Generali Group

CLIMATE CHANGE STRATEGY

Technical Note

October 2024 update

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On 21 February 2018, the Board of Directors of Assicurazioni Generali S.p.A. approved the Group's Strategy on Climate Change, adopting significant actions on the core activities of the Company, i.e. investing and underwriting, but also on its own operations. On that basis, this document, which is regularly updated, details the way the Group supports the transition towards a low-carbon future[1].

Introduction

The long-term goal adopted under the Paris Agreement of "*limiting global warming to well below 2 °C and to pursue efforts to limit temperature increases to 1.5 °C above pre-industrial levels*" requires the rapid decarbonization of the global economy. The Special Report "Global Warming of 1.5 °C" published in 2018 by the IPCC (Intergovernmental Panel on Climate Change) reiterated the urgency of action by all members of civil society. That organization published its sixth climate report in April 2022, which strongly reaffirmed that, in order to remain within the scenarios assumed under the Paris Agreement, 2025 must be the deadline for reversing the currently incremental trend in global greenhouse gas emissions. The report also specifies that these emissions must be halved by 2030 by rapidly abandoning the use of fossil fuels.

Generali is committed to providing the right contribution to mitigate the impact on climate generated by its business and value chain and to develop adaptation solutions that will protect its customers and more generally its stakeholders from the physical risks that are already occurring. Generali has subscribed the Paris Pledge for Action in 2015 and is committed to transition its investment portfolio, its insurance portfolio and its own operations to net-zero emissions at the latest by 2050 in line with science. To follow up on this pledge, the Group participates as a member in the work of the Net-Zero Asset Owner Alliance (NZAOA) and the Forum for Insurance Transition to Net-Zero (FIT).

Generali deploys its climate mitigation strategy through its responsible roles of Investor, Insurer and Employer integrating in its business dedicated climate solutions, gradually excluding from the investment and insurance portfolios the exposures that increase the transition risks and influencing our counterparts to shift together to a new a more sustainable economy.

Furthermore, Generali supports the Task Force on Climate-related Financial Disclosures (TCFD), committing to voluntarily disclose the risks and opportunities associated with climate change and the Investing in a Just Transition project, promoted by The Grantham Research Institute/London School of Economics and the Harvard University in partnership with PRI (Principles for Responsible Investment). The aim of this initiative is to support a 'just' transition towards a low-carbon economy, integrating the social dimension into the climate strategy to minimize the impact on affected workers and their communities through the adoption of protective measures.

The Just Transition

According to the UNFCCC-United Nations Framework Convention on Climate Change data, the transition to a low-carbon economy will affect nearly 1.5 billion workers across the world. These communities will need to restructure their economies, ensure energy security, retrain the workers affected by the transition and train people for future new jobs, all to maintain social cohesion.

For this reason, Generali supports the idea of the Just Transition for workers and communities, contributing to a healthy, resilient and sustainable society, where no one is left behind. This strategy is supported by open dialogue with key stakeholders such as policy makers, non-governmental organizations (NGOs) and Companies.

The principles of Just Transition are more valid today than ever before. Indeed, at the international level, geopolitical tensions and energy crises could jeopardize access to energy and, more generally, the energy security of individuals or entire communities. Moreover, this crisis risks spreading to key sectors such as food. Indeed, through inflationary processes every segment of the population risks being impacted.

In this context, the fossil fuel exclusion policies to which Generali has committed may, in certain cases, tolerate fluctuations in the parameters considered if the short-term choices of the party will result in the mitigation of social risk, will be considered temporary and will maintain long-term climate objectives.

[1] As regards Companies joining the Generali Group as a result of M&A activities, the restrictions contained in this document are activated after three years from the date of entry.

1. RESPONSIBLE INVESTOR (*asset owner)*

1.1 Financing the transition

The Group promotes, for the various asset classes, specific investment strategies aimed at supporting economic activities with sustainability characteristics capable of creating long-term value not only for investors but also for society as a whole. Investments in green, social, sustainable and sustainability-linked bonds have the characteristic of financing projects and activities with a positive impact on the environment or society.

