

# Second-Party Opinion

## Generali Green, Social and Sustainability Insurance-linked Securities Framework

# Second-Party Opinion

Reviewed by:



SUSTAINALYTICS



## Evaluation Summary

Sustainalytics is of the opinion that the Generali Green, Social and Sustainability Insurance-linked Securities Framework is credible, impactful and will deliver overall positive environmental and social impacts. Sustainalytics is further of the opinion that the principles of impact and transparency that underlie the responsible investment industry, as well as many of its norms and standards, are applicable to the green, social and sustainable insurance-linked securities (ILS) instruments to be issued under the Framework. This assessment is based on the following:

**IMPACT:** Generali's issuance of green, social and sustainability ILS instruments is expected to generate environmental and social impacts by following two approaches: i) investment of the proceeds from the ILS instruments, through third-party special purpose vehicles, in a portfolio of green, social and sustainability instruments, namely investments in redeemable notes issued by highly rated multilateral institutions, short-term securities issued by government or supranational entities with green, social or sustainability characteristics (and repos of such securities); and ii) use of freed-up capital through the issuance of ILS instruments, which will be used by Generali to fund eligible green and social assets meeting the Framework's eligibility criteria and to support insurance products aligned with the insurance solutions criteria of the EU Taxonomy. Sustainalytics is of the opinion that Generali's investment of the ILS instruments' proceeds in redeemable notes, which in turn finance projects in the defined areas in the Framework, and the use of freed-up capital to finance eligible assets and support insurance products in these areas, will deliver positive environmental and social outcomes and advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 7, 8, 9, 11, 13 and 15.

**TRANSPARENCY:** Generali's internal processes providing transparency regarding the use of its freed-up capital funds are aligned with market practice. Generali will establish a Sustainability ILS Committee for selecting, reviewing, managing and monitoring the eligible assets and insurance products, as well as identifying and managing risks related to these assets or products. Generali will monitor and track funds through its internal accounting and risk management procedures and will aim to reach full allocation within one year from each issuance. Unallocated capital will be temporarily allocated or invested in cash, money market instruments or other socially responsible investments. The Group plans to report annually on allocation and impact in relation to the eligible categories in the Framework until full allocation. In relation to the proceeds from the ILS issuances, Generali has limited control over the selection of notes and management of proceeds and will report on allocation and impact based on the reporting of the original issuers of the notes. Nevertheless, Sustainalytics considers the following to be sufficient transparency measures: i) disclosure of eligible investments to investors prior to issuance; ii) legally-binding agreements signed by the SPV to allocate to eligible instruments as defined by the Framework; and iii) the disclosures on allocation and impact through reporting, including the non-allocated portions of the portfolio that cease to be eligible.

<b>Evaluation Date</b>	May 23, 2024
<b>Issuer Location</b>	Trieste, Italy

The Framework contributes to the following SDG:



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## Scope of Work and Limitations

Assicurazioni Generali S.p.A. engaged Sustainalytics to review its Generali, Social and Sustainability Insurance-linked Securities Framework dated May 2024 (the "Framework") and to provide an opinion on the Framework.

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent<sup>1</sup> opinion of the Framework against the key principles of impact and transparency that underlie the sustainable finance sector, as well as the Framework's robustness and credibility against market norms and standards. For the review of the use of proceeds and the eligibility of projects, Sustainalytics relied on its internal taxonomy, version 1.16, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics exchanged information with representatives of Generali to understand the sustainability impact of their business processes and the objectives of the Framework. Generali's representatives have confirmed that:

- (1) They understand it is the sole responsibility of the Assicurazioni Generali S.p.A. to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Assicurazioni Generali S.p.A.

Sustainalytics' Second-Party Opinion is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed through the eligible instruments or products but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Assicurazioni Generali S.p.A. has made available to Sustainalytics for the purpose of this Second-Party Opinion.

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<sup>1</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

## Introduction

Assicurazioni Generali S.p.A. (“Generali” or the “Group”) is a global insurance and financial services company headquartered in Trieste, Italy. Founded in 1831, Generali operates in more than 60 countries with approximately 82,000 employees and is one of the world’s largest insurance providers by net premiums and assets.<sup>2</sup>

Generali has developed the Generali Green, Social and Sustainability Insurance-Linked Securities Framework under which it intends to fund green and social initiatives using funds equal to the freed-up capital benefit achieved through the issuance of ILS instruments, as well invest the collateral of the ILS instruments in green and social investments (e.g. notes financing green and social projects), in the following categories:

1. Green and Resilient Buildings
2. Renewable Energy
3. Energy Efficiency
4. Clean Transportation
5. Climate Adaptation Measures
6. Environmentally Sustainable Management of Living Natural Resources and Land Use
7. Taxonomy-aligned Solutions
8. Access to Essential Services (Education, Healthcare, Social Infrastructure)
9. Affordable Housing
10. Employment Generation (including SME financing and micro-finance)

Generali engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the principles of impact and transparency, which Sustainalytics considers to be key principles of sustainable finance. Sustainalytics notes that these principles are reflected in a variety of industry standards and initiatives, including the Green Bond Principles 2021,<sup>3</sup> the Social Bond Principles 2023, the Sustainability Bond Guidelines 2021,<sup>4</sup> the Green Loan Principles 2023,<sup>5</sup> the Climate Bonds Standard,<sup>6</sup> the Global Impact Investing Network’s (GIIN) Core Characteristics,<sup>7</sup> and the EU’s efforts to facilitate sustainable finance.<sup>8</sup> The Framework has been published in a separate document.<sup>9</sup>

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<sup>2</sup> Generali, “Annual Integrated Report and Consolidated Financial Statements 2023”, at: [https://www.generali.com/doc/jcr:10e8853d-1fa8-44b2-958e-3ca826a3bd30/Annual%20Integrated%20Report%20and%20Consolidated%20Financial%20Statements%202023\\_Generali%20Group\\_final\\_interactive.pdf/lang:en/Annual\\_Integrated\\_Report\\_and\\_Consolidated\\_Financial\\_Statements\\_2023\\_Generali\\_Group\\_final\\_interactive.pdf](https://www.generali.com/doc/jcr:10e8853d-1fa8-44b2-958e-3ca826a3bd30/Annual%20Integrated%20Report%20and%20Consolidated%20Financial%20Statements%202023_Generali%20Group_final_interactive.pdf/lang:en/Annual_Integrated_Report_and_Consolidated_Financial_Statements_2023_Generali_Group_final_interactive.pdf)

<sup>3</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>. The GBP have defined market norms surrounding eligible projects, project selection, management of funds, and reporting transparency.

<sup>4</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>5</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

<sup>6</sup> The Climate Bonds Initiative operates a labelling scheme for bonds and debt investments that are consistent with a low-carbon trajectory, and are available at <https://www.climatebonds.net/standard>. The Climate Bonds Standard defines eligibility across various project types, as well as defining best practices for transparency.

