UNIPOL AND **CLIMATE CHANGE**

Reporting climate-related information

Unipol and climate change

2019

CONTENTS

UNIPOL AND CLIMATE CHANGE: REPORTING CLIMATE-RELATED INFORMATION 3

Governance around climate-related risks and opportunities 4

Strategy 7

Identification, assessment and management of climate-related risks and opportunities 10

Products, services and investments to tackle climate change 11

Offer of insurance products and services to support customers in tackling climate-related risks and increasing their resilience. 11

Activation of public-private partnerships with Italian Municipalities to increase the resilience of SMEs with respect to climate change: the LIFE DERRIS project 12

Investments 12

Stakeholder engagement on topics connected with climate change 13

Targets and Indicators 14

The Group's climate-related objectives 14

Climate change and the insurance business 14

Climate change and investments 15

Environmental impacts 17

UNIPOL AND CLIMATE CHANGE: REPORTING CLIMATE-RELATED INFORMATION

Unipol has always focused greatly on protecting the environment and combating climate change.
In 2015, following on from the European Commission's Green Paper on the insurance of natural and man-made disasters, published in 2013, Unipol published the "***Unipol per il clima***" (Unipol for the climate) position paper, which proposes a model for the prevention and management of natural disasters based on public/private partnership, which adopted mutually beneficial insurance mechanisms to manage the growing risks derived from climate change and to handle the huge amounts of compensation to be paid. Such a system, in addition to making costs connected with natural disasters more sustainable for the Italian treasury, may promote virtuous protective, preventive and adaptive behaviour by citizens and companies. However, this commitment requires a central public role to establish the conditions for the development of an insurance market, without which the mutually beneficial mechanisms cannot function, nor would it be possible to guarantee economic sustainability for the actors involved.
Unipol is therefore fully aware of the role that insurance may play in facing the consequences connected with climate change and facilitating the transition to a low-carbon economy through the development of guarantees and investment products that promote mitigation and adaptation. With reference to the Recommendations issued by the **Task Force on Climate-related Financial Disclosures (TCFD)**, as well as the European Commission's "**Guidelines on reporting climate-related information**", Unipol is consolidating its process for reporting climate-related financial information.
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<table>
<tr><th colspan="3" rowspan="2">TCFD/NBGL SUMMARY TABLE</th><th colspan="5">NON-FINANCIAL INFORMATION REPORTING DIRECTIVE (NON-BINDING GUIDELINES)</th></tr>
<tr><th>BUSINESS MODEL</th><th>POLICIES AND DUE DILIGENCE PROCESSES</th><th>OUTCOMES</th><th>PRINCIPAL RISKS AND THEIR MANAGEMENT</th><th>KPIs</th></tr>
<tr><td rowspan="11">TCFD RECOMMENDED DISCLOSURE</td><td rowspan="2">GOVERNANCE</td><td>a) Board's oversight</td><td></td><td rowspan="2">Governance around climate-related risks and opportunities
Stakeholder engagement on topics connected with climate change</td><td></td><td></td><td></td></tr>
<tr><td>b) Management's role</td><td></td><td></td><td></td><td></td></tr>
<tr><td rowspan="3">STRATEGY</td><td>a) Climate-related risks and opportunities</td><td></td><td></td><td></td><td>Strategy
Identification, assessment and management of climate-related risks and opportunities</td><td></td></tr>
<tr><td>b) Impact of climate-related risks and opportunities</td><td rowspan="2">Strategy</td><td></td><td></td><td></td><td></td></tr>
<tr><td>c) Resilience of the organization's strategy</td><td></td><td></td><td></td><td></td></tr>
<tr><td rowspan="3">RISK MANAGEMENT</td><td>a) Processes for identifying and assessing climate-related risks.</td><td></td><td></td><td></td><td rowspan="3">Identification, assessment and management of climate-related risks and opportunities
Products, services and investments to tackle climate change</td><td></td></tr>
<tr><td>b) Processes for managing climate-related risks</td><td></td><td></td><td></td><td></td></tr>
<tr><td>c) Integrated into the organization's overall risk management</td><td></td><td></td><td></td><td></td></tr>
<tr><td rowspan="3">METRICS AND TARGETS</td><td>a) Metrics used to assess climate-related risks and opportunities</td><td></td><td></td><td></td><td></td><td>Targets and Indicators</td></tr>
<tr><td>b) GHG emissions</td><td></td><td></td><td rowspan="2">Targets and Indicators</td><td></td><td></td></tr>
<tr><td>c) Targets</td><td></td><td></td><td></td><td></td></tr>
</table>

Governance around climate-related risks and opportunities

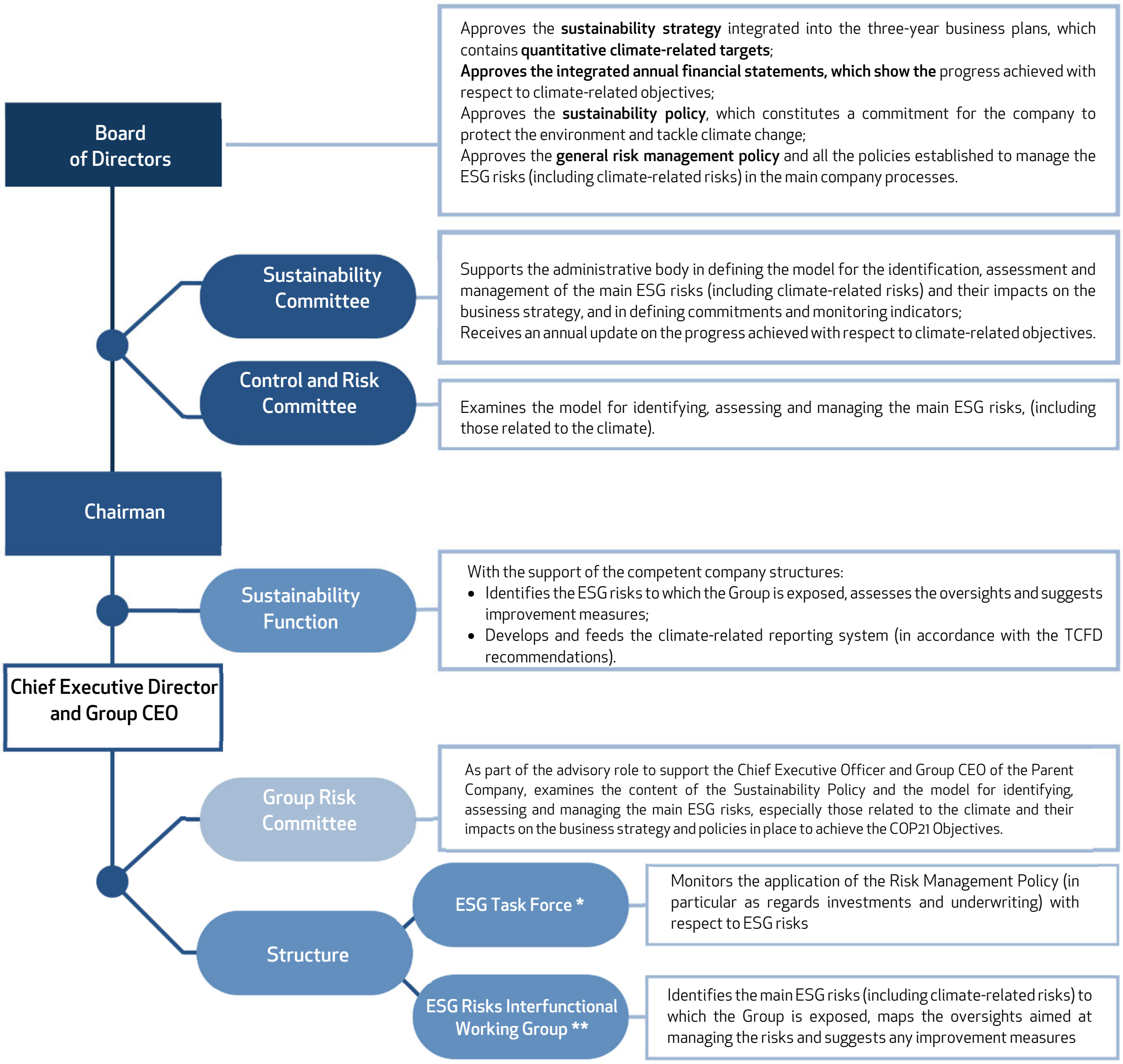
The Unipol Group's governance around climate-related risks and opportunities fits into the broader framework of governance of risks and opportunities connected with ESG (*Environmental, Social, Governance*) factors.

