform activities for which they are exclusively or predominantly involved with the following **sensitive sectors**:

I. Defense

Key concerns can include:

Transport of weapons to high-tension areas undermining peace, stability, rule of law and human rights;

Protection of manufacturing sites that may lead to human rights violations and physical harm to people, also due to misconduct of security personnel.

[3] The Group has its internal methodology in defining when controversies are very severe, also considering reputational impacts
[4] For these clients an additional assessment is performed at Local level, also for reputational impacts

II. Large hydroelectric plants and dams

Hydroelectric plants can refer to both large power plants and river installations. Similarly, the construction of dams for water planning may include large barrages. Depending on each plant specific characteristics, environmental and social impact can change significantly.

Key concerns for large hydroelectric plants and dams can include:

- Excessive land use, that can lead to significant negative impacts, both for the environment (e.g. biodiversity loss, erosion, deforestation, risk of landslide) and the affected population (e.g. agricultural land flooding, forced resettlement, destruction of cultural heritage, and serious damages to the landscape);
- Physical risks for the populations, including the risks of flooding and water stress for the populations downstream of the water basin;
- Greenhouse gases emissions related to the construction and operational phase. In particular, emissions associated with operations originate from decomposition of the vegetation and can be significant when power plants are built in tropical areas;
- Human and labor rights abuses, including poor worker safety record, violation of collective bargaining, forced labor and misconduct of security personnel;
- Bribery and corruption linked to the authorization process (e.g. for land acquisition, environmental and social impact assessment) both at national and local level.

III. Mining

Key concerns can include:

- Adverse impacts on biodiversity in natural habitats and protected areas due to land use (open pits, erosion, deforestation, landslides) and pollution potentially resulting in leaks, spills or other accidental releases into soils, surface water, and/or groundwater resources (e.g. cyanide, mercury);
- 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 human/ labor rights, including poor worker safety record, violation of collective bargaining, forced labor, land and water pollution, degradation of natural/cultural heritage, and serious damages to the landscape;
- Bribery and corruption linked to the acquisition of concessions to exploitation, both at national and local level, and funding of criminal organizations.

IV. Healthcare

Key concerns can include:

- Critical trials, particular consideration is given to allegations of: participation of vulnerable people in critical trials; insufficient ethical and scientific reviews; insufficient evince of willing consent; development of Genetic Engineering or Genetic Modification on humans;

- Control of product safety and quality, particular attention is given to allegations of: unethical conduct or negative health impact on customers; development of genetically modified foods, such as seeds and crops, and other organisms intended for agricultural use or human consumption;
- Animal testing, particular consideration is given to allegations of: animal testing for non-pharmaceutical products including cosmetics, personal care and household cleaning products as well as industrial and chemical products; lacking of anesthetic or distress reducing techniques to reduce animal suffering; use of wild animals, endangeres species or Great Apes in testing;
- Patenting and licensing, particular consideration is given to allegations of: bribery and corruption linked to the patenting and licensing processes; anti-competitive practices and violations of antitrust laws.

V. Pornography and prostitution

Key concerns can include human and children rights violations, such as human trafficking, forced labor and threat to public health, related to the production, direction, or publishing of adult entertainment materials that fall into the following 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 magazines or other printed materials that contain images of sexually explicit material for adult consumers;
- Companies that own, operate, or license commercial establishments such as strip clubs, nude stage shows, saunas, massage parlours or adult entertainment booths, where the owners, the agents or the employees participate, permit, allow, encourage, or pay 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.

VI. Betting and gambling

Key concerns can include negative health impact on customers, such as compulsive gambling disorder, illegal payments and funding of criminal organizations and are related to those activities:

- 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.

VII. Fishing and livestock

Key concerns can include biodiversity losses, animal welfare and human rights violations and are related to those activities:

- Illegal, Unreported and Unregulated Fishing (IUU) that is conducted breaching 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. To identify vessels and companies associated with IUU fishing, the PSI-Oceana Guidelines "Risk assessment and control of IUU fishing for the marine insurance industry" can be taken as a reference;
- Shark finning and/or commercial whaling;
- Use of dynamite, poison or other unconventional fishing techniques;
- Companies operating fur farms and/or involved in the production and trade of fur and leather.

VIII. Conventional and unconventional oil and gas

- Oil and gas (extraction and prospection activities only)

The exploration and development of oil and gas extraction and prospection assets take place in increasingly complex operating environments (including the Artic, both onshore and offshore), such as offshore waters, remote locations, and countries with weaker governance or conflict zones, in some cases relying on unconventional techniques, such as shale hydraulic fracking, extraction of tar sands oil, and deep seas drilling with lesser-known impacts. Key environmental and social risks can include:

- Adverse impacts on biodiversity in natural habitats and protected areas, including forests and offshore marine habitats, degradation of natural/cultural heritage and serious damages to the landscape;
- 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;
- Soil pollution for oil spills and leakages;
- Human and labor rights violations, including poor worker safety record, violation of collective bargaining, forced labor and misconduct of security personnel;
- Physical risks for the population and forced resettlement;
- Bribery and corruption linked to the acquisition of concessions to exploitation.

- Tar sands and associated pipelines

Oil sands extraction can have adverse impacts on biodiversity, soil pollution, water overconsumption and pollution for its massive use to separate the oil from the sand, and on air pollution due to the release of carbon dioxide and other emissions

IX. Thermal coal

Coal-related businesses refer to coal assets of coal-based power generation companies, coal mining companies and companies specialized in coal-dedicated transport infrastructures.

