GENERALI

Generali: a deep dive on Climate Change disclosure strategy

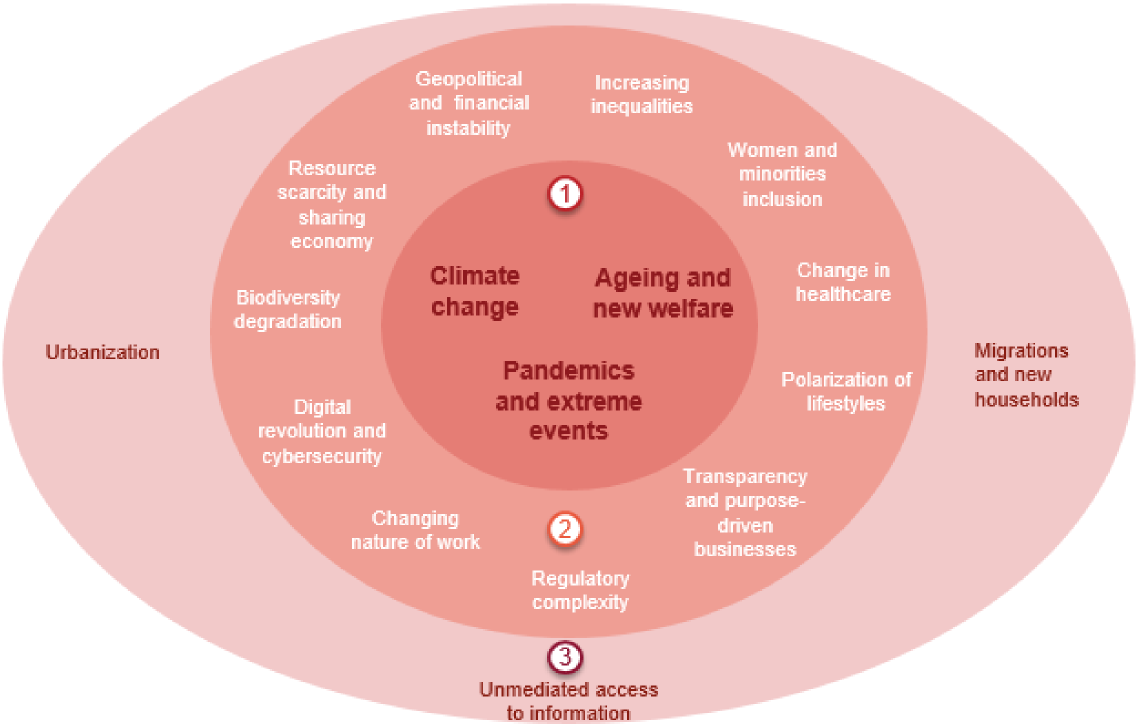
Agenda

- Climate Change: top priority to keep transforming our business in a sustainable way
- Generali participation to the public debate on Climate Change
- Our Disclosure on Climate Change
- STRATEGY and MANAGEMENT of climate-related RISK & OPPORTUNITIES
- Generali Climate Change Risk project
- Challenges and ways ahead

Climate Change: top priority to keep transforming our business in a sustainable way

- In November 2020 the Board of Directors approved the **Group materiality assessment**, identifying the relevant Environmental, Social and Governance (**ESG) megatrends** that the Group needs to manage properly and report on, to be **recognized as a sustainable player**
- Megatrends are **long-term driving forces**, observable in the present and likely to continue in the **next decade**, that we expect will reshape the business world, the society and the natural environment, bringing relevant **risks and opportunities** for **our Group**, our **value chain** and **the stakeholders**

MATERIALITY MATRIX



1 Megatrends to be addressed by the Group through all business units/functions

2 Megatrends to be addressed by the Group through specific business units/functions

3 Megatrends to be monitored

Generali participation to the public debate on Climate Change

2007
UN Global Compact

2010
CDP
Climate Change Program

2011
UN PRI
Principles for Responsible Investments

2014
UN PSI
Principles for Responsible Insurance

Climate Risk Statement of The Geneva Association

2015
Climate Action 100+
a coalition of global investors

- **Paris Pledge for Action**
- Statement of the **European Financial Services Round Table** (EFR)

2016
Disclosure, Measurement, Management and Mitigation of Climate Change Risk for Companies project promoted by the Fondazione Eni Enrico Mattei

