

The Unipol Group Strategy On Climate Change

June 2022

INTRODUCTION

In 2015, further to the Fifth Assessment Report of the Intergovernmental Panel of Climate Change (IPCC), the Unipol Group published a position paper **“Unipol for the climate”**, which represents the first step forward in the structuring of its strategy on climate-related topics. In the paper, the Unipol Group outlined its vision on the need to activate a model for the prevention and management of catastrophic weather events based on a public-private partnership, which adopts insurance mutuality mechanisms to handle the growing risks deriving from climate change and handle the significant compensation expected, particularly within the Italian national context.

The **Sustainability Policy** then specified the Group’s commitments concerning the protection of the environment and land, sea and freshwater ecosystems as well as the fight against climate change, and affirmed the Group’s commitment to reducing greenhouse gas emissions, with the intent of **contributing to reaching the objectives set by governments in the Paris Agreement**.

In the scenarios evaluated in its Sixth Assessment Report, the IPCC reaffirmed that limiting the increase in the average global temperature to 1.5°C, as required by the Paris Agreement, entails that global greenhouse gas emissions will reach their maximum peak at the latest by 2025 and then, by 2030, will be reduced by 43% [34 - 60%] with respect to 2019 levels¹. Limiting the rise in the average global temperature to 1.5°C also requires reaching net zero CO₂ emissions in the early 2050s, along with deep reductions in other GHG emissions².

Aware of the triple role that the Unipol Group is called upon to play in the fight against climate change as risk carrier (management of technical insurance risk), risk manager (physical risk management) and investor (institutional investor), and the decarbonisation trajectory outlined by the IPCC to reach the targets for limiting the increase in the average global temperature outlined by the Paris Agreement, the Board of Directors of the Unipol Group has adopted this **climate strategy** to specify in detail how the Group is preparing to deal with the risks and take advantage of the opportunities connected to the climate, by defining new medium/long-term targets for the reduction of its greenhouse gas emissions to support its path of decarbonisation.

¹ IPCC - Working Group III contribution to the IPCC sixth Assessment Report (AR6), Summary for Policymakers, C.1

² IPCC - Working Group III contribution to the IPCC sixth Assessment Report (AR6), Summary for Policymakers, C.2

AT A GLANCE: THE MAIN TARGETS



REAL ESTATE DEVELOPMENT AND MANAGEMENT ACTIVITIES

reduction by **46.2% by the end of 2030** of scope 1 and 2 emissions linked to electricity, gas and other energy source consumption for all buildings over which the Group has direct control, from the operating offices to the offices of the diversified companies and the real estate housing the activities of the UNA Group and the foreign offices, in line with climate science and in particular with the scenario for limiting the increase in the average global temperature to 1.5°C.

REDUCTION BY 46.2% BY THE END OF 2030 OF SCOPE 1 AND 2 EMISSIONS



INVESTMENTS

- **Participation in the Net Zero Asset Owner Alliance:** commitment to reducing the emissions of its investment portfolios to net zero greenhouse gas emissions by 2050 and acting to reduce greenhouse gas emissions through the engagement of the investee companies;
- **Expansion of sector exclusions within the most impactful sectors:**
 - a priori exclusion from new investments of those in Corporate Issuers that obtain 30% or more of their earnings from coal mining activities or the generation of electricity from thermal coal, and that do not show an ambitious position in terms of transitioning their business to a low carbon emission economy;
 - a priori exclusion from new investments of those in Corporate Issuers that obtain 30% or more of their earnings from activities connected to tar sands, shale oil and arctic drilling;
- **Thematic investments for the SDGs:** objective of reaching a total of €1.3bn invested to support the 2030 Agenda in 2024, starting from the €862.2m invested at the end of 2021.