Key environmental and social risks can include:

- Air emissions, including significant greenhouse gas and local air pollutants generation;
- Adverse impacts on natural habitats and protected areas;
- Water contamination and water use in water-scarce areas.

X. Nuclear energy

Key concerns for physical risks for the population in case of nuclear accident, human and labor rights violations (e.g. poor worker health and safety record, violation of collective bargaining, misconduct of security personnel), soil and air pollution due to radiation leaks, air pollution and greenhouse gases emissions during the construction and decommissioning of the plants. These concerns are related to companies that provide essential products and/or services to the nuclear power sector, 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-designed 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.

In general terms, any activity involving the usage of a nuclear reactor other than medical applications.

XI. Tobacco manufacturing

Key concerns can include:

- threat to public health, being tobacco a leading cause of death and illness, including compulsive tobacco use disorder particularly worrying in young people, for both direct tobacco users and non-smokers being exposed to second-hand smoke;
- the substantial economic costs, including significant health care costs for treating the diseases caused by tobacco use as well as the lost of human capital that results from tobacco-attributable morbidity and mortality;
- impoverishment of vulnerable people: the vast majority of tobacco users worldwide live in low- and middle-income countries, where tobacco use contributes to poverty by diverting household spending from basic needs such as food and shelter to tobacco;
- human, children’s and labor rights violations in the tobacco farming supply chain related to poor worker safety record including the exposure to "green tobacco sickness", violation of collective bargaining and employment of children;

- illicit trade in tobacco products, leading to tax evasion and funding of organized criminal networks.

These key concerns are related to companies that manufacture complete tobacco products such as cigarettes, e-cigarettes, heated tobacco products, waterpipes, cigars, cigarillos, roll-your-own tobacco and pipe, regardless of the portion this represents of the overall operations of the business.

4.2 Implementing actions

The following implementing actions integrate the technical and regulatory assessments to which the underwriting activity of a specific risk is subject.

In particular, the Group complements traditional fundamental analysis with sustainability risks assessment in relation to:

- underwriting transactions with companies with poor sustainability practices potentially impacting on their long-term financial performance; and/or
- underwriting transactions exposing the Group to higher reputational risk.

For the (prospective) clients involved in the above-mentioned (ch. 4.1) controversies or primarily operating in the aforesaid (ch. 4.1) sensitive sectors, the Group has set up a specific process aimed at identifying and assessing these counterparties and consequently applying the relevant sustainability risk mitigation measures. Depending on the sustainability risks analysis and the possible relevant critical issues identified, this can include also the escalation of decision-making to cross-functional Committees at Local and/or Group level. This governance ensures a fair and independent evaluation of the sustainability risks and an appropriate level of authority to decide whether proceeding with the transaction.

The sustainability risk assessment is based on both internal and external tools and methodologies. As such, before renewing the coverages or underwriting a prospective business which operates in an overmentioned (ch. 4.1) sensitive sector or has been involved in controversies, the P&C underwriter shall consult the external tool RepRisk ESG Risk Platform. This third-party tool is an online searchable database which serves as a risk research, risk monitoring, and due diligence tool for sustainability and reputational risks.

This tool is available:

- for continuously monitoring the insurable universe, identifying and assessing issuers with significant sustainability risks;
- to inform the P&C underwriter about the RepRisk Rating and the RepRisk Index of the (prospective) client in question.

In order to make an informed decision, the evolution of the RepRisk Index and its benchmark against the market average shall also be taken into consideration in order to have a comprehensive understanding of the ESG assessment of the (prospective) client.

Furthermore, the external tool MSCI ESG Manager has been introduced to further sophisticate the level of analysis of sustainability of (prospective) clients. This online ESG research and analytics platform is indeed designed to efficiently manage research, analysis and compliance tasks across the spectrum of ESG factors.

The combination of the two tools allows to better integrate sustainability evaluations with technical assessment in the underwriting activity. Conditional to the RepRisk Rating and MSCI ESG Rating of the (prospective) client, the decision on the underwriting of the risk is subject to an approval process structured at Local or Group level.

Depending on the severity of the controversies or the sustainability risk profile of the (prospective) client, specific risk mitigation measures can be adopted, ranging from:

- the Group companies may request more information to the broker/ other intermediary or directly to the (prospective) client for an in-depth assessment of the case, to evaluate *inter alia* the effectiveness of the actions taken to mitigate sustainability risks;
- the Group companies may adopt policy wording conditions based on the specific risk;
- the Group companies may decide to decrease the participation to the risks or not to write new business;
- the Group companies may decide to abstain from participating in a specific risk.

Moreover, for companies operating in the fossil fuel sector (i.e. upstream oil & gas and thermal coal), according to the Group's Strategy on Climate Change, the Group is committed to not underwriting any of these new activities and phase out its current exposure.

Once a year, the exposure to clients with high sustainability risks are monitored at Group level and reported to the Group cross-functional Committee as well as to the Group Chief Risk Officer.

The Group commits to convey transparently to its stakeholders the information concerning strategies and responsible underwriting activities. Consequently, in order to ensure its easy accessibility and availability to the public, some content of the Group Guideline is published on the institutional website www.generali.com and on main Group Companies' website.

An update on the implementation of the Group Guideline is published in the Annual Integrated Report.