UNIPOL AND CLIMATE CHANGE

Reporting climate-related information

Unipol and climate change

2020

Contents

Letter from the Chairman

2020 was a year marked by a series of very important achievements in the fight against climate change, particularly in Europe: the proposal for a European climate law, the EU's biodiversity strategy for 2030, the 2030 climate target plan, which increased the targets for reducing the EU's greenhouse gas emissions to at least 55% by 2030 compared to 1990 levels, and lastly the European Climate Pact. Ambitious but necessary objectives have been set to activate adequate climate change mitigation and adaptation processes which, to be effective, will require the contribution of all parties involved: public institutions, the private sector, the world of research, civil society and local communities. At the same time, the coronavirus pandemic has further emphasised the intrinsic connection between climate change, the protection of nature and human health, highlighting the importance of protecting and restoring biodiversity and the proper functioning of ecosystems to prevent the future appearance and spread of new diseases. Indeed, the Group has undertaken an internal research and analysis process to identify connections in its own business and identify areas for improvement.

As reaffirmed by the new EU strategy on adaptation to climate change, published at the end of February 2021, the world of insurance is and will continue to be a crucial player in the fight against climate change in its three-way role as protection agent - along with other public players - as well as risk manager - in order to reduce the risks linked to the climate and boost climate adaptation and the resilience capabilities of the most vulnerable parties - and, lastly, as an institutional investor to allocate the necessary financial resources for the mitigation of and adaptation to climate change. Since 2012, the Unipol Group has decided to adopt a public commitment in this regard to best meet these obligations.

We are increasingly realising that climate change and the biodiversity crisis are intrinsically linked. Identifying, evaluating and managing the risks and opportunities linked to climate change and nature in the broader sense is a process of fundamental importance for the financial sector, considering the multi-faceted role that it plays in these matters. Therefore, in November 2020, the Unipol Group reinforced its commitment in this regard and became a supporter of the Task Force on Climate-related Financial Disclosures (TCFD). A public assumption of commitments which will mark a significant step forward on the path embarked upon many years ago in the reporting of information linked to the environment and the climate.

Pierluigi Stefanini

Introduction

In line with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the European Commission's "Guidelines on reporting climate-related information", this report is intended to supplement and provide further detail to the climate-related financial information already published in the Integrated Annual Report and Consolidated Financial Statements of the Unipol Group, to provide a schematic interpretation which allows for an improved understanding of how the Unipol Group governs, identifies, evaluates and manages the risks and opportunities linked to climate change. This report also illustrates an expansion of the approach dedicated to such matters, which needs to consider the interconnection between climate risks and risks associated with nature and biodiversity loss.

To facilitate the reading of this report, the reporting outline proposed by the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) were followed as much as possible.

TCFD/NBGL SUMMARY TABLE			NON-FINANCIAL INFORMATION REPORTING DIRECTIVE (NON-BINDING GUIDELINES)				
			BUSINESS MODEL	POLICIES AND DUE DILIGENCE PROCESSES	OUTCOMES	PRINCIPAL RISKS AND THEIR MANAGEMENT	KPIs
TCFD RECOMMENDED DISCLOSURE	GOVERNANCE	a) Board's oversight		Governance around climate-related risks and opportunities Stakeholder engagement on topics connected with climate change			
		b) Management's role					
	STRATEGY	a) Climate-related risks and opportunities				Climate strategy and identification, assessment and management of climate-related risks and opportunities	
		b) Impact of climate-related risks and opportunities	Climate strategy and identification, assessment and management of climate-related risks and opportunities				
		c) Resilience of the organization's strategy					
	RISK MANAGEMENT	a) Processes for identifying and assessing climate-related risks.					Climate strategy and identification, assessment and management of climate-related risks and opportunities Products and services to tackle climate change
		b) Processes for managing climate-related risks					
		c) Integrated into the organization's overall risk management					
	METRICS AND TARGETS	a) Metrics used to assess climate-related risks and opportunities					Targets and Indicators
		b) GHG emissions			Targets and Indicators		
		c) Targets					

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.

In this respect, the **Board of Directors** performs a dual role of strategic catalyst and supervision.

At strategic level, the 2019-2021 Three-year plan "Mission: Evolve" fully integrates the Group's sustainability strategy and contains climate-related targets to be reached through the key business levers, i.e. investment, underwriting activities and real estate. Furthermore, by approving the **Sustainability Policy**, the Board of Directors also defines the Group's commitments and ambitions on the fight against climate change. This Policy, updated in February 2021, outlines 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 clearly affirms the Group's commitment to reaching the objectives set by governments in the Paris Agreement.

At supervisory level, the Board of Directors approves the Integrated Annual Financial Statements and the report on non-financial information contained therein, which reports on the progress achieved as regards climate-related targets and respect for the Sustainability Policy. Furthermore, the roles of the governance bodies as regards the risks and opportunities connected with climate change have been formalised in the Sustainability Policy:

- The **Unipol Group's Sustainability Committee** provides support to the Board of Directors in defining the model for identifying, evaluating and managing the main ESG risks, including in particular those linked to the climate, their impacts on the business strategy and active policies for achieving the objectives of the Paris Agreement, as well as in defining commitments and monitoring indicators. 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, the sustainability report and the report on climate-related information;
- The **Parent Company's Control and Risk Committee** examines the model for identifying, assessing and managing the main ESG risks, including, in particular, those related to the climate, and their impacts on the business strategy. In September 2020, the Chief Risk Officer and the Sustainability Manager presented a detailed update of the Group's approach to the management of ESG risks to the Control and Risk Committee, emphasising a systematic method for evaluating and prioritising ESG risks according to a dual materiality approach (risks incurred and generated) and the management of such risks in the various business areas (investments, underwriting and supply chain). Particular attention was dedicated to risks linked to climate change.

The Group has defined processes that envisage the involvement of **Top Management** (through the Group Risk Committee) and the **key functions in areas of specific expertise** for adopting decisions on the management of particularly important ESG risks, especially those linked to the climate, due to the potential impact and size of potential transactions in which they emerge, and for the development of a joint vision on the integration, updating and adaptation of the Policies and on additional initiatives associated with the control of ESG factors:

- the **Group Risk Committee**[1], 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 Objectives of the Paris Agreement. The Group Risk Committee may also be activated by the competent Functions during the application of Policies for monitoring ESG and climate risks if it is necessary to decide on the assessment of specific critical factors;

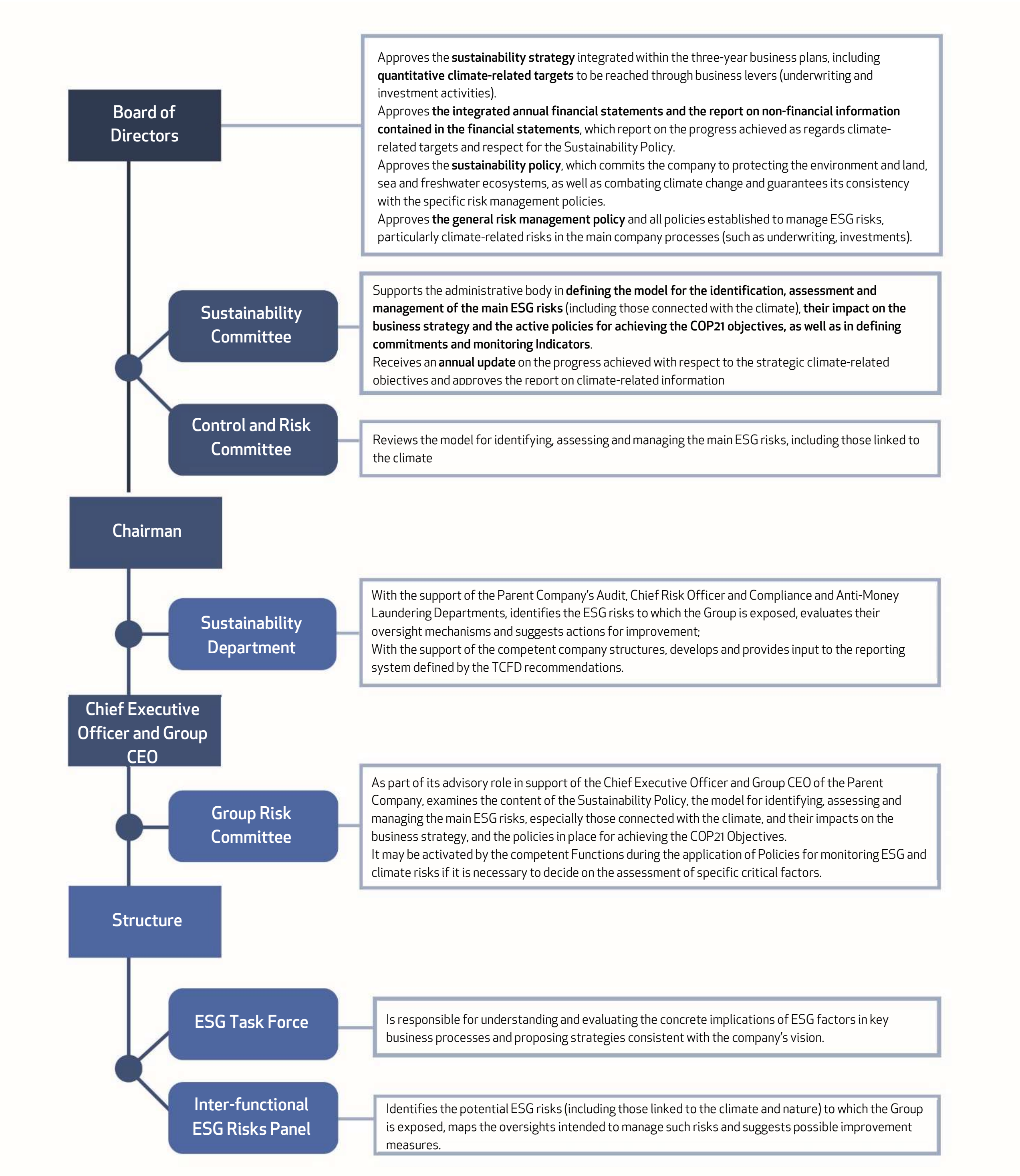
[1] Composed of the Chief Executive Officer and Group CEO, Insurance Group General Manager, Group General Manager, Business Development and Corporate Communication General Manager, Administration Controlling and Operations General Manager, Chief Investment Officer, Chief Risk Officer, Chief Regulation and Economic Studies Officer, Chief Strategic Planning and Organisation Officer.