**€1.3BN
INVESTED
TO SUPPORT THE
2030 AGENDA
IN 2024**



UNDERWRITING ACTIVITIES:

- New target connected to the incidence of products with social and environmental value (**objective of 30% to be reached by the end of 2024**).
- Support to its customers in **the transition towards a low carbon economy**, through the development of products aimed at incentivising its MV customers to reduce their emissions with the support of telematics and the reduction of the environmental impacts of the claim management process.
- **Exclusion** from the underwriting activities of the **Non-Life Business of companies operating mainly in the coal-mining industry** and **companies that adopt unconventional extraction practices** (such as the removal of mountain peaks, fracking, oil sands, deep water drilling) and **monitoring of the ESG performance of customers operating in sensitive sectors** (in terms of risks linked to climate change and/or nature).

INCIDENCE OF PRODUCTS WITH SOCIAL AND ENVIRONMENTAL VALUE: 30% TO BE REACHED BY THE END OF 2024

AT A GLANCE: THE MAIN ACTIONS THROUGHOUT THE VALUE CHAIN

PREMIUMS		ASSET MANAGEMENT			CLAIMS MANAGEMENT
		REAL ESTATE			
		FINANCE			
PRODUCT FACTORY	UNDERWRITING AND POLICY MANAGEMENT	TOURISM	AGRICULTURAL	MEDICAL	
Range of insurance products and services aimed at supporting customers in mitigating and adapting to climate change 		New medium-term objective for the reduction of Scope 1 & 2 emissions aligned with climate science 			Reduction of the environmental impacts of the claim management process 
Target on the impact of products with environmental and social value 		Participation in the Net Zero Asset Owner Alliance 			
Sensitive sector exclusions and monitoring 		Expansion of sector exclusions 			
Emission reduction incentive with the support of telematics 		Target of financing for SDGs 			

Legenda:  Mitigation  Adaptation  Biodiversity  Circular economy

A NEW 2030 SCOPE 1 AND SCOPE 2 EMISSION REDUCTION TARGET BASED ON CLIMATE SCIENCE

Unipol is one of the main real estate operators in Italy based on the dimension of its activities. The Group has a consolidated process for analysing and monitoring its direct impacts. Unipol is committed to carrying out property development activities aimed at maximum energy self-sufficiency, urban re-qualification investments designed to make cities more sustainable and investments for the energy reclassification of existing property assets, not only with reference to the instrumental property but also to the property used by third parties. The 2019-2021 Strategic Plan had set an objective to decrease the average production of CO₂ per employee for all Group companies by 7% by 2021. At 31 December 2021, the goal reached was -35% (change also attributable to the gradual closure of all operating offices following the deterioration of the COVID-19 health emergency and the resulting reduction of Scope 1 and Scope 2 emissions subject to calculation³).

The Unipol Group is relaunching this ambition with a new medium-term goal: in line with climate science, and in particular with the scenario of limiting the increase in the average global temperature to 1.5°C, Unipol undertakes to **reduce Scope 1 and Scope 2 emissions** linked to electricity, gas and other energy source consumption for all buildings over which the Group has direct control, from the operating offices for the core insurance business and the offices of the diversified companies as well as the real estate housing the activities of the UNA Group and the foreign offices, **by 46.2% by the end of 2030 with respect to 2019**, using the market-based methodology in accordance with the GHG Protocol.

This goal will be achieved by pursuing the acquisition of electricity from renewable sources (including diversification of procurement methods), the implementation of energy efficiency interventions and the continuous consolidation of an energy management system certified in accordance with the ISO 50001 standard, with the goal of reducing the emissions connected to energy requirements by roughly 2% per year across all energy carriers by the end of 2030.

INVESTMENTS FOR THE TRANSITION TOWARDS NET ZERO CO₂ EMISSIONS BY THE END OF 2050

REDUCTION OF THE EMISSIONS OF ITS INVESTMENT PORTFOLIOS TO NET ZERO GREENHOUSE GAS EMISSIONS BY THE END OF 2050

Aware of the fundamental role of institutional investors in supporting the transition to a low carbon economy, the Unipol Group is fully committed to help achieve the goals of the Paris Agreement.