As regards the **supervision conducted by the Board of Directors** regarding climate-related risks and opportunities, since 2010, the Unipol Group has defined its sustainability strategy through strategic sustainability plans concurrent and coordinated with the three-year business plans, approved by the Board. The "Mission: Evolve" 2019-2021 Strategic Plan is fully integrated and contains climate-related targets to achieve through business levers, such as investments and underwriting activities. The Board of Directors approves the Integrated Annual Financial Statements and the report on the non-financial information contained in the financial statements, which duly sets forth the progress achieved with respect to climate-related targets.

The **roles of the governance bodies** as regards the risks and opportunities connected with climate change have been formalised in the Sustainability Policy approved by the Board of Directors.
The **Sustainability Committee** of Unipol Group supports the administrative body in defining the model for the identification, assessment and management of the main ESG risks, including, in particular, those connected with the climate, their impact on the business strategy and the active policies for achieving the COP21 objectives, as well as in defining commitments and monitoring indicators. The Control and Risk Committee examines the model for identifying, assessing and managing the main ESG risks, including, in particular, those related to the climate.
The Sustainability Committee receives an annual update on the progress achieved with respect to the strategic climate-related objectives, the reporting process which takes place with the annual integrated financial statements and the sustainability report.

At Top Management level within the Unipol Group, the management and monitoring of climate-related risks and opportunities involves the following functions and bodies:
- the **Group Risk Committee**, as part of its advisory role in support of the Chief Executive Officer and Group CEO of the Parent Company, examines the content of the Sustainability Policy, the model for identifying, assessing and managing the main ESG risks, especially those connected with the climate, and their impacts on the business strategy, and the policies in place for achieving the COP21 Objectives;
- the **ESG Taskforce**, a body created in 2019, is tasked with understanding and assessing the concrete implications of ESG factors in underwriting and investment activities and defining choices consistent with the company's vision;
- the **ESG Risks Interfunctional Working Group**, composed of the Sustainability, Audit, Chief Risk Officer and Compliance and Anti-Money Laundering Functions of the Parent Company, has the objective of identifying potential risks of a social, environmental and governance nature to which the Group is exposed, mapping the oversights intended to manage such risks and suggesting possible improvement measures.
- the **Insurance Business Co-general Manager**, who reports to the Group General Manager, is responsible for the management of climate-related risks in underwriting activities and the definition of climate-related opportunities to be seized through the development of products and services;
- the **Chief Investment Officer**, who reports to the Group General Manager, is responsible for the results obtained by the Group for the ESG screening conducted quarterly on investments with the support of an independent third party and in compliance with the commitments assumed by the Group with the support for transition through investment activities;
- the **Sustainability Function**, which reports to the Chairman, is responsible for the adequacy and completeness of the Sustainability Policy and checks the adequacy and effectiveness of the measures undertaken to uphold the commitments assumed, including as regards climate change; brings together the internal and external vision to identify the material topics; develops and reinforces the reporting system defined in the TCFD recommendations, with the support of the competent company structures.

Governance of ESG topics

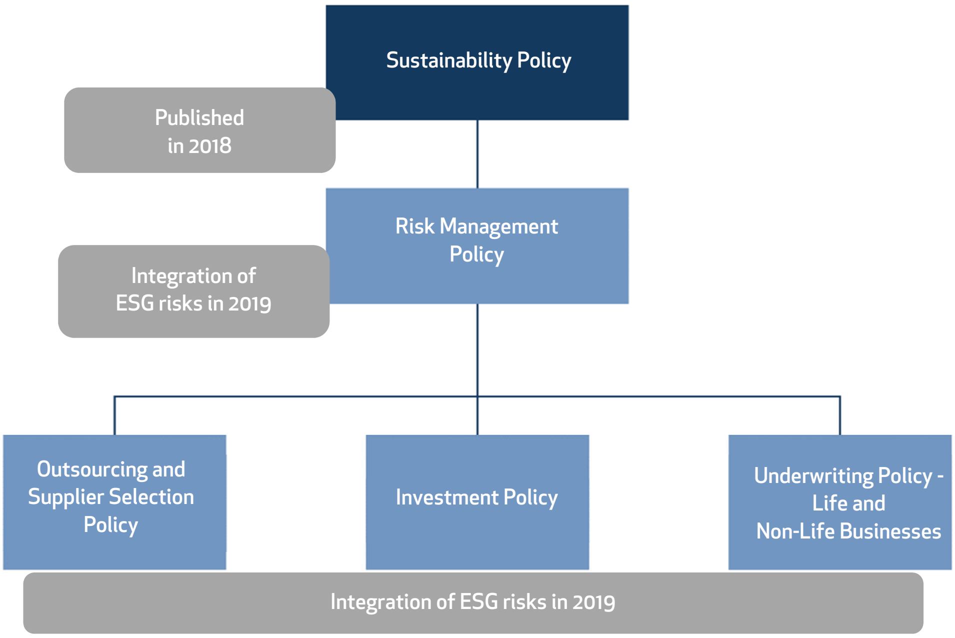


* Composed of the Damages and Claims Technical Department, Welfare and Life Insurance Department, Finance Department, Chief Risk Officer, Chief Innovation Officer, Sustainability.