- the **ESG Taskforce**[2], created in 2019, is responsible for understanding and evaluating the concrete implications of ESG factors in key business processes and proposing strategies consistent with the company's vision;
- the **Sustainability Function**, which reports to the Chairman, is responsible for the adequacy and completeness of the Sustainability Policy and checks the suitability and effectiveness of the measures undertaken to uphold the commitments assumed, including as regards climate change, protection of the environment and biodiversity (also through an initial identification and assessment of any critical situations); 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;
- the **Inter-functional ESG Risks Panel**[3] 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.

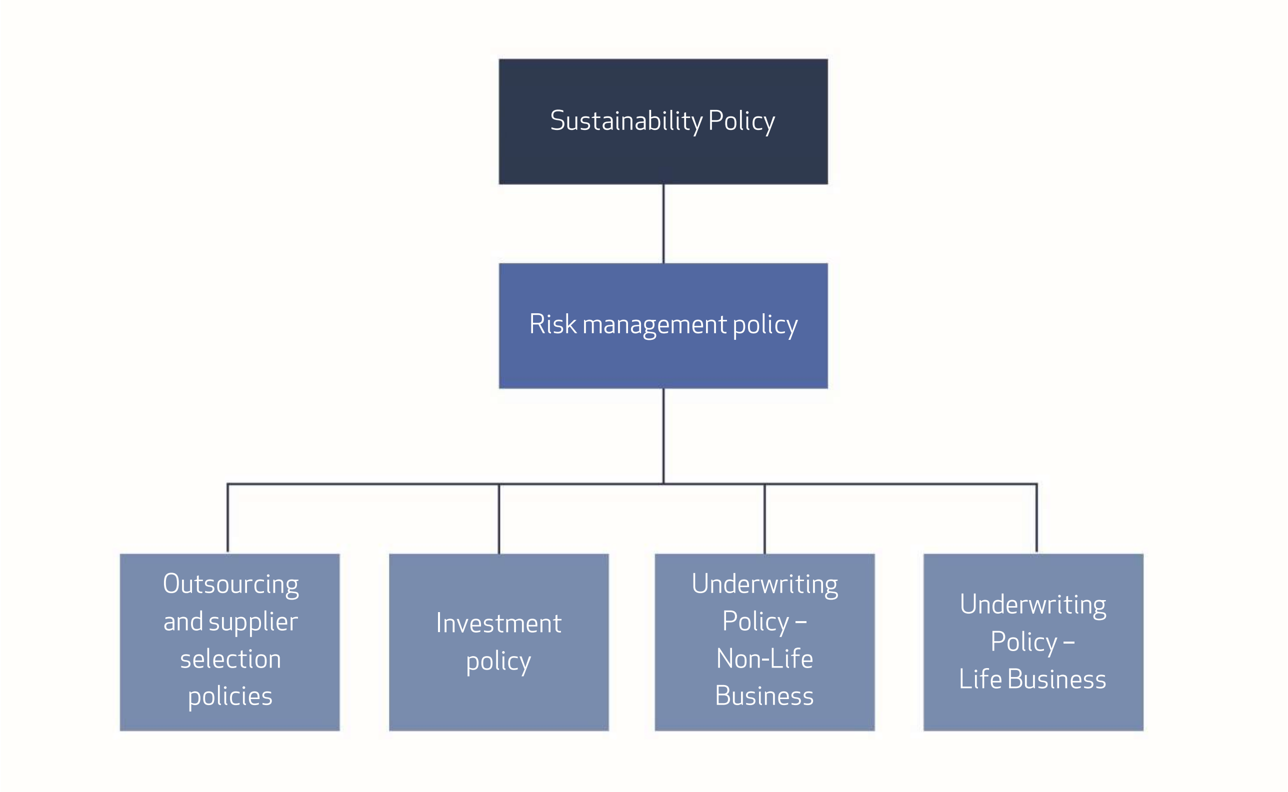
[2] Composed of Unipol Gruppo/UnipolSai departments/functions that play a key role in understanding and managing investment and underwriting-related impacts: Finance Department, Real Estate Department, Chief Risk Officer, Chief Property & Casualty Officer, Chief Life and Heath Officer, Chief Innovation Officer, Sustainability Function.

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

Governance of ESG topics



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.



In 2020, the Group worked to:

- enhance the control and monitoring systems for commitments already defined in some of the specific risk management policies;
- update and expand the commitments, where appropriate on the basis of developments in internal awareness and the external context (legislative and regulatory, market);
- identify new areas of integration of ESG factors as further commitments are undertaken.

Climate strategy and identification, assessment and management of climate-related risks and opportunities

The recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) present the reporting of the actual and potential impacts of climate-related risks and opportunities on activities, the strategy and financial planning ("Strategy") and the processes used by the organisation to identify, evaluate and manage climate-related risks ("Risk management") as two distinct areas. However, considering the numerous interconnections between these two areas within the organisation, we have decided to report on them in the same chapter to facilitate reading and understanding.

The Unipol Group's strategic action areas on climate-related risks and opportunities

In its position paper entitled "Unipol for the climate", published in 2015, the Unipol Group stated its vision for the respective roles to be undertaken by public entities and insurance companies to manage the growing risks from climate change and to meet the expensive compensations necessary, proposing a model for the prevention and management of catastrophic weather events based on a public/private collaboration, which adopts insurance mutuality mechanisms. This vision was based in particular on the analysis conducted in the position paper, starting from the scenarios outlined by the IPCC and studies carried out by the European Environment Agency on the expected impacts of climate change in Italy, the main market for Unipol Group business.

In the Sustainability Policy, approved by the Board of Directors, the company commits to protecting the environment and land, sea and freshwater ecosystems, as well as combating climate change, which represent one of the main risks to which its activities are exposed. This commitment was then broken down into the different Group policies so as to specify guidelines for the main areas of action. Furthermore, in keeping with previous strategic plans, the risks and opportunities linked to climate change have been integrated within the 2019-2021 Strategic Plan, which contains objectives linked to the mitigation of and adaptation to climate change in relation to the Group's three macro-areas of action.

	2021 TARGET	DESCRIPTION OF THE GOAL
IMPACT OF PRODUCTS WITH ENVIRONMENTAL AND SOCIAL VALUE	**Increased penetration for products with a social and environmental impact in the overall** insurance portfolio.	The Group is committed to focusing carefully on insured risks, by promoting the adoption of sustainable practices (in particular, the prevention and management of climate change-related risks), especially among small and medium-sized enterprises, which are less culturally and technically equipped, to boost their capacity to adapt to climate change. The Unipol Group also provides its expertise and know-how to various types of entity to increase Italy's resilience to climatic phenomena. Lastly, for underwriting activities, the Group plans to decarbonise the customer portfolio. Underwriting policies for the Non-Life and Life Businesses exclude from the underwriting activities companies that derive the majority or a significant part of their earnings from coal mining activities and companies that adopt unconventional mining practices. The Three-year Plan envisages 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 environmental and social value (including those which contribute to mitigating and adapting to climate change) in the overall insurance portfolio (the target is a 30% increase in 2021).
FINANCE FOR SDGs	**Increase in the amount of thematic investments for SDGs.** *Investments to support the 2030 Agenda, in accordance with the European criteria for sustainable finance.*	The Group supports the transition to a low-carbon economy through responsible investments and engagement activities with investees that have a significant climate impact. The Investment policy includes the a priori exclusion from new investments of those Corporate Issuers that obtain 30% and 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 regime. In order to achieve climate neutrality in its portfolio, Unipol has planned for a periodic reduction of the admissible earning ceiling dependent on thermal coal by the investee Corporate Issuers, and expects to complete disinvestment in coal by 2030. The Strategic Plan calls for an increase in the amount of thematic investments for SDGs, including those linked to the mitigation of and adaptation to climate change (objective of €600m invested to support the 2030 Agenda in 2021).
CO_2 EMISSIONS/ EMPLOYEE	**Average production of CO_2 per employee** for all Group companies.	With the "Guidelines for responsible investment activities", the Group outlines its commitment to decarbonising its real estate assets, in line with the commitments made in the last three Strategic Plans on environmental responsibility and combatting climate change. As regards the environmental impacts of the buildings, the three-year real estate plan strategy is based on three axes: **Projects (investments):** all activities relating to new buildings or significant renovations of existing properties (properties for business use and properties for use by third parties) are characterised by the use of technologies designed to maximise energy savings, also by relying on renewable energy; **Facility Management / maintenance of existing buildings**: the Group's total real assets amount to nearly €4bn. The objective is to constantly improve energy efficiency through plant maintenance and upgrades (as regards properties for business use as well as those for third party use); **Implementation and continuous consolidation of an energy management system certified according to the ISO50001 standard certification process**, which calls for a commitment to annually reducing electricity and heat consumption, applied across all of UnipolSai's real estate assets. The Three-year plan calls for a 7% reduction in the average production of CO_2 per employee for all Group companies by 2021

The results achieved by the Unipol Group with respect to these three goals at the end of 2020 are described in detail in the section "The Group's climate-related objectives".

Following the "dual materiality" approach outlined by the European Commission in its Guidelines on reporting climate-related information, the main climate-related risks and opportunities are identified and reported on in terms of aspects impacting the business model from the financial perspective as well as factors that are relevant from the environmental and social point of view, and on which the organisation has a significant impact.