Strengthened by the achievement and surpassing of the target set between 2018 and 2021, the Group's commitment has been renewed in 2021 with a new target: € 8.5 - € 9.5 billion of new green, social and sustainable investments by 2025. The target has been defined in relation to net new investments in green, social, sustainable and sustainability-linked bonds, issued by corporates or governments, that meet the reference market standards, namely ICMA (International Capital Market Association) principles, selected according to an internal methodology (screening) defined by the Group with the support of Generali Insurance Asset Management (GIAM) and applied to insurance Companies' assets managed by GIAM itself, whose main purpose is to assess the robustness of the sustainability framework of these bond issues and the level of transparency towards the market, as well as to monitor the activities that are financed through these investments.

1.2 Thermal coal: investment restrictions

1.2.1 Listed equity and corporate bonds

Direct Investments

With a long-term vision and on the basis of decarbonization scenarios of the real economy compatible with limiting global warming to 1.5°C, the Generali Group is committed to phase-out investments in Companies operating in the thermal coal sector located in the OECD area by 2030 and those in Companies operating in the rest of the world by 2040.

To this end, Generali does not make new investments and divests its residual exposure in issuer involved in the thermal coal sector identified according to quantitative thresholds as specified below. The phase-out from the sector will be achieved by gradually lowering these thresholds.

Companies that are expanding mining or generating capacity are automatically excluded, regardless of the thresholds applied.

Sector	Exclusion Criterion[2]	Restriction / Action
All Companies	- coal share of revenues > 20%	No new investment and divestment[3] of existing exposure
Mining Companies	- coal production > 10 Mil ton/year - developers of new coal mines	
Power generation Companies	- coal share of power generation > 20% - coal-fired installed capacity > 5 GW - developers of new power generation plants	

Issuers who marginally[4] exceed the current exclusion thresholds and have been in the portfolio since before their implementation are subject to assessment (updated annually). If it can be verified that these Companies:

- have implemented coal *phase-out* plans in line with the timelines already established in Generali's strategy or
- are implementing decarbonization strategies with SBTi[5] 1.5°C commitment/validation

then they will not be excluded from the portfolio unless they are developing new projects to expand coal mining or power generating capacity.

[2] Based on information available from the Group's data providers.
[3] Divestment means opportunistic selling if equity investments or maturity without renewal if bonds.
[4] The term "marginally" is used to identify issuers impacted by the last tightening of coal exclusion thresholds, defined in the Technical Note update of June 2021.
[5] https://sciencebasedtargets.org/

1.2.2 Non-listed investments in the infrastructure asset class (*private debt*)

Direct investments

The Generali Group does not provide any new financing towards projects dedicated to coal mining, coal transport and coal power generation[6].

Sector	Exclusion Criterion[7]	Restriction / Action
Thermal coal *brownfield* and *greenfield*	Coal mining projects	No new investment
	Coal transport projects	
	Projects dedicated to coal-fired power generation	

Indirect investments (funds)

The same exclusion criteria and restriction for the direct investments apply also to indirect investments through funds. The Group does not carry out new investment in funds not excluding the financing of coal mining, transport and power generation projects, both *brownfield* and *greenfield*.

1.3 Oil & gas: investment restrictions

1.3.1 Listed equity and corporate bonds

Direct Investments

The Generali Group has identified Companies belonging to the integrated oil & gas sector as priority for its investments to reduce greenhouse gas emissions (impact materiality) and reduce the exposure to transition risk (financial materiality).

The Group does not make new investment in issuers of the integrated oil & gas sector[8] which are considered not having effective energy transition strategies in place aimed at achieving the net-zero objective.

