Assicurazioni Generali S.p.A.

EQUITY INVESTMENT STRATEGY AND ARRANGEMENTS WITH ASSET MANAGERS

Public disclosure pursuant article 124-sexies of the legislative decree 24/02/1998, n. 58; and art. 5(1)(2) of IVASS Regulation n. 46/2020

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Investment strategy

- **How the main elements of the equity investment strategy are consistent with the profile and duration of the liabilities, in particular the long-term liabilities, and how they contribute to the medium to long-term performance of the assets.**

Assicurazioni Generali S.p.A. (below also “the Company”) manages all of its investments in a prudent way according to the so-called **Prudent Person Principle** and following the provisions set in the Investment Governance Group Policy, and strives to optimise the return of its assets while minimising the negative impact of short-term market fluctuations on its solvency position.

Regarding the Company as an institutional investor, its **traditional life savings business is long-term in nature**; therefore, the Company holds mostly long-term investments – including equity – which can withstand short-term decreases and fluctuations in the market value of assets.

To ensure comprehensive management of the impact of financial and credit risks on assets and liabilities, the annual Company Strategic Asset Allocation (SAA) process, as for the whole Group, is liability-driven. Since the SAA is highly interdependent with liability requirements and other insurance-specific constraints (regulatory, capital, liquidity, credited return for life policyholders) the Group has **integrated Asset Liability Management (ALM) and Strategic Asset Allocation (SAA) within the same process (ALM&SAA)**: this is aimed at defining the most efficient combination of asset classes – including equity – that, according to the Prudent Person Principle, maximizes the investment contribution to sustainable value creation in the mid-to-long term integrating the solvency, actuarial and accounting perspectives.

The annual integrated ALM&SAA process allows not only to mitigate risks but also to define an **optimal risk-return profile** that satisfies both the return target and the risk appetite of the Company over the business planning period.

Arrangements with asset managers

- **How the arrangement with the asset manager incentivizes the asset manager to align its investment strategy and decisions with the profile and duration of the liabilities of the Company, in particular long-term liabilities.**

Following the abovementioned ALM&SAA approach, the asset portfolio is invested and rebalanced according to the asset class and duration weights. The main risk mitigation techniques used by the Company are liability-driven management of the assets and the regular use of rebalancing. The **liability-driven investment is the cornerstone of the standard investment management agreement** and it helps to grant comprehensive management of assets whilst taking into account the liability structure, alongside the related tolerance ranges defined as investment limits.

The **approved SAA resulting from the annual ALM&SAA process is directly and fully translated into the investment management agreements** awarded by the Company to Group asset management companies and/or third-party asset managers. In doing so not only the arrangement with the asset manager incentivizes, instead require the asset manager to align its investment strategy and decisions with the profile and duration of the liabilities of the Company. Specifically, agreements are built on a Group standard that requires the asset manager to carry out its management activities under the Company’s portfolios management guidelines, containing:

- the **prescribed asset allocation targets and boundaries** applicable to each portfolio(s), which the asset manager should achieve and maintain over a specific agreed period;
- the **investment limits and constraints** deriving from:
  - (i) Group risk policies and guidelines as adopted from time to time by the Company;
  - (ii) Company-specific restrictions according to local regulatory constraints.

- **How that arrangement incentivizes the asset manager to make investment decisions based on assessments about medium to long-term financial and non-financial performance of the investee company and to engage with investee companies in order to improve their performance in the medium to long-term; and how the method and time horizon of the evaluation of the asset manager’s performance and the remuneration for asset management services are in line with the profile and duration of the liabilities of the Company, in particular long-term liabilities, and take absolute long-term performance into account.**

The standard investment management agreements in place between the Company and asset managers discourage excessive short-term risk taking and managers’ interest in short-term returns. On the contrary, they are built to be aligned with the profile and duration of the liabilities – mostly long-term liabilities – of the Company. This alignment is achieved by the way agreements themselves are constructed. In fact, they:

- Prescribe binding **portfolio management guidelines fully aligned to the SAA** defined by the Company through its ALM&SAA process, taking into account the **long-term nature of insurance investments** and the Group goal of achieving a **sustainable value proposition for the mid-to-long term**;
- Set **fix recurring asset management fees** calculated on the average basis of the assets under management in market value, excluding any type of incentive based on returns or success fees.

Moreover, asset managers are required to abide by the **Active Ownership Group Guideline** setting principles on the monitoring of investee issuers, the engagement process, and the Group process on voting and exercise of other rights attached to shares. With specific reference to monitoring on strategy, financial and non-financial results, risks, and structure of capital, asset managers are required to perform monitoring activities on investee issuers according to investment management agreements in place and consistently with applicable Group internal regulations. Asset managers provide the Company with information flows and reports related to the services provided to allow coordination and control. Ins Cos set up and maintain suitable internal controls to effectively and constantly supervise the performance of the outsourced investment activities. As regards environmental, social, and corporate governance (ESG) factors and risks, the Responsible Investment Group Guideline defines an investment management framework at the Group level for the adoption of responsible conduct in investment activity. The Company requires its asset managers, both Group's and Third Parties, to follow the Group ESG factors integration criteria set forth in the Responsible Investment Group Guideline or, as an alternative, to adopt own guidelines consistent with the principles adopted by the Group.

- **How the Company monitors portfolio turnover costs incurred by the asset manager and how it defines and monitors a targeted portfolio turnover or turnover range.**

The Company's standard agreement with asset managers contains detailed **communication and reporting duties**. The asset manager is required to provide monthly disclosure to the Company on executed transactions that allow for turnover control.

- **The duration of the arrangement with the asset manager.**

The Company's standard agreement with asset managers does not provide for a predetermined duration, without prejudice to the possibility of termination (in writing and in compliance with the prior notice agreed).