

The Unipol Group Strategy on Climate Change



THE UNIPOL GROUP STRATEGY ON CLIMATE CHANGE

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1. Introduction

1.1. Context and references

In 2015, further to the Fifth Assessment Report of the Intergovernmental Panel of Climate Change (IPCC), the Unipol Group published a position paper titled “**Unipol per il clima**” (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 aforementioned document was then accompanied by the Sustainability Policy, which 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.

1.2. Objectives and scope of the strategy

Aware of the triple role that it 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 Group has adopted this “Unipol Group Strategy On Climate Change” (the “Strategy”) to specify in detail how it is preparing to identify, assess, manage and/or remedy its impacts, address risks and seize 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.

Subject to the corporate application perimeter defined below (see paragraph 1.4), the Strategy considers the impacts, risks, and opportunities related to both direct activities (so-called “Scope 1 emissions,” i.e., direct emissions from sources owned or controlled by the company, and “Scope 2 emissions,” i.e., indirect emissions related to the use of electricity, steam, or heat), as well as those linked to its value chain. The value chain is understood as the set of activities, resources, and relationships that the

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

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

company relies on to create its products or services, from conception to delivery, consumption, and end-of-life (so-called “Scope 3 emissions,” i.e., indirect emissions from the company's value chain).missions from the company's value chain).

In this regard, the Group is committed to progressively extending the perimeter within which it measures the emissions impact of its value chain activities. Whenever possible, it aims to adopt measurement methods based on primary data, gradually replacing estimates, to set emission reduction targets that support the decarbonisation of all business areas.

1.3. Approval and revision of the Strategy

The Strategy, for the drafting/revision of which all the corporate structures concerned are involved in order to ensure a clear definition and sharing of objectives, roles and responsibilities is approved by the Board of Directors of Unipol parent company (the "Parent Company"), also in the exercise of its management and coordination activities vis-à-vis the companies in scope (see par. 2.2) and in line with the Group's business process on the preparation and validation of corporate policies.

Subsequently, the Boards of Directors of the Perimeter Companies (see par. 2.2**Errore. L'origine riferimento non è stata trovata.**), as part of their responsibilities for governance, internal control system and risk management, evaluate and approve the Strategy, as far as applicable, in accordance with specific industry regulations and the business model.

The Strategy will be revised and - if necessary - amended any time this is required due to regulatory updates, interventions of the Supervisory Authority, business strategies or changes in context (significant changes to company processes, significant structural reorganisations, significant changes in the business sectors present in the Group, changes in the results of the Materiality Analysis) and, in any event, at least annually.

The Strategy is communicated and made available by the perimeter companies to all relevant personnel through appropriate communication channels and is made available on the Group's website (www.unipol.com) to all stakeholders.

1.4. Scope of application

The Strategy is adopted by the Parent Company and its subsidiaries that fall within the Group's scope of consolidation (hereinafter the “Companies in scope”). The Parent Company retains the right to identify other companies which may also be subject to this Strategy, on the basis of risk-based assessments and to the extent to which this is compatible with specific sector regulations.

2. Targets and actions

AT A GLANCE: THE MAIN TARGETS

- **Operations:** 46.2% reduction by 2030 of scope 1 and 2 emissions related to electricity, gas and other energy sources consumption for all buildings over which the Group has direct control, in Italy and abroad, as well as the car fleet of Group employees, in line with climate science and in particular with the scenario of containing the global average temperature increase within 1.5°C.
- **Investments**
 - **Commitments under the Net Zero Asset Owner Alliance:**
 - **Sub-portfolio target:** 50% reduction by 2030, compared to 30 September 2022, in the carbon intensity (tCO₂(e)/ EVIC) of its directly managed portfolios of *listed equities* and *publicly traded corporate bonds* ;
 - **Engagement targets:** engagement activities with the 20 companies generating the highest Scope 1 and 2 emissions;
 - **Transition Financing Targets:** among the instruments supporting transition financing, Unipol identified thematic investments for the SDGs, including those for combating climate change and protecting the environment, terrestrial, marine and freshwater ecosystems (such as investments in renewable energy and eco-efficiency, sustainable mobility, water, sustainable forest management, organic farming and eco-innovation).
 - **Sectoral exclusions in the most impactful sectors**, as detailed in the Group's Responsible Investment Guidelines.
- **Underwriting activities**
 - target for incidence of products with social and environmental value.
 - Support to its customers in the transition towards a low carbon economy, through the development of products aimed at incentivising its own 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 Non-Life and Life underwriting of companies that derive 30 per cent or more of their revenues from coal mining or thermal coal power generation, as well as companies that engage in unconventional mining practices (such as mountaintop removal, hydraulic fracturing - *fracking* -, oil sands, deepwater drilling, shale gas and *arctic drilling*), and that do not demonstrate a sufficiently ambitious positioning in terms of transitioning the business to a low-carbon economy.