Companies' transition plans are assessed using an internal methodology to identify "Transition Laggards" and specific levers (portfolio management and engagement) are subsequently activated. The assessment to identify the "*transition laggards*" is based on an internal procedure that considers the following criteria:

- net-zero oriented target setting (existence of science-based absolute and intensity emissions targets, long and mid-term, target coverage of scopes 1, 2 and 3, ambition alignment with 1.5°C scenarios, evaluation of target achievement);

- capital allocation process to transition the business model and supporting net-zero target (reallocation of resources in favor of renewables and divestment of fossil assets);

- climate governance (accountability of the Board and Senior Management over climate-related matters and goal-oriented KPIs into Executives' remuneration);

- climate policy engagement and alignment of Companies lobbying activities to its climate goals.

[6] These rules apply to more than 98% of the Group's investments in the infrastructure asset class through *private debt*. Generali is working to gradually extend these rules to the entire business.
[7] Based on information available from the Group's data providers.
[8] In relation to the perimeter of application of the policy, Integrated oil & gas Companies are defined as those belonging to the Energy sector of the MSCI ACWI index and those already included in Generali's General Account portfolio with a capitalization of at least € 100 mln.

<table>
<tr><th>Sector</th><th>Exclusion Criterion[9]</th><th>Restriction / Action</th></tr>
<tr><td rowspan="2">Integrated oil & gas Companies[10]</td><td rowspan="2">Transition laggard as identified by internal assessment and scoring system</td><td>Active Ownership
- Engagement: Companies are specifically engaged into the broader climate-related engagement framework.
- Proxy Voting: exercise merit-based proxy voting, based on expectations from oil and gas sector, supporting climate-related resolutions.</td></tr>
<tr><td>Portfolio management
No new investment and divestment[11] of existing exposure.
As far as Companies headquartered in emerging markets[12], fixed income investments are allowed only if:
- the reference Country has adopted a net-zero target by 2050 or beyond as specified in their Nationally Determined Contributions;
- bonds have max n.7 years maturity (no restriction for investment in green bond of these issuers subject to certified international standard and framework).
From 2030 new investments in integrated oil & gas Companies belonging to the perimeter will be allowed only if:
- they adopted net-zero target (covering scope 1, 2 and 3);
- to be achieved by 2050 or, for Companies headquartered in emerging markets, beyond if aligned with the Country’s net-zero target (according to their Nationally Determined Contributions).
In 2030, Companies in portfolio that have not adopted this objective will be subject to disinvestment[11].</td></tr>
</table>

Companies active in the unconventional oil & gas sector (*tar sands*, gas and oil from *fracking* and Companies active in the *Arctic Circle*) above certain thresholds, as specified below, are always excluded from investment activities.

<table>
<tr><th>Sector</th><th>Exlcusion Criterion[9]</th><th>Restriction / Action</th></tr>
<tr><td>Companies active in tar sands - upstream</td><td>- revenue from exploration and production > 5%</td><td rowspan="4">No new investment and divestment[11] of existing exposure</td></tr>
<tr><td>Companies active in the tar sands - midstream</td><td>- controversial pipelines</td></tr>
<tr><td>Companies active in fracking oil and gas - upstream</td><td>- revenue from production > 10%</td></tr>
<tr><td>Companies active in the Arctic Circle - upstream</td><td>- revenue from exploration and production > 10%</td></tr>
</table>

[9] Based on information available from the Group's data providers.
[10] In relation to the perimeter of application of the policy, Integrated oil & gas Companies are defined as those belonging to the Energy sector of the MSCI ACWI index and those already included in Generali's General Account portfolio with a capitalization of at least € 100 mln.
[11] Divestment means opportunistic selling in the case of equity investments or maturity without renewal if bonds.
[12] The distinction between developed and emerging markets refers to the MSCI definitions.

1.3.2 Non-listed investments in the infrastructure asset class (*private debt*)

Direct Investments

The Generali Group does not provide any new direct financing towards *greenfield* projects related to the oil & gas sector. With regard to natural gas, which is considered a transitional fossil source, direct financing is allowed for *greenfield midstream and downstream* projects only if they are deemed to support the energy transition (e.g. activities aligned with EU Taxonomy screening criteria).