Impacts on the environment

Indirect impacts

CUSTOMER
Emissions generated by travel of customers and Unipol Rental LTR vehicles
Climate impacts of the investment portfolio

AGENTS AND EMPLOYEES
Emissions generated by agencies and employee travel and trips

Direct impacts

ENERGY
Total emissions (from property)

WATER
Total water consumption

WASTE
Tonnes of waste generated

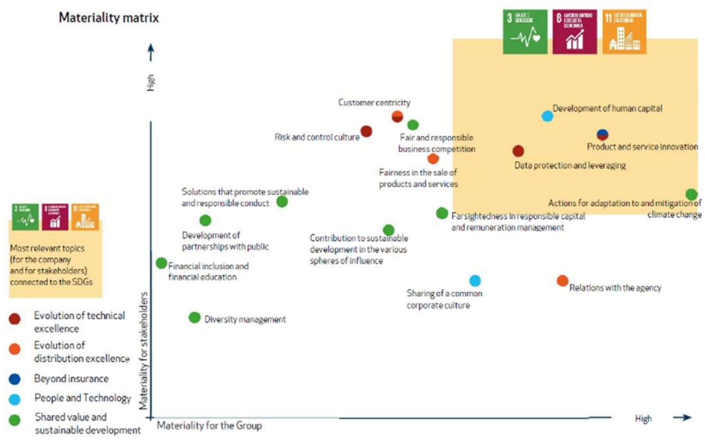
Contribution to mitigation and adaptation

ENERGY
Commitment to continuously improve the energy efficiency of existing real estate assets (ISO50001) and carrying out real estate development activities oriented towards the utmost energy self-sufficiency)

CUSTOMER
Insurance business: design and sale of Non-Life products and customer services correlated with mitigation of and adaptation to climate change
Investments: Selection in investment sectors with a predilection for the Green Economy & Green Bonds

SUPPLIER
Dematerialisation and green procurement

ENVIRONMENTAL & SOCIAL MATERIALITY



FINANCIAL MATERIALITY

Risks

Risk areas	Risk
Climate change and biodiversity loss - Physical risks	Increased technical and credit risk due to an increase in the frequency and seriousness of claims connected with the consequences of climate change (acute and chronic physical risks) and biodiversity loss, including pandemic events
	Non-insurability of climate-related risks due to poor resilience of society
	Damage to Group property and assets and business continuity risk for Group sites and agencies / Damage relating to the interruption of the supply chain (operational risk)
Climate change and biodiversity loss – 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 sustainable low CO_2 emission economy (financial risk)
	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 CO_2 emission economy is deemed insufficient by stakeholders (reputational risk)

Opportunities

ENERGY
Investments for urban redevelopment oriented towards making cities more sustainable, investments for energy re-qualification of existing real estate assets

CUSTOMER
Insurance business: premiums drawn from the sale of Non-Life products and customer services correlated with mitigation of and adaptation to climate change
Thematic investments

Identification and oversight of climate-related risks and opportunities

The updating of the Risk Management Policy in 2019 resulted in the integration of ESG risks within the Group's ERM Management Framework. The Policy defines the risk management process with reference to the identification, current and forward-looking assessment and control and mitigation of risks. Within the risk management framework, the Unipol Group identifies and oversees ESG risk factors in terms of

i) impact on underwriting risks,

ii) in connection with risks relating to investments,

iii) with a view to focusing on emerging risks relating to environmental, social and governance aspects and,

iv) in terms of the potential impact at the level of reputational risks.

Amongst the seven major ESG risk areas, particular attention is devoted to climate change (in terms of physical and transition risks), which is managed throughout the value chain, with particular reference to underwriting and investment activities.

As regards the **identification and forward-looking assessment of ESG risks**, the Reputational & Emerging Risk Observatory was been established within the Parent Company's Risk Management Function 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 and, subsequently, in 2020, the assessment of the short- and medium/long-term impacts of the pandemic crisis. Climate change is highlighted as one of the main trends impacting the Group and is analysed in terms of physical risks (acute and chronic), transition risks and the risk of a vicious cycle between climate change and biodiversity loss ("nature-related" risks), with impacts on health as well. In the 2020 edition of the Paper on emerging macrotrends, a good 4 "to watch" topics were dedicated to climate change, from the chronicisation of climate events to the climate transition and food production, nature and biodiversity, to expand the outlook and deal with this important challenge in a holistic and global manner.

As regards the **identification and current assessment of ESG risks**, in 2020, the Inter-functional ESG Risks Panel further refined and updated the mapping of the main risks linked to climate change and biodiversity loss for the Unipol Group and the relative controls:

Risk areas connected with ESG factors	Risk	Topic identified by the materiality matrix	Main existing regulatory and strategic oversights
Climate change and biodiversity loss - Physical risks	Increased technical and credit risk due to an increase in the frequency and seriousness of claims connected with the consequences of climate change (acute and chronic physical risks) and biodiversity loss, including pandemic events Time frame: medium-term*	Climate change adaptation and mitigation actions Solutions that encourage socially responsible and sustainable behaviour	• Sustainability Policy • Risk Management Policy • Reinsurance and Other Risk Mitigation Techniques Policy • Operational Risk Management Policy • Business Continuity Policy • Business Continuity Plan • 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 climate-related risks due to poor resilience of society Time frame: medium-term*	Climate change adaptation and mitigation actions	
	Damage to Group property and assets and business continuity risk for Group sites and agencies / Damage relating to the interruption of the supply chain (operational risk) Time frame: medium-term*	Climate change adaptation and mitigation actions	
Climate change and biodiversity loss - 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 sustainable low CO2 emission economy (financial risk) Time frame: medium-term*	Climate change adaptation and mitigation actions	• Sustainability Policy • Risk Management Policy • Investment policy - Guidelines for responsible investment activities • Underwriting Policy – Life and Non-Life Businesses

	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 frame: short-term*	Contribution to sustainable development in the various spheres of influence (investments, customers, suppliers)	• Integrated Reputation Management System • *2019–2021 Strategic Plan, "Shared Value and Sustainable Development" Guideline*

* *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).*

As shown in the table above, 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 Group value creation process (both upstream and downstream) and to mitigate 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.

Specifically, in 2020, the following oversight activities were carried out on the policies. The analysis focused particularly on policies handling risks linked to the environment and climate change:

Underwriting policies - Non-Life Business and Life Business ***2020 activities:*** • ***control***	With reference to the sectors that present potential high exposure to ESG risks, the Underwriting policy - Non-Life Business includes two possible approaches: • exclusion from the parties and/or risks that the Group insures, when the sectors to which potential customers belong have ESG risks that are not compatible with the Unipol Group's approach to sustainability and risk management objectives. • the initiation of an assessment process that results in a decision on whether to move forward with the commercial relationship with the potential customer, once the ESG risks connected to the methods for managing activities within a series of sensitive sectors are considered. The Underwriting Policy - Life Business identifies, in relation to investment products, specific limitations in relation to sectors whose risk of generating negative impacts on ESG factors (and the resulting reputational risk) make them incompatible with the approach to sustainability and the risk management objectives of the Unipol Group. The exclusions and assessment process do not apply in cases of underwriting products that protect the employees of policyholder legal entities in the event of illness and accident, according to the social role they hold with respect to the individuals in question. In 2020, specifically with reference to ESG risk oversight in the Life Business, an evaluation process was defined as governed in the Management and sales network operating rules, which calls for a process of engaging a range of corporate players, over successive steps, for the management of critical or doubtful situations. In the Non-Life Business, processes and instruments were activated to oversee the application of the Policy, which in 2021 will be formalised in specific company documents. Investigations were performed with the involvement of the Sustainability Function, by performing detailed audits on exposed situations in collaboration with the company structures concerned. Overall, at the end of 2020, a total of 8 cases had been handled, none of which regarded topics linked to the environment or the climate.
Investment policy ***2020 activities:*** • ***update***[4] • ***control***	The Investment policy and, in particular, its annex "Guidelines for responsible investment activities", promotes the integration of ESG factors within investment decision-making processes. In this context, inter alia, the investment strategies adopted in decision-making processes relating to **financial investments** are defined (screening based on International Conventions, exclusions, thematic and impact investments) as well as

[4] The new version of the SRI Investment Policy was approved by the Unipol Gruppo Board of Directors on 11 February 2021.

	the way ESG factors are integrated within **real estate investment** decision-making processes. Furthermore, with regard to financial investments: • alongside the conduct-based and product-based exclusion strategies, the need has been formalised to take **elements linked to ESG considerations** into account in selecting the corporate and government issuers in which to invest; • a specific approach has been defined for the management of climate change-related risks, establishing that the Group, inter alia, should support the transition towards a low carbon emissions economy by making responsible investments and apply "selective" exclusions (as described in the section above "The Unipol Group's strategic areas of action on climate-related risks and opportunities"). Real estate investment commitments range from an assessment of ESG aspects during the investment selection phase, to privileging urban renewal initiatives in which the characteristics and current and future needs of the communities concerned should be carefully considered, and the decarbonisation of the real estate portfolio, with the planning of actions aimed at continuous performance improvement. In 2020, the application of Guidelines led to the identification of **463 Issuers excluded** from the universe in which the Group may invest, including 316 Corporate Issuers and 146 Government Issuers. Out of the 316 Corporate Issuers excluded, 153 Issuers excluded were considered ineligible for reasons linked to the environment (particularly as regards the mining of or the generation of energy from thermal coal).
Outsourcing and supplier selection policy ***2020 activities:*** • ***control***	The Outsourcing and supplier selection policy requires fair and responsible stakeholder management requirements to be evaluated within supplier selection criteria. Suppliers must make a commitment to respect the **Supplier Code of Conduct** for responsible procurement (or the "Code"), adopted at the end of 2018 and inspired by the principles of the *United Nations Global Compact* and ISO20400[5]. The Code outlines what Unipol expects from its suppliers on the protection of human and workers' rights, protection of the environment and the fight against corruption and envisages - amongst other aspects - the right of Unipol to check the supplier's processes and structures to verify their compliance, as well as apply penalty mechanisms if they continue not to comply with the Code. Suppliers, except for the Public Administrations and independent freelancers (whether or not they are members of professional bodies), are asked to sign the CdCF when signing or renewing their contract. At the end of 2020, contracts that include the Supplier Code of Conduct covered **50% of total procurement expenses**[6] (+10pp over 2019). In 2020, the Procurement Department called on the Sustainability Department in **15 in-depth preliminary inquiries** with regard to Suppliers who, in some cases had submitted documentation proving their readiness and commitment to meet the sustainability requirements established in the Supplier Code of Conduct as an alternative to underwriting the Code itself. The actions taken (that concerned 58% of the suppliers operating in the Information Technology sector) were successfully completed.

[5] ISO standard which provides orientations to organisations, irrespective of their business or size, on the integration of sustainability within their purchases
[6] The Code of Supplier Conduct does not apply to purchases of the company UnipolRental governed by specific contractual agreements. The Parent Company retains the right to decide whether to extend the principles of the Code of Supplier Conduct on the basis of risk-based assessments and to the extent to which this is compatible with specific sector regulations.

Assessment of the impacts of climate-related risks and opportunities on the company strategy and the business

The Risk Management System adopted by the Group is inspired by an Enterprise Risk Management logic (ERM Framework). This means it is based on the consideration, with an integrated approach, of all the current and prospective risks the Group is exposed to, assessing the impact these risks may have on the achievement of the strategic objectives.

In order to pursue these high-level objectives, the approach adopted considers the need to reconcile the demands of the different stakeholders. In particular, the Risk management system must meet:

- the requirement to safeguard the assets and reputation of the company;
- the requirements of safety and solvency;
- the target rating;
- the need to diversify risks and ensure adequate liquidity.

