

# Unipol and climate change 2022

Reporting climate-related  
information



# Unipol and climate change

## 2022

# CONTENTS

<b>Letter from the General Manager</b>	<b>3</b>
<b>Introduction</b>	<b>4</b>
<b>Governance around climate-related risks and opportunities</b>	<b>6</b>
<b>The Unipol Group's strategic approach to climate-related risks and opportunities</b>	<b>10</b>
The Unipol Group's strategic action areas on climate-related risks and opportunities	11
Identification, assessment and oversight of climate-related risks	13
Assessment of the impacts of climate-related risks on company strategy and business	17
Risks linked to biodiversity loss	26
<b>Products and services to tackle climate change</b>	<b>27</b>
Offer of insurance products and services to support customers in the transition towards a low carbon emission economy	27
Activation of public-private partnerships to increase resilience to climate change	28
Investments to support the fight against climate change and the protection of the environment	29
<b>Targets and Indicators</b>	<b>31</b>
<b>The Group's climate-related objectives</b>	<b>31</b>
Climate change and the insurance business	32
Oversight of the direct and indirect environmental impacts of the Unipol Group	33
Protection and restoration of biodiversity	40
<b>Advocacy activities on matters linked to climate change</b>	<b>42</b>
<b>Appendix 1 – Commitments and exposure of the Unipol Group to the coal industry and the oil &amp; gas industry</b>	<b>44</b>
Investments	44
Underwriting activities	45
<b>Appendix 2 - Disclosure on the European taxonomy of environmentally sustainable economic activities</b>	<b>46</b>

# LETTER FROM THE GENERAL MANAGER

Climate change is increasingly the focus of media attention, political and institutional debate, and the initiatives of financial sector supervisory authorities. Last summer, average temperatures in Europe were the highest ever recorded. The extreme heat increased the risk of drought, so for millions of Europeans, climate change represents not only a hypothetical scenario of potential future impacts but also a daily reality they must live with.

According to the Intergovernmental Panel on Climate Change (IPCC) reports, the next few years will be decisive for limiting global temperature increases. Without an immediate and sharp reduction in emissions across all sectors, the goal of limiting global warming to within 1.5°C will be out of reach. Hence, the need and urgency for strengthened efforts for swift and effective action.

Insurance companies provide an essential contribution to the fight against climate change in their triple role as risk carriers (offering products and services to protect from the impacts of natural and atmospheric events), risk managers (supporting actions to promote greater resilience to climate change) and institutional investors (mobilising resources towards investments to support the transition to a low carbon emission economy).

Unipol Group has always focused strongly on environmental protection and combating climate change, adopting an integrated and proactive approach, which