Direct financing towards unconventional oil & gas projects (*tar sands*, gas and oil from *fracking* and projects in the *Arctic Circle*) is always excluded.

Sector	Exclusion Criterion	Restriction / Action
Oil *greenfield*	*upstream*	No new investment
	midstream	
	downstream	
Natural gas *greenfield*	*upstream*	No new investment
	midstream	No new investment unless the project supports the energy transition in the 1.5°C scenario (e.g. aligned to EU Taxonomy)
	downstream	
Unconventional *greenfield* & *brownfield* oil & gas: tar sands; oil & gas extracted by fracking and from the Arctic Circle	*upstream*	No new investment
	dedicated *midstream*	
	dedicated *downstream*	

Indirect investments (funds)

The investment policy of the funds shall comply with the requirements and restrictions envisaged for the direct investment. Specific exposure limits to *midstream* and *downstream* oil and gas project are envisaged:

- natural gas *greenfield*: *midstream* and *downstream* infrastructure projects are allowed only if aligned with 1.5° pathway or, if not, the value of all the projects cannot exceed 10% of the Asset Under Management of the fund;
- oil *greenfield*: *midstream* and *downstream* infrastructure projects are allowed only the project is located in emerging markets and in any case the value of all the projects cannot exceed the 5% of the Asset Under Management of the fund.

1.4 Active ownership: engagement and proxy voting activities

Generali advocates the principles of the Just Transition through engagement activities.

In 2021, in line with the requirements of the Net-Zero Asset Owner Alliance protocols, Generali set a target for 2025 to engage at least 20 new carbon-intensive Companies in active shareholder engagement activities in order to incentivize their low-carbon transition strategy, and consequently also support the climate objectives of the Group's investment portfolio.

In particular, the engagement activity is based on three fundamental principles:

> contributing to the investment portfolio's transition to net-zero greenhouse gas emissions by 2050, consistent with a maximum temperature increase of 1.5°C over pre-industrial levels, taking into account the best available scientific knowledge, including IPCC findings, and regularly reporting on progress, including setting interim targets every five years, in line with Article 4.9 of the Paris Agreement.

> integrate engagement action into a holistic approach to managing sustainability considerations, including, but not limited to, climate change, and emphasizing GHG reduction results in the real economy.

> support corporate and industry actions, as well as public policies, for a low-carbon transition of economic sectors in line with science, taking into account the associated social impacts.

The engagement activity provides support for the models adopted by the Group to manage the energy transition risks of particular invested sectors, such as oil & gas.

Since 2022, Generali has enhanced it voting principles to aligned Net-Zero Asset Owner Alliance in order to perform merit-based evaluations of climate resolutions.

Generali is committed to providing regular updates on engagement activities in the context of the just transition through the official Group reporting.

1.5 Decarbonization of the investment portfolio (interim targets)

As a member of the Net-Zero Asset Owner Alliance, Generali is committed to gradually decarbonizing its investment portfolio in order to reach net-zero emissions by 2050.

Generali has therefore set specific intermediate targets by 2024 with respect to the 2019 baseline, detailed as follows:

> 25% reduction of the carbon footprint[13] of the direct investment portfolio for listed equities and corporate bonds;

> alignment of at least 30% of the real estate portfolio value with the global warming trajectory of 1.5°C[14].

Generali will achieve these targets through several implementation actions over the next few years and will provide ongoing updates in Group reporting.

[13] Defined as carbon intensity weighted by the value of the invested asset (EVIC).
[14] According to the CREEM (Carbon Real Estate Risk Monitor) methodology, which provides a science-based decarbonization model specifically for the real estate sector.

