

UNITED NATIONS GLOBAL COMPACT COMMUNICATION ON PROGRESS

2018

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2018

Statement of continuing support for the Global Compact

The Unipol Group became a signatory of the Global Compact and its Ten Principles in June 2018 to reiterate its commitment to focusing on a long-term business strategy. As a signatory, Unipol has committed to supporting and implementing the 10 principles of the Global Compact in its sphere of influence and to align its strategy, culture and operating processes in the ambits of human rights, labour, the environment and the fight against corruption.

The principles of the Global Compact complete our mission, our values and code of ethics, and Unipol seeks to ensure and trusts that all stakeholders will respect them and take them into account. In this regard, the Group has taken steps to share this information with its stakeholders through the main channels of communication.

The commitment to observing the principles of the Global Compact is illustrated in the Integrated Consolidated Financial Statements.

Pierluigi Stefanini
Chairman of Unipol Gruppo S.p.A.

Introduction

Access to insurance and therefore to protecting families and businesses represents a real growth engine for the economy and for improving the conditions of society as a whole. The range of insurance products and services that the Group offers, both in urban and rural areas, incorporate environmental and social aspects also as a response to emerging needs, such as in on-line mobile applications or in the health and social security sector. At the same time, the Unipol Group's market standing is that of an enterprise able to sustain long-term activities, including the development of infrastructure, a fundamental component in building a country's well-being. As an investor, by seeking to generate sustainable and lasting value over time, in times of volatility, the Unipol Group plays a key role in stabilising the financial markets.

From this perspective, the Unipol Group contributes to improving the quality of its customers' lives and to sustaining the economic momentum that has always been the harbinger of positive social change, including achieving a more responsible government, the rule of law and greater respect for human rights. As a manager of risk, both in its role as insurer and in that of investor, the Unipol Group, like the entire insurance-financial sector, plays a key role in promoting and respecting human rights, labour, the environment and the fight against corruption and may have a profound and positive impact on people's lives, enterprise, the economy and certainly on human rights.

Assessment, policies, objectives and implementation of the Human Rights Principles

The Unipol Group adopts the principles of the Global Compact by encouraging conduct that meets international standards for human rights, gender equality, transparency and correctness in its activities and in business management, through procedures and practices for continuous improvement.

These behavioural procedures and practices are expressed in the **Code of Ethics** addressed to employees and executives, as well as all those who affect or are affected, directly or indirectly, by the Unipol Group's business activities (Shareholders, Directors, Agents and external staff, Customers, Suppliers, Community). Please consult the Unipol Group website and the Ethics Report for information on the governance system, and on monitoring and implementing the Code of Ethics.

The commitments made in the Code of Ethics have been further expanded upon in the **Sustainability Policy** approved by the Board of Directors at the beginning of 2018, which formalises the principles, rules of conduct and specific objectives of company culture. The Sustainability Policy, which is founded on the Sustainable Development Objectives and on the Global Compact principles, commits the enterprise within its spheres of influence to the areas of respect for human and labour rights, environmental protection, correctness and transparency towards consumers, correct business practices with specific focus on lobbying and tax strategy practices, equal opportunities; integrating sustainability into the business.

The Group confirms its support for the principles of the UNGC and its intention to promote them in its business activities by guaranteeing that employees are working in excellent **occupational health and safety conditions**. Consequently, Unipol adopts an incremental approach with respect to that required by law in terms of health and safety, as detailed in the Workers' health and safety management system. This objective is pursued by:

- safeguarding the physical, mental and social wellbeing of workers;
- continuously monitoring risks both as regards single operations (whether performed directly or through suppliers and external professionals) or as regards strategic decision-making;
- assessing environmental aspects and elements of danger when designing and planning new activities, processes, products, systems and services;
- training personnel and making them take responsibility, increasing the awareness of suppliers and external professionals with a view to greater consciousness and involvement;
- improving its performance as regards searching for better available technologies to ensure health and safety; reducing injuries and accidents; reducing professional illnesses, reducing complaints and claims.
- systematically reporting information on its performance, guaranteeing the utmost reliability of the data.

The management system is reviewed at least once a year to ascertain the suitability, adequacy, effectiveness and efficiency of the system to meet the requirements of the relevant regulations, the applicable law and to achieve the set objectives. The review entails assessing opportunities for improvement and the need to make changes to the system itself, including the Group's direction, objectives and targets.