** Composed of the Audit, Compliance and Anti-Money Laundering, Risk Management and Sustainability Functions.

In order to ensure that the company's key processes take adequate account of risks connected with ESG factors, including climate change (and are able to seize any opportunities), the ESG factors have been integrated into the Group's Policies system, and internal processes and tools developed to implement what has been defined.

Integration of environmental, social and governance factors into company strategies and processes,



Strategy

The "**Unipol per il clima**" (Unipol for the climate) position paper mentioned above represents the Group's first strategic positioning document on the topics of climate change.

The **Sustainability Policy**, approved by the Board of Directors, lays down a commitment for the company to protect the environment and tackle climate change. The Sustainability Function is responsible for the adequacy and completeness of the Sustainability Policy. The content of the Sustainability Policy is then fitted into every individual company policy, with the responsible company functions verifying its implementation and observance.

The Unipol Group created the Reputational & Emerging Risk Observatory to ensure structured listening to signs of change in the external environment, by constructing a 360° overview of emerging trends, to mitigate the relevant risks and seize the new opportunities in advance, so as to reinforce the relationship of trust with stakeholders and the sustainability of the business model. An updated edition of the Observatory supported the definition of the 2019-2021 Strategic Plan with contextual elements and anticipations of trends. Climate change is identified as one of the main trends that impact the Group.

ENVIRONMENTAL

	RISKS	OPPORTUNITIES	MAIN RESPONSES
CLIMATE CHANGE	• Physical risks (acute and chronic) • Transition risks (reputational, market, policy and legal)	• Contribution to the creation of a mixed public/private system • Development of products and services for adaptation to and mitigation of climate change • Campaigns of commitment in favour of the climate and environmentally responsible business policies	• DERRIS Project • Development of predictive models for climate risk • Weather alert and prevention services • Recourse to innovative reinsurance instruments • Integration of environmental factors within business policies

As regards **strategic planning**, **aspects concerning mitigation** (especially CO_2 emissions per employee) were integrated into the latest three strategic plans, while **aspects concerning adaptation and resilience** (such as the overall proportion of premiums of products with an environmental and social impact) have been integrated into the latest two strategic plans.

The **2019-2021 Strategic Plan** contains objectives connected with mitigating and adapting to climate change:

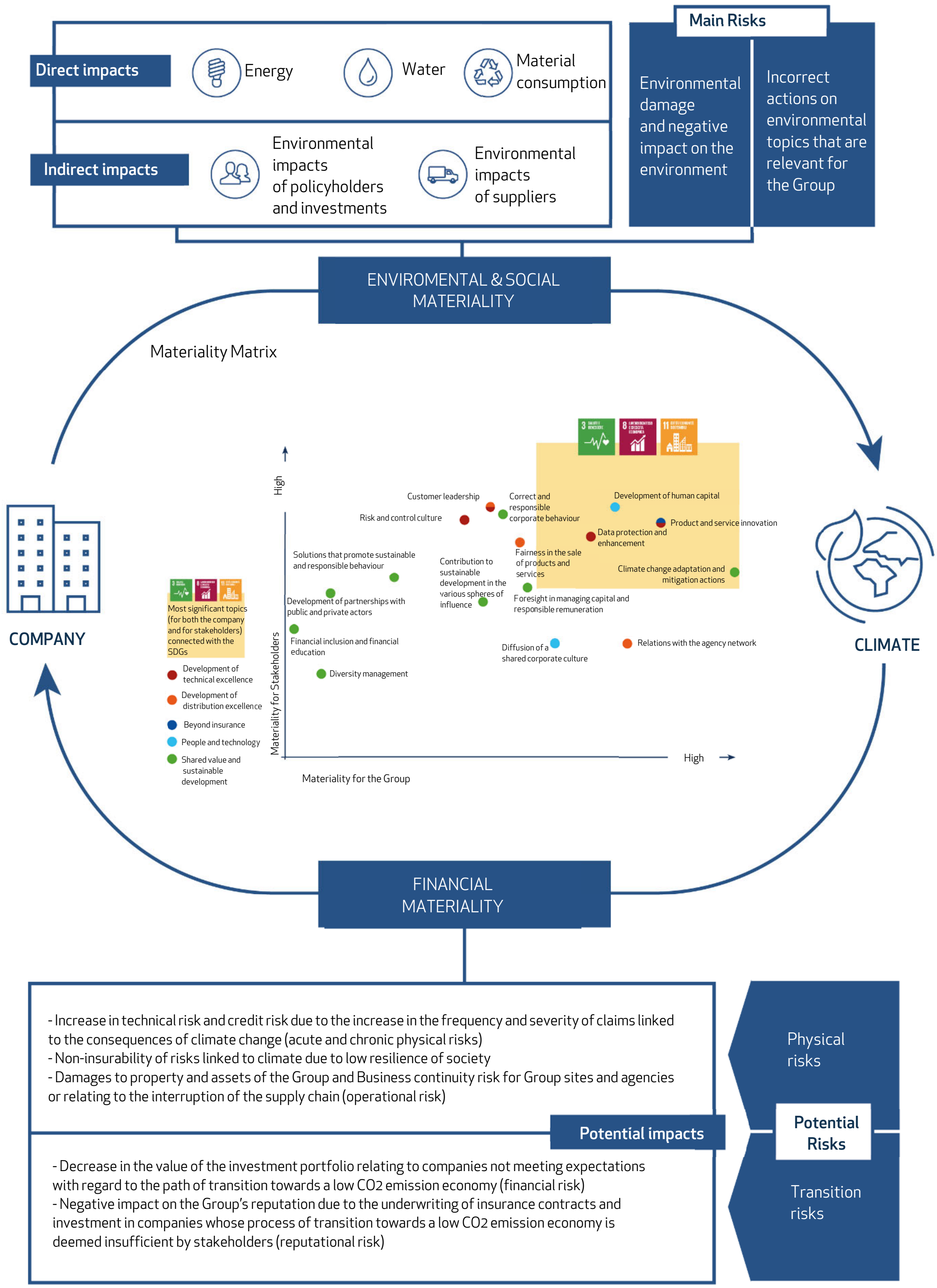
- **investment activities**: the objective of integrating ESG factors into company strategies has led the group to insert into the **SRI Investment Policy** the a priori exclusion from the new investments of those in companies connected with mining and generating electricity from thermal coal and support, through responsible investments, in the transition to a low-carbon economy;
- **insurance products and services**: the Sustainability Policy commits the Group to focusing carefully on insured risks, by promoting the adoption of sustainable practices (in particular, the prevention and management of climate-related risks), especially among small and medium-sized enterprises. In fact, the company strategy seeks to develop products and services to increase customers' resilience and adaptability. Innovative solutions have already been developed to help the market tackle the impacts of climate change (especially in the tourism and agriculture sectors) and for post-event management. The new three-year Plan envisages actions such as the development of innovative risk mitigation techniques (with the innovative protection of the income statement from frequent, medium-scale natural events, including through recourse to the capital market), the development of predictive models for climate risk aimed at companies, to increase the resilience of various sectors and boost the penetration of products with an environmental impact on the overall insurance portfolio. The **Underwriting Policies for the Non-Life and Life Businesses exclude from the underwriting activities companies which derive the majority or a significant part of their income from coal mining** (with the sole exclusion of the underwriting of products that protect the employees of policyholder legal entities in the event of illness and accidents, according to the social role that such cover plays with respect to people).