<sup>7</sup> The Global Impact Investing Network has provided a definition of impact investing, including four core characteristics, which are available at <https://thegiin.org/characteristics>. Based on the GIIN’s approach, impact investments must be made with the intention of generating positive environmental or social impacts, and these impacts must be measurable.

<sup>8</sup> European Commission, “Sustainable Finance”, at: [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en)

<sup>9</sup> Generali’s Green Insurance-Linked Securities Framework will be published at: <https://www.generali.com/sustainability/sustainable-financial-management/green-insurance-linked-securities>

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Generali Green, Social and Sustainability Insurance-linked Securities Framework

Sustainalytics is of the opinion that the Generali Green, Social and Sustainability Insurance-linked Securities Framework is credible and impactful and will deliver overall positive environmental and social benefits. Sustainalytics further notes the alignment of the Framework with two key principles underpinning the sustainable finance sector, namely impact and transparency.



#### Impact

- Generali has identified two mechanisms by which its Framework will deliver positive environmental and social impacts: i) investment of the proceeds from the ILS instruments in a portfolio of green, social and sustainable instruments ("Eligible Investments"), namely investments in redeemable notes issued by highly rated multilateral institutions, short-term securities issued by governments or supranational entities with green, social or sustainability characteristics (and repos of such securities); and ii) use of freed-up capital through issuances of ILS instruments, which will be used by Generali to fund eligible green and social assets meeting the Framework's eligibility criteria and to support insurance products aligned with the insurance solutions criteria of the EU Taxonomy. The Group has further communicated to Sustainalytics that there will not be any double counting among the Eligible Investments, eligible assets and eligible products, as described below.

- Eligible Investments with proceeds from the ILS instruments – A special-purpose vehicle (SPV) will be established in an EU member state pursuant to the rules for SPVs set out in the EU Directive 2009/138/EC and supplemental EU regulations. The SPV will invest the net proceeds from the issuances of ILS notes in Eligible Investments, which include redeemable notes issued by highly rated multilateral institutions, money market funds (such as short-term securities issued by governments or supranational entities and repos of such securities with green, social or sustainable characteristics), which may finance underlying projects meeting the criteria defined in the Framework.

Sustainalytics recognizes that there may be double counting of environmental and social impact from investing net proceeds of the ILS notes to instruments with green, social and sustainability characteristics and that the pool of Eligible Investments may not comprise instruments that solely finance credible assets and projects meeting the Framework's criteria. Nevertheless, Sustainalytics considers the purchase of Eligible Investments to potentially create environmental and social benefits, also relying on the credibility of the instruments issued by governments and supranational entities. Sustainalytics further notes that Generali will exclude investments that are related to fossil fuel energy; nuclear infrastructure; large hydropower plants above 20 MW of installed capacity if they demonstrably harm local biodiversity or infringe on the rights of local communities; gambling; tobacco; alcohol; weapons and additional exclusions under the Generali Group Guidelines.

- Using the freed-up capital funds from the ILS instruments to invest in eligible assets and products: The ILS structure enables Generali to enter into a risk transfer contract with the SPV specially established for each transaction. Since the ILS is a risk mitigation technique, this structure can enable Generali to free up its "required risk capital" and use it to invest in projects that meet the eligibility criteria as per the Framework. An amount equivalent to the capital relief benefit achieved through the ILS instruments will be used exclusively to allocate capital to finance or refinance, in whole or in part, eligible assets and to support or underwrite eligible products as follows:
  - Eligible Assets: Generali defines Eligible Assets as bonds, real estate assets or equity investments for which the freed-up capital can be allocated to finance new assets, as well as to refinance existing eligible assets. Financed assets will be selected based on the eligibility criteria in the Framework and will have to satisfy the exclusionary criteria as well.

- Eligible Products:** Generali defines Eligible Products as Property and Casualty (P&C) insurance contracts for both retail and corporate clients in the following lines of business: i) other motor insurance; ii) marine, aviation and transport; and iii) fire and other damage to property. The insurance contracts will be aligned with the technical screening criteria for substantial contribution to an environmental objective of the EU Taxonomy and will provide coverages of climate-related perils as described in Appendix A of Annex I to the EU Taxonomy Climate Delegated Act.<sup>10</sup> Eligible Products may include renewals for which the underwriting period is up to two calendar years prior to the issuance of the ILS instrument. The contracts will respect the exclusionary criteria of the Framework.

Sustainalytics notes that the insurance contracts may not solely cover assets or activities that meet the Framework criteria but may also include assets or activities that may be considered as unsuitable for sustainable financing, such as insurance policies for planes or ships that run on fossil fuel. Nevertheless, Sustainalytics is of the opinion that coverage against climate-related risks, given the nature of these instruments, has the potential to reduce environmental and social risks that could have been faced in the absence of these contracts.
- In addition to the industries excluded from the proceeds of the ILS instruments, Generali will further exclude the following entities, products and assets from the freed-up capital funds: i) entities that have direct exposure to: production of weapons that violate fundamental humanitarian principles through their normal use (cluster bombs, antipersonnel landmines, nuclear arms); serious or systematic human rights violations; severe environmental damages; gross corruption; ii) entities performing activities for which they are exclusively or predominantly involved with the following sectors: defence; hydro-electric power construction; mining; healthcare (e.g. clinical trials, animal testing); pornography and prostitution; gambling; IUU fishing; and iii) entities involved in: coal-related business; oil and gas exploration and production (upstream only) activities; tar sands and associated pipelines; nuclear infrastructure.

**Table 1: Overall Assessment of Environmental Activities**

Environmental Activities	Activity	Sustainalytics' Assessment
Green and Resilient Buildings	Existing or new residential or commercial buildings or refurbished buildings	<ul style="list-style-type: none"> <li>- Buildings built before 31 December 2020, that: i) belong to the top 15% of the national building stock based on primary energy demand (PED); or ii) receive an energy performance certificate (EPC) rated A.</li> <li>- Buildings built after 31 December 2020 with PED at least 10% lower than the national nearly zero-energy building (NZEB) requirements.<sup>11</sup></li> <li>- Renovation of existing buildings that: i) leads to at least a 30% reduction in PED compared to pre-renovation levels; or ii) fulfils the local cost-optimal minimum energy performance requirements implementing the Energy Performance of Building Directive (EPBD),<sup>12</sup> which vary among EU member states. Sustainalytics encourages Generali to report on the actual PED improvement or energy savings achieved in comparison with the existing building stock in each region.</li> <li>- Generali has communicated to Sustainalytics that in addition to the above criteria for buildings, Generali will consider, on a best-effort basis, the following minimum certification levels: i) LEED Gold;<sup>13</sup> ii) BREEAM Excellent;<sup>14</sup> iii) any green building certification with equivalent performance recognized in EU countries. Generali will also consider, on a best-effort basis, buildings complying with the CRREM (Carbon Risk Real Estate) decarbonization pathway.<sup>15</sup> Sustainalytics notes that it is a market expectation to specify all schemes and encourages Generali to report on any equivalent local green building certification it intends to use.</li> </ul>