2. RESPONSIBLE INSURER

2.1 Insurance solutions with ESG components

As a responsible insurer, with € 82.5 billion gross written premiums in 2023, the Group developed an internal framework to identify those existing insurance solutions that, more than others, have ESG components and contribute to create shared value with all the stakeholders. These insurance solutions offer coverage and services to clients with habits, behaviors or activities that respect the environment, as well as particular needs for support, protection and/or inclusion, also from a social perspective.

Over time, the Group has also developed investment insurance solutions with the ambition of contributing positively to environmental and social dimensions. In doing so, Generali favors addressing habits and behavior towards healthier and more aware lifestyles, while favoring risk prevention and reduction rather than damage compensation.

The fight against climate change is one of Generali's main commitments in this context. The insurance solutions that contribute to this commitment are categorized as follows:

- Mobility: products designed to promote sustainable mobility with reduced environmental impact, including products for electric and hybrid vehicles, or products rewarding low annual mileage and responsible driving behavior;
- Risk reduction: products specifically designed to cover catastrophe risks or specific environmental damage;
- Renewable energies: products covering risks connected with the production of renewable energies. These kinds of products are designed to cover equipment for the production of renewable energy, to guarantee reimbursement of damage caused by atmospheric events to solar and photovoltaic panels, or similar systems, which can be integrated with guarantees to protect against loss of profit deriving from the interruption or decrease of the production of electricity;
- Pollution liability/Own damages: anti-pollution products, such as third-party liability policies for pollution, which provide reimbursement of expenses for urgent and temporary interventions aimed at preventing or limiting the recoverable damage;
- Energy efficiency: products that support the energy efficiency of buildings, for which we also provide consultancy to customers, to identify possible solutions for optimizing energy consumption in homes;
- Circular economy: products to support Companies dealing with materials recovery/recycling, products for start-ups that manage shared services platforms.

To provide transparency to stakeholders, Generali reports the amount of premiums deriving from insurance solutions with ESG components on its official channels; the Group will progressively adapt its internal definitions to those of national and supranational regulators.

Within the *Lifetime Partner 24: Driving Growth* strategy, the Group confirms its commitment to developing insurance solutions with ESG components, as defined by the internal framework, increasing its premiums by a 5-7% CAGR (Compound Annual Growth Rate) increase over the period 2022-2024.

2.2 Thermal coal: insurance restrictions

With a long-term vision and on the basis of decarbonization scenarios of the real economy compatible with limiting global warming to 1.5°C, the Generali Group is committed to remove its already minimal insurance exposure to the thermal coal sector; the *phase-out* will be reached by 2030 for the activities of clients operating in OECD countries and by 2038 in the rest of the world.

To this end, Generali applies stringent criteria for not insuring[15] the thermal coal assets linked to clients identified according to quantitative thresholds as identified below. The *phase-out* from the sector will be achieved by gradually lowering these thresholds.

The coal assets of clients who are expanding mining, transport or generating capacity are excluded regardless of the thresholds applied.

Sector	Exclusion Criterion[16]	Restriction / Action
All Companies	- coal share of revenues > 20%	No new insurance cover and phasing out of existing ones
Mining Companies	- coal production > 10 Mil ton/year - developers of new coal mines	
Companies dedicated to transport infrastructure	- developers of new coal-dedicated infrastructure	
Power generation Companies	- coal share of power generation > 20% - coal-fired installed capacity > 5 GW - developers of new power generation plants	

Restrictions are applied on both new and existing clients. In the case of assets of pre-existing clients in the portfolio with respect to the activation of the thresholds, these are subject to assessment (updated annually). If it can be verified that these Companies:

> have implemented coal *phase-out* plans in line with the timeline already established in Generali's strategy or

> are implementing decarbonisation strategies with SBTi[17] 1.5°C commitment/validation

then they will not be excluded from the portfolio, unless they are developing new projects to expand coal mining or generating capacity.

[15] The restrictions also cover facultative reinsurance as well as Parent Company treaty reinsurance contracts acceptances from the controlled Group Legal Entities. These restrictions do not cover cases of modernization or retrofitting of power plants/units owned or operated by existing clients that fall within the applied thresholds.
[16] Based on information available from the Group's data providers.
[17] https://sciencebasedtargets.org/.