Lastly, as one of the leading property operators in Italy in terms of scale of activities, the **three-year property plan strategy** envisages continuous improvement in energy efficiency in both **projects (investments)**, i.e. all activities pertaining to new buildings or major renovations of existing properties (those used for business and those for use by third parties) and in the maintenance of existing buildings. **The energy management system certified according to the ISO50001 standard certification process** in place in the 19 main operating buildings had been extended to all operating sites by the end of 2019. The Sustainability Policy commits the Group to carry out property development activities aimed at maximum energy self-sufficiency, as well as investments for the energy reclassification of the existing property assets, not only with reference to the business assets but also to the non-business properties managed.

In conjunction with the drafting of the 2019-2021 Strategic Plan, the **materiality analysis** was updated, which seeks to identify the corporate governance, social and environmental topics significant for understanding how the company acts and its main impacts on its context.

With particular reference to the **"Measures for adapting to and mitigating climate change" material topic**, in order to define the areas of impact for which reports are necessary, the Group took as reference points both the TCFD Recommendations and the European Commission Guidelines on reporting climate-related information, which explain the expectations of stakeholders with regard to the insurance sector. For this reason, both the climate-related aspects that impact the business model from a financial point of view and those significant from an environmental and social perspective (according to the "**double materiality**" approach illustrated in the graphic shown below) are identified and reported upon. In defining the priority content, account was also taken of additional contextual requests (expressed, for example, in the CDP questionnaire and surveys of SRI analysts) and specific in-depth analyses were conducted with opinion leaders with specialised knowledge in this field.

Double materiality



In 2019, the Group also launched a specific **Project ("Eventi Atmosferici" – Atmospheric Events)** aimed at reinforcing its capital and pricing models so as to support the development of products and the underwriting process on a market characterised by growing demand and risk rates.

Identification, assessment and management of climate-related risks and opportunities

With the updating of the Risk Management Policy in 2019, ESG risks were integrated into the Group's ERM Management Framework. The Policy details **seven major ESG risk areas including climate change,** which receives particular attentions and is managed along the value chain, with particular reference to underwriting and investment activities.

More specifically, if we consider the **detailed mapping of the main risks connected with climate change**, these have been identified as follows:

Risk areas connected with ESG factors	Risk	Topic identified by the materiality matrix	Main existing regulatory and strategic oversights
Climate change – Physical risks	Increase in technical risk and credit risk due to the increase in the frequency and severity of claims linked to the consequences of climate change (acute and chronic physical risks) *Time horizon: medium-term* [1]	Actions for adaptation to and mitigation of climate change Solutions that incentivise socially responsible and sustainable behaviours	• Sustainability Policy • Risk Management Policy • Reinsurance and Other Risk Mitigation Techniques Policy • Operational Risk Management Policy • Business Continuity Policy • Guidelines for the management of credit risk assumption activities • Underwriting Policy – Life and Non-Life Businesses • Reservation Policy– Life and Non-Life Businesses • *2019–2021 Strategic Plan, "Development of Technical Excellence" and "Shared Value and Sustainable Development" Guidelines*
	Non-insurability of risks linked to climate due to low resilience of society *Time horizon: medium-term*[1]	Actions for adaptation to and mitigation of climate change	
	Damages to property and assets of the Group and Business continuity risk for Group sites and agencies / relating to the interruption of the supply chain (operational risk) *Time horizon: medium-term*[1]	Actions for adaptation to and mitigation of climate change	
Climate change – Transition risks	Decrease in the value of the investment portfolio relating to companies not meeting expectations with regard to the path of transition towards a low CO2 emission economy (financial risk) *Time horizon: medium-term*[1]	Actions for adaptation to and mitigation of climate change	• Sustainability Policy • Risk Management Policy • Investment policy • Underwriting Policy – Life and Non-Life Businesses • Integrated Reputation Management System • *2019–2021 Strategic Plan, "Shared Value and Sustainable Development" Guideline*
	Negative impact on the Group's reputation due to the underwriting of insurance contracts and investment in companies whose process of transition towards a low CO2 emission economy is deemed insufficient by stakeholders (reputational risk) *Time horizon: short-term*[1]	Contribution to sustainable development in the various spheres of influence (investments, customers, suppliers)	

As shown in the table, the Group structures its ESG risk oversights, including with regard to climate change, within the framework of the current individual risk categories, in order to monitor them during all the phases of the value creation process and to mitigate

[1] With regard to the time frame of climate change-related risks:
- Short-term corresponds to the time frame of the business plan and therefore of the operational and financial planning;
- Medium-term corresponds to time frame of the Unipol Group's Reputational and Emerging Risk Observatory, that of identifying external risks and opportunities that might have an impact on the business model and company strategy;
- Long-term corresponds to the period until 2050, which is one of the main tipping points outlined in the IPCC special report (2018) and the latest European Commission strategy ("A Clean Planet for all", 2018). It therefore corresponds to the time frame set for achieving the main objectives to keep the temperature increase below 2ºC (CO2 emissions neutrality).

the occurrence of any reputational risks connected with ESG risks. These oversights are also aimed at preventing the concentration of exposures to areas and/or sectors significantly exposed to ESG risks.