In order to adequately monitor the impact of its investments on climate change, the Group measures, monitors and reports on metrics associated with the carbon footprint of its financial portfolio (Corporate – Corporate Bond and Equity – and Government portfolios) and evaluates its future alignment with the Paris Agreement goals (Paris alignment) on a forward-looking⁴ basis.

In order to consolidate its process of aligning the financial portfolio with a trajectory for limiting the increase in average global temperature to 1.5°C, the Unipol Group has **joined the Net Zero Asset Owner Alliance**, thus

³ This reduction is partially offset by Scope 3 emissions attributable to the work performed by employees at home, which the Group has quantified and reported on.

⁴ The analysis currently does not include the following asset classes: cash, UCITSs, ETFs, derivatives and unlisted instruments.

committing to reducing the emissions of its investment portfolios to net zero greenhouse gas emissions by 2050 and acting to reduce greenhouse gas emissions through the engagement of the investee companies, defining specific interim targets.

EXCLUSION OF SECTORS NOT ALIGNED WITH THE TRANSITION TOWARDS A LOW CARBON ECONOMY

The Group's policies governing ESG risk management call for exclusions and specific divestment objectives as concerns carbon. With respect to the oil and gas industry, monitoring is in place on the alignment of the investee companies with decarbonisation processes in keeping with the goals of the Paris Agreement.

According to the **Responsible Investment Guidelines** published in February 2021, the Unipol Group excludes a priori from new investments those in Corporate Issuers that obtain 30% or more of their earnings from coal mining activities or the generation of electricity from thermal coal, and that do not show a sufficiently ambitious position in terms of transitioning their business to a low carbon economy.

The Group has committed to completing its divestment from coal by the end of 2030.

Unipol has assessed its exposure to fossil fuel mining or energy production from fossil fuels sectors, considering the combined weight of companies in the portfolio that have revenues from such activities and the role such activities have on those revenues. In 2021, fossil fuel exposure represented 0.44% of the Corporate portfolio; considering exposure to coal alone, the related revenues had a 0.06% impact⁵.

In order to strengthen its commitment to the Paris Agreement goals, and in particular to the objective of net zero CO₂ emissions by the end of 2050, the Unipol Group therefore undertakes to expand its industry exclusions, establishing additional a priori exclusions from new investments of those in Corporate Issuers that obtain 30% or more of their earnings from activities connected to tar sands, shale oil and arctic drilling.

In line with the portfolio decarbonisation process, the Group undertakes to gradually reduce the thresholds of earnings from fossil fuels mentioned above, deemed eligible for the assessment of investments in Corporate Issuers.

CONTRIBUTION TO CLIMATE CHANGE MITIGATION AND ADAPTATION WITH THEMATIC INVESTMENTS

The 2019-2021 Strategic Plan established an objective of increasing the amount of thematic investments for the SDGs, including those linked to the mitigation of and adaptation to climate change (objective of €600m invested to support the 2030 Agenda in 2021, compared to €385m in 2018). At the end of 2021, investments with these characteristics grew by a total of 125% compared to the 2018 baseline, reaching a total of €862.2m and significantly surpassing the objective set forth in the Strategic Plan.

Specifically, at the end of 2021, investments relating to combating climate change and protecting the environment and land, sea and freshwater ecosystems reached a total of €623.4m (or 72.3% of the total amount of alternative investments).

In order to strengthen its role in supporting the transition to a low carbon economy, the Unipol Group has decided to further boost the amount of thematic investments for the SDGs, with the objective of reaching €1.3bn invested to support the 2030 Agenda in 2024, starting from the €862.2m invested at the end of 2021.

⁵ The analysis of stranded assets covers 93% of the analysed corporate portfolio, based on available information.

