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

May 2021

Unipol GRUPPO

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1. Introduction

The Unipol Group (the "Group") undertakes to contribute 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 financial sector in general, there is growing interest in understanding the implications of risks connected to environmental, social and governance factors ("ESG factors") on individuals and on the performances of businesses of all sizes.

This document defines the guidelines for the Life business underwriting activity with reference to risks connected with ESG factors, in order to identify and manage specific risks that are significant in terms of both the technical and reputational risk for the insurance companies in the perimeter.

Paying attention to ESG risks during the underwriting process guarantees respect of the values of the Group, demonstrating responsibility in the decision-making process and dialogue with the stakeholders.

2. Scope of application

These Guidelines are adopted by the Group's Insurance Companies having their registered office in Italy, operating in the Life business (the "Insurance Companies" or "Companies").

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

The Guidelines for Life Business underwriting activity apply in cases of contracts underwritten with **legal entities, other than natural persons ("legal entities")**, therefore, commercial relationships with individual natural persons are excluded from the perimeter of application of this document.

3. Objectives

The guidelines direct the underwriting activity, promoting:

1. the integration of ESG factors into the processes and strategies of the insurance core business;
2. the adoption of a system of identification and monitoring of ESG risks in the different economic sectors and in relation to the different segments, products and guarantees, which includes the 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 impact issues considered "material" for the Group and for the relevant stakeholders, according to the definition in the Materiality Matrix[1].
United Nations Sustainable Development Goals (or "SDGs")	Sustainable Development Goals (SDGs) - defined within the scope of the "2030 Agenda for Sustainable Development" plan of action for people, the planet and prosperity, signed in September 2015 by the governments of 193 UN Member States. There are 17 goals, in turn structured into 169 specific targets.
ESG (Environmental, Social, Governance) Risks	Risks originating from Environmental, Social and Governance factors and relating to specific sectors and countries that show greater exposure.
Reputational Risk	The risk of an internal or external event determining a misalignment between the promises and actions of the Group with respect to the expectations and perceptions of its main stakeholders and that, therefore, negatively impacts the perception held by them of the Group and as a consequence of the expected economic results.
Principles for Sustainable Insurance (PSI)	Insurance sector initiative in collaboration with the *United Nations Environment Programme – Finance Initiative* (UNEP FI) and *United Nations Global Compact* (UNGC), which defined four principles for incorporating into the decision-making process environmental, social and governance issues relevant to insurance activity.
United Nations Global Compact (UNGC)	UN initiative which aims to promote the culture of corporate social responsibility through the sharing, implementation and dissemination of common principles and values. It involves compliance with ten Principles in four areas: Human Rights, Labour, Environment and Anti-Corruption.

5. Integration of ESG factors in the risk underwriting and management criteria

The Group has defined a transparent and systematic approach to the integration of ESG factors in the underwriting process.

[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.

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

- to identify an ESG risk connected to the areas of activity for which insurance cover is planned, which may contribute to a better definition of the overall risk to be underwritten, and therefore to a more informed assessment of the opportunity of underwriting it;
- to identify an ESG risk connected to the sector of activity in which the potential policyholder legal entity operates, or an ESG risk connected to the methods of managing the activities by the same, which may contribute to a more informed assessment of the correctness, solidity and transparency of the potential client.

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

The Sustainability Policy outlines the management strategies and objectives of environmental, social and governance risks relevant for the Group, defining commitments, roles, responsibilities, management methods and goals in that regard, with the aim of improving the ESG risk management process of the Insurance Companies.

The Sustainability Policy refers to the specific risk management policies for their operational application and, primarily, to the Risk Management Policy, which establishes the guidelines for the identification, assessment, monitoring and mitigation activity of the risks, including environmental, social and governance risks, as well as the definition of the operational limits within which to operate, in coherence with the general risk appetite defined by the Group (known as *Risk Appetite*) also by reference to the specific risk management policies.

The Risk Management Policy explicitly states that, as part of the overall risk management system of the Group (known as ERM – *Enterprise Risk Management – Framework*), the environmental, social and governance risks are identified and controlled in relation to their impact on the underwriting risks; the impacts that the risks connected to environmental, social and governance factors may have on the Group's reputation are also identified and controlled.