<sup>10</sup> European Commission, "Commission Delegated Regulation (EU) 2021/2139", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139>

<sup>11</sup> European Commission, "Nearly zero-energy buildings", at: [https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings\\_en](https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en)

<sup>12</sup> European Commission, "Energy Performance of Buildings Directive", at: [https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive\\_en](https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en)

<sup>13</sup> LEED: <https://www.usgbc.org/leed>

<sup>14</sup> BREEAM: <https://bregroup.com/products/breeam/>

<sup>15</sup> CRREM: <https://www.crrem.eu/>

		<ul style="list-style-type: none"> <li>- Additionally, Sustainalytics notes that the Framework excludes financing towards buildings that are used for the purpose of storage, extraction or manufacturing of fossil fuel.</li> </ul>
<b>Renewable Energy</b>	Wind Energy	<ul style="list-style-type: none"> <li>- On-shore and off-shore wind energy projects.</li> </ul>
	Solar Energy	<ul style="list-style-type: none"> <li>- Photovoltaic and concentrated solar power (CSP) projects where at least 85% of the electricity is generated from solar energy sources.</li> </ul>
	Hydropower Energy	<ul style="list-style-type: none"> <li>- Hydropower facilities limited to: i) run-of-river plants without an artificial reservoir; ii) facilities with a power density of electricity generation above 5 W/m<sup>2</sup>; or iii) facilities with life cycle emissions lower than 100 gCO<sub>2</sub>e/kWh, in line with the EU Taxonomy substantial contribution criteria for climate change mitigation. Considering the longevity of hydropower assets, newly constructed facilities effectively lock in energy generation for a very extended period. Sustainalytics encourages Generali to favour newly constructed projects with emissions intensities below the 50 gCO<sub>2</sub>e/kWh threshold. For all new hydropower projects, an environmental impact assessment will be conducted by a credible body to ensure that no significant environmental and social risks, negative impacts or controversies have been identified.</li> </ul>
	Geothermal Energy	<ul style="list-style-type: none"> <li>- Geothermal energy projects where the life cycle GHG emissions from the generation of electricity are lower than 100 gCO<sub>2</sub>e/kWh.</li> </ul>
	Bioenergy	<ul style="list-style-type: none"> <li>- Bioenergy electricity generation projects from agriculture biomass with a life cycle emission intensity below 100 gCO<sub>2</sub>e/kWh.<sup>16</sup></li> </ul>
	Cogeneration	<ul style="list-style-type: none"> <li>- Cogeneration of heating, cooling and power from agricultural biomass.<sup>17</sup></li> </ul>
<b>Energy Efficiency</b>	Development, installation, maintenance, or repair of energy efficiency equipment	<ul style="list-style-type: none"> <li>- i) energy-efficient light sources, such as LEDs; ii) buildings energy management systems (BEMS); iii) lighting control systems and energy management systems; iv) zoned and smart thermostats; v) energy-efficient heating, ventilation and air conditioning (HVAC); vi) energy-efficient water heating systems;<sup>18</sup> and vii) replacement of existing windows and doors with more energy-efficient windows.</li> <li>- On-site renewable energy technologies used in buildings, such as rooftop solar photovoltaic systems. Sustainalytics notes that the eligibility criteria for renewable energy technologies are as stated in the Renewable Energy category.</li> <li>- Installation, maintenance and repair of charging stations for electric vehicles in buildings.</li> <li>- Energy storage systems such as battery packs and hydrogen energy storage to provide grid stabilization services and enable the integration of more renewable energy into the grid. The storage systems installed in the EU will align with the EU Taxonomy criteria as they will be part of the interconnected European system. Sustainalytics recognizes the critical need to expand utility-scale storage systems in order to enable the expansion of renewable energy, while also noting that the environmental benefit of storage systems depends on the carbon intensity of the grid to which they are connected, and that deploying such assets to carbon-intensive grids or associated systems may result in increased emissions intensity.</li> <li>- Transmission and distribution infrastructure. Generali confirmed to Sustainalytics that the electrical grid must meet one of the following criteria specified in the EU Taxonomy:             <ul style="list-style-type: none"> <li>- more than 67% of newly enabled generation installed capacity in the system is below the emissions threshold of 100 gCO<sub>2</sub>e/kWh, measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;</li> <li>- the average system grid emissions factor<sup>19</sup> is below the threshold value of 100 gCO<sub>2</sub>e/kWh, measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;</li> <li>- the system is in the interconnected European system.</li> </ul> </li> <li>- Smart grid solutions intended for more efficient transmission and distribution of energy and monitoring of energy consumption. Generali has confirmed the exclusion of technologies and systems that are designed or intended to improve</li> </ul>

<sup>16</sup> Forest biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 6 and 7, of that Directive, and the GHG emission savings from the use of biomass are at least 80% in relation to the GHG saving methodology and the relative fossil fuel comparator set out in Annex VI to Directive (EU) 2018/2001.

<sup>17</sup> Ibid.

<sup>18</sup> Generali has confirmed that it will exclude the financing of water heating systems powered by fossil fuels.

<sup>19</sup> Average emission factor calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system.

		<p>the energy efficiency of processes that are carbon intensive (such as production processes in hard-to-abate industries) or are powered by fossil fuels.</p> <ul style="list-style-type: none"> <li>- Generali has also confirmed that it will exclude the financing of transmission and distribution lines and smart grid solutions directly connected to fossil fuel power plants.</li> </ul>
<b>Clean Transportation</b>	Purchase, rental, leasing, development, operation, maintenance and upgrades of zero direct emissions vehicles	<ul style="list-style-type: none"> <li>- Zero direct emissions vehicles for passenger and freight rail transport, including battery electric vehicles and hydrogen and fuel cell vehicles.</li> <li>- E-bikes and e-scooters.</li> <li>- Related infrastructure dedicated to the operation of zero direct emissions vehicles, including electric charging points, electricity grid connection upgrades, hydrogen fuelling stations and electric road systems (ERS).</li> <li>- Transportation infrastructure for passenger and freight rail transport. The investments may also include infrastructure dedicated to the operation of vehicles with zero tailpipe CO<sub>2</sub> emissions, electric charging points, electricity grid connection upgrades, hydrogen fuelling stations and ERS.</li> <li>- Generali has confirmed the exclusion of financing for parking facilities from the Framework.</li> </ul>
<b>Climate Adaptation Measures</b>	Planning, construction, extension, and operations of climate change adaptation solutions	<ul style="list-style-type: none"> <li>- Planning, construction, extension and operations of large-scale nature-based flood or drought management, and coastal, transitional or inland aquatic ecosystem restoration measures contributing to preventing and protecting against flooding or droughts.</li> <li>- Restoration of wetlands.</li> <li>- Generali has confirmed that investments under this category will be supported by a vulnerability assessment to identify potential climate risks and an adaptation plan to address the risks identified by the vulnerability assessment.</li> </ul>
<b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b>	Afforestation, reforestation and forest management	<ul style="list-style-type: none"> <li>- Sustainable Forestry projects that include afforestation<sup>20</sup> and reforestation activities such as the rehabilitation, conservation, restoration of forests and natural forest regeneration after an extreme event.</li> <li>- Such projects shall have a sustainable forest management plan as defined in national law or certified by relevant expert bodies, such as the Forest Stewardship Council (FSC)<sup>21</sup> or Programme for the Endorsement of Forest Certification (PEFC).<sup>22</sup></li> <li>- Sustainalytics notes that plant and tree species used for afforestation or reforestation will be native or well adapted to local conditions.</li> </ul>
<b>Taxonomy-aligned Solutions</b>	Provision of insurance solutions	<ul style="list-style-type: none"> <li>- Financing of insurance contracts that are related to the underwriting of climate-related perils as described in Appendix A of Annex I to the EU Taxonomy Climate Delegated Act.<sup>23</sup> Insurance solutions include: <ul style="list-style-type: none"> <li>- Other motor insurance</li> <li>- Marine, aviation and transport insurance</li> <li>- Fire and other damage to property insurance</li> </ul> </li> <li>- Generali will also exclude insurance contracts that cover the following activities: extraction, storage, transport or manufacture of fossil fuels or insurance of vehicles, property or other assets dedicated to such purposes. Sustainalytics notes that the category is consistent with the EU Taxonomy.<sup>24</sup></li> </ul>