Based on these principles and in order to pursue the assigned objectives, the risk management system is designed around a fundamental concept: Risk Appetite.[7]

In line with said principles, the Companies in the scope maintain adequate levels of:

- capitalisation, to avoid revising strategic decisions;
- liquidity, to be able to meet one's commitments even in periods of stress due to company-specific or market-wide events under reasonable conditions and in a reasonable time;
- monitoring of reputational risk, in order to protect our trust capital and minimise the risk of negative events that compromise the perception of the Group by its reference stakeholders;
- monitoring of emerging risks to anticipate the arising of risks that can damage the capital strength or business model sustainability, and arrange for their management;
- monitoring of ESG risks, so as to preserve the capacity to create value over time of the Group and its stakeholders by mitigating environmental, social and governance impacts;
- monitoring of operational risk in order to ensure, even in the case of extreme events, the continuity of business transactions and the safeguarding of corporate assets.

In quantitative terms, the Group's Risk Appetite is determined on the basis of the following elements:

- Capital at risk;
- Capital adequacy;
- Liquidity/ALM ratios.

Quality objectives are defined in reference to compliance, emerging, strategic, reputational, ESG and operational risks.

The Risk Appetite is formalised in the Risk Appetite Statement, which indicates the risks that the Group and/or individual company intends to assume or avoid, sets the quantitative limits and the qualitative criteria to be taken into account for the management of unquantified risks.

[7] The definition of Risk Appetite is based on the following general principles:

- the objective is not to eliminate risks but to manage them in such a way as to ensure sustainable, long-term growth;
- the components of the risk profile most important to guarantee the security and protection of customers, employees and the market are: capital strength, adequate liquidity and a sound reputation;
- it is necessary to create fair relations with all the stakeholders, satisfying their demands and expectations in terms of risk management.

The Risk Appetite fits within a reference framework, the Risk Appetite Framework (RAF), which is defined in strict compliance and prompt reconciliation with the business model, the Strategic plan, the ORSA/ICAAP process, the budget, company organisation and the internal control system.

The risk management policy defines Risk Appetite governance in terms of periodic monitoring and escalation processes, identifying roles and responsibilities.

Within climate-related risks, also considering the long-term time horizons, Unipol performs specific stress testing on the basis of which impacts on the solvency position are evaluated deriving from the occurrence of climate scenarios which integrate both the physical risk component and the transition risk component.

ESG risks have been integrated within the risk appetite statement. Particularly as regards the ESG risks generated, a dedicated KRI dashboard was developed in 2020, making it possible to monitor the risk level of each area - environmental, social and governance - while integrating oversight and listening indicators in order to combine the "inside-out" with the "outside-in" view.

Resilience of the company strategy to risks linked to climate change

As regards the impact of climate change on physical risks, a specific stress test framework was implemented and reported on within the ORSA Solvency II 2019 report, particularly with reference to the impact of the severe convective storm (SCS) projections, specifically linked to hail, wind and damage from lightning, in the medium term (2020-2050). Unipol has calculated the statistics for each significant CRESTA zone in which its exposures are located. On the basis of the severity / frequency ratios thus calculated, climate change was incorporated into loss projections. Considering a severe climate scenario (IPCC - RCP 8.5) over a medium-term time projection (2021-2050), an additional expense was estimated of roughly 20% on the average annual losses relating to SCSs.

In the short term, it is a complex endeavour to isolate the impacts of climate change from natural climate variability. The annual duration of insurance policies enables Unipol to gradually incorporate new scenario assumptions within the characteristics of its products, if new evidence emerges, and in this manner mitigate the uncertainty inherent in climate projections.

To offset the possible increase in technical risk due to the higher frequency and severity of claims in light of climate change, the Unipol Group has set up a specific "Atmospheric Events" working group, intended to equip the Group with tools (capital and pricing models, additional alert and prevention systems, new reinsurance cover) capable of supporting the development of products and the underwriting process in a market characterised by increasing demand.

Unipol is also strengthening its partnerships with the main CAT modelling companies by adopting flooding and severe convective storm (SCS) models. Their knowledge on the matter will make it possible to strengthen internal expertise on emerging trends associated with climate-linked risks.

The Unipol Group is also working carefully on the topic of data quality: Unipol has invested resources to seek to best geolocate risks and create data consistent with the input required by the main models.

Lastly, the reinsurance strategy has been adapted to take emerging risks into account. Over recent years, the Group has increased its reinsurance coverage for natural catastrophe events by adopting "annual aggregate" type coverage on medium-sized natural events. To this end, an automatic temporary aggregation algorithm has been developed of the events, which enables investors as well as reinsurers to monitor their trends in real time.

As regards the impact of climate change on transition risks, the Group is initiating a scenario analysis on the investment portfolio on the basis of the scenarios outlined by the Network for Greening the Financial System (NGFS).

Products and services to tackle climate change

Offer of insurance products and services to support customers in mitigating and adapting to climate change

Through its offer of insurance products and services, UnipolSai intends to propose innovative solutions to the market which are aimed at both mitigating and adapting to climate change. Therefore, Unipol, thanks to the support of Leithà, the Group company specialised in the analysis of big data, is improving its meteorological data analysis capacity to continuously increase the sophistication of its pricing model and its predictive analyses.

As regards the mitigation of climate change, please note products for sectors that are favouring the transition towards a lower-emissions economy, such as the "Energia Sole" product for businesses that generate energy from renewable sources, or products that reward virtuous conduct, such as the KM Servizi and KM Sicuri tariffs which - through the "pay as you drive" mechanism - provide a premium reduction based on vehicle use, making it possible to directly reduce the risk of a claim while also pursuing the objective of mitigating climate change thanks to reduced pollution.

The results relating to premiums from the sale of distinctive insurance solutions that integrate economic growth and environmental impact (in terms of the mitigation of and/or adaptation to climate change) are illustrated in the section "Climate change and the insurance business" in the "Targets and Indicators" chapter.

As regards the adaptation to climate change, aside from the DERRIS and ADA projects described below, various services have been developed to favour risk prevention by customers, and as a result reduce potential damages. For example, as regards intense weather events, the Alert Meteo system, developed by UnipolSai in collaboration with DataMeteo® and Leithà, on the basis of a predictive model capable of warning customers in advance of the risk of strong hail, was extended to Linear in 2020. The initial analyses performed on the system's effectiveness showed a positive impact in terms of the decrease in the frequency of claims.

Lastly, the sophistication of the weather data analysis led in 2020 to the development of innovative insurance services.

In 2020, the use, when appropriate, of the Copernicus Satellite Data service was activated for the geolocation and mapping of flood events, helping to identify flooded areas after the event takes place, and as a result the potential damages caused.

Furthermore, as part of the International Foundation Big Data and Artificial Intelligence for Human Development (IFAB) project and in collaboration with the Euro-Mediterranean Centre on Climate Change (CMCC), Leithà has developed the European Extreme Events Climate Index (E3CI), the first index developed in Europe for monitoring and managing the impact of extreme weather events, on the basis of the Actuaries Climate Index® (ACI) developed for North America. The index provides support in identifying the areas concerned by extreme events and a measurement of the severity of such events, constituting important application support for the worlds of finance, insurance and reinsurance, for example in terms of pricing or the development of parametric insurance.

Lastly, in the General Classes, UnipolSai and Leithà have made the new Lorentz advanced weather data collection tool available which, thanks to meteorological radar reporting, allows the settlement structures to optimise claims management by highlighting the location and intensity of the precipitation event that generated the claim. This guarantees quicker investigation times, more precise estimates and the identification of potential fraud.

Activation of public-private partnerships to increase resilience to climate change

In 2020 Unipol continued with its commitment within the framework of LIFE DERRIS, a public-private partnership project through which the Group implemented a consolidated engagement process aimed at SMEs (both UnipolSai clients and others), the Public Administration (Municipalities and Regions), representative organisations (Chamber of Commerce and trade associations) and civil society with regard to risks connected with climate change and the possible risk prevention and management measures for companies. In 2020, a partnership was activated with Legambiente Emilia-Romagna to boost the awareness of all local regional players through the organisation of online meetings and collaboration in the publication of a paper "The climate regards us: future risks in Emilia Romagna". Furthermore, along with CINEAS, guidelines were finalised on the prevention of climate risks, as an operational document intended for SMEs. At the end of 2020, the number of users of the CRAM Tool (free climate-risk self-assessment web tool) had reached nearly 7,000 users (for more than 9,000 sessions).

2020 also saw the launch of the LIFE ADA (ADaptation in Agriculture) project, which aims to increase the resilience of the agricultural sector, through the transfer of knowledge and the development of tools to support the decision-making process in the definition of efficient adaptation plans at farm as well as supply chain level. The project, which will last until December 2023, will involve UnipolSai as lead company and partners such as ARPAE Emilia-Romagna, Cia–Agricoltori Italiani, CREA Politiche e Bioeconomia, Festambiente, Legacoop Agroalimentare Nord Italia, Leithà and the Emilia-Romagna Region. ADA will be implemented initially in Emilia-Romagna and subsequently replicated in Veneto, Tuscany and Lazio, for a total of 6,000 individual farmers in the regions selected and 15,000 farmers at national level. The project's recipients are individual producers and producer organisations ("OPI" producers' organisations and cooperatives) in three areas: dairy/cheese (Parmigiano Reggiano), wine and fruits and vegetables.

Investments

Unipol has a structure dedicated to the creation and management of alternative investments, including *private equity, real assets and hedge funds*, selected through specific due diligence which calls for, aside from traditional financial analysis, an in-depth analysis of socio-environmental and governance criteria and the mapping of sustainability risks which may have a reputational impact.

Investments with these characteristics increased by a total of 58% in 2020, to reach a total of €609.4m. Therefore the objective of €600m invested in support of the 2030 Agenda set forth in the Strategic Plan by the end of 2021 has been met.

Specifically, investments relating to combating climate change and protecting the environment and land, sea and freshwater ecosystems grew by 25% to reach a total of €415.4m.

In the following table, investments are classed based on their positive impact on various SDGs.