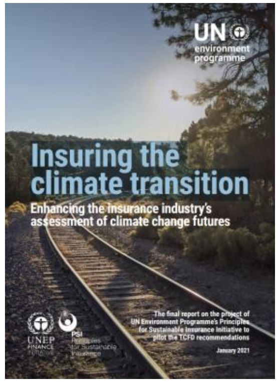
Italian National Dialogue on Sustainable Development (UNEP + MATTM) | **Financing the future**

2017
Task Force on Climate-related Financial Disclosure (**TCFD**)

2018
- **Investor Leadership Network**
- **Investing in a Just Transition**

2019
CRO Forum: participation to the Paper: "**the heat is on**" and " **asset owner disclosure**" by shareaction

2020
Net-Zero Asset Owner Alliance
NZAOA

2021


UNEP FI - UN PSI
Insuring the climate transition

Our Disclosure on Climate Change

Sections where it is possible to find climate-related governance, management, metrics and targets:

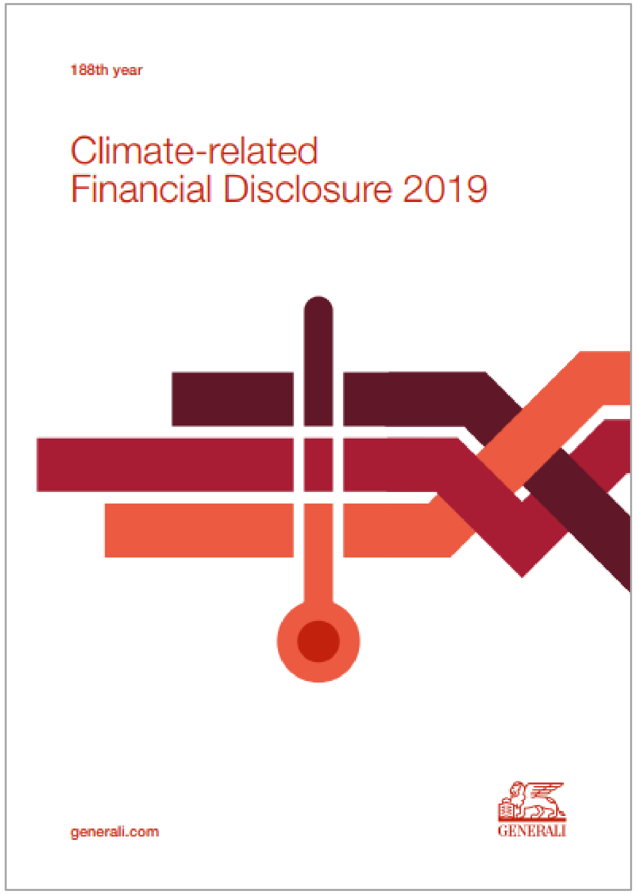
- Challenges and Opportunities
- A continuous commitment to sustainability
- Our Governance

Document addressed to investors and other relevant stakeholders containing useful information to assess the adequacy of Generali's approach to climate change and the Group's ability to manage the its specific risks and opportunities

In this document, information from the **2020 Integrated Annual Report** will be reported and represented taking into account the recommendations of the **TCFD***.

** Task Force on Climate-Related Financial Disclosures*

Generali Climate-related Financial Disclosure



Since 2017, we have welcomed the efforts of the Task Force on Climate-related Financial Disclosures - TCFD initiated by the Financial Stability Board and we have voluntarily committed to the **disclosure of material information about the impacts of Climate Change on our activities.**

The document is structured as follows:

Governance
The organization's governance around climate-related risks and opportunities.

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

Risk Management
The processes used by the organization to identify, assess, and manage climate-related risks.

Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Integrated GOVERNANCE driving Climate Change at all organizational levels