Unipol has set in place voluntary services and initiatives that range from training to health check-ups for 90% of its employees.

A fundamental element of Unipol's commitment to implement the 10 Global Compact principles is the **Risk Management Policy**. In this regard, particular attention is being paid to the corporate government system, which covers all types of business risk, including environmental and social ones, generated or incurred, also from a forward-looking approach and based on the overall solvency requirements of the enterprise. The integration adopted follows the footsteps of the latest developments in cross-sector terms on profiles of interest, with a view to guiding the Group towards pursuing sustainable behaviour, by making decisions addressed to creating value in the medium-long term and paying attention to the management of aspects that are not solely focused on profit. The situation as regards ESG risks is illustrated in the Governance section of the Integrated Financial Statements.

Also as regards **Asset Management**, the promotion of human rights, of good working conditions, environmental protection and the fight against corruption is achieved through investment decisions: the investment policies implemented by the Group entail an issuer selection process based on rating criteria to assess their compliance to the ESG principles.

When establishing its investment policy, the Group paid specific attention to market speculation on agricultural commodities (known as soft commodities) and on the topic of land grabbing, emphasising that it has not directly or indirectly (management for its customers) invested in these markets. To select and report on investments in private equity, real assets and hedge funds, which also have an SRI value (Sustainable and Responsible Investment), a due diligence method has been developed which, in addition to the standard financial analyses, also envisages an analysis of socio-environmental and governance (ESG) criteria, continuously reviewed and updated, as well as the mapping of non-financial risks that could have an impact on its reputation. In this regard, Unipol has signed up to the Principles for Responsible Investments.

With regard to the implementation of the Global Compact principles in terms of **undertaking insurance risk**, in accordance with the Sustainability Policy, a table for the integration of ESG risks has been included in the underwriting policy with the technical Non-Life and Life departments. The project seeks to strengthen the system used to systematically identify, assess and mitigate the main environmental, social and ethical risks related to specific commercial transactions. The "sensitive" business sectors, identified as priority areas are gambling (for which an assessment is already in place), agriculture and zootechnics, weapons and defence, infrastructure and mining, oil and gas, violations of Human Rights. The approach includes the sphere of human rights and the risks connected to it. Implementation is planned for 2019.

The full mapping of products and services with ESG value is available in the Value Creation section of the Integrated Financial Statements. In addition, Unipol has also committed to micro-insurance projects <https://www.icmif555.org/projects>

The integration of ESG risks throughout the supply chain is a further measure set in place by the Group to adopt the Global Compact principles. More specifically, through the Supplier Code of Conduct the Group require suppliers to comply with the minimum rules of conduct and the fundamental practices established on the basis of the Global Compact and ISO 20400. A full description of the management system for **responsible procurement** is available in the Value Creation section of the Integrated Financial Statements.

Assessment, policies, objectives and implementation of the Labour Principles

Given the changing trends of the insurance sector, Unipol invests in its employees to enable strategic objectives to be achieved which require leadership skills, operational excellence and sound business risk management. To obtain results in line with expectations, Unipol has therefore adopted policies to **safeguard workers and equal opportunities**. Examples of how these principles are implemented in the Unipol Group can be found:

- In personnel development with specific regard to digital skills and innovation in line with the changing insurance business;
- In internal mobility as a tool for development and empowerment;
- In appreciating the value of new generations;
- In managing diversity, also through specific tools such as subscribing to the Charter for equal opportunities and equality in the workplace and to the joint code of Good Practices;
- In the equality of the remuneration system;
- In a supplementary welfare system;
- In monitoring the health and safety of workers;
- In sound and constructive trade union relations;
- In protecting the privacy of all stakeholders.

A feature common to all policies relating to personnel is the commitment to go beyond laws and regulations, consistent with the guiding values of the Unipol Group. Values and principles that also imply considering all of the legitimate expectations of the various categories of stakeholders and encompassing them in business strategies. The Group has always sought continuous discussion and dialogue with stakeholders to meet essential and material needs, to improve its service levels and to render its operations accessible and transparent.