2.3 Conventional and unconventional oil & gas: insurance restrictions

The Generali Group does not insure[18] the specific assets of clients active in *upstream* oil & gas, both conventional and unconventional. This translates into not insuring the specific assets of new clients and keeping portfolio exposure at zero, effectively helping to counteract the expansion of the oil & gas sector.

In the case of integrated oil & gas Companies, the restriction also extends to assets in the *midstream* and *downstream*, unless these clients have effective energy transition strategies in place aimed at achieving the net-zero target.

In the unconventional *tar sands* and *fracking* oil and gas sectors, however, the restrictions also apply to the transportation infrastructure (*midstream*). In fact, insurance cover is excluded for operators of the relevant pipelines regardless of transition plans.

Sector	Exclusion Criterion	Restriction / Action
Oil & gas Companies (including conventional[19] and unconventional[20]) – *upstream*	All Companies operating in this sector	No new insurance cover and maintenance of zero portfolio exposure
Companies active in the tar sands – *midstream*	Dedicated pipelines	No new insurance cover and maintenance of zero portfolio exposure
Companies active in oil and gas *fracking* – *midstream*	Dedicated pipelines	
Integrated oil & gas Companies[21] - *midstream* and *downstream*	*Transition laggards*[22]	No new insurance cover

[18] The restrictions also cover facultative reinsurance as well as Parent Company treaty reinsurance contracts acceptances from the controlled Group Legal Entities.
[19] The restriction does not apply if the value of the insured asset is completely residual with respect to the insurance programme in place with the customer (less than 10% of the value of the covered assets).
[20] Tar sands, fracking, coalbed methane, extra heavy oil, ultradeep water, Arctic Circle
[21] Integrated oil & gas Companies are defined as those belonging to the Energy sector of the MSCI ACWI index and those already included in Generali's General Account portfolio with a capitalization of at least € 100 mln.
[22] The assessment of climate ambition and the technical scope of application of this assessment is based on that one already detailed in paragraph 1.3.

3. RESPONSIBLE EMPLOYER

To demonstrate consistency with what is required of Companies insured and financed by the Group, Generali has been working for several years on measuring, reducing and reporting the carbon footprint of its own operations. The monitoring of emissions involves periodic verifications, subject to internal audits and certification by an independent third party.

In March 2023, the Group Board of Directors approved a new target based on climate science, increasing the ambition already declared in 2021. Specifically, the new target is to reduce greenhouse gas emissions by 35% by 2025 compared to the 2019 baseline. The new strategy includes Scope 1, 2 and Scope 3 emissions related to operational activities (office, data centers, mobility). The reduction strategy is based on the World Resources Institute (WRI) GHG Protocol reporting standard, market-based method.

This reduction will be supported through workplace innovation and space optimization projects, as well as by further improving energy efficiency and leveraging the purchase of electricity from renewable sources. The share of hybrid and electric vehicles in the Company car fleet will also be increased.

In the long term, Generali will also focus on the reduction of residual emissions, with the aim of achieving net-zero emissions by 2040 by financing removal projects that will take into account the evolution of sector-specific regulations.

APPENDIX

Oil & gas sector definitions

Upstream

The stage of the supply chain that extracts, gathers, and processes primary energy resources. In the oil and gas industry, it includes exploration, appraisal, development, and production activities pertaining to reserves of crude oil, natural gas liquids and condensates onshore and offshore.

Midstream

The stage of the supply chain that transports unprocessed energy resources. In the oil and gas industry, it includes shipping, storing, processing, and transporting crude oil and natural gas, liquefied included (LNG).

Downstream

The stage of the supply chain that delivers energy products to final consumers. In the oil and gas industry, it includes refining of crude oil, and the shipping, distribution and marketing of refined and processed oil and natural gas, also after regasification, and the use of fuels in oil- and gas-fired power plants.