<sup>20</sup> Establishment of forests through planting or deliberate seeding on land that, until then, was under a different land use, implies a transformation of land use from non-forest to forest. FAO, "Global Forest Resources Assessment 2020", at: <https://openknowledge.fao.org/server/api/core/bitstreams/531a9e1b-596d-4b07-b9fd-3103fb4d0e72/content>

<sup>21</sup> FSC, at: <https://anz.fsc.org/>

<sup>22</sup> PEFC, at: <https://pefc.org/for-business/supply-chain-companies/certify-your-construction-project>

<sup>23</sup> European Commission, "Commission Delegated Regulation (EU) 2021/2139", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139>

<sup>24</sup> European Commission, "Commission Delegated Regulation (EU) 2021/2139", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139>

**Table 2: Overall Assessment of Social Activities**

Social Activities	Activity	Sustainalytics' Assessment
Access to Essential Services (Education, Healthcare, Social Infrastructure)	Education	<ul style="list-style-type: none"> <li>- Financing related to investments in affordable educational infrastructure and services such as schools, vocational training centres, re-skilling centres, training programmes, financial literacy programmes.</li> <li>- Generali has confirmed to Sustainalytics that all facilities and services are accessible to all regardless of ability to pay.</li> </ul>
	Healthcare	<ul style="list-style-type: none"> <li>- Construction, development, maintenance and renovation of healthcare facilities targeting the general public. Generali has confirmed that these facilities will be accessible regardless of ability to pay through free or subsidized services.</li> <li>- Financing of medical equipment and technologies for the benefit of public and subsidized health.</li> <li>- Development and maintenance of essential infrastructure and support for the elderly, as well as investments in subsidized and public retirement homes for seniors.</li> <li>- Sustainalytics views the transactions related to healthcare systems that are free or subsidized to target groups, including underserved areas, low-income populations and elderly populations, as indicative of positive social impact and encourages Generali to report on the accessibility and affordability of the facilities.</li> </ul>
Affordable Housing	Social housing	<ul style="list-style-type: none"> <li>- Investments in or financing of social housing real estate projects, including low-rent housing, affordable housing and cooperative housing, that meet the relevant national or regional "low-income population" definition in the applicable jurisdiction where the assets are located.</li> <li>- Sustainalytics views this category positively, noting that the income threshold criteria for eligibility are aligned with national or regional definitions.</li> </ul>
Employment Generation (including SME financing)	Support for enterprises and programmes that aim to promote socio-economic advancement and climate transition	<ul style="list-style-type: none"> <li>- Financing and refinancing activities supporting venture investment &amp; incubation, micro-enterprises,<sup>25</sup> small and medium enterprises (SMEs)<sup>26</sup> and start-ups<sup>27</sup> that meet any one of the following criteria: <ul style="list-style-type: none"> <li>o located in disadvantaged areas<sup>28</sup>;</li> <li>o at least 50% of the ownership belongs to women entrepreneurs; or</li> <li>o at least 50% of the ownership by first generation immigrants.</li> </ul> </li> <li>- Financing aimed at improving economic growth or alleviating unemployment through the support of areas and populations affected by natural disasters, climate change, other considerations for a "just transition" and health crises. Generali may allocate funds targeted to improve the well-being of affected populations, as well as support the recovery and restoration activities of affected areas. Target groups include: <ul style="list-style-type: none"> <li>o Affected SMEs, start-ups and micro-enterprises;</li> <li>o General population affected by health crises, natural disasters or climate change.</li> </ul> </li> </ul>



**Transparency**

Transparency is recognized as a key principle of sustainable finance, as it provides assurance that investments are directed to eligible projects and are delivering positive impact. Sustainalytics highlights the following elements of the Framework that facilitate transparency:

<sup>25</sup> The EU definition of micro-enterprises is companies that have fewer than 10 employees and an annual turnover (the amount of money taken in a particular period) or balance sheet (a statement of a company's assets and liabilities) below EUR 2 million.

<sup>26</sup> Generali has defined SMEs according to the European Commission whereby medium-sized companies are defined as < EUR 50 million in turnover. See more, at: [https://ec.europa.eu/growth/smes/sme-definition\\_en](https://ec.europa.eu/growth/smes/sme-definition_en)

<sup>27</sup> Start-ups are defined as an independent organization younger than five years aimed at creating, improving and expanding a scalable, innovative, technology-enabled product with high and rapid growth.

<sup>28</sup> Disadvantaged areas are defined as areas where the GDP is below the national average or the unemployment rate is above the national average.

- Disclosures regarding project evaluation and selection
  - For the use of freed-up capital funds, Generali has set up a Sustainability ILS Committee to oversee and monitor the existing pool of projects for compliance with the Framework criteria as well as review and validate potential projects to be included into the pool. The committee will include members from various related departments of the Group, such as Group Chief Sustainability Officer, Group Investment Governance, Group Risk Management and will be chaired by the Head of Group Cash and Capital Management function.
  - The Sustainability ILS Committee will further ensure that Eligible Assets and Products comply with official national and international environmental and social standards and local laws and regulation as well as Generali's sustainability-related internal policies, such as the Sustainability Group Policy, Risk Management Group Policy, Generali Group Code of Conduct. Refer to section 2.2 for further information.
  - Based on Generali's commitment that Eligible Assets and Products will comply with various environmental and social standards, and its establishment of a formal committee with cross-departmental representation, Sustainalytics considers the project evaluation and selection process to be in line with market practice.
  - For the selection of the proceeds from the issuance of ILS instruments, the Eligible Investments will be determined by Generali and are subject to the approval of the applicable regulatory authority that authorizes the SPV for the transaction. The Eligible Investments will be disclosed to the investors of the ILS notes and will comply with national and international environmental and social standards and local laws and regulation.
  - Sustainalytics considers the level of disclosure to investors is sufficient to ensure transparency of the project selection process, acknowledging that Generali does not have direct operational control over the selection of the Eligible Investments.
  