SUPPORT TO CUSTOMERS IN THE ECOLOGICAL TRANSITION AND FOR ADAPTATION TO CLIMATE CHANGE

DEVELOPMENT OF INSURANCE PRODUCTS AND SERVICES TO SUPPORT CUSTOMERS IN MITIGATING AND ADAPTING TO CLIMATE CHANGE

Through the expertise and the services it has developed, the Group commits to providing support to its stakeholders in the underwriting process with a view to improving their ability to manage ESG issues (by developing risk assessment activities, advising on prevention approaches, application of telematics solutions), thus reducing the ESG risks and increasing the chances of accessing insurance services.

The Unipol Group is committed to developing a range of insurance products and services to support customers in mitigating and adapting to climate change.

The 2019-2021 Strategic Plan established a specific target linked to increasing the penetration of products with social and environmental value (including those which contribute to the mitigation of and adaptation to climate change) in the overall insurance portfolio. Within the 2022-2024 Strategic Plan, the Unipol Group decided to set a new target connected to the incidence of products with social and environmental value, establishing an objective of **30% to be reached by the end of 2024**.

Aware of its role in supporting its customers in the transition towards a low carbon economy, the Unipol Group will develop products aimed at incentivising its MV customers to reduce their emissions with the support of telematics. Furthermore, the Group will place increasing attention on reducing the environmental impacts of its claim management process, for example through the implementation of circular economy processes aimed at reducing greenhouse gas emissions as well as the withdrawal and use of raw materials.

SENSITIVE SECTOR EXCLUSIONS AND MONITORING

Companies operating mainly in the coal-mining industry and companies that adopt unconventional extraction practices (such as the removal of mountain peaks, fracking, oil sands, deep water drilling) are excluded from Non-Life Business underwriting. The exclusions on the basis of ESG performances do not apply when underwriting products that protect the employees of the policyholder legal entities in the case of illness and accident, based upon the social role that this cover performs with respect to individuals.

Unipol has evaluated its exposure to the activities connected to coal mining sectors and the oil and gas sectors as at 31 December 2021 ⁶. This analysis shows that the percentage of premiums received from companies operating in the coal mining industry (excluding peat) is equal to 0.001% of the overall total premiums collected from legal entities in the Non-Life business (General Classes). That relating to companies operating in the crude oil and natural gas extraction industry is equal to 0.05% of the total, while the percentage of companies operating in businesses supporting oil and natural gas extraction is equal to 0.01% of the total.

A number of sectors considered sensitive in relation to ESG risks are subject to particular attention in the process of assessing ESG performance. As regards environmental matters (risks linked to climate change and/or to nature), these include waste management and remediation, construction, transportation and storage, agriculture, breeding, forestry and fishing, textile and leather goods manufacturing activities.

⁶ The analysis was performed on Non-Life (General Glasses) portfolio premiums relating to legal entities with allocated ATECO code, equal to 87% (€1,486m) of the total legal entities.

ADVOCACY ON CLIMATE-RELATED TOPICS

The Unipol Group participates in a series of international initiatives that act as drivers to accelerate the financial sector's contribution to the transition towards a low carbon economy, while also focusing on the socio-economic challenges deriving from the transition towards a net zero emissions target at 2050 to guarantee that this transition is fair.

In 2017 Unipol signed the Principles for Responsible Investment, undertaking to integrate social, environmental and governance criteria within the assessment of investments. Furthermore, UnipolSai has declared its compliance with Climate Action 100+, a partnership promoted by investors (UNPRI, CERES) to involve companies generating the most pollution in terms of greenhouse gas emissions to improve climate change governance, reduce emissions and strengthen financial transparency on these matters.

In 2018, the Unipol Group became a signatory to the UN Global Compact, a United Nations initiative which requires participating businesses and organisations to share, support and apply within their sphere of influence a set of fundamental principles regarding human rights, labour standards, environmental protection and the fight against corruption. Principles 7, 8 and 9 of the Global Compact relate to environmental protection.

In November 2020, Unipol became a supporter of the Task Force on Climate-related Disclosure to consolidate its commitment to reporting on climate-related information;

In March 2021, Unipol became a signatory to the UNEP FI Principles for Sustainable Insurance.

In May 2022, Unipol joined the Net Zero Asset Owner Alliance.