

The Unipol Group Strategy On Climate Change

Updated to June 2023

INTRODUCTION

In 2015, further to the Fifth Assessment Report of the Intergovernmental Panel of Climate Change (IPCC), the Unipol Group published a *position paper* “**Unipol for the climate**”, which represents the first step forward in the structuring of its strategy on climate-related topics. In the *paper*, the Unipol Group outlined its vision on the need to activate a model for the prevention and management of catastrophic weather events based on a public-private partnership, which adopts insurance mutuality mechanisms to handle the growing risks deriving from climate change and handle the significant compensation expected, particularly within the Italian national context.

The **Sustainability Policy** then specified the Group’s commitments concerning the protection of the environment and land, sea and freshwater ecosystems as well as the fight against climate change, and affirmed the Group’s commitment to reducing greenhouse gas emissions, with the intent of **contributing to reaching the objectives set by governments in the Paris Agreement**.

In the scenarios evaluated in its Sixth Assessment Report, the IPCC reaffirmed that limiting the increase in the average global temperature to 1.5°C, as required by the Paris Agreement, entails that global greenhouse gas emissions will reach their maximum peak at the latest by 2025 and then, by 2030, will be reduced by 43% [34 - 60%] with respect to 2019 levels¹. Limiting the rise in the average global temperature to 1.5°C also requires reaching net zero CO₂ emissions in the early 2050s, along with deep reductions in other GHG emissions².

Aware of the triple role that the Unipol Group is called upon to play in the fight against climate change as *risk carrier* (management of technical insurance risk), *risk manager* (physical risk management) and *investor* (institutional investor), and the decarbonisation trajectory outlined by the IPCC to reach the targets for limiting the increase in the average global temperature outlined by the Paris Agreement, the Board of Directors of the Unipol Group has adopted this **climate strategy** to specify in detail how the Group is preparing to deal with the risks and take advantage of the opportunities connected to the climate, by defining new medium/long-term targets for the reduction of its greenhouse gas emissions to support its path of decarbonisation.

¹ IPCC - Working Group III contribution to the IPCC sixth Assessment Report (AR6), Summary for Policymaker, C.1

² IPCC - Working Group III contribution to the IPCC sixth Assessment Report (AR6), Summary for Policymaker, C.2

AT A GLANCE: THE MAIN TARGETS



REAL ESTATE DEVELOPMENT AND MANAGEMENT ACTIVITIES

46.2% reduction by 2030 of scope 1 and 2 emissions related to electricity, gas and other energy sources consumption for all buildings over which the Group has direct control, from the instrumental headquarters and those of diversified companies to the buildings housing UNA Group activities and foreign offices, as well as the car fleet of Group employees, in line with climate science and in particular with the scenario of containing the global average temperature increase within 1.5°C.

REDUCTION BY 46.2% BY THE END OF 2030 OF SCOPE 1 AND 2 EMISSIONS

**€1.3BN
INVESTED
TO SUPPORT THE
2030 AGENDA
IN 2024**

INVESTMENTS



- **Commitments under the Net Zero Asset Owner Alliance:**
 - **Sub-portfolio target:** 50% reduction by 2030, compared to 30 September 2022, in the carbon intensity (tCO₂(e)/ EVIC) of its directly managed portfolios of *listed equities and publicly traded corporate bonds*;
 - **Engagement targets:** engagement activities with the 20 companies generating the highest Scope 1 and 2 emissions;
 - **Transition Financing Targets:** target to reach EUR 1.3 billion invested in thematic investments for the SDGs in 2024, including those for combating climate change and protecting the environment, terrestrial, marine and freshwater ecosystems (such as investments in renewable energy and eco-efficiency, sustainable mobility, water, sustainable forest management, organic farming and eco-innovation), up from the EUR 862.2 million invested at the end of 2021.
- **Expansion of sector exclusions within the most impactful sectors:**
 - a priori exclusion from new investments of those in Corporate Issuers that derive 30 percent of their revenues from coal mining or power generation from thermal coal, as well as from oil sands, shale gas and arctic drilling related activities, and that do not demonstrate sufficiently ambitious positioning in terms of business transition to a low-carbon emission economy.



UNDERWRITING ACTIVITIES:

- Target for incidence of products with social and environmental value (**objective of 30% to be reached by the end of 2024**).
- Support to its customers in **the transition towards a low carbon economy**, through the development of products aimed at incentivising its own MV customers to reduce their emissions with the support of telematics and the reduction of the environmental impacts of the claim management process.
- **Exclusion** from Non-Life and Life underwriting of companies that derive 30 per cent or more of their revenues from coal mining or thermal coal power generation, as well as companies that engage in unconventional mining practices (such as mountaintop removal, hydraulic fracturing - *fracking* -, oil sands, deepwater drilling, shale gas and arctic *drilling*), and that do not demonstrate a sufficiently ambitious positioning in terms of transitioning the business to a low-carbon economy.

INCIDENCE OF PRODUCTS WITH SOCIAL AND ENVIRONMENTAL VALUE: 30% TO BE REACHED BY THE END OF 2024

AT A GLANCE: THE MAIN ACTIONS THROUGHOUT THE VALUE CHAIN

PREMIUMS		ASSET MANAGEMENT			CLAIMS MANAGEMENT
		REAL ESTATE			
		FINANCE			
PRODUCT FACTORY	UNDERWRITING AND POLICY MANAGEMENT	TOURISM	AGRICULTURAL	MEDICAL	
Range of insurance products and services aimed at supporting customers in mitigating and adapting to climate change  		Medium-term goal of reducing Scope 1 & 2 emissions in line with climate science 			Reduction of the environmental impacts of the claim management process  
Target for incidence of products with social and environmental value  		Commitments under the Net Zero Asset Owner Alliance 			
Sensitive sector exclusions and monitoring  		Expansion of sector exclusions 			
Emission reduction incentive with the support of telematics 		Target of financing for SDGs   			

Legenda:  Mitigation  Adaptation  Biodiversity  Circular economy

A 2030 SCOPE 1 AND SCOPE 2 EMISSION REDUCTION TARGET BASED ON CLIMATE SCIENCE

Unipol is one of the main real estate operators in Italy based on the dimension of its activities. The Group has a consolidated process for analysing and monitoring its direct impacts. Unipol is committed to carrying out property development activities aimed at maximum energy self-sufficiency, urban re-qualification investments designed to make cities more sustainable and investments for the energy reclassification of existing property assets, not only with reference to the instrumental property but also to the property used by third parties.

Consistent with these commitments, Unipol Group has set a medium-term target: in line with climate science, and in particular with the scenario of containing the global average temperature increase to within 1.5°C, Unipol is committed to **reducing Scope 1 and Scope 2 emissions** related to the consumption of electricity, gas and other energy sources for all buildings over which the Group has direct control, from the headquarters instrumental to the *core insurance business* to those of diversified companies to the buildings that are the headquarters of the UNA Group's activities and foreign offices, as well as the car fleet of Group employees, by **46.2 percent by 2030 compared to 2019**, using the *market-based* methodology in accordance with the GHG Protocol.

This goal will be achieved by pursuing the acquisition of electricity from renewable sources (including diversification of procurement methods), the implementation of energy efficiency interventions and the continuous consolidation of an energy management system certified in accordance with the ISO 50001 standard, with the goal of reducing the emissions connected to energy requirements by roughly 2% per year across all energy carriers by the end of 2030.

INVESTMENTS FOR THE TRANSITION TOWARDS NET ZERO CO2 EMISSIONS BY THE END OF 2050

REDUCTION OF THE EMISSIONS OF ITS INVESTMENT PORTFOLIOS TO NET ZERO GREENHOUSE GAS EMISSIONS BY THE END OF 2050

Aware of the fundamental role of institutional investors in supporting the transition to a low carbon economy, the Unipol Group is fully committed to help achieve the goals of the Paris Agreement.

In order to adequately monitor the impact of its investments on climate change, the Group measures, monitors and reports on metrics associated with the carbon footprint of its financial portfolio (Corporate – Corporate Bond and Equity – and Government portfolios) and evaluates its future alignment with the Paris Agreement goals (*Paris alignment*) on a forward-looking basis³.

In order to consolidate its process of aligning its financial portfolio to a trajectory of containing the global average temperature increase to around 1.5°C, the Unipol Group **has joined the Net Zero Asset Owner Alliance**, thereby committing to reduce the emissions of its investment portfolios to zero net greenhouse gas emissions by 2050 and to take action to reduce greenhouse gas emissions through the engagement of the companies it invests in, setting specific intermediate targets.

³The analysis currently does not include the following asset classes: cash, UCITSs, ETFs, derivatives and unlisted instruments.

In line with the Target Setting Protocol of the Net Zero Asset Owner Alliance⁴, Unipol has set the following intermediate targets to 2030:

- **Sub-portfolio target:** Unipol Group commits to reduce the carbon intensity (tCO₂(e)/EVIC) of its directly managed *listed equities and publicly traded corporate bond* portfolios by 50% by 2030, compared to 30 September 2022. The commitment to reduce carbon intensity concerns the Scope 1 and 2 emissions of the companies included in the perimeter. The assets covered by the target - as at 30 September 2022 - are USD 16.1 Bn (EUR 16.5 Bn)⁵;
- **Engagement targets:** to support the achievement of the sub-portfolio target, the Unipol Group will carry out engagement activities with the 20 companies generating the highest Scope 1 and 2 emissions. In 2022, their emissions accounted for more than 70 per cent of the total absolute emissions of the assets covered by the target sub-portfolio. Engagement activities will include bilateral engagement activities and collective engagement activities at company and sector level, through initiatives such as Climate Action 100+.
- **Transition Financing Targets:** the Unipol Group aims to reach EUR 1.3 billion invested in thematic investments for the SDGs in 2024, including those for combating climate change and protecting the environment, terrestrial, marine and freshwater ecosystems (such as investments in renewable energy and eco-efficiency, sustainable mobility, water, sustainable forest management, organic farming and eco-innovation), up from the EUR 862.2 million invested at the end of 2021.

The Unipol Group will report annually on the progress made against its targets.

EXCLUSION OF SECTORS NOT ALIGNED WITH THE TRANSITION TOWARDS A LOW CARBON ECONOMY

The Group's policies governing ESG risk management call for exclusions and specific disinvestment objectives as concerns carbon. With respect to the oil and gas industry, monitoring is in place on the alignment of the investee companies with decarbonisation processes in keeping with the goals of the Paris Agreement.

According to the **Responsible Investment Guidelines** published in August 2022, the Unipol Group excludes a priori from new investments those in Corporate Issuers that obtain 30% or more of their earnings from coal mining activities or the generation of electricity from thermal coal, and that do not show a sufficiently ambitious position in terms of transitioning their business to a low carbon economy.

The Group has committed to completing its **disinvestment from coal by the end of 2030**.

Unipol has assessed its exposure to fossil fuel mining or energy production from fossil fuels sectors, considering the combined weight of companies in the portfolio that have revenues from such activities and the role such activities have on those revenues.

In order to strengthen its commitment to the Paris Agreement goals, and in particular to the objective of net zero CO₂ emissions by the end of 2050, the Unipol Group therefore undertakes to expand its industry exclusions, establishing additional a priori exclusions from new investments of those in Corporate Issuers that obtain 30% or more of their earnings from activities connected to tar sands, shale oil and *arctic drilling* and that do not demonstrate sufficiently ambitious positioning in terms of *business* transition to a low-carbon economy.

In line with the portfolio decarbonisation process, the Group undertakes to gradually reduce the thresholds of earnings from fossil fuels mentioned above, deemed eligible for the assessment of investments in Corporate Issuers.

⁴Second version published in January 2022.

⁵The Eur/USD Exchange Rate used for the conversion is 0.9748 (as at 30 September 2022)

SUPPORT TO CUSTOMERS IN THE ECOLOGICAL TRANSITION AND FOR ADAPTATION TO CLIMATE CHANGE

DEVELOPMENT OF INSURANCE PRODUCTS AND SERVICES TO SUPPORT CLIENTS IN MITIGATING AND ADAPTING TO CLIMATE CHANGE

Through the expertise and the services it has developed, the Group commits to providing support to its stakeholders in the underwriting process with a view to improving their ability to manage ESG issues (by developing risk assessment activities, advising on prevention approaches, application of telematics solutions), thus reducing the ESG risks and increasing the chances of accessing insurance services.

The Unipol Group is committed to developing a range of insurance products and services to support customers in mitigating and adapting to climate change.

Within the 2022-2024 Strategic Plan, the Unipol Group foresaw a target connected to the incidence of products with social and environmental value, establishing an objective of **30% to be reached by the end of 2024**.

Aware of its role in supporting its customers in the transition towards a low carbon economy, the Unipol Group will develop products aimed at incentivising its MV customers to reduce their emissions with the support of telematics. Furthermore, the Group will place increasing attention on reducing the environmental impacts of its claim management process, for example through the implementation of circular economy processes aimed at reducing greenhouse gas emissions as well as the withdrawal and use of raw materials.

EXCLUSIONS AND MONITORING OF SENSITIVE SECTORS

Companies that derive 30 per cent or more of their revenues from coal mining or thermal coal power generation, as well as companies that engage in unconventional mining practices (such as mountaintop removal, hydraulic fracturing - fracking -, oil sands, deepwater shale gas and arctic drilling), and that do not demonstrate a sufficiently ambitious positioning in terms of transitioning the business to a low-carbon economy are excluded from Non-Life and Life underwriting. The exclusions on the basis of ESG benefits do not apply in the case of underwriting products that protect the employees of the contracting legal entities in the event of illness and accident, on account of the social role that these covers play with respect to individuals, nor to pension, protection and savings products aimed at the employees of the contracting/adhering legal entities, on account of their social value in a logic of integration between public and private welfare.

A number of sectors considered sensitive in relation to ESG risks are subject to particular attention in the process of assessing ESG performance in the Non-Life sector. As regards environmental matters (risks linked to climate change and/or to nature), these include waste management and remediation, construction, transportation and storage, agriculture, breeding, forestry and fishing, textile and leather goods manufacturing activities.

ADVOCACY ON CLIMATE-RELATED TOPICS

The Unipol Group participates in a series of international initiatives that act as drivers to accelerate the financial sector's contribution to the transition towards a low carbon economy, while also focusing on the socio-economic challenges deriving from the transition towards a net zero emissions target at 2050 to guarantee that this transition is fair.

In 2017 Unipol signed the Principles for Responsible Investment, undertaking to integrate social, environmental and governance criteria within the assessment of investments. Furthermore, UnipolSai has declared its compliance with Climate Action 100+, a partnership promoted by investors (UNPRI, CERES) to involve companies generating the most pollution in terms of greenhouse gas emissions to improve climate change governance, reduce emissions and strengthen financial transparency on these matters.

In 2018, the Unipol Group became a signatory to the UN Global Compact, a United Nations initiative which requires participating businesses and organisations to share, support and apply within their sphere of influence a set of fundamental principles regarding human rights, labour standards, environmental protection and the fight against corruption. Principles 7, 8 and 9 of the Global Compact relate to environmental protection.

In November 2020, Unipol became a supporter of the Task Force on Climate-related Disclosure to consolidate its commitment to reporting on climate-related information;

In March 2021, Unipol became a signatory to the UNEP FI Principles for Sustainable Insurance.

In May 2022, Unipol joined the Net Zero Asset Owner Alliance.