For the application of policies aimed at overseeing ESG risks, an **assessment process** has been defined for these risks which, for the management of critical cases or doubts, involves a range of corporate actors (Sustainability Function, Reputation Management Operating Team) and provides for the possibility of convening the **ESG Task Force** (the "Task Force"). The Task Force, which was established in 2019 and became operational during the first few months of 2020, is responsible, in cases of particular relevance due to potential impact or sizes of potential agreement/investment, for understanding and assessing the concrete implications of ESG factors in underwriting and investment activities and for defining choices consistent with the company's vision with respect to the cases presented.
In parallel and in line with the activities to integrate ESG risks into the Group Policies, the ESG Risks Interfunctional Working Group defined new, detailed mapping of those risks and the associated oversights, updated and streamlined to ensure integration with the overall system.

Products, services and investments to tackle climate change

Offer of insurance products and services to support customers in tackling climate-related risks and increasing their resilience.

Through its **offer of insurance products and services**, UnipolSai proposes innovative solutions to the market which are aimed both at preventing risks connected with climate change and at post-event management, e.g.:

- in the tourism sector, the "Commercio e Servizi" and "Albergo e Servizi" products provide a parametric benefit named "Salva Stagione", dedicated to hospitality businesses located near beaches which could suffer economically in the case of extended periods of bad weather in the summer months and are able to receive cash compensation to help limit the negative effects of lost turnover;
- in the agricultural sector, UnipolSai provides insurance coverage for climate events such as hail, drought, cold, strong wind, etc. which now impact the crops of policyholders even in geographical areas that did not have to deal with these critical issues in the past. The product provides for a "special organic indemnity", which grants an over-valuation of 20% in compensation for organic products from companies with EU organic certification. It is applicable to the following cover: Damage to Property, Theft, Flooding, Earthquake, Damage to Third Parties caused by GMO contamination;
- the "Energia Sole" insurance product is aimed at companies that produce energy from renewable sources, covers all renewable sources simultaneously and may be a solution for energy communities;
- "KM&Servizi" is the UnipolSai product that contains a "mileage" based tariff that rewards those who make less use of their vehicle and thus have a smaller impact on the environment. In fact, the calculation of the premium is based on a series of parameters, including kilometres travelled. This encourages customers to reduce their use of the vehicle, when possible, by taking other means of transport with less impact on the environment, since they can thus have a direct influence on the cost of the insurance premium they pay;
- in addition, there are also the more traditional products to protect families from atmospheric events, flooding or damage, for the house and for any solar panels installed.

In order to help its customers prevent risks connected with intense meteorological events and thus reduce potential damage, UnipolSai, in conjunction with DataMeteo® and Leithà, the Unipol Group company specialised in Big Data analysis, has developed a predictive model able to alert customers in advance of risks of hailstorms, strong wind, heavy rain or snow. The Alert Meteo system works by sending messages through the UnipolSai app or by SMS (for very intense events).

As regards post-event management, the new products launched by UnipolSai propose cover entitled "Pronta Ripresa", which makes firms affiliated with the Company and specialised in Disaster Recovery and Business Continuity available to policyholders. These companies enable policyholders to restart their activities again as quickly as possible, thus also reducing indirect economic damage, which is often higher than the direct damage actually caused by the catastrophic events themselves. Moreover, in order to speed up the post-event management process and the claims settlement procedures, the use of video appraisals has been introduced and customers are also offered an optional "*Riparazione Diretta*" (Direct Repair) service, as an alternative to the traditional cash settlement, for properties damaged by water from pipes, atmospheric events and electrical phenomena. The settlement structures have also been equipped with certain innovative tools to verify damage connected with catastrophic events through software that can detect electrical phenomena from lightning activity and estimate the resulting damage.

Activation of public-private partnerships with Italian Municipalities to increase the resilience of SMEs with respect to climate change: the LIFE DERRIS project

In 2019, UnipolSai continued its commitment within the framework of LIFE DERRIS, a project whose objective, through the activation of public-private partnerships with the Municipalities, is to increase the resilience to climate change of Italian SMEs, by making available a simple and free tool (the CRAM tool) for the assessment, prevention and management of risks linked to extreme weather events:

- the project has been implemented in another 4 Municipalities – Almese and Avigliana (TO), Bassiano (LT) and Milan – where meetings were organised to present the project with the reference actors from the area (in particular trade associations and chambers of commerce), along with training events with SMEs to highlight the risk mitigation and adaptation measures that can be implemented to prevent and improve the management of climate-relate risks;
- the features of the CRAM tool have been enhanced to make it easier to use, especially on mobile and tablet;
- UnipolSai has reinforced the involvement process of its agency network, an essential channel for spreading a culture of prevention, through dedicated meetings and communications.

At 31 December 2019, the number of people using the CRAM tool totalled over 6,000 (with total of over 8,000 sessions), around 60% more than at the end of 2018.
In addition, at the end of 2019, around 200 action plans for adapting to climate change had been drawn up, containing over 4,000 climate-related risk prevention and management measures.

Investments

In the Unipol Group's contribution to pursuing the objectives of the Paris Agreement of 2015[2], investment activities constitute a fundamental area of oversight and intervention, both for the purposes of reducing the impacts of its portfolio and for supporting the economic system in the transition to a low-carbon economy.

As regards **risk monitoring** in this field, Unipol has imposed limits on investing in Companies with a significant environmental impact since 2012 and reinforced them in 2019 through two tools: on the one hand, the block of investments with insufficient environmental performance before the investment decisions, i.e. intervening ex-ante on the investment universe, and on the other, by defining a series of sectoral exclusions with a view to mitigating climate change.
These criteria are formalised in the "Guidelines for investment activities with reference to responsible investments ("SRI Investment Policy")", attached to the Investment Policy.

With particular reference to climate change, the Group undertakes to:

- support, through responsible investments, the transition to a low-carbon economy. To this end, the investment is assigned into various asset classes with the objective of contributing to reducing CO_2 emissions;
- make selective exclusions: by recognising the particularly harmful impact on the climate of the use of carbon as a thermal energy source, the Group excludes a priori from the new investments those in Companies connected with mining/the generation of electricity from thermal coal.

For the ESG analysis, which covers almost 7,000 companies, ECPI was chosen as a partner, since it boasts a wealth of experience and a sound proprietary methodology based on the sectoral materiality of the ESG indicators.
From the perspective of integrating ESG factors into the investment process, the approach adopted envisages:

- the definition of eligibility criteria for securities, constructed through acceptable ratings thresholds and pre-set levels of seriousness of disputes concerning companies;
- the use of information during the management phase, which requires operators to check that the securities subject to potential investment are not included on black lists, before making a purchase, and periodically monitoring whether there have been significant changes with respect to securities already in the portfolio, in order to assess, together with the Finance Director, the intervention options (e.g. disinvestment, engagement, requesting an opinion from the ESG Task Force) with respect to such securities;
- the quarterly reports which show the results of the ESG screening on investments.