AT A GLANCE: THE MAIN ACTIONS THROUGHOUT THE VALUE CHAIN

PREMIUMS		ASSET MANAGEMENT			CLAIMS MANAGEMENT
		REAL ESTATE			
		FINANCE			
PRODUCT FACTORY	POLICY UNDERWRITING	TOURISM	AGRICULTURE	HEALTHCARE	
Range of insurance products and services aimed at supporting customers in mitigating and adapting to climate change <i>M / A</i>		Medium-term goal of reducing Scope 1 & 2 emissions in line with climate science <i>M / E</i>			Feasibility analysis for reducing the environmental impacts of the claims management process <i>M / B</i>
Target for incidence of products with social and environmental value <i>M</i>		Commitments under the Net Zero Asset Owner Alliance <i>M</i>			
Exclusions and monitoring of sensitive sectors <i>M / B</i>		Exclusions and ESG screening of issuers in the Non-Life, Free Equity and Class C Life Portfolios, in the case of direct investments <i>M</i>			
Support for telematics to monitor car customers' emissions and devise mechanisms to incentivise emission reductions <i>M</i>		Target of financing for SDGs <i>M / A / E</i>			

Legend: *M* (mitigation), *A* (adaptation), *E* (energy efficiency), *B* (biodiversity),

2.1. A 2030 scope 1 and scope 2 emissions 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.

Consistent with these commitments, Unipol Group has set a medium-term target: in line with climate science, and in particular with the scenario of containing the global average temperature increase to within 1.5°C, Unipol is committed to **reducing Scope 1 and Scope 2 emissions** related to the consumption of electricity, gas and other energy sources for all buildings over which the Group has

direct control, from the headquarters instrumental to the *core insurance business* to those of diversified companies to the buildings that are the headquarters of the UNA Group's activities and foreign offices, as well as the car fleet of Group employees, by **46.2 percent by 2030 compared 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.

2.2. Investments for the transition to net-zero carbon dioxide emissions by 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-looking basis*³.

In order to consolidate its process of aligning its financial portfolio to a trajectory of containing the global average temperature increase to around 1.5°C, the Unipol Group has **joined the Net Zero Asset Owner Alliance**, thereby committing to reduce the emissions of its investment portfolios to zero net greenhouse gas emissions by 2050 and to take action to reduce greenhouse gas emissions through the engagement of the companies it invests in, setting specific intermediate targets.

In line with the Target Setting Protocol of the Net Zero Asset Owner Alliance⁴, Unipol has set the following intermediate targets to 2030:

- **Sub-portfolio target:** Unipol Group commits to reduce the carbon intensity (tCO₂(e)/EVIC) of its directly managed *listed equities* and *publicly traded corporate bond* portfolios by 50% by 2030, compared to 30 September 2022. The commitment to reduce carbon intensity concerns the Scope 1 and 2 emissions of perimeter companies.
- **Engagement targets:** to support the achievement of the sub-portfolio target, the Unipol Group will carry out engagement activities with the 20 companies generating the highest Scope 1 and 2 emissions. In 2022, their emissions accounted for more than 70 per cent of the total absolute emissions of the assets covered by the target sub-portfolio. Engagement activities will include

³ The analysis currently does not include the following asset classes: cash, UCITs, ETFs, derivatives and unlisted instruments.

⁴ Second version published in January 2022.

bilateral engagement activities and collective engagement activities at company and sector level, through initiatives such as Climate Action 100+.

The Unipol Group has also committed to making investments to support the transition, identifying - among others - the thematic investments for the SDGs, including those for combating climate change and protecting the environment, terrestrial, marine and freshwater ecosystems (such as investments in renewable energy and eco-efficiency, sustainable mobility, water, sustainable forest management, organic farming and eco-innovation).