- Disclosures regarding management of funds
  - For the use of freed-up capital funds, Generali will monitor and track the freed-up capital using its internal accounting and risk management processes. The Group will ensure that the outstanding balance of the portfolio of Eligible Assets and Products is at least equal to the total value of the capital freed up by the green, social and sustainability ILS instruments at issuance during the life of the instruments.
  - Generali will fully allocate proceeds to Eligible Assets and Products within a year from the issuance of the green, social and sustainability ILS instruments, and in any case, prior to the maturity of the instruments. The Group will invest in cash, deposits or money market instruments or other socially responsible investments in the temporary use of proceeds period.
  - Based on the above, Sustainalytics considers the Group's management of proceeds approach for the use of freed-up capital funds to be aligned with market practice.
  - For the management of proceeds from the ILS issuances, the proceeds will be deposited into an SPV, which will then invest into Eligible Investments. The SPV, which is a third party, will allocate to Eligible Investments as defined by the Framework criteria, through legally binding agreements.
  - If all such Eligible Investments cease to be available, the net proceeds of the ILS notes will be invested in specified money market funds or, if such money market funds are not available or do not satisfy specified criteria, the proceeds will be held in cash with the bank that is acting as trustee for the ILS transaction. Generali may not be able to reallocate the Eligible Investment amounts that cease to be available due to the limited amount of instruments available in the market that are both government-issued notes and also comply with the criteria in the Framework.
  - Sustainalytics recognizes that Generali does not have operational control over the SPVs and that the proceeds from the ILS issuances may not necessarily be invested in Eligible Investments due to certain constraints in the sustainable finance market. Nonetheless, Sustainalytics considers the legally binding agreements of the SPVs to be sufficient demonstration of the intention for allocating to Eligible Investments and views it to be sufficiently transparent to report the unallocated proceeds from the green, social and sustainability ILS instruments in the Group's allocation report.

- Reporting
  - For the reporting of the use of freed-up capital, Generali commits to report the allocation to Eligible Assets and Products annually until full allocation and any updates upon material changes afterwards. The allocation report will include the balance of allocated and unallocated freed-up capital as well as the breakdown of Eligible Assets and Products per category and country.
  - The Group also commits to report on relevant qualitative and quantitative impact metrics such as estimated emissions reduced or avoided, energy saved or area restored with the investments.
  - Based on the commitment to allocation and impact reporting, Sustainalytics considers the reporting of the use of freed-up capital to be aligned with market practice.
  - For the reporting of the ILS issuances, Generali will inform investors about the allocated and non-allocated portion of the proceeds to redeemable notes and their respective impact, based on the reporting of the original issuers of the notes. Sustainalytics considers Generali's reporting practices, including the reporting of the amount of proceeds to projects and assets that cease to be eligible, to be sufficiently transparent.

## Section 2: Assessment of Generali's Sustainability Strategy

Generali promotes the integration of ESG considerations into its investment processes and its insurance businesses.<sup>29</sup> Generali group joined the UN-convened Net-Zero Asset Owners Alliance<sup>30</sup> in 2020 with a commitment to transitioning its investment portfolio to net zero CO<sub>2</sub> emissions by 2050.<sup>31</sup> In line with this commitment, Generali has set a target to reduce its investment portfolio's carbon intensity by 25% by 2024 compared to a 2019 baseline,<sup>32</sup> and emissions from internal operations by 35% by 2025, versus a 2019 baseline.<sup>33</sup> The Group has also set an intermediate target of aligning at least 30% of its real estate portfolio with a 1.5°C trajectory according to the Carbon Risk Real Estate Monitor (CRREM) methodology<sup>34</sup> by 2024.<sup>35</sup> The Group has committed to allocating EUR 8.5 to EUR 9.5 billion to green, social and sustainable investments between 2021 and 2025.<sup>36</sup> In addition, the Group has committed an investment of EUR 3.5 billion by 2025 to support the EU recovery in infrastructure, innovation and digitalization, SMEs, green housing, healthcare and education facilities.<sup>37</sup>

In line with the commitments of the Conference of the Parties on Climate Change, the Group updated its Climate Change Strategy in 2022 by focusing on applying the exclusion criteria for new investments. Generali excludes investments in fossil fuel operations such as oil and gas extracted through fracking and upstream operations in the Arctic and intends to gradually divest from companies in the coal sector by applying restrictive exclusion thresholds. Moreover, the Group has committed to phasing out investments in coal companies by 2030 for OECD countries and a full phase-out by 2040.<sup>38</sup> Additionally, Generali has contributed to sustainable finance initiatives together with international institutions and organizations. The Group has been a signatory to the UN Global Compact since 2007, the Principles for Responsible Investments (PRI) since 2011 and the United Nations Environment Programme's Principles for Sustainable Insurance (PSI) since 2014.

<sup>29</sup> Generali, "Responsible Investment Group Guideline", at: [https://www.generali.com/doc/jcr:faeb6f3e-8913-407b-a743-53861d4bd8e3/lang:it/Responsible\\_Investment\\_Group\\_Guideline\\_.pdf](https://www.generali.com/doc/jcr:faeb6f3e-8913-407b-a743-53861d4bd8e3/lang:it/Responsible_Investment_Group_Guideline_.pdf)

<sup>30</sup> UN-Convened Net-Zero Asset Owner Alliance, at: <https://www.unepfi.org/net-zero-alliance/>

<sup>31</sup> Generali, "Generali joins United Nations-convened Net-Zero Asset Owner Alliance", (2020), at: <https://www.generali.com/media/press-releases/all/2020/Generali-joins-United-Nations-convened-Net-Zero-Asset-Owner-Alliance>

<sup>32</sup> Generali, "Annual Integrated Report and Consolidated Financial Statement 2023", at: [https://www.generali.com/doc/jcr:10e8853d-1fa8-44b2-958e-3ca826a3bd30/Annual%20Integrated%20Report%20and%20Consolidated%20Financial%20Statements%202023\\_Generali%20Group\\_final.pdf/lang:en/Annual\\_Integrated\\_Report\\_and\\_Consolidated\\_Financial\\_Statements\\_2023\\_Generali\\_Group\\_final.pdf](https://www.generali.com/doc/jcr:10e8853d-1fa8-44b2-958e-3ca826a3bd30/Annual%20Integrated%20Report%20and%20Consolidated%20Financial%20Statements%202023_Generali%20Group_final.pdf/lang:en/Annual_Integrated_Report_and_Consolidated_Financial_Statements_2023_Generali_Group_final.pdf)

<sup>33</sup> Ibid.