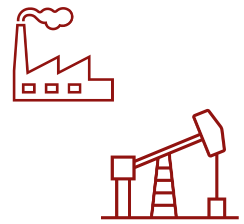
	BODIES	CLIMATE CHANGE ACCOUNTABILITY
BOARD	BOARD OF DIRECTORS	The Board of Directors ensures that the Group's organisation and management system is complete, functional and effective in monitoring the impacts of climate change. It is responsible for the plan for investment, underwriting and stakeholder engagement activities to mitigate climate risks and facilitate the just transition to a low-carbon economy.
	CORPORATE GOVERNANCE SOCIAL & ENVIRONMENTAL SUSTAINABILITY COMMITTEE	The Corporate Governance, Social and Environmental Sustainability Committee informs the Board of Directors about the implementation of this Strategy and the results achieved.
TOP MANAGEMENT	SUSTAINABILITY COMMITTEE	The Sustainability Committee is responsible for supporting the Group CEO in addressing climate-related risks and opportunities and integrating them into business processes with a cross-cutting and consistent approach through 1) the identification and assessment of climate-related impacts, 2) the development of guidelines to effectively manage such impacts, 3) the monitoring of progress and results against the targets, 4) the participation and promotion of internal and external initiatives.
OPERATIONAL LEVEL	RESPONSIBLE INVESTMENT COMMITTEE	The Group Investment Committee approves the investment decisions proposed by the GCIO, including the decisions taken to increase green and sustainable investments and divestment from issuers in the coal and tar sands sectors
	GROUP ENGAGEMENT COMMITTEE	The Engagement Committee analyses the transition plans of the engaged coal companies, monitors their implementation and encourages further progress
	INTEGRATED REPORTING LAB	The Integrated Reporting lab is responsible for reporting the execution of the Climate Change strategy defined by the BoD to both internal competent bodies and external stakeholders, in line with TCFD recommendations.
	RESPONSIBLE BUSINESS LAB	The Responsible Business Lab includes the main business functions involved the climate change topic (Investments, Underwriting, Risk Management, Financial Reporting) to discuss and concretely work for an improved management of climate-related risks and opportunities.

STRATEGY and MANAGEMENT of physical climate-related RISKS

	Main impacts	Impacts management	Metrics and results to 2020
PHYSICAL RISKS	• Intensification of **weather phenomena** mainly affect pricing and catastrophic risks in the Non-Life segment as well as reinsurance costs • Life segment impacted by **heat waves** and expansion of habitats hosting **tropical diseases**, worsening morbidity and mortality rates • Deterioration of **socio-political stability**, with a cascade effect on the overall economy and on the financial system	• Regular update of **actuarial models** for estimating catastrophe risk and Life underwriting risk • Reinsurance contracts and alternative **risk transfer** instruments • Special procedures for **catastrophic claims management** • Technical-organizational advisory services for clients to protect insured assets from extreme events by defining a **loss prevention programs**	Maintenance of excellent technical result in P&C segment: • **operating result € 2,456 mln** (+ 19.4% vs 2019) • **89.1% Combined Ratio in P&C Segment**, the lowest and least volatile among peers. **Life-business** amounts to 2/3 of total written premiums with a focus on lower risk geographies.

STRATEGY and MANAGEMENT of transition climate-related RISKS

TRANSITION RISKS



Main impacts	Impacts management	Metrics and results to 2020
• Economic impact on **Investments portfolio** and **Insurance asset** due to the compliance with **more stringent environmental regulations** and on the public support that will be provided for the reconversion	• Decarbonisation of the general account investment portfolio to make it **climate neutral by 2050** according to the Net-Zero Asset Owner Alliance (NZAOA)	• **No new coal customers** or coverage for construction of new coal mines & power plants**; no new customers** in the **tar sands** sector and divestment of residual exposure • **No underwriting** of risks related to **upstream Oil & Gas** • Keep **below 0.1%** insurance exposure to thermal **coal and upstream oil & gas** of P&C premiums • **176 t CO2 per € m invested, 2050 net-zero emission goal** for direct investment portfolio • **20% reduction in GHG emissions** related to the Group's direct activities (2013-2020). • Ongoing **engagement with 4 companies**, interruption of investment and P&C underwriting activities with 4 companies due to their unwillingness to discuss the issue
• Reputational impact due to **business relations with coal-related companies**, which are subject to increasing stigmatization by the international public opinion	• **Restrictions** for the P&C Corporate Underwriting (clients in coal and upstream oil&gas sectors including tar sands) • **Engagement** for a **just transition** of coal companies operating in heavily coal-dependent countries	

STRATEGY and MANAGEMENT of climate-related OPPORTUNITIES

	Main impacts	Impacts management	Metrics and results to 2020
OPPORTUNITIES	• Increase in **demand for green insurance coverages** (e.g. renewables and energy efficiency sectors) and **sustainable investments** thanks to new regulations ad public plans launched in Europe to stimulate the transition to a green economy, together with changes in consumer preferences	• Increased offering of **green insurance solutions** and focus on **underwriting clean-tech** • Increased offering of **green finance investment** products, both from **institutional investors** and in the **retail segment**	• **€ 1,557 million premiums from green products** (+ 14.5% vs 2019) • Definition of a framework for issuing **Green Insurance Linked Securities**
	• Investments opportunities related to the transition to a low carbon economy, in particular the construction of **large-scale renewable energy production plants** which requires substantial investments only partly covered by public funds	• New investments strategy with intermediate targets to gradually **increase green and sustainable investees** in Generali portfolio • Green innovation in financial management (issuing of **Green Bond** and **Green ILS**)	• **€ 6.0 billion of new green and sustainable investments** (2018-2020) • Placement of **two Green Bonds worth € 750 and € 600 million**

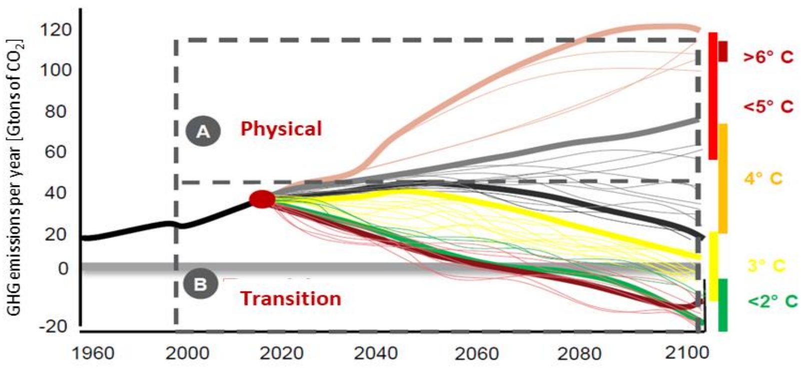
Generali Climate Change Risk project

Cross-functional governance:
- coordinated with Group Sustainability & Social Responsibility function, Group Integrated Reporting function and Group Corporate Affairs
- interacting with P&C Claims and Reinsurance functions, Group Investment, Asset & Wealth Management

Activities done

1. Selection of **three climate scenarios** based on projections of growth in the emission levels of greenhouses gases with an impact in terms of:
   - **A. transition risk** (heavy regulation)
   - **B. physical risk** (higher levels of temperature rise)
   - **C. both physical and transition risk** (intermediate scenario)
2. an **initial qualitative and quantitative impact analysis** of the scenarios mentioned above relating to:
   - **investments** in equities and bonds, to identify sectors and the most vulnerable geographic areas;
   - **P&C underwriting**, to identify business lines and the most vulnerable geographic areas

Temperature increase level		Time horizon 2030	2050	2100	Scenario Source
A	< 2°C	TRANSITION	TRANSITION		IPCC RCP 2.6, IEA B2DS
C	3°C - 4°C	TRANSITION PHYSICAL	TRANSITION PHYSICAL	TRANSITION PHYSICAL	IPCC RCP 6.0
B	5.4°C	PHYSICAL	PHYSICAL	PHYSICAL	IPCC RCP 8.5



NEXT STEPS

- Extension of the analysis scope to Balance Sheet items not covered during 2020: investments in government, investments in real estate, life portfolios
- Updating of the Risk Appetite Framework with Generali specific metrics and strategies related to climate
- Emission of the Climate Change Risk Group Guideline
- Enhancement of **public disclosure** based on analysis conducted

Challenges and ways ahead

Understanding the risk profile of a company due to climate change is a real challenge and one that goes beyond modelling. This will need to be an area of focus if disclosure is to be meaningful.

Methodology & Coverage

The development of methodologies and tools that would produce meaningful disclosures and decision-useful information is still a work in progress. Taxonomy is a good example. To date, disclosure on transition aspects is mostly restricted to narrow view, such as energy sector, but a more coherent picture on transition risks and opportunities is needed. Climate Risk methodologies for Corporate segment are currently more advanced, those for Retail are at a very early stage.

Granular and quantified information on risk impacts (particularly relevant for climate-related physical risk) are not part of mainstream disclosure. Audit activity on this data has yet to be strengthened. With emerging taxonomies disclosure could becomes easier.

Availability & Reliability of data

Transitioning environment

Uncertainties associated with public policy, technology, markets, and consumer behaviour in a transitioning environment could undermine the credibility and decision usefulness of data