As regards climate-related topics, when it comes to selecting equities and corporate bonds, the Group assesses the presence of a strategy and environmental management policy that takes into consideration the environmental impact of its production processes and excludes investment in companies involved in serious environmental damage and the exploitation of natural resources which does not take due account of the associated environmental impacts.

[2] The Paris Agreement was signed between the member states of the United Nations Framework Convention on Climate Change (UNFCCC); the long-term objective is to keep the rise in global average temperature below the threshold of 2°C above pre-industrial levels and to pursue efforts to limit such an increase to 1.5°C, since this would substantially reduce the risks and effects of climate change.

For government bonds, the Group assesses the ratification of the main environmental protection treaties and agreements developed by the UNFCCC and the overall environmental performances of countries in terms of legislation and the implementation of environmental laws.

As regards **opportunities**, the Group undertakes to support, through responsible investments, the transition to a low-carbon economy, by assigning the investment into different asset classes with the objective of contributing to the reduction of CO_2 emissions.
Thematic investments, for which the 2019-2021 Strategic Plan sets the target of an increase of 84%, are mostly aimed (around 70%) at supporting the fight against climate change, with a particular focus on green energy and green technology.

The Group has subscribed to the CDP Investors, which provides information necessary for correctly assessing the climate impact of its investment choices, and has signed up to the Talanoa Call for Action[3].

In 2019, the Unipol Group launched a process to measure its carbon footprint and ensure the future alignment with the targets in the Paris Agreement (Climate alignment) of its financial portfolio, which is presented in detail in the "Targets and indicators – Climate change and investments" paragraph.

The growing awareness caused by the process of measuring the climate impacts of the investment portfolio supports the implementation of the Group's climate strategy in terms of investments, with the following section summarising the key elements for providing a cohesive and concise representation.

Integration	Investment	Limits to exposure	Active Shareholder base	Support	Disclosure
Integration of ESG factors, including environmental ones, in the assessment of investments for all asset classes as of 2012. Since 2019, the "SRI Investment Policy" (see the "The monitoring of social, environmental and governance risks" section) with an improvement in control over risks and opportunities linked to climate change.	Target increase from 326m to 600m (+84%) between 2019 and 2021, of thematic investments, of which roughly 70% contributes to combatting the climate emergency (see next paragraph).	Exclusion from new investments of companies linked to mining and coal-fired power generation. (see "The monitoring of social, environmental and governance risks" section).	Participation in collective engagement initiatives such as Climate Action 100+ (as of 2017) to engage the companies that generate the most greenhouse gas emissions, and assessment in the coming years of extending the commitment to other forms of pressure towards a low-emission economy. Active engagement through side letters with Real Asset and Private Equity Funds.	Support and active participation in initiatives promoting a low carbon economy: i - CDP Investors ii - Talanoa call For Action iii - UN PRI iv - Global Compact v - Italian Sustainable Finance Forum.	Disclosures relating to TCFD and CDP. Inclusion in the disclosure to members and potential members of complementary forms of pension schemes of the climate impacts of products starting from 2020.

Stakeholder engagement on topics connected with climate change

The Unipol Group is implementing a series of activities to reinforce the engagement of its stakeholders on climate-related topics:

- **Investee companies:** in order to launch adequate active engagement practices, 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. With reference to the Real Assets and Private Equity Funds, engagement activities have been carried out during the underwriting phase, aimed at excluding investments whose main focus is the extraction of oil and/or coal and/or the production of electricity from fossil fuels. These activities were implemented through the ad hoc drafting of side letters which the counterparty Fund managers are required to sign.
- **Customers:** the Unipol Group is engaging its customers on topics connected with climate change, e.g. in communication materials which concern the "KM&Servizi" product. In September 2019, Unipol signed up to the "Saturdays for future" initiative launched by ASviS to raise citizens' awareness of the contribution that purchases and consumption make to a more sustainable development model. To mark the occasion, Unipol drafted specific information materials on MV products (highlighting the benefits of the "KM&Servizi" product in reducing CO_2 emissions), life products and the DERRIS project, which were distributed to the main Corporate Agencies.

3 Declaration of commitment structured into various measures signed by governments and businesses on the occasion of the Talanoa Dialogue organised by the European Commission in June 2018, in order to keep the rise in temperature below 2°C, as laid down in the Paris Agreement for climate change, by making every effort possible to keep this increase to 1.5°C.

- **Companies (clients and non-clients), public administration and representative organisations:** through the LIFE DERRIS project, Unipol has launched a consolidated engagement process aimed at SMEs (both UnipolSai clients and others), the public administration (Municipalities and Regions) and representative organisations (Chamber of Commerce and trade associations) with regard to risks connected with climate change to which Italian companies are exposed and the possible risk prevention and management interventions which may be undertaken to help them equip themselves with action plans for adapting to climate change. This project seeks to raise the awareness of all stakeholders with regard to risks that are still very undervalued and provide specific expertise on the management of climate-related risks through the organisation of training events, the development of web training videos and the creation of a web tool for the self-assessment of climate risk that is available free of charge. In addition to the training and awareness raising measures indicated above, UnipolSai ran a video campaign on the LinkedIn platform in December 2019, viewed by 270,000 people.
- **Suppliers:** The outsourcing and supplier selection policy, approved in early 2019, included, among the selection criteria, signature of the Supplier Code of Conduct (Codice di Condotta Fornitori, CdCF), adopted at the end of 2018 and inspired by the principles of the Global Compact and ISO20400 on responsible procurement. The CdCF outlines what Unipol expects from them and establishes the right to check and inspect their processes and structures and the right to implement penalty mechanisms with respect to the Supplier, in the event of breach of any of the principles contained in the Group's CdCF. In environmental matters, the principles and provisions of the CdCF require supplier companies to support a preventive approach with respect to environmental challenges, to promote environmental responsibility and the diffusion of technologies that respect the environment. Moreover, where possible, environmental criteria and clauses have been defined for specific product categories. At the end of 2019, contracts which include the Supplier Code of Conduct cover 40% of total expenses for purchases.