Thematic and impact investments

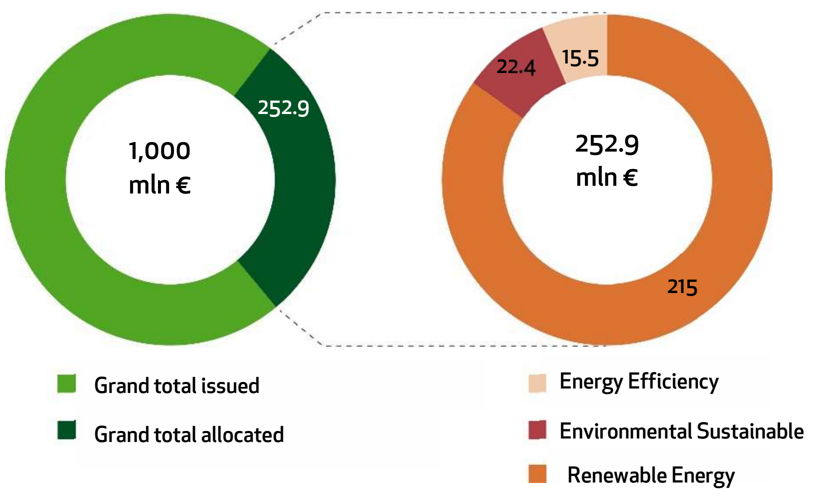
Issues	Value €m 2020	Value €m 2019	△ y-y	SDGs
Renewable energy, eco-efficiency	325.8	274.2	+18.8%	
Sustainable mobility	48.4	33.4	+44.9%	
Sustainable forest management	30.1	22.5	+33.8%	
Water	11.1	2.2	+404.5%	
Total	415.4 m	332.3 m	+25%	

In 2020, Unipol drafted the Group's Green Bond Framework, prepared in accordance with the "Green Bond Principles" published by the International Capital Market Association (ICMA), to define its operating methods in the Green Bond market; the Framework was subject to a Second Party Opinion issued by Sustainalytics.

In September, Unipol Gruppo issued its first Green Bond, a senior unsecured, unsubordinated and non-convertible bond for a nominal amount of €750m, compliant with the Green Bond Framework, maturing on 23 September 2030. The bond received a significant amount of interest from investors, with demand reaching more than four times the amount issued.

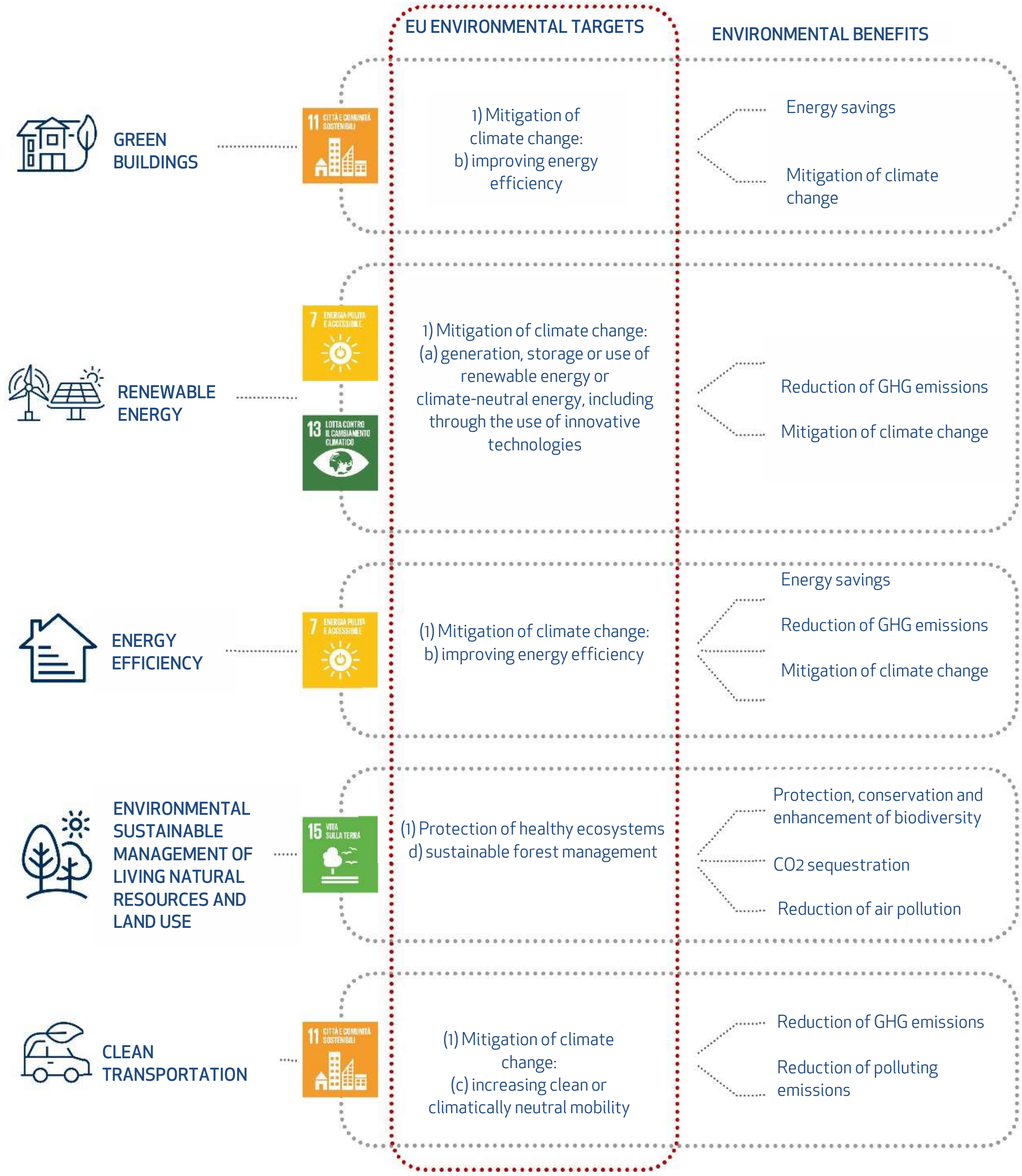
In November, Unipol Gruppo then issued a second green bond for a nominal amount of €250m, reaching a total of €1bn in green issues by the Group.

Green Bond issue and allocation by category



Within the first twelve months of the issue, Unipol will generate an independently certified report precisely reporting on the allocation of income and its impacts. At 31 December 2020, the income allocated to refinancing or the financing of projects consistent with the criteria defined in the Green Bond Framework amounts to more than €250m.

Green Bond Framework – Admissible asset categories and expected environmental benefits



Targets and Indicators

The Group's climate-related objectives

As described previously in the chapter dedicated to Strategy, the 2019-2021 Strategic Plan contains quantitative objectives linked to the climate.

	DESCRIPTION OF THE GOAL	FIGURE AT 31/12/2020	2021 TARGET	SDG
IMPACT OF PRODUCTS WITH ENVIRONMENTAL AND SOCIAL VALUE	**Increased penetration for products with a social and environmental impact in the overall** insurance portfolio.	25.9%	30%	8 DECENT WORK AND ECONOMIC GROWTH; 11 SUSTAINABLE CITIES AND COMMUNITIES
FINANCE FOR SDGs	**Increase in the amount of thematic investments for SDGs.** *Investments to support the 2030 Agenda, in accordance with the European criteria for sustainable finance.*	€ 609.4 mln	€ 600 mln	11 SUSTAINABLE CITIES AND COMMUNITIES
CO_2 EMISSIONS/ EMPLOYEE	**Average production of CO_2 per employee** for all Group companies.	-27.8%*	-7%	13 CLIMATE ACTION

** change 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 calculation. This reduction is partially offset by Scope 3 emissions attributable to the work performed by employees at home, as described in the Chapter "Oversight of the direct and indirect environmental impacts of the Group".*

Climate change and the insurance business

After the year 2019 which was characterised by a significant impact of adverse atmospheric events, linked in particular to the hail events in that summer, the year 2020 was impacted to a lesser extent by claims from atmospheric events, which also had a unit value that was more limited on average. As a result, there was less recourse to the reinsurance structures dedicated to covering natural events. UnipolSai's claims of significant amounts, also not linked to natural events, grew compared to 2019, but did not give rise to excess of loss reinsurance recoveries, as they did not meet the priorities set forth in the treaties.

At 31 December 2020, the *combined ratio* - net of reinsurance was 87.2%, favourably impacted by the traffic limitations imposed by the government to mitigate the spread of the COVID-19 pandemic (94.2% in 2019). This includes 6.6% linked to atmospheric events and major claims, up compared to 2019 (in which it was 5.5%) due to the lower excess of loss reinsurance recoveries.

Combatting the possible increase in technical risk due to the increase in the frequency and severity of claims as a result of climate change is amongst the objectives of the "Atmospheric Events" Project described above.

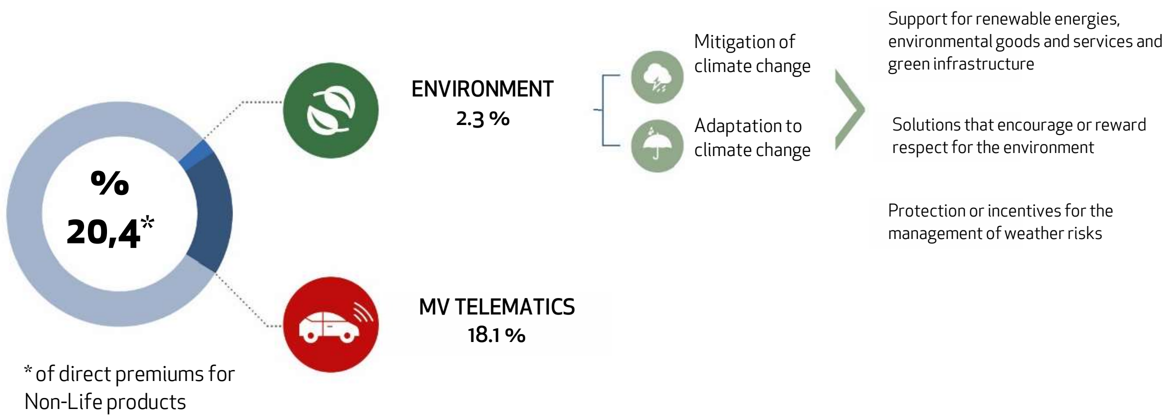
As regards the identification of distinctive insurance solutions that integrate economic growth and environmental impact (in terms of mitigation of and/or adaptation to climate change), the premiums collected in 2020 from the sale of 1,881,475 policies thus characterised totalled €181.5m (compared to €167.8m in 2019), equal to 2.3% of direct premiums for Non-Life products (compared to 2.1% in 2019).

In addition, there are the premiums associated with MV policies, which envisage the installation of a black box, representing 18.1% of direct premiums for Non-Life products (versus 18.8% in 2019).

In order to be classed as a "solution with environmental value", 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.

Impact of products and services with environmental value



Oversight of the direct and indirect environmental impacts of the Unipol Group

Unipol implements the Group's specific policies and commitments to reduce its direct and indirect impacts on the environment, also thanks to the involvement of employees, partners and suppliers, incentivised and supported by the principles, guidelines and controls laid down in the Code of Ethics and Sustainability Policy.