The Unipol Group reports annually on the progress made against its targets.

Exclusion of sectors not aligned with the transition to a low-carbon economy

The Group's policies governing sustainability risk management call for exclusions and specific disinvestment 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**, in force from time to time, the Unipol Group excludes a priori from new investments those in Corporate Issuers that operate in the most impactful sectors and that do not show a sufficiently ambitious position in terms of transitioning their business to a low carbon economy, defining the eligibility thresholds in detail.

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 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 direct investments in Corporate Issuers.

The Group has also planned to complete its **disinvestment from coal by the end of 2030**. This approach may be adapted according to the evolution of financial markets.

2.3. Supporting its customers in the ecological transition and adaptation to climate change

Development of insurance products and services to support clients 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 sustainability 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, adopting specific targets in this regard in its three-year Strategic Plans.

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.

Exclusions and monitoring of sensitive sectors

Companies that derive 30 per cent or more of their revenues from coal mining or thermal coal power generation, as well as companies that engage in unconventional mining practices (such as mountaintop removal, hydraulic fracturing - *fracking* -, oil sands, deepwater shale gas and *arctic drilling*), and that do not demonstrate a sufficiently ambitious positioning in terms of transitioning the business to a low-carbon economy are excluded from Non-Life and Life underwriting. The exclusions on the basis of ESG benefits do not apply in the case of underwriting products that protect the employees of the contracting legal entities in the event of illness and accident, on account of the social role that these covers play with respect to individuals, nor to pension, protection and savings products aimed at the employees of the contracting/adhering legal entities, on account of their social value in a logic of integration between public and private welfare.

A number of sectors considered sensitive in relation to sustainability risks are subject to particular attention in the process of assessing ESG performance in the Non-Life sector. 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.

2.4. Advocacy on climate-related issues

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**, committing to integrate social, environmental and governance criteria in the assessment of investments; it also adheres to **Climate Action 100+**, a partnership promoted by investors (UNPRI, CERES) to involve the most polluting companies in terms of greenhouse gas emissions to improve the governance of the phenomenon of climate change, reduce emissions and strengthen financial transparency on these issues.

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.

3. Roles and responsibilities of the players involved

The roles and responsibilities for the approval and implementation of the Unipol Group Strategy on Climate Change **reflect, with the specificities related to the scope of operations, the roles and responsibilities defined in the Sustainability Policy of** which the Strategy is an annex, starting from the approval by the Board of Directors of the Parent Company and the Companies within the scope of the Strategy, with the objectives contained therein, and their subsequent amendments.

With specific reference to the Sustainability Function of the Parent Company, it is responsible for the adequacy and comprehensiveness of this Strategy. To that end:

- it supports corporate bodies in defining – through the Strategy – objectives aligned with global agreements, regulatory requirements, and sectoral and cross-sectoral initiatives to which the Group adheres. This includes promoting, above all, the progressive expansion of the impact measurement perimeter;
- it shares the commitments set out in the Strategy with the heads of various functions and companies, coordinating and directing dedicated operational working groups to ensure continuous oversight of the Strategy's implementation activities;
- it promotes and coordinates monitoring activities, assesses the adequacy and effectiveness of implementation and improvement actions, and collaborates with functions and companies to identify any necessary corrective actions;
- it prepares reports on climate change impacts for the Board of Directors, the Nominations, Governance, and Sustainability Committee (within its respective scope of competence), as well as the Control and Risk Committee and the Top Management of the Parent Company. Additionally, it prepares the necessary reports to communicate performance progress towards targets to the sectoral and cross-sectoral initiatives the Group participates in.

4. Reporting

The Group's compliance with the provisions in the Strategy is reported on every year by Sustainability to the Top Management and the Board of Directors of the Parent Company, following examination, insofar as they are respectively responsible, by the Nomination, Governance and Sustainability Committee and the Control and Risks Committee of the Parent Company, as well as to the Group Risk Committee, by monitoring the indicators identified for this purpose, in agreement with the relevant company bodies and structures, and is also subject to reporting in the Non-financial statement contained in the Management Report.

The evolution of performance with respect to the defined objectives is also communicated to the bodies that manage the sectoral and trans-sectoral initiatives to which the Group adheres.