The Unipol Group is strongly committed to promoting research and communications activities:
- aimed at companies, as is the case with the **DeRisk-CO project** (Disclosure, Measurement, Management and Mitigation of Climate Change Risk for Companies) developed by the Fondazione Eni Enrico Mattei. This is a project which seeks to involve companies when it comes to reporting climate-related information, in line with the recommendations of the TCFD, through webinars, public workshops and meetings between companies and stakeholders interested in the world of finance;
- aimed at institutions, as is the case with the annual report from the **Legambiente CittàClima** observatory, which the Group has supported over the last few years. The report, entitled "*Il clima è già cambiato – Ora è il tempo di nuove politiche urbane*" (The climate has already changed – now is the time for new urban policies), published in November 2019, represents a useful monitoring of the impacts of external meteorological phenomena in Italy, especially in terms of damage to infrastructure.

In addition, considering the importance of the topic of sustainability (especially on climate-related topics) in updating the regulatory framework applicable to the insurance sector (see, for example the measures envisaged at European level in the Action Plan on sustainable finance or the Solvency II revision process), the Unipol Group, through the Regulation Function, which reports to the Chief Regulation and Economic Studies Officer, has implemented a structured engagement process with Institutions, Regulators and national and European Supervisors in order, on the one hand, to ensure up-to-date knowledge of developments to regulations and relevant policy initiatives and, on the other, to represent and support the Group's bodies in the relevant consultation processes. In 2019, the Unipol Group participated in the consultation launched by the European Commission on updating the Commission's non-binding guidelines on non-financial reporting and the consultations launched by EIOPA (the "Request for an opinion on sustainability in Solvency II" Consultation Paper and Discussion Paper on Methodological Principles of Insurance Stress Testing).

Targets and Indicators

The Group's climate-related objectives

As has already been the case during previous planning cycles, the 2019-2021 Strategic Plan contains quantitative climate-related targets concerning:
- greater penetration for products with a social and environmental impact in the overall insurance portfolio, with the target of a 30% increase in 2021;
- an increase in the amount of thematic investments for SDGs, including those linked to mitigating and adapting to climate change. The target for 2021 is €600m invested to support the 2030 Agenda (compared with €326m in 2018), in accordance with the contents of the taxonomy defined by the European Commission;
- a 7% fall in the average production of CO_2 per employee for all Group companies by 2021.

Climate change and the insurance business

The effects of climate change are having an ever greater effect on the core insurance business. After 2018 was affected by the damage caused by Storm "Vaia" in north-eastern Italy, 2019 was also characterised by a significant number of **adverse atmospheric events** in the Non-Life loss ratio, although this was mostly re-absorbed by reinsurance.
At 31 December 2019, the combined ratio, net of reinsurance, was 94.2% (as in 2018). This includes 4.1% connected with atmospheric events (3.9% in the previous year), especially the hail storms which occurred in summer 2019 and struck urban areas with a strong

UnipolSai insurance penetration. In order to combat the risk of an increased technical risk caused by the rise in frequency and severity of claims, as a result of climate change, in 2019, the Group made the following commitments:

- the launch of a specific **Project ("Atmospheric Events")** aimed at equipping the Group with tools (capital and pricing models, further alert and prevention systems, new reinsurance) able to support product development and the underwriting process on a market characterised by growing demand;
- the adjustment of the **reinsurance strategy** to take account of the emerging risks, partly achieved thanks to the development of an innovative reinsurance tool (Atmos Re I), dedicated to the annual aggregate coverage of natural, medium-sized events for which an automatic algorithm was created for the temporary aggregation of events which enables investors and reinsurers to follow their trend in real time.

As regards the identification of **distinctive insurance solutions that integrate economic growth and environmental impact**, the premiums collected in 2019 from the sale of 1,830,263 policies thus characterised totalled €167.8m, **equal to 2.05% of direct premiums for Non-Life products.**

In addition, there are the premiums associated with the MV policies, which envisage the installation of a black box, **representing 18.8% of direct premiums for Non-Life products.**

In order to be classed as a "sustainable solution" from an environmental perspective, a product or service must be able to generate a positive environmental impact or respond to concerns regarding the climate, by contributing to climate change mitigation and/or adaptation:

- support for renewable energies, environmental goods and services and infrastructure,
- solutions that encourage or reward behaviour that respects the environment;
- protection or incentives to manage meteorological risks

Climate change and investments

The Unipol Group, even if there is not yet a sharing mechanism at global level regarding the method for calculating climate risk and assessing the opportunities for financial portfolios, launched a process in 2019 to measure its carbon footprint and ensure future climate alignment with the objectives of the Paris Agreement for its financial portfolio, in order to manage and monitor the **alignment of its investment model with the global climate change mitigation targets**. The measurement activities were conducted with the support of Carbon4 Finance[4], whose experts are part of the European Commission's Technical Expert Group on Sustainable Finance (TEG).

Of the metrics that make up the object of the analysis, the main ones are shown in this Report:

Metrics	Object of the measurement	
	Shares & Corporate Bonds	Government Bonds
Intensity of induced emissions (Scope 1, Scope 2 and Scope 3)	measured in **tCO2e/€m enterprise value**[5]	measured in **tCO2e / €m GDP**[6]
Climate alignment	the contribution of the activities of issuers (companies and countries) to global warming, expressed as a temperature, so as to highlight the alignment of the portfolio with the international climate targets from a forward-looking perspective.	

As a projection of the CO2 emissions of the Group's total portfolio at 2030, based on the national contribution determined for each country, considering the current asset allocation and the selection of issuers, there would be a *Climate Alignment* of 2.1°C, caused by the predominance of government bonds in the Unipol portfolio and, of these, of securities issued by European countries. The point of reference to watch to define the development process in this area is the Paris Agreement of 2015, which has the long-term goal of keeping the rise in global average temperature below the threshold of 2°C above pre-industrial levels and to continue with efforts to limit such an increase to 1.5°C[7]. One area of attention in particular concerns the potential contribution to global warming of the portfolio of corporate securities, which, in line with the commitments assumed in the new policy governing the investment processes, will be subject to a monitoring and intervention process to reduce the impact currently measured.

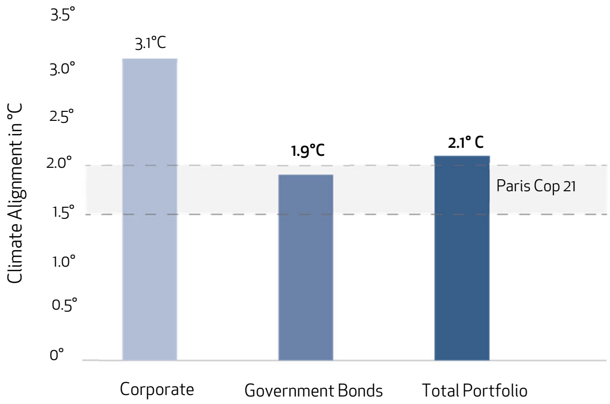
[4] Carbon4 Finance belongs to the Carbon 4 Group, a leading independent consultancy company specialised in low-carbon strategies and adapting to climate change. Carbon4 Finance is a spin-off focused on providing climate data solutions for investors and credit institutions.