<sup>34</sup> GRESB, "Carbon Risk Real Estate Monitor (CRREM)", at: [https://www.gresb.com/nl-en/carbon-risk-real-estate-monitor-crrem/#:~:text=CRREM%20uses%20GHG%20emissions%20\(and,align%20with%20certain%20transition%20scenarios.](https://www.gresb.com/nl-en/carbon-risk-real-estate-monitor-crrem/#:~:text=CRREM%20uses%20GHG%20emissions%20(and,align%20with%20certain%20transition%20scenarios.)

<sup>35</sup> Generali, "Annual Integrated Report and Consolidated Financial Statement 2023", at: [https://www.generali.com/doc/jcr:10e8853d-1fa8-44b2-958e-3ca826a3bd30/Annual%20Integrated%20Report%20and%20Consolidated%20Financial%20Statements%202023\\_Generali%20Group\\_final.pdf/lang:en/Annual\\_Integrated\\_Report\\_and\\_Consolidated\\_Financial\\_Statements\\_2023\\_Generali\\_Group\\_final.pdf](https://www.generali.com/doc/jcr:10e8853d-1fa8-44b2-958e-3ca826a3bd30/Annual%20Integrated%20Report%20and%20Consolidated%20Financial%20Statements%202023_Generali%20Group_final.pdf/lang:en/Annual_Integrated_Report_and_Consolidated_Financial_Statements_2023_Generali_Group_final.pdf)

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

<sup>38</sup> Generali, "Generali Group Strategy On Climate Change", at: [https://www.generali.com/doc/jcr:32646e34-90ae-48b5-90c1-32b97b85cc68/Generali%20Group%20Strategy%20on%20Climate%20Change%20-%20Technical%20Note%20-%20ENG%202022.pdf/lang:en/Generali\\_Group\\_Strategy\\_on\\_Climate\\_Change\\_-\\_Technical\\_Note\\_-\\_ENG\\_2022.pdf](https://www.generali.com/doc/jcr:32646e34-90ae-48b5-90c1-32b97b85cc68/Generali%20Group%20Strategy%20on%20Climate%20Change%20-%20Technical%20Note%20-%20ENG%202022.pdf/lang:en/Generali_Group_Strategy_on_Climate_Change_-_Technical_Note_-_ENG_2022.pdf)

With regard to its insurance business, Generali has been a founding member of the Net Zero Insurance Alliance since 2021 and has committed to achieving a net zero insurance portfolio by 2050.<sup>39</sup> To support its ambition, the Group defined a comprehensive methodology for measuring GHG emissions associated with its portfolio with the support of Partnership for Carbon Accounting Financials.<sup>40</sup>

Sustainalytics is of the opinion that the Generali Green, Social and Sustainability Insurance-linked Securities Framework is aligned with the Group's overall sustainability strategy and initiatives and will further the Group's actions on its key sustainability priorities.

### **Approach to managing environmental and social risks associated with the projects**

Sustainalytics recognizes that the proceeds from the freed-up capital funds from the ILS instruments issued under the Framework will be directed towards Eligible Assets that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues related to emissions, effluents and waste generated in construction; land use and biodiversity loss associated with large-scale infrastructure development; occupational health and safety, business ethics; and stakeholder engagement. Generali has limited involvement in the implementation of specific projects that will be financed under the Framework, but it is exposed to environmental and social risks through its financing portfolio.

Sustainalytics is of the opinion that Generali is able to manage and mitigate potential risks through implementation of the following:

- Through its commitment to Environment and Climate Strategy, Generali has integrated environmental and climate aspects into insurance and investment products, which includes conducting a due diligence process to ensure the management and mitigation of risks related to the protection and conservation of biodiversity, waste management, environmental pollution, consumption and circularity of resources.<sup>41</sup> Additionally, Generali has developed a group-level Environmental Management System (EMS) in accordance with ISO 14001<sup>42</sup> and implemented it across most of the Group's companies, covering 42% of employees and 87.5% of total gross direct premiums.<sup>43</sup>
- Regarding risks related to biodiversity loss, waste management, emissions and effluents, Generali follows its group-level Sustainability Policy which includes guidelines for identifying and assessing ESG factors that may present risks and mitigating the negative impacts that Generali's corporate activities may have on various stakeholder groups.<sup>44</sup>
- To address risks related to occupational health and safety hazards, Generali has in place a code of conduct which is applicable to its employees, contractors and relevant stakeholders. Generali follows all applicable health and safety laws and regulations in the regions where it operates as part of its commitment to providing its employees with a safe and healthy work environment.<sup>45</sup>
- Through its Integration of Sustainability Into Investments and Active Ownership Group Guideline, Generali integrates sustainability factors such as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters into its investment decisions.<sup>46</sup> Regarding business ethics, Generali's Code of Conduct,<sup>47</sup> also covers third parties working with the Group, and requires the Group and its contractors to provide a healthy, safe and secure workplace and improvement of the circumstances of

<sup>39</sup> Generali, "External commitments", at: <https://www.generali.com/sustainability/responsible-business/external-commitments>

<sup>40</sup> Generali, "Annual Report 2022", at: [https://www.generali.com/doc/jcr:0fccff42-5078-4ead-a14c-1b0cf8f49368/Annual%20Integrated%20Report%20and%20Consolidated%20Financial%20Statements%202022\\_Generali%20Group\\_final\\_interactive.pdf/lang/en/Annual\\_Integrated\\_Report\\_and\\_Consolidated\\_Financial\\_Statements\\_2022\\_Generali\\_Group\\_final\\_interactive.pdf](https://www.generali.com/doc/jcr:0fccff42-5078-4ead-a14c-1b0cf8f49368/Annual%20Integrated%20Report%20and%20Consolidated%20Financial%20Statements%202022_Generali%20Group_final_interactive.pdf/lang/en/Annual_Integrated_Report_and_Consolidated_Financial_Statements_2022_Generali_Group_final_interactive.pdf)

<sup>41</sup> Generali, "Commitments to the environment and climate", at: <https://www.generali.com/sustainability/our-commitment-to-the-environment-and-climate>

<sup>42</sup> ISO 14001: <https://www.iso.org/iso-14001-environmental-management.html>

<sup>43</sup> Generali, "Environmental management system", at: <https://www.generali.com/sustainability/responsible-employer/environmental-management>

<sup>44</sup> Generali, "Sustainability Group Policy", at: <https://www.generali.com/info/download-center/policies>

<sup>45</sup> Generali, "Well being", at: <https://www.generali.com/sustainability/responsible-employer/well-being>