To fulfil the commitment made by subscribing to the Labour Principles of the Global Compact in relations with suppliers and partners, as part of the qualification and selection process (List of Suppliers), Unipol requires the signature of all of the Groups documents related to value, Charter of Values and Code of Ethics, which emphasize the use of non-discriminatory company policies, the inclusion of diversity, the work-life balance and the management of workers' health and safety. As previously mentioned, in 2018, the Supplier Code of Conduct was added. Furthermore, as regards the supplier outsourcing and selection policy, approved at the beginning of 2019, the Group included compliance with said Code in its selection criteria.

A similar approach has been adopted for all of those that act as an agent, and offer and serve customer with products and services of Unipol Group companies, or who are in any capacity involved in the distribution of product and services of Group companies. These relations are regulated by specific contractual agreements that reflect the corporate culture of the Unipol Group.

Assessment, policies, objectives and implementation of the Environmental Principles

The Unipol Group's policy on risks take a precautionary approach to environmental and social challenges. The current policy (update planned for March 2019) entails identifying and assessing known, emergent and reputational risks, which include the risks resulting from technological developments, increasingly important environmental issues or social injustice.

From 2014, the task of the Emergent and Reputational Risks Observatory, with the assistance of all of the main risk management departments, is to understand the quali-quantitative developments that could have an impact on total capital levels and on the financial results. Through a predictive warning system (for example development in emerging economies, social inequalities, climate change, natural disasters etc.) risk maps are generated, mega-trends are described and market opportunities are also identified. These activities are regularly reported to the Risks Committee of the Board of Directors.

Consequently, in addition to traditional methods based on times series of events to determine expected levels of loss, by studying emerging risks, especially those related to disasters that have caused unprecedented damage, the Unipol Group has launched an approach that encompasses the risks linked to climate change in risk governance procedures and policies. Nevertheless, more in-depth analysis is needed to refine the simulation models for damage from disasters and damage from natural causes.

As regards Real Estate, the Group has certified the energy management of the entire directly managed real estate portfolio according to **standard ISO50001**. In the previous two Business Plans, it made an explicit commitment to reduce CO₂ emissions for employees. It has used the green-building approach for all renovation projects in progress.

With regard to Investments, the Group has directed a substantial percentage of alternative investments to those related to green issues. It has adopted SRI criteria in the periodic monitoring process of investments, which implies the exclusion of issuers involved in serious environmental harm. It is also a **signatory of the CDP Protocol**, using the data of the same to select the investable universe. Lastly, it has set in motion engagement processes for investment funds belonging to the Climate Action100+ platform.

As regards the insurance business, Unipol adopts a model for the prevention and management of damage resulting from natural disasters of climatic origin based on collaboration between the private and public sectors, which adopts insurance-related mutualistic mechanisms to manage the growing risks resulting from climate change and promotes **the dissemination of a risk culture in this regard and of resilient behaviour**. The policy commitments have led to projects and services for SMEs, to achieve better resilience rates.

Another area to which the Unipol Group is committed in terms of environmental challenges is the **development of products and services focused on climate change**. The catalogue, in the form of products, advisory services for the management of risk and claim compensation services, has been enhanced with protection solutions addressed to corporate customers and to green technology companies, suppliers of renewable and alternative energy, software producers and hardware companies. The insurance protection provided to these companies indirectly funds the research, development, production and sale of specific technologies that have the potential to reduce greenhouse gas emissions. Unipol's solutions also include cover for responsibility from pollution, decontamination projects, risks related to waste management and advisory services (for example the European project Life Derris). Lastly, Unipol offers incentives and discounts to customers that adopt environmentally-friendly conduct.

As regards promoting sustainable development both internally and externally, it is important to note that Unipol

- has signed the Paris Pledge for Action and to date the Talanoa Call for Action;
- it was the leading partner of the Life Derris project on climate change and is also involved in other projects of this nature;

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- it has a memorandum of understanding with Legambiente for measures to increase territorial resilience and for scientific investigation of climate change.

Assessment, policies, objectives and implementation of the Anti-Corruption Principles

The integrity of insurance and financial practices represent a fundamental contribution to the reputation of the Unipol Group. Every day the Group puts rules and principles into practice that cultivate a determinant factor: the trust of its customers, suppliers, partners, employees, agents and regulatory and supervisory authorities.