[5] For each of the Companies in the portfolio, the intensity of the total induced emissions was calculated, obtained from the annual direct and indirect emissions (Scope 1, Scope 2 and Scope 3) caused by the Company's activities in relation to the value of the business (Market value capitalisation + Total debt - Liquidity). This value is then multiplied by the exposure of the Group's portfolio to the Company, this obtaining the emissions quota attributable to the Group's portfolio. The sum of all the emissions quotas of the corporate issuers expresses the total induced emissions of the portfolio, i.e. its carbon footprint.

[6] According to the same logic described in the previous note, the intensity of the induced emissions calculated in relation to the GDP of the countries is assigned to the Group's portfolio based on the debt share of the state subscribed in the portfolio. The sum of the state emissions expresses the total induced emissions in the Group's sovereign portfolio, i.e. its carbon footprint.

[7] In order to have a point of reference with respect to the current global situation, the Intergovernmental Panel on Climate Change (IPCC) has estimated that, if emissions continue to grow according to current rates, the rise in temperature may reach 4°C higher than pre-industrial levels by 2100 (RCP 8.5); on the other hand, if only limited containment measures are implemented, with a rise in emissions until 2080 and then a reduction (RCP 6.0), the increase could exceed 3°C.

Climate impacts of the investment portfolio



Intensity of induced emissions

Corporate	159,18 tCO2/M€ invested
Government Bonds	85,39 tCO2/M€ in debt acquirred
Total Portfolio	92,93 tCO2/M€ amount invested

As regards the composition of the portfolio, the Group has calculated how much of its investments are "carbon-related" assets.

"Carbon-related" assets in the Corporate portfolio *	Amount (in €m)	% of Total portfolio**	% of Corporate portfolio**
TOTAL	996	1.8%	7.4%
of which EQUITIES	105.8	0.2%	0.8%
of which CORPORATE BONDS	890.2	1.6%	6.6%

*"Carbon-related" assets refer (according to the definition suggested in the TCFD Recommendations) to those connected with the Energy and Utilities sectors (according to the Global Industry Classification Standard - GICS), excluding Water Utilities and Independent Power Producers (IPP) and Renewable Energy Producers.
**The percentage refers to the portfolio of listed securities of the Unipol Group at 30 September 2019.

In relation to the process for assessing investments based on defined ESG criteria, at 31 December 2019, 16 companies with insufficient environmental performance were excluded from the new investments.

These exclusions do not yet take account of the exclusion criteria defined in the SRI Investment Policy (approved on 19 December 2019) regarding companies connected with mining and generating electricity from thermal coal, which will thus become subject to the assessment process from 2020.
There were only 3 such companies present in the portfolio at the end of 2019, representing an extremely marginal value of the Group's investments, namely 0.09% of the portfolio total.

The management of the Group's financial portfolio also led to the creation of shared value through the lever of Responsible Asset Management.
In this area, Unipol has a structure dedicated to the making and management of **alternative investments**, of which private equity, real assets and hedge funds form a part, selected through appropriate due diligence aimed at identifying activities which also have value in terms of SRI. The process envisages that, in addition to traditional financial analysis, socio-environmental and governance criteria will be analysed and sustainability risks with a potential reputational impact mapped.
Investments with these characteristics grew overall by **18.1%** in 2019 and total €385.3 million.
A significant portion of these contribute to climate change mitigation and adaptation, in the following areas in particular:

- renewable energy and eco-efficiency, with investment of €274.2m (71% of the total), up by **22.8%** compared with 2018;
- sustainability mobility, with investment of €33.4m (+2%);
- sustainable forestry management, with investment of €22.3m (+4%).

Environmental impacts

For the measurement of climate-changing emissions, the calculation methodology adopted is that laid out in Directive EU/85 of 2003 on the emission trading scheme, in addition to the international classification laid out by the GHG Protocol standard l – and evoked in the GRI Standards (Global Reporting Initiative) – in Scope 1, Scope 2 and Scope 3. This approach fosters greater transparency and comparability of environmental data, including in comparison with other Companies.
Performance is monitored by applying the *location-based* criterion for indirect emissions (Scope 2): on a like-for-like basis compared with 2018, 2019 saw an overall reduction in CO_2 emissions of 4.4%, a total of 48,648 t CO_2 equivalent (3.94 t CO_2 per employee).

Since 2015, electricity supply contracts signed envisage that **100% of power supplied in Italy is from renewable sources**.

The reporting of indirect emissions (Scope 3) include those generated by employee travel and transfers (equal to 4,313 tonnes CO_2 eq, marking a decrease of 10% over 2018) and those generated by the transfers of customers with telematics devices (equal to 7,478,795 tonnes CO_2 eq).

The process of certification and surveillance according to the ISO 50001 standard by the independent body which periodically evaluates the management and operating procedures concerned the commitment to cut electricity and thermal consumption every year. The data relating to the scope of the ISO Certification, which includes the headquarters, properties for third party use and properties for settlement activities ("CLG" or Group Settlement Centres), show a total annual reduction in consumption of 4.0% for 2019.

Consumption was also impacted by actions to improve the efficiency of IT structures, one of the main sources of energy consumption after the heating and cooling systems. The server virtualisation process, which has now been completed, has made it possible to reduce the consumption of electricity to power and cool IT equipment by roughly 26,435 MWh/Year, corresponding to around 8,526 tonnes of CO_2 avoided.

Direct emissions (Scope 1)
9,980 t CO_2 eq

Gas	Diesel	LPG
4,556,808 m³	216,887 Lt	195,188 Lt
156,207 GJ	7,812 GJ	5,042 GJ

Emissions from purchase of energy (Scope 2)
38,668 t CO_2 eq

District heating District air conditioning	Electricity
28,491 mWh	93,995 mWh
102,566 GJ	338,384 GJ

Total emissions*
(from property)
48,648 t CO_2 eq

* The scope of interest compared to the 2018 reporting period was expanded, with the inclusion of the operating sites of the Medical business, while consumption and emissions were not reported for the Banking business offices, as the sale of Unipol Banca to BPER Banca was completed on 31 July 2019, or for the operating sites of the company CarServer, acquired by UnipolSai in the second half of 2019. Therefore, for 2019, the consumption of electricity, gas and other energy sources for all other buildings over which Unipol has direct control is accurately determined, from the operating sites, to the diversified companies, such as Tenute del Cerro and Marina di Loano, and also the properties in which the UNA Group carries out its activities and the offices in Serbia.

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