<sup>46</sup> Generali Group, "Integration Of Sustainability Into Investments And Active Ownership Group Guideline", at: [https://www.generali.com/doc/jcr:4403cc31-2e9f-45e7-a2fc-351f79372c75/Integration%20of%20Sustainability%20into%20Investments%20and%20Active%20Ownership%20Guid....pdf/lang/en/Integration\\_of\\_Sustainability\\_into\\_Investments\\_and\\_Active\\_Ownership\\_Guid....pdf](https://www.generali.com/doc/jcr:4403cc31-2e9f-45e7-a2fc-351f79372c75/Integration%20of%20Sustainability%20into%20Investments%20and%20Active%20Ownership%20Guid....pdf/lang/en/Integration_of_Sustainability_into_Investments_and_Active_Ownership_Guid....pdf)

<sup>47</sup> Generali, "Code of Conduct", at: <https://www.generali.com/info/download-center/policies>

the communities in which it operates. Additionally, Generali has in place an Ethical Code for the suppliers of Generali Group that requires its contract partners to align with its policies while performing business and to ensure compliance with all the levels of the relevant supply chain.<sup>48</sup> Since 2007, Generali has endorsed the 10 Principles of the UN Global Compact, through which it seeks to align its strategies and operations with sustainable and socially responsible policies regarding human rights, labour, the environmental protection and anti-corruption.<sup>49</sup>

- Generali has a stakeholder engagement approach which defines how the Group will engage in dialogue with relevant representatives from the communities in which business operations are conducted. This includes attending meetings with representatives of NGOs, institutions and civil society associations. In addition, Sustainalytics is of the opinion that Generali is able to mitigate potential social risks through defined targeting as outlined in the Framework.<sup>50</sup>
- Generali has in place Responsible Investment Guidelines<sup>51</sup> which are applicable to direct investments related to funds promoted or managed by the Generali Group. As part of these guidelines, the Group conducts analyses on the ESG policies, performance, practices and impacts in order to exclude or avoid enterprises with poor ESG practices, while also assessing and monitoring the investments that are exposed to ESG risks.<sup>52</sup> Moreover, the Group excludes high-risk investments in companies that engage in activities such as those involved in serious or systematic human rights violations and environmental damages.<sup>53</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Generali has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

## Section 3: Impact of Projects Financed

### Importance of financing green buildings in the EU

The buildings sector is the largest energy consumer in the EU,<sup>54</sup> accounting for approximately 40% of total energy consumption in the bloc. In 2021, the buildings sector was responsible for 36% of energy-related GHG emissions, with heating, cooling and domestic hot water use representing 80% of total energy use.<sup>55</sup> In addition, approximately 85% of the buildings in the EU were built before 2001 and 75% of the building stock was energy inefficient as of 2022.<sup>56</sup>

The EU has set an objective of reducing 55% emissions by 2030, compared to 1990 levels.<sup>57</sup> To achieve this target, the EU would need to reduce GHG emissions from buildings by 60%, final energy consumption by 14%, and energy consumption from heating and cooling by 18% by 2030 compared to 2015.<sup>58,59</sup> The Energy Performance of Buildings Directive requires public buildings developed since 2019 and all new buildings constructed from 2021 onwards to be nearly zero-energy buildings (NZEB).<sup>60</sup> The latest version of the directive (EPBD IV) aims to achieve a zero-emission and fully decarbonized building stock by 2050. These initiatives aim to contribute to the EU's goal of a fully decarbonized building stock by 2050.<sup>61</sup> Furthermore, energy efficiency retrofits are expected to play an important role in decarbonizing the sector, with the renovation of existing buildings estimated

<sup>48</sup> Generali, "Ethical Code for the suppliers", at: <https://www.generali.com/info/download-center/policies>

<sup>49</sup> Generali, "External commitments", at: <https://www.generali.com/sustainability/responsible-business/external-commitments>

<sup>50</sup> Generali, "Stakeholder engagement", at: <https://www.generali.com/sustainability/responsible-business/stakeholder-engagement>

<sup>51</sup> Generali, "Responsible Investment Guidelines", at: <https://www.generali.com/sustainability/responsible-investor>

<sup>52</sup> Ibid.

<sup>53</sup> Ibid.

<sup>54</sup> European Parliament, "Report on maximizing the energy efficiency potential of the EU building stock", (2020), at: [https://www.europarl.europa.eu/doceo/document/A-9-2020-0134\\_EN.html](https://www.europarl.europa.eu/doceo/document/A-9-2020-0134_EN.html)

<sup>55</sup> European Commission, "Factsheet - Energy Performance of Buildings", (2021), at: [https://ec.europa.eu/commission/presscorner/detail/en/fs\\_21\\_6691](https://ec.europa.eu/commission/presscorner/detail/en/fs_21_6691)

<sup>56</sup> European Climate Pact, "Every building can be green – here is how", (2022), at: [https://climate-pact.europa.eu/news/every-building-can-be-green-heres-how-2022-03-11\\_en](https://climate-pact.europa.eu/news/every-building-can-be-green-heres-how-2022-03-11_en)

<sup>57</sup> European Commission, "Stepping Up Europe's 2030 climate ambition", (2020), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0562>

<sup>58</sup> European Environment Agency, "Greenhouse gas emissions from energy use in buildings in Europe", at: <https://www.eea.europa.eu/data-and-maps/indicators/greenhouse-gas-emissions-from-energy/assessment>

<sup>59</sup> European Commission, "A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives", at: [https://ec.europa.eu/energy/sites/ener/files/eu\\_renovation\\_wave\\_strategy.pdf](https://ec.europa.eu/energy/sites/ener/files/eu_renovation_wave_strategy.pdf)

<sup>60</sup> European Commission, "Energy performance of buildings directive", at: [https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive\\_en](https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en)

<sup>61</sup> Ibid.

to reduce the EU's total energy consumption by 5-6% and its total emissions by 5%.<sup>62</sup> In 2020, the European Commission developed the Renovation Wave Initiative which aims to double the annual energy renovation rates by 2030.<sup>63</sup> The initiative requires each EU country to publish a long-term building renovation strategy, and aims to stimulate volume and depth of renovation through regulatory and non-regulatory investments. The residential real estate sector accounts for two-thirds of buildings in the EU and the European Commission estimates that an additional investment of EUR 250 bn is required for residential buildings to meet the EU target to reduce GHG emissions by 55% by 2030.<sup>64</sup>

Based on the above, Sustainalytics believes that Generali's financing of green buildings is expected to contribute to the EU decarbonization targets in the buildings sector.