Direct impacts

As regards the year 2020, it is necessary to note that the gradual closure of all operating offices throughout the country starting in March, following the deterioration of the COVID-19 health emergency, triggered a sharp reduction in consumption and the ensuing emissions.

Energy consumption[8]

At the end of 2020, all the property assets of UnipolSai were certified in accordance with the ISO50001 standard certification process and the internal figures of Energy Manager and Mobility Manager represent a further oversight for achieving the Group's objectives. 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 12% for 2020.

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 has made it possible to reduce the consumption of electricity to power and cool IT equipment by roughly 36,663 MWh/Year (26,435 MWh/Year in 2019), corresponding to around 11,825 tonnes of CO2 avoided. Instead as regards purchases of ICT equipment, specific environmental assessment criteria are considered to guarantee reduced levels of consumption of energy and resources and it is requested that the equipment be supplied with the relevant specific energy and green certifications (for example, Energy Star or RoHS).

Aside from the commitment to continuously improve the energy efficiency of existing real estate assets, UnipolSai is also pursuing the goal of carrying out real estate development activities oriented towards the utmost energy self-sufficiency. Since the end of 2020, three of the Group's properties, located in Milan, at corso di Porta Romana, via Gaetano De Castillia and Torre Galfa, obtained the BREEAM IN USE Certification with a level of Excellent, which recognises the integrated approach in the design, construction, management, assessment and certification of different factors that influence environmental, social and economic impacts within the entire lifecycle of the building in question.

Direct impacts linked to energy consumption

Energy consumed	UoM	2020	2019	Change % / p.p.	Notes
Gas	Gj	129,437	156,207	-17%	To better understand the impacts of the pandemic situation on emissions trends, those linked to employee homeworking were also estimated (see Scope 3).
Diesel	Gj	6,543	7,812	-16%	
Agricultural diesel	Gj	4,370	n.a.	-n.a.	
Electricity	Gj	272,001	338,383	-20%	
of which renewable	Gj	249,195	n.a.	n.a.	
of which non-renewable	Gj	22,806	n.a.	n.a.	
LPG	Gj	1,452	5,042	-71%	
District heating/cooling	Gj	86,448	102,566	-15%	

Direct GHG emissions and indirect GHG emissions from energy consumption	UoM	2020	2019	Change % / p.p.	Notes
Tonnes of emissions (Scope 1 + Scope 2 Location Based)	T CO_2 eq	37,829	48,648	-22%	To better understand the impacts of the pandemic situation on emissions trends, those linked to employee
Scope 1 - Direct GHG emissions	T CO_2 eq	8,395	9,980	-16%	

[8] 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 – and evoked in the GRI Standards – in Scope 1, Scope 2 and Scope 3.

Direct GHG emissions and indirect GHG emissions from energy consumption	UoM	2020	2019	Change % / p.p.	Notes
Scope 2 - Indirect GHG emissions from energy purchased (Location Based)	T CO_2 eq	29,434	38,668	-24%	homeworking were also estimated (see Scope 3).
Scope 2 - Indirect emissions from energy purchased (Market Based)	T CO_2 eq	9,148	n.a.	n.a.	

Renewable energy

Since 2015, the signature of contracts for the supply of electricity in Italy requires 100% of supplies to come from renewable sources.

Water consumption

As regards the Unipol Group, the use of water is primarily linked to hygienic and irrigation uses and, in limited cases, also for technological purposes in air conditioning systems. For hygienic uses, the water comes from the mains system or other water service management companies, while the water for irrigation also comes from springs or bodies of water.

Direct impacts linked to water consumption

Water withdrawal	UoM	2020	2019	Change % / p.p.	Notes
Water withdrawal m^3	m^3	1,156,538	1,244,604	-7%	Breakdown by water sources and category not available

Waste management and reduction

For waste management, the Group follows the directives of the various municipalities for collection and disposal and consequently adjusts processes and procedures to enable, where possible, recovery or regeneration; during 2020, services for the recovery of waste paper were optimised with the use of computer platforms for the organisation of waste collection. With respect to the collection of toners and other hazardous waste (neon tubes, batteries, etc.), they are disposed of separately in the appropriate manner, in accordance with regulations in force, through specialised firms and in line with the rules on compulsory record keeping. During the year 2020, 33,000 pieces were acquired, including toners and drum units, of which 9% certified as regenerated.

With respect to toner collection, according to the procedure in place for the Group and peripheral offices (CLGs and agencies), the majority of print-outs and photocopies are generated by multi-function devices managed with cost per page contracts, in which the replacement of consumable toners is included in the maintenance contract. Toner replacement is managed based on the "automatic reorder" approach set on the percentage of 10-15% (depending on the type of multi-function machine) of residual toner. Furthermore, thanks to the "accounting - badge reader" function on the multi-function machines, waste generated by inventories and/or the incorrect procurement of consumables is eliminated.

Direct impacts linked to waste

Waste by type and disposal method	UoM	2020	2019	Change % / p.p.	Notes
Total waste	Tons	413,963	n.a.	n.a.	
Non-hazardous waste	Tons	409,144	n.a.	n.a.	
of which recycled/recovered	%	91%	n.a.	n.a.	
of which disposed of in the landfill	%	9%	n.a.	n.a.	
Hazardous waste	Tons	4,819	n.a.	n.a.	
of which recycled/recovered	%	96%	n.a.	n.a.	
of which disposed of in the landfill	%	4%	n.a.	n.a.	

Direct impacts in brief

DIRECT IMPACTS

Energy

TOTAL EMISSIONS* (from property)

17,542 t CO_2 eq (market-based)

37,829 t CO_2 eq (location-based vs **48,648 t CO_2 eq** in 2019)

Gas — Diesel — LPG — District heating and cooling — Electricity

Direct emissions (Scope 1)

Emissions from purchase of energy (Scope 2)

9,148 t CO2 eq (market based)

29,434 t CO2 eq (location based vs **38,668 t CO2 eq** in 2019)

Performance monitoring is performed according to the market-based and location-based approaches for indirect emissions (Scope 2): according to the location-based approach and on a like-for-like basis compared to 2019, there was an overall reduction in CO2 emissions of 23.3%, reaching a value of 3.2 t CO2 per employee (3.94 t CO2 in 2019).

Water

TOTAL WATER CONSUMPTION: 1,157 thousand m³
(of which 843 thousand m³ for civil use and 314 thousand m³ for irrigation)

Insurance business	Hotel business	Agricultural business	Tourism business
262 thousand m³	**446 thousand m³**	**9 thousand m³ (civil use)** **314 thousand m³ (irrigation)**	**56 thousand m³**

The water drawn for irrigation as reported here comes from springs or waterways. In addition, **70 thousand m³** in water consumption recorded was attributable to the Healthcare sector.

Waste

413.963 Tonnes of waste generated in Italy
(54.2 t/employee) of which 99% non-hazardous and 91% recycled

Insurance business	Hotel business	Tourism business
413,493 t of waste: 4,619 t hazardous; 408,874 t non-hazardous, of which 372,338 t recycled	109 t of waste: 11 t hazardous; 98 t non-hazardous, of which 42 t recycled	281 t of waste: 136 t hazardous; 145 t non-hazardous, of which 105 t recycled

The other sectors, agricultural and healthcare, generated a total of 80 tonnes of waste.

* With reference to the companies operating in Italy, the source of the conversion factors, emission factors (relating to CO2, CH4 and N2O gases) and the global warming potential (GWP) is the guideline on the bank application of GRI Standards regarding environmental matters (Version of December 2020), drawn up by ABI (Italian Banking Association). Specifically with reference to emissions from the purchase of energy (Scope 2) of the companies operating in Serbia and Ireland, the emissions factor corresponding to the energy mix of the respective countries was used; the emissions factors applied derive from the International Energy Agency (IEA) (CO2 Emissions from Fuel Combustion document).
The scope of interest compared to the 2019 reporting period was expanded further, to include the foreign offices of Unipol Re DAC and the operating sites of Unipol Rental, acquired by UnipolSai during the second half of 2019.
For 2020, the consumption of electricity, gas and other energy sources is calculated for all other buildings over which Unipol has direct control, from the operating sites to the diversified companies, such as Tenute del Cerro and Marina di Loano, also including the properties in which Gruppo UNA carries out its activities and the offices abroad, except for Arca Vita International Dac, Sogeint Srl, UniAssiTeam Srl.

Indirect impacts

Unipol is constantly committed to improving the measurement and reporting of its indirect emissions (Scope 3).

Aside from those generated by employee travel and trips, the travel of customers with telematic devices and the investment portfolio, which were already reported in prior years, in 2020 those generated by the long-term rental (LTR) vehicles of UnipolRental were also calculated. To better understand the impacts of the pandemic situation on emissions trends, those linked to employee homeworking were also estimated.

As regards the management of indirect impacts, the Group has consolidated its monitoring of indirect emissions (Scope 3) and is also working to define activities in order to reduce such impacts.

Investments

Investment activities are a fundamental area for oversight and intervention for a financial sector company, both with a view to reducing the climate impacts of its portfolio and to support the economic system in the transition towards a low-carbon emission economy.

The Unipol Group is fully committed to providing its contribution to the achievement of the goals of the 2015 Paris Agreement[9]: therefore, it continued in 2020 to measure its carbon footprint and ensure future 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 global climate change mitigation targets. The measurement activities were conducted with the support of Carbon4 Finance[10].

Amongst the multiple metrics subject to analysis, the main ones are:

- **Intensity of emissions induced (Scope 1, Scope 2 and Scope 3), measured for the Corporate Shares and Bonds in tCO2e/€m enterprise value and for the Government Bonds in tCO2e/€m GDP;**
- **Climate Alignment**, or the contribution of the activities of issuing companies and countries to global warming, expressed in temperature, so as to highlight the portfolio's alignment with international climate targets from a forward-looking perspective; for each issuer this figure is the integrated result of a quantitative assessment relating to induced emissions and a qualitative assessment relating for example, to the climate strategy and targets defined by the issuers**.**

With respect to the intensity of induced emissions, the 2020 figure was down significantly compared to the previous year for corporate portfolio emissions (-57%), following the exclusion of companies linked to mining and the generation of electricity from thermal coal based on the "Guidelines for sustainable investment activities" approved in December 2019, and the focus of investments in companies currently involved in a transition process with already tangible results. There was also a sharp decline for total induced emissions (-19%), while the figure on induced emissions of government issuers remained basically stable.

As regards the Climate Agreement, with the Paris Agreement[11] objectives as a point of reference and making a projection of the CO_2 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 figure of 2.2°C, caused by the predominance of government bonds in the Unipol portfolio and, of these, of securities issued by European countries.

One point for particular attention regards the potential contribution to warming of the corporate bond portfolio, which saw a deterioration compared to 3.1°C in 2019, even with the increasingly high commitment made by companies in this regard (which results in increasingly demanding expectations concerning climate strategies), and which will be subject to monitoring and a series of actions to reduce the currently expected impact.

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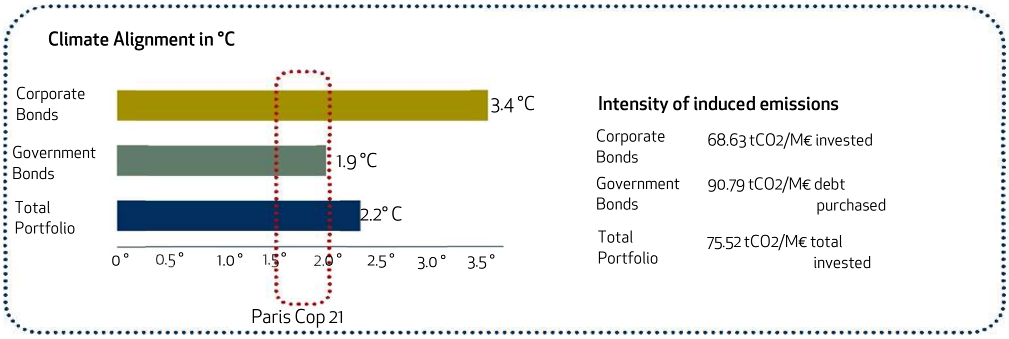
[9] The Paris Agreement was signed between the member states of the United Nations Framework Convention on Climate Change (UNFCCC); the long-term objective is to keep the rise in global average temperature below the threshold of 2°C above pre-industrial levels and to pursue efforts to limit such an increase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

[10] 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.

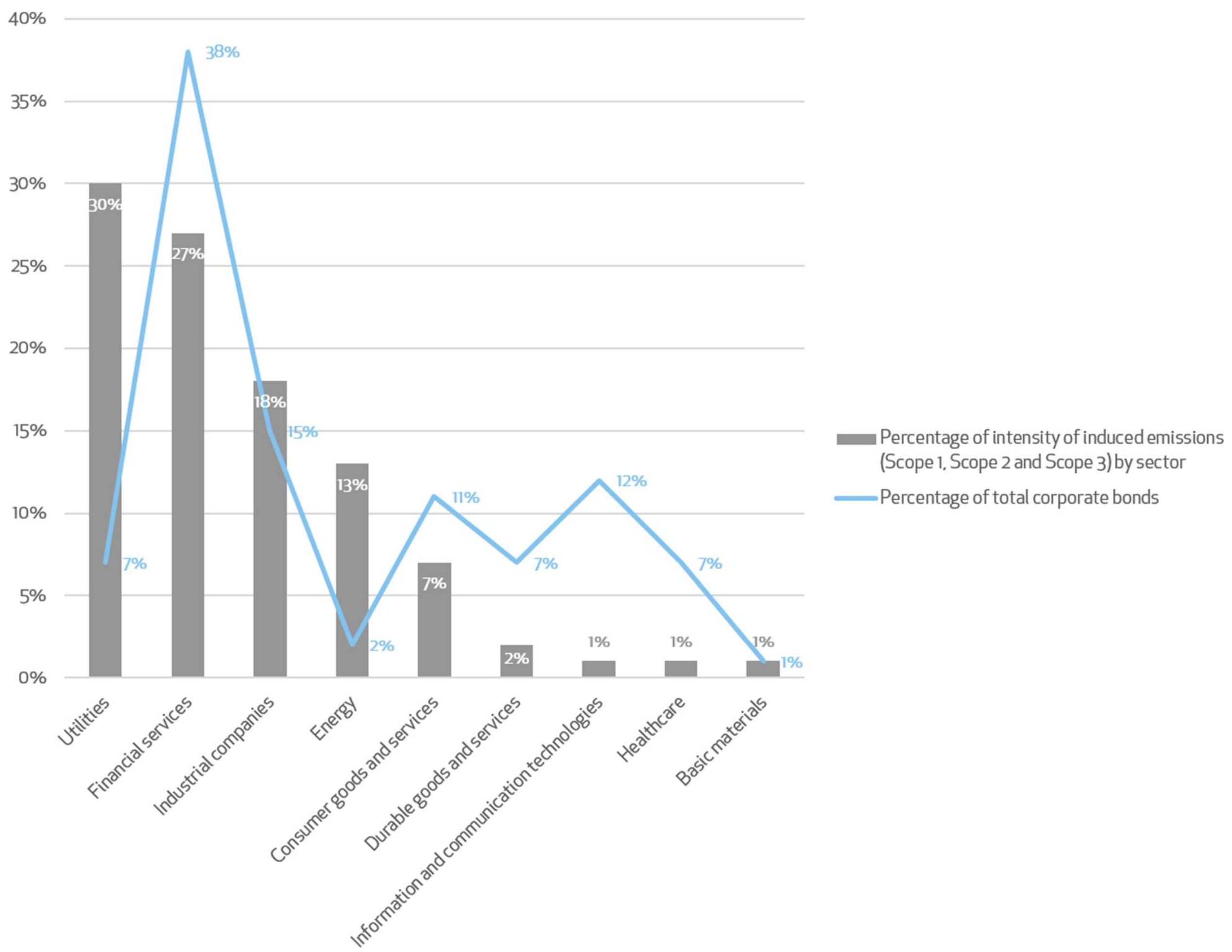
[11] The 2015 Paris Agreement aims to keep the rise in global average temperature well below the threshold of 2°C above pre-industrial levels and to pursue efforts to limit such increase to 1.5°C. To have a point of reference with respect to the current global situation, the Intergovernmental Panel on Climate Change (IPCC) has estimated that, if emissions continue to rise at current rates, the temperature increase could reach 4°C above pre-industrial levels in 2100 (RCP 8.5); if instead only limited containment actions are implemented, with the increase in emissions until 2080 and then their reduction (RCP 6.0), the increase could exceed 3°C.

Climate impacts of the investment portfolio



A more detailed analysis was performed on corporate bonds[12].

Breakdown by business sector of induced emissions (Scope 1, Scope 2 and Scope 3)



12 Intensities of induced emissions were retreated (to eliminate double counting) and allocated to the portfolio, weighted by specific investments.

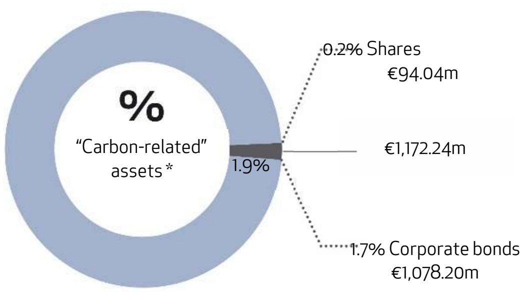
The Group calculated how much of its investments are made in "carbon-related" assets[13]; their percentage weight on the corporate portfolio reduced significantly in 2020.

The analysis of the exposure based on sectors shows a percentage of 4.6% of Assets under Management included in high-carbon sectors, according to the NACE classification[14]. Below is a breakdown of assets managed by business sectors, an important view to constantly monitor economic exposure in the sectors most impacting climate change and orient decisions towards companies that have undertaken a transition process.

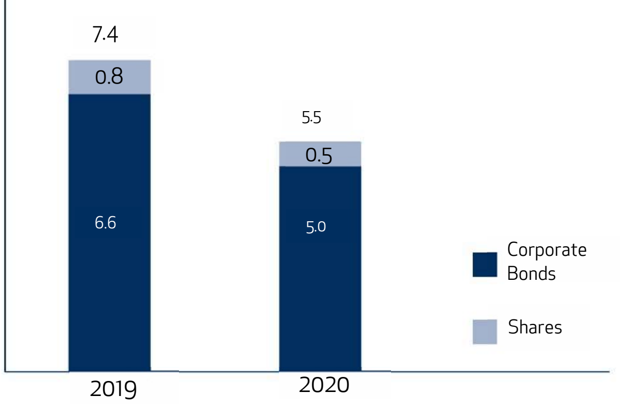
Breakdown of assets by business sector (€m)

	31/12/2020	% AuM	% High-carbon intensive sectors	High-carbon intensive % Asset Classes
SECTION A - AGRICULTURE, FORESTRY AND FISHING	0.0	0.0%		Equity 0.55%
SECTION B - MINING	47.9	0.1%		Bond 4.02%
SECTION C - MANUFACTURING	1,398.8	2.3%		Infrastructure 0.01%
SECTION D - ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	921.0	1.5%	4.6%	Real estate 0.00%
SECTION E - WATER SUPPLY; SEWERS, WASTE TREATMENT AND CLEAN-UP	28.0	0.0%		Structure Products 0.02%
SECTION F - CONSTRUCTION	222.3	0.4%		MBS 0.00%
SECTION H - TRANSPORT AND STORAGE	212.6	0.3%		Derivatives 0.00%
SECTION G - WHOLESALE AND RETAIL COMMERCE; VEHICLE AND MOTORCYCLE REPAIRS	81.9	0.1%		
SECTION I - ACCOMMODATION AND CATERING SERVICES	22.8	0.0%		
SECTION J - INFORMATION AND COMMUNICATION SERVICES	1,303.0	2.1%		
SECTION K - FINANCIAL AND INSURANCE ACTIVITIES	18,993.1	30.8%		
SECTION L - REAL ESTATE ACTIVITIES	377.6	0.6%		
SECTION M - PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	50.9	0.1%		
SECTION N - ADMINISTRATIVE ACTIVITIES AND SUPPORT SERVICES	9.0	0.0%		
SECTION O - PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	37,652.9	61.0%		
SECTION P - EDUCATION	0.0	0.0%		
SECTION Q - HEALTHCARE AND SOCIAL CARE	140.2	0.2%		
SECTION R - ARTS, ENTERTAINMENT AND RECREATION	36.6	0.1%		
SECTION S - OTHER SERVICE ACTIVITIES	0.0	0.0%		
SECTION U - EXTRATERRITORIAL ORGANISATIONS AND BODIES	256.0	0.4%		
Total Assets Under Management	**61,754.7**	**100.0%**		

"Carbon-related" assets on total portfolio



Percentage impact on Corporate portfolio



**The percentage refers to the total portfolio of securities of the Unipol Group at 30 September 2020.

[13] "Carbon-related" assets refer (according to the definition provided by the TCFD Recommendation) to those linked to the Energy and Utilities sectors (according to the Global Industry Classification Standard - GICS sector classification), excluding Water Utilities and Independent Energy Producers (PPI) and Renewable Energy Producers.

[14] A - Agriculture, forestry and fishing; B - Mining activities; C - Manufacturing activities; D - Supply of electricity, gas, steam and air conditioning; E - Supply of water; sewerage networks, waste treatment activities and reclamation; F - Construction; H - Transport and warehousing.

Suppliers

The Outsourcing and supplier selection policy calls for the commitment to respect the Supplier Code of Conduct for responsible procurement (the "Code"), which outlines what Unipol expects from its suppliers on a series of topics, including the protection of the environment, and envisages - amongst other aspects - the right of Unipol to check the supplier's processes and structures to verify their compliance, as well as apply penalty mechanisms if they continue not to comply with the Code. In environmental matters, the principles and provisions of the Code 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 2020, contracts that include the Supplier Code of Conduct covered 50% of total procurement expenses (+10pp over 2019).

It is also necessary to highlight the Group's attention for green procurement. In 2020, 100% of IT devices were green certified. 21% of goods acquired in the multi-catalogue, equal to more than 7,200 goods and 33% of spending, respected environmental sustainability criteria. Furthermore, specifically with reference to the hotel sector, 1.3% of suppliers are providers of environmentally sustainable products and spending on products with environmental value accounts for 7.8% of total spending.

Document dematerialisation policies, with more than 4m policies signed with AES, made it possible to avoid 75 tonnes of emissions of CO_2 eq.

Agencies

In 2020, a specific project was launched to favour the involvement of the UnipolSai agencies in greater environmental sustainability. The "Sustainable Agencies" project, which was carried out together with Legambiente, saw the launch of a pilot phase with the participation of 11 Agencies committed to a process of certifying their virtuous energy behaviours. This process led to the certification by Legambiente of the first four "Sustainable Agencies".

Logistics and transport

As concerns logistics and transport, the implementation of the new operating model continued for the management of shipments moving from the central warehouse to the agency network. Thanks to process control, an annual reduction of roughly 50,000 shipments was achieved with respect to the prior operating model.

Indirect impacts in brief

INDIRECT IMPACTS *

Customer

Support and promotion of green economy through specific products and investments.

5,759,805 t CO_2 eq
generated by customers travel with electronic devices (vs. 7,478,795 tonnes of CO_2 eq in 2019)

354,120 t CO_2 eq
generated by NLT vehicles of Unipol Rental

Climate impacts of the investment portfolio
3,784,436 t CO_2 eq
Total induced emissions (Scopes 1, 2 and 3)

23% of Non-Life products in the catalogue are climate change-related

Supplier

Research and engagement of suppliers that produce low environmental impact products and services.

Dematerialisation
33% reduction in annual paper consumption in 2020 by 520,000 reams of 100% recycled paper certified Cradle to Cradle®, Blue Angel, EU Ecolabel

Green Procurement
- 100% of IT equipment certified green;
- 21% of goods purchased from the multi-catalogue are green, equal to over 7,200 goods and 33% of spending.

In the Hotel sector:

The purchase only of recycled paper led to a decrease in the consumption of water (-83%), energy (-72%), wood (-100%) and CO_2 (-53%) compared to the purchase of the same quantity of white paper (Source: Ifeu Heidelberg GmbH 2010)

Agents and Employees

Mapping of virtuous conduct in Agencies and Optimisation of employee mobility through the Home-to-Work Travel Plan (PSCL) to reduce impacts from transport

Sustainable Agencies with Legambiente
The pilot project involves 11 Agencies in a path to certification of its virtuous energy conduct.
The first 4 "sustainable agencies" certified by Legambiente.

CO_2 Mobility Employees
947 t CO_2 eq
generated by employee travel and transfers by trains and by flights (4,313 t CO_2 eq in 2019).

CO_2 Homeworking Employees
12,829 t CO_2 eq
according to the method described by the "Homeworking emissions whitepaper" prepared in November 2020 by EcoAct, Lloyds Banking Group

* with reference to Scope 3 emissions deriving from employee and customer mobility, the 2020 DEFRA (UK Department for Environment, Food & Rural Affairs) coefficients were used for motor vehicles, and UK Government GHG Conversion Factors for Company Reporting (2020) for flights and trains.

Stakeholder engagement on topics connected with climate change

In 2020, the Unipol Group pursued and strengthened stakeholder engagement activities on matters linked to the climate, with a view to boosting and expanding its impact on these topics.

As regards the investee companies, 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.

As regards the Italian entrepreneurial fabric (corporate customers and other companies), the public administration and representative organisations, Unipol continued activities in 2020 to spread the LIFE DERRIS project, to increase the awareness of Italian SMEs about risks linked to climate change and possible risk prevention and management measures that may be undertaken. The restrictions linked to the COVID 19 health emergency prevented the continuation of training events for SMEs. However, thanks to the collaboration with Legambiente Emilia-Romagna, a series of online meetings was planned and organised. Furthermore, thanks to the support of CINEAS, operating guidelines were prepared for SMEs, which will be developed into web materials to continue with the Group's efforts to spread awareness on these matters.

Advocacy and research activities on matters linked to climate change and the protection of biodiversity

In 2020, the Unipol Group further consolidated its research and communications collaborations.

Unipol renewed its participation in the DeRisk-CO (Disclosure, Measurement, Management and Mitigation of Climate Change Risk for Companies) project, managed by the ENI Enrico Mattei Foundation, with a view to involving companies in the reporting of climate-related information, in line with the recommendations of the TCFD, through the analysis of instruments and methodologies for the financial assessment of physical and transition risks from the perspective of a scenario analysis. In September 2020, Unipol had the opportunity to present its process of reporting climate-related information during a webinar devoted to an analysis of the evolution of company climate disclosures, which was also an occasion for interaction between stakeholders on this matter.

The Unipol Group has a consolidated partnership with Legambiente, which takes shape in support for the publication of the annual report of the Legambiente CittàClima observatory, which provides a highly detailed analysis of the impacts of extreme weather events in the Italian territory and the actions taken to favour adaptation to climate change. Furthermore, also in the relationship with the environmental association, it supports the "Bellezza Italia" project, the campaign which aims to enhance the Italian artistic/cultural and natural heritage, through actions for the recovery and revitalisation of neglected areas of Italy and to return them to residents and tourists for enjoyment. In 2020, the project implemented in the Pantelleria garden in Sicily made it possible to reach a triple goal: analysing nature-based solutions, which can contribute to adaptation to climate change and act as best practices for other parts of the Mediterranean area, planning and implementing structured and shared procedures to protect the natural assets and biodiversity of territories vulnerable to the impacts of climate change and lastly promoting the use of the gardens through the development of tourist paths that can leverage the specific landscape of this territory, while also increasing awareness of the broader role that nature plays in boosting well-being and the quality of life of those who spend time in nature.

In 2020, the topics linked to climate-related risks and more generally ESG risks received significant attention in the update of the European regulatory framework also applicable to the insurance sector. Reference is made in particular to the adoption of Regulation (EU) no. 2020/852 which was published in the Official Journal of the European Union on 22 June 2020 ("Taxonomy Regulation") and constitutes the linchpin of the new regulation on sustainability, insofar as it establishes an EU-level classification system (the first in the world) to provide the public with a common taxonomy of economic activities considered eco-sustainable. Just as relevant was the launch by the Joint Committee of the three European financial supervisory authorities (the ESAs, or the EBA, ESMA and EIOPA) of the work performed to define the draft regulatory technical standards (RTS) of the Disclosure Regulation

(Regulation (EU) 2019/2088 of 27 November 2019), which requires financial market participants to meet disclosure obligations on the main negative effects of investment decisions on sustainability factors, governing the content of the information and the manner in which it must be provided.

Last but not least, please note the revision of the Solvency II Directive (Directive 2009/138/EC). In August 2018, the European Commission sent EIOPA a request to formulate its Opinion on the integration of sustainable finance topics within the current legislative framework, represented by the Solvency II Directive, with a particular focus on the mitigation of climate change. On 30 September 2019, EIOPA published its Opinion, listing the main changes to be made to the Directive. In order to integrate further assessments on the effects of climate change in the Solvency II regulations, in the course of 2020 EIOPA proposed various follow-ups to its Opinion, amongst which on 2 December 2020 EIOPA published the Discussion Paper on methodologies relating to the potential inclusion of climate change in the natural catastrophes sub-module of the standard formula and on 10 December 2020 EIOPA published the Discussion Paper on underwriting and pricing practices in the Non-Life business in relation to climate change.

Through the Regulation Function, which reports to the Chief Regulation and Economic Studies Officer, the Unipol Group has a structured and transparent process for engagement with Institutions, Regulators and domestic and European Supervisors in order to ensure - within the Group - knowledge and updating on the evolution of significant regulations and policy initiatives and represent and support the Group's interests in relevant consultation processes. In 2020, the Unipol Group participated in a number of public consultation procedures including, with regard to topics linked to climate change and more generally sustainability: (i) the launch of the process of revising Directive 2014/95/EU on non-financial information (NFRD directive) with the performance of a public consultation procedure; (ii) the consultation of the parties concerned on a renewed strategy on sustainable finance and (iii) with respect to the establishment of a European Green Bond Standard - or a uniform European standard for green bonds; (iv) the consultation on the draft Delegated Regulation supporting the Taxonomy Regulation which establishes technical screening criteria to determine the conditions under which an economic activity pursues the objective of mitigating or adapting to climate change, and does not jeopardise any of the other environmental objectives and, lastly, (v) the consultation launched by EIOPA on its contribution relating to the implementation of Art. 8 of the Taxonomy Regulation, according to which any company subject to the obligation of publishing non-financial information pursuant to Directive 2013/34/EU must include, in the non-financial statement or in the consolidated non-financial statement, information on how and to what extent the company's activities are associated with economic activities considered environmentally sustainable pursuant to Articles 3 and 9 of the Regulation (Taxonomy).

Lastly, the Unipol Group participates in a series of international initiatives intended to strengthen its commitment to climate-related matters.

The Group participates in the CDP and obtained a rating of B- for its 2020 Climate Change questionnaire.

In 2017 Unipol signed the Principles for Responsible Investment, undertaking to integrate social, environmental and governance criteria within the assessment of investments.

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 Financial Disclosures 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.

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