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

The ESG risks relevant to the Group are identified through a process having several stages, with a successive level of detail:

1. the Observatory of emerging and reputational risks identifies and classifies the potential risk areas into four macro areas (social, technological, environmental and political), highlighting which risk scenarios have a direct connection with ESG factors;
2. an inter-functional working group, consisting of the Chief Risk Officer, Audit, Compliance and Anti-Money Laundering and Sustainability, has the task of identifying in detail the potential ESG risks throughout the value creation process, mapping the controls adopted in that regard, periodically assessing the risk management approach and suggesting any improvement actions;

3. for the underwriting process, the ESG risks connected to the different sectors of operations of the policyholder legal entities have been profiled based upon a proprietary methodology that has produced a map of so-called sensitive sectors in relation to different types of environmental, social and governance risks.

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

The assessment of ESG risks is the process that identifies the potential exposure to ESG risks based upon the types of products to be underwritten and the different economic sectors in which the policyholder legal entities operate.

Taking account of the specific characteristics of the different types of Life products, the approach to be adopted to assess the ESG risks is identified below in relation to each of them.

6.1 Pension products, protection products, saving products

The pension, protection and saving products of the "collective" products catalogue, which see the employees of the policyholder legal entities as the insured parties, are considered to have an intrinsic social value in a logic of integration between public and private welfare, such that there are no limitations and exclusions connected to the sector of operations of the policyholder company.

6.2 Investment products

For investment products, as a result of the characteristics of the same and therefore the role they play for companies where the legal entities are policyholders and beneficiaries of the performances, the Group identifies specific sector-related limitations, whose risk of generating negative impacts on ESG factors (and consequent reputational risk) makes them incompatible with the approach to sustainability and the risk management objectives of the Group.

Companies belonging to those sectors must therefore be considered excluded from the entities with which the Group plans to enter into investment products. The methodological system adopted to define those exclusions is based upon the analysis and application of a large variety of sources[2].

Enterprises operating in the following sectors are considered to be unsuitable for the underwriting of investment products:

- companies that operate mainly in coal mining activity;
- companies that adopt unconventional extraction practices (such as removal of mountain tops, hydraulic fracturing – fracking, tar sands, deep water drilling);
- companies that develop and produce weapons that are controversial and/or banned by international treaties;
- companies that distribute weapons in conflict or civil war areas, or to countries that systematically infringe human rights;

[2] These include, by way of example, 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); methodologies and reports of rating agencies specialising in ESG performances; internal sources such as the Emerging and Reputational Risk framework of the Unipol Group, industry analyses, media reports, and collaboration with non-government organisations on specific issues.

- companies that transport weapons that are controversial and/or banned by international treaties into conflict or civil war areas, or to countries that perpetrate systematic human rights violations;
- companies that perform car dismantling;
- commercial activities intended solely or mainly for the conduct of gambling (such as VLT rooms and similar).

The Companies in perimeter adopt and formalize in specific company communication documents (DCAs), aimed at all entities internal and external to the Group, appropriate measures to guarantee the application of the limitations indicated above in the processes of underwriting and distribution of investment products.

In a general perspective, the Unipol Group also pays attention to not creating or taking forward commercial relationships with entities that operate in the condition of:

- violations of human and workers' rights;
- exploitation of natural resources that does not take due account of environmental impacts;
- systematic reliance on corruption and illegal practices in business management.

To this end, the Unipol Group has established **processes and instruments aimed at supporting the assessment of ESG risks in the underwriting process**, by a gradual method considering both the progressive spread, at all levels, of awareness and the implementation of the tools that support it, with methods and timescales proportional to the dimensions of the entities involved and the contractual operations.

In relation to the underwriting of investment products, the Group adopts a structured approach which integrates a system of delegations connected to quantitative underwriting thresholds, internal regulation and communication tools, training activities, to support the identification and assessment of the most significant ESG risks connected to transactions in this area.

7. Assessment process of complex cases

If, during significant contractual operations, for the Life business or for the Group as a whole, an enterprise is found to be uninsurable according to the criteria envisaged by these Guidelines, but the Life and Integrated Welfare Solutions Department of UnipolSai or equivalent organizational structure of the other Companies in the perimeter (individually or jointly with other business functions) assesses the opportunity of proceeding with the underwriting, or further investigations are necessary, the same involves the Sustainability Function of UnipolSai.

The latter, with the help of the Chief Risk Officer, supports the Life and Integrated Welfare Solutions Department in carrying out the necessary investigations with the aim of proposing a solution coherent with the broader joint approach to mapping and assessment of processes, risks and controls on ESG factors adopted within the Group.

If the Functions involved consider it necessary, those circumstances may be submitted for the attention of the Group Risks Committee, which, in that context, has the task of understanding and assessing the concrete implications of ESG factors in the underwriting activity and defining choices coherent with the company vision with respect to the cases presented.

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