### **Importance of supporting access to essential services in the EU**

Although Europe's prosperity appears to have increased for decades, structural inequalities in socio-economic conditions, such as income, health, educational attainment and living conditions have been exacerbated by the global financial crisis and the Covid-19 pandemic.<sup>65</sup> The number of people aged 65 and over in EU countries is projected to increase significantly, from 90.5 million in 2019 to 129.8 million in 2050.<sup>66</sup> The ageing population will lead to increased demand for long-term care services. The number of people likely to need long-term care is estimated to increase by more than 8 million until 2050, but more than a third of older people in the EU do not have access to the care they need because of lack of affordability.<sup>67</sup> In line with the growing needs of ageing societies, spending on care for elderly as a share of GDP in EU countries is projected to increase from 1.7% to 2.5% between 2019 and 2050, but the public spending is not keeping up with the pace.<sup>68,69</sup> To tackle this situation, the European Care Strategy, put forward by the European Commission in September 2022, aims to help Member States to ensure high quality, affordable and accessible care services across the European Union, and to improve the situation of both those receiving care and those providing it, whether professionally or informally.<sup>70</sup>

The Covid-19 pandemic has led to an unprecedented need for health spending in the EU. As a result, the EU launched EU4Health to run from 2021 to 2027 and provide EUR 5.1 billion to improve and promote health in the bloc.<sup>71</sup> In education, despite the high student attainment in EU countries, many education systems in the member countries have become less successful in recent decades in ensuring that all students acquire the skills they need.<sup>72</sup> Moreover, educational poverty and inequalities have increased in EU countries over the last 15 years<sup>73</sup> and exacerbated during the pandemic.<sup>74,75,76</sup> This loss of

<sup>62</sup> European Commission, "Comprehensive study of building energy renovation activities and the uptake of nearly zero-energy buildings in the EU", (2019), at: [https://ec.europa.eu/energy/sites/ener/files/documents/1\\_final\\_report.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/1_final_report.pdf)

<sup>63</sup> European Commission, "Renovation Wave", at: [https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/renovation-wave\\_en](https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/renovation-wave_en)

<sup>64</sup> European Commission, "A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020DC0662>

<sup>65</sup> Parliamentary Assembly of the Council of Europe, "Socio-economic inequalities in Europe: time to restore social trust by strengthening social rights", at: <https://assembly.coe.int/LifeRay/SOC/Pdf/TextesProvisoires/2021/20210909-SocialInequalities-EN.pdf>

<sup>66</sup> Eurostat, "Ageing Europe - statistics on population developments", at: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Ageing\\_Europe\\_-\\_statistics\\_on\\_population\\_developments#Older\\_people\\_E2.80.94\\_population\\_overview](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Ageing_Europe_-_statistics_on_population_developments#Older_people_E2.80.94_population_overview)

<sup>67</sup> European Commission, "Growing old in Europe: two new reports shed light on long-term care and pensions across the EU", at: <https://ec.europa.eu/social/main.jsp?langId=en&catId=752&newsId=10026&furtherNews=yes>

<sup>68</sup> European Commission, "The 2021 Ageing Report: Economic and Budgetary Projections for the EU Member States (2019-2070)", at: [https://economy-finance.ec.europa.eu/publications/2021-ageing-report-economic-and-budgetary-projections-eu-member-states-2019-2070\\_en](https://economy-finance.ec.europa.eu/publications/2021-ageing-report-economic-and-budgetary-projections-eu-member-states-2019-2070_en)

<sup>69</sup> Caritas Europa, "Europe's care systems at risk", at: <https://www.caritas.eu/europes-care-systems-at-risk/>

<sup>70</sup> Willy Palm et al. (2021), "Gaps in coverage and access in the European Union", Health Policy, at: <https://www.sciencedirect.com/science/article/pii/S0168851020303225#:~:text=Despite%20near%20universal%20population%20coverage,health%2C%20psychotherapy%20and%20new%20drugs>

<sup>71</sup> European Commission, "EU4Health programme 2021-2027 – a vision for a healthier European Union", at: [https://health.ec.europa.eu/funding/eu4health-programme-2021-2027-vision-healthier-european-union\\_en](https://health.ec.europa.eu/funding/eu4health-programme-2021-2027-vision-healthier-european-union_en)

<sup>72</sup> World Bank Group, "Education in the EU: Diverging Learning Opportunities?", (2022), at: <https://thedocs.worldbank.org/en/doc/180421529688002726-0080022018/original/EUGUSkillSupplyfinal5302018.pdf>

<sup>73</sup> Ibid.

<sup>74</sup> Ibid.

<sup>75</sup> UNESCO website, "Startling digital divides in distance learning emerge", at: <https://en.unesco.org/news/startling-digital-divides-distance-learning-emerge>

<sup>76</sup> The Conversation, "Coronavirus school closures impact 1.3 billion children.", (2022), at: <https://theconversation.com/coronavirus-school-closures-impact-1-3-billion-children-and-remote-learning-is-increasing-inequality-138656#:~:text=It%20will%20inevitably%20lead%20to%20a%20greater%20disparity,may%20do%20some%20a%20great%20injustice.%20Alternative%20approaches>

schooling in vulnerable communities is likely to affect student’s overall health, social mobility, job prospects and life expectancy,<sup>77,78</sup> with PISA results in Europe reflecting persistent performance gaps between wealthier and poorer students.<sup>79</sup>

Based on the above context, Sustainalytics considers that Generali’s financing of projects aimed at improving access to universal and affordable essential services will have a positive impact and contribute to EU targets.

**Contribution to SDGs**

The Sustainable Development Goals were adopted in September 2015 and form part of an agenda for achieving sustainable development by the year 2030. The Framework is expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green and Resilient Buildings	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Climate Adaptation Measures	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Taxonomy-aligned solutions	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Access to Essential Services (Education, Healthcare, Social Infrastructure)	3. Good Health and Wellbeing	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to

<sup>77</sup> European Commission, “The likely impact of COVID-19 on education: Reflections based on the existing literature and recent international datasets”, (2020), at: <https://publications.jrc.ec.europa.eu/repository/bitstream/JRC121071/jrc121071.pdf>

<sup>78</sup> Social Europe, “Must try harder: recovering from educational inequality (2021)”, at: <https://socialeurope.eu/must-try-harder-recovering-from-educational-inequality>

<sup>79</sup> World Bank Group, “Education in the EU: Diverging Learning Opportunities?”, (2022), at: <https://thedocs.worldbank.org/en/doc/180421529688002726-0080022018/original/EUGUSkillSupplyfinal5302018.pdf>

		safe, effective, quality and affordable essential medicines and vaccines for all
Affordable Housing	4. Quality Education	4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
	11. Sustainable Cities and Communities	1.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Employment Generation (including SME financing and micro-finance)	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

## Conclusion

Generali has developed the Generali Green, Social and Sustainability Insurance-linked Securities Framework under which it intends to fund green and social initiatives using the freed-up capital from the issuance of ILS instruments, as well invest the collateral of the ILS instruments in green and social investments (e.g. notes financing green and social projects), which are expected to create positive environmental and social benefits.

The Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Framework is aligned with Generali’s sustainability strategy and that the use of proceeds is expected to contribute to the advancement of the UN Sustainable Development Goals 3, 4, 7, 8, 9, 11, 13 and 15. Additionally, Sustainalytics is of the opinion that Generali has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects and assets.

Based on the above, Sustainalytics is of the opinion that the Generali Green, Social and Sustainability Insurance-linked Securities Framework is impactful, transparent and in alignment with core market expectations.

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