In the Code of Ethics, the Group makes specific reference, among its aims, to preventing any form of corruption and extortion and to fighting against any form of terrorism financing or of money-laundering. Internal whistleblowing procedures are envisaged to report any suspicious activity or infringement of rules and principles, whether actual or alleged, to the relevant company bodies as well as the Ethics Manager, the Group's contact person for matters regarding the implementation and respect of the Code of Ethics. In particular, beyond the prevention of corruption, this includes respecting the principles of fair competition, compliance with laws and regulations, adopting the policies to manage promotional contributions and gifts.

Unipol's commitment against specific types of offence (known as "predicate offences") is based above all on the effective implementation of the Group Organisation, Management and Control Model¹ (MOG) which enables the Company to have a structured and organic prevention, dissuasion and control system, with a view to giving those who, directly or indirectly operate within the sphere of sensitive activities, the knowledge to be able to establish, in the event of unlawful behaviour, sanctioning measures not only for themselves, but also for the Company. The control measures and instruments set in place to fight corruption, also include the general principles of conduct, which apply to the corporate bodies and to employees directly, as well as to external staff by virtue of specific contractual clauses. These principles regard:

- staff training by the Heads of the Departments in contact with the Public Administration and the traceability of information flows to the same. In this regard, specific training is guaranteed for all Group employees with a view to enhancing the culture of lawfulness and to prevent fraudulent behaviour, incidents of corruption, as well as money-laundering. The training programme addressed to Group employees takes the form of:
 - meetings with Top Management: a plan of specific meetings with top executives, their direct reports and the Risk Takers (general managers, executives with strategic tasks and managers, as well as higher level personnel in internal control departments and other categories of personnel whose actions could have a significant impact on the enterprise's risk profile) who learn about the possible offences to which each area could be exposed, also including those relating to corruption;
 - classroom training addressed to employees in "sensitive areas" regarding specific training on the risks/offences identified as a result of analysis and mapping;
 - remote training available to all employees regarding the update of the MOG adopted in 2016.
- awarding powers of representation to external parties by means of a formal assignment;
- including specific declarations in contracts with external professionals regarding their knowledge of Italian Legislative Decree 231/2001 and their commitment to complying with the MOG as well as fulfilling honourability requirements.

A similar commitment is addressed to the fight against money-laundering and terrorism financing. The independent Compliance and Anti-Money Laundering Department is tasked with monitoring compliance with the MOG, and has the following objectives:

- the continuous identification of the applicable rules and the evaluation of their impact on business processes and procedures;

¹ The Model (MOG) is adopted pursuant to Italian Legislative Decree 231/2001 by the Group's main companies based in Italy

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- assessing the adequacy and effectiveness of the measures adopted to prevent compliance risk, and recommending the implementation of organisational and procedural changes aimed at ensuring such risk is effectively monitored;
- evaluating the effectiveness of organisational adjustments (structures, processes and procedures) as a result of the suggested changes;
- arranging information flows aimed at corporate bodies and the structures involved.

As regards the fight against corruption:

- If an employee sees or suspects unlawful or unethical behaviour, with possible infringements of the Code of Ethics or of the company's MOG, various options are available, including speaking with his direct superior, with the Ethics Manager or with any other executive; contacting human resources; contacting the Ethics Manager by e-mail as well as activating the whistleblowing infringement reporting procedure. Unipol encourages its employees to ask the legal and compliance departments for advice to avoid any type of behaviour regarding unfair competition.
- If an employee suspects that money laundering is taking place, this can be reported immediately to the head of the Anti-Money Laundering Department or Compliance Manager.
- The directors and executives have additional responsibilities to guarantee that Unipol respects high ethical and compliance standards and the company requires them to set an example and to be a role model for ethical behaviour.

As regards the implementation of measures against corruption in the management of the Securities portfolio, the Real Estate portfolio, in assuming insurance risk and in relations with suppliers, reference should be made to the paragraph on human rights.

Detailed information on specific principles of conduct to avoid each type of offence from being committed and detailed information on the training provided can be found in the Governance section of the Integrated Financial Statements.

TABLE OF CONTENT REGARDING INFORMATION RELEVANT TO THE UNITED NATIONS GLOBAL COMPACT

By participating in the United Nations Global Compact initiative, the company undertakes to respect human rights, by creating socially compatible job conditions, promoting environmental protection and combatting corruption.

In order make it easier to track the relevant contents for Communication on Progress, the following table has been prepared, which identifies, for each principle, the links to the GRI Standard, to the chapters of the 2018 Integrated Report (the measurement of outcomes is included in the chapter "The impacts generated by the Unipol Group") as well as the website www.unipol.it

Global Compact Areas	Global Compact Principles	GRI STANDARDS	Page reference in the Annual Integrated Report	Link
Principles on Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their respective spheres of influence.	GRI409-01 GRI412-02 GRI102-09 GRI102-15 GRI102-16 GRI102-17 GRI102-22 GRI102-30 GRI403-09 GRI409-01 GRI412-02 GRI-FS07-08 GRIFS15-01 GRI-FS11	Pages 23-24: "Unipol Group Vision, Mission and Values" Page 122: "Ethics Report" Pages 29-31: "Capital performance" - "Human capital" Page 40: "The impacts generated by the Unipol Group" - "Support and promotion of sustainable companies through investment decisions" Page 61: "Future orientation in the use of capital" - "Instability and Polarisation" Pages 36-38: "The impacts generated by the Unipol Group" - "Equity in the distribution of the value created" - "Suppliers" Pages 67-77: "Governance" - "Corporate Governance" - "Internal Control and Risk Management System" Pages 26-27: "The creation of value" and pages 82-84: "Business Model"	Unipol Group Identity Vision, Mission and Values Strategic Management and Reporting Policies Responsible Investments Screening Method Thematic and Impact Investments
	Principle 2: Businesses should make sure they are not complicit in human rights abuses, including indirectly.			
Labour principles	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	GRI102-06 GRI102-07 GRI102-08 GRI102-09 GRI102-16 GRI102-22 GRI102-30 GRI102-35 GRI102-41 GRI201-03 GRI205-02	Pages 23-24: "Unipol Group Vision, Mission and Values" Page 122: "Ethics Report" Pages 29-31: "Capital performance" - "Human capital" Pages 47-49: "Identity profile" - "Human resources" Pages 79-81: "Governance" - "Remuneration system and incentives" Pages 36-38: "The impacts generated by the Unipol Group" - "Equity in the distribution of the value created" - "Suppliers" Pages 16-17: "Annual Integrated Report preparation criteria and methods" - "Material topics" Pages 61-64: "Future orientation in the use of capital" Pages 67-77: "Governance" - "Internal Control and Risk Management System"	Unipol Group Identity Vision, Mission and Values Responsible supply chain management
	Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.	GRI305-03 GRI401-01 GRI403-02		
	Principle 5: Businesses should uphold the effective abolition of child labour.	GRI403-05 GRI403-09 GRI405-01 GRI405-02 GRI407-01		
	Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.			
Environmental Principles	Principle 7: Businesses should support a precautionary approach to environmental challenges.	GRI-FS15 GRI-FSPP GRI102-09 GRI102-11 GRI102-22 GRI102-30 GRI201-01 GRI301-01 GRI301-02 GRI302-01 GRI302-03 GRI302-04 GRI303-01 GRI305-01 GRI305-02 GRI305-03 GRI305-04 GRI305-05 GRI306-01 GRI306-02 GRI307-01	Page 40: "The impacts generated by the Unipol Group" - "Support and promotion of sustainable companies through investment decisions" Pages 40-42: "The impacts generated by the Unipol Group" - "Contribution to reducing the effects of climate change" Page 64: "Future orientation in the use of capital" - "Climate change" Pages 67-77: "Governance" - "Corporate Governance" - "Internal Control and Risk Management System" Pages 26-27: "The creation of value" and pages 82-84: "Business Model"	Reputational & Emerging Risk Observatory Results and Strategy Policies Climate change Derris Project Real Estate Management
	Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.			
	Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.			
Anti-	Principle 10:	GRI102-06	Pages 23-24: "Unipol Group Vision, Mission and Values"	Unipol Group Identity

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Global Compact Areas	Global Compact Principles	GRI STANDARDS	Page reference in the Annual Integrated Report	Link
Corruption Principles	Businesses should work against corruption in all its forms, including extortion and bribery.	GRI102-09 GRI102-18 GRI102-22 GRI102-29 GRI102-30 GRI102-43 GRI 205-1 GRI 205-2 GRI 205-3 GRI-FS15 GRI-FSPP	Pages 67-77: "Governance" - "Internal Control and Risk Management System" Pages 82-84: "Business model" - "Insurance" and "Banking" - "Complaints management"	Vision, Mission and Values Anti-corruption Procedures Policies



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