GUIDELINES
FOR LIFE BUSINESS UNDERWRITING WITH REFERENCE TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS (“ESG POLICY FOR LIFE UNDERWRITING”)

19 December 2019

Sustainability

Unipol GRUPPO

GUIDELINES
FOR LIFE BUSINESS UNDERWRITING WITH REFERENCE TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS ("ESG POLICY FOR LIFE UNDERWRITING")

19 December 2019

Sustainability

Unipol GRUPPO

Contents

1. Introduction 3
2. Scope of application 3
3. Objectives 3
4. Definitions and Terminology 3
5. Integration of ESG factors into risk assumption and management criteria 4
6. Assessment and management of the ESG risks in different types of Life insurance products 5

1. Introduction

The Unipol Group is committed to contributing to sustainable development, as defined by the United Nations 2030 Goals (SDGs, Sustainable Development Goals), by integrating this commitment into its business model. In the insurance sector and in the finance sector in general, there is increasing interest in understanding the implications of the risks related to environmental, social and governance factors ("ESG factors") on individuals and on the performance of companies of all sizes.

This document establishes the guidelines for underwriting activities with reference to the risks related to ESG factors, with a view to identifying and managing specific risks that are relevant both in terms of technical risk and reputational risk.

Focusing on ESG risks in the underwriting process guarantees that the values of the Unipol Group will be observed, demonstrating responsibility in the decision-making process and dialogue with stakeholders.

2. Scope of application

These Guidelines are adopted by the Group's Insurance Companies with registered offices in Italy , operating in the Life business.

On the basis of risk-based assessments, compatible with the specific regulations of the industry, the Parent may identify which other companies may be included in the scope of application of these Guidelines.

The Guidelines for Life business underwriting apply to contracts underwritten with **legal entities**, therefore excluding business relations with individuals from the scope of application.

3. Objectives

The Guidelines regard underwriting activities by promoting:

1. the integration of ESG factors into the processes and the strategies of the core insurance business;
2. the adoption of an ESG risk identification and monitoring system in the different economic sectors and with relation to the different segments, products and guarantees, which covers reputational risk;
3. the adoption of ESG principles by the insurance industry to increase the awareness of the potential benefits of integrating ESG into the insurance business model.

4. Definitions and Terminology

ESG (Environmental Social & Governance) factors	Environmental, social and governance issues considered "material" for the Group and for the reference stakeholders, in accordance with that defined in the Materiality Matrix[1].

[1] The materiality matrix, as defined in the Group Sustainability Policy, uses quantitative models to identify the sustainability issues that are relevant to the stakeholders and the Group, therefore representing:
- the "material" issues, namely those that are most relevant to the success of the Group's strategies and of greatest interest to stakeholders, by defining "critical thresholds" for the two dimensions;
- the degree of alignment or misalignment between the stakeholders' perspective and the Group's perspective on each issue.

ESG (Environmental Social & Governance) risks	Risks originating from Environmental, Social and Governance factors, relating to specific sectors and countries that show greater exposure.
Reputational risk	The risk that an internal or external event results in a misalignment between the Group's promises and its actions with respect to the expectations and perceptions of its main stakeholders and which, therefore, has a negative impact on the perception that the same have of the Group and consequently on the expected economic results.
United Nations 2030 Goals	Sustainable Development Goals (SDGs) - defined within the ambit of the "2030 Agenda for Sustainable Development", a plan of action for people, the planet and prosperity, signed in September 2015 by the governments of the 193 UN member states. 17 goals are envisaged, which in turn break down into 169 specific targets.
Principles for Sustainable Insurance (PSI)	Initiative of the insurance world in collaboration with the United Nations Environment Programme – Finance Initiative (UNEP FI) and United Nations Global Compact (UNGC), which has defined 10 principles for the development and increase of innovative risk management solutions and insurance solutions to promote renewable energy, clean water, food safety, sustainable cities and communities that can withstand disasters.
United Nations Global Compact (UNGC)	United Nations initiative launched to encourage companies all over the world to adopt sustainable policies compliant with corporate social responsibility and make the results of their actions public. It envisages compliance with 10 Principles divided into 4 areas: Human Rights, Labour, Environment and Anti-Corruption.

5. Integration of ESG factors into risk assumption and management criteria

The Group has established a transparent and systematic approach to integrating ESG factors into the underwriting process.

Identifying, assessing and managing ESG risks is relevant to the underwriting process for two main reasons:

- identifying an ESG risk related to the business areas for which cover is being sought, may contribute to a better definition of the overall risk that is being underwritten, and therefore to a more informed assessment of the opportunity to underwrite it;
- identifying an ESG risk related to the business sector in which the potential insured company or subject operates, or an ESG risk related to the company or subject's management approach to its business activities, may contribute to a more informed assessment of the correctness, solidity and transparency of the potential customer.

The importance of identifying ESG risks in the underwriting process is established in two key documents for the Group's strategy and management, namely the **Sustainability Policy** and the **Risk Management Policy**.

The Sustainability Policy traces the strategies and objectives of managing the environmental, social and governance risks considered relevant to the Group, defining commitments, roles, responsibilities, management approaches ad objectives in this regard, with a view to improving the ESG risk management process.

The Sustainability Policy refers to management policies for specific risks by virtue of their operating profile, and first and foremost to the Risk Management Policy, which establishes the guidelines for risk identification, assessment, monitoring and mitigation, including environmental, social and governance risks, as well as defining the operating limits within which action can be taken, consistent with the Group's general Risk Appetite, also by referring to specific risk management policies.

The Risk Management Policy explicitly states that, within the overall Group risk management system (so-called ERM – Enterprise Risk Management – Framework), environmental, social and governance risks are identified and monitored based on their impact on underwriting risks; the impact that the risks connected to environmental, social and governance may have on the Group's reputation are also identified and monitored.

The Risk Management Policy specifies the main ESG risk areas identified for the Unipol Group, which are: climate change, the increase of social polarisation, socio-demographic change, the technological evolution of society, the infringements of human and workers' rights, environmental damage and the negative impact on the environment and behaviour in violation of the integrity of business conduct.

The identification of the ESG risks relevant to the Group is made through a process with different stages, with a subsequent level of depth:

1. the Emerging and Reputational Risks Observatory identifies and classifies the potential risk areas into four macro-areas (social, technological, environmental and political), highlighting which risk scenarios are directly related to ESG factors;
2. an Interfunctional working group, comprised by the Risk Management, Audit, Compliance and Anti-Money Laundering and Sustainability departments, is tasked with conducting an in-depth analysis of the potential ESG risks throughout the value creation process, mapping the active controls in this regard, periodically assessing the management approach and identifying potential improvement plans;
3. in the case of the Life business underwriting, the ESG risks related to the various operating sectors of customers have been profiled on the basis of an in-house methodology, which has produced a map of the sensitive sectors in relation to different types of environmental and social risk, and of the consequent reputational risk, based on the likelihood and on the impact of the risk in question occurring.

6. Assessment and management of the ESG risks in different types of Life insurance products

The assessment of ESG risks is the process that enables the potential exposure to ESG risks to be identified as a function of the types of products to be underwritten and of the various economic sectors in which customers operate.

Considering the specific characteristics of the different types of Life products, the approach to be adopted to assess ESG risks with relation to each of them is outlined below.

6.1 Welfare products, protection products, savings products

Welfare, protection and savings products addressed to the employees of legal entity policyholders are retained to have an intrinsic social value in terms of the integration between public and private welfare, such that no limitations or exclusions related to the sector in which the policyholder company operates in are therefore envisaged.

6.2 Investment products

As regards investment products, given the characteristics of the same and therefore of the role that they play in companies, the Unipol Group establishes specific limitations with relation to sectors whose risk of generating a negative impact on ESG factors (and consequently reputational risk) makes them non-compatible with the sustainability approach and the risk management objectives of the Unipol Group.

Companies belonging to these sectors must therefore consider themselves excluded as subjects with whom the Group underwrites investment products. The methodological approach adopted to define these exclusions is based on the analysis and application of a wide variety of sources[2].

Companies operating in the following sectors are considered unsuitable for the underwriting of investment products:

- companies who earn a predominant or significant part of their revenues from coal mining activities;
- companies that adopt unconventional extraction practices (such as the removal of mountain peaks, hydraulic fracking, oil sands, deep water drilling);
- companies that develop and produce controversial weapons and/or weapons that are banned by international treaties;
- companies that distribute weapons in areas of conflict or civil war, or to countries that systematically infringe human rights;
- companies that transport controversial weapons and/or weapons that are banned by international treaties to areas of conflict or civil war, or to countries that systematically infringe human rights;
- companies that perform car dismantling;
- business activities directed solely at the performance of gambling (such as VLT rooms and similar).

The Companies included in the scope adopt specific documents addressed to all internal and external parties of the Group takes with distributing its products, and formalise in the same appropriate measures to guarantee the application of the above-cited limitations to the underwriting processes of investment products and adjust their issue tools to assimilate the same. These measures include a

[2] By way of example, these include authoritative international sources such as the United Nations Global Compact (UN GC), United Nations Environment Programme Finance Initiative (UNEP FI), United Nations Principles for Sustainable Insurance (UN PSI); the methods and the reports of rating agencies specialised in ESG performance; internal sources such as the Emerging and Reputational Risk framework of the Unipol Group, sector analyses, media reports; collaboration with non-governmental organisations on specific issues.

list of periodically-updated exclusions, which identifies the companies with which the Group has decided not to underwrite investment products with.

Generally, the Unipol Group is committed to being extremely careful, with the support of its processes and tools, not to forge or conduct business relations with subjects that operate in a situation of:

- infringements of human and workers' rights;
- exploitation of natural resources that does not take the relative environmental impact into account;
- systematic use of corruption and illegal practices in the management of the business.

With regard to the underwriting of investment products, the Group adopts a structured approach which encompasses a system of delegation related to quantitative underwriting thresholds, internal regulation and communication tools, training activities, to support identifying and assessing the most significant ESG risks related to transactions in this area.

If an ESG risk is identified, which is considered as significant according to the above classification, the following are involved immediately and in subsequent stages where necessary:

- the **Sustainability Function**, which represents the internal point of reference for the application of these Guidelines and handles the investigation of the case, tasked with providing feedback on the potential risk that emerges at the underwriting stage, in accordance with the wider approach entailing mapping and an assessment of processes, risks and controls of ESG factors adopted within the Group;
- if there are implications relating to reputation, the **Reputation Management Operating Team**, comprised by the UnipolSai Media Relations and Emerging and Reputational Risk Functions, a body that coordinates the Unipol Group's Reputation Management activities, which provides its opinion on the potential reputational impact that the transaction may have, if completed;
- in particularly important cases, due to the potential impact or the size of the potential agreement, the **ESG Task Force**, comprised by the key functions of the company's core business (Technical Non-Life and Claims Department, Welfare and Life Department, Finance Department, Chief Risk Officer, Chief Innovation Officer, Chief Telematics and Insurance Services Officer, Sustainability), which is tasked with understanding and assessing the concrete implications of ESG factors as regards underwriting and making decisions that are in line with the company vision with respect to the cases presented.

Unipol Gruppo S.p.A.
Registered Office
Via Stalingrado, 45
40128 Bologna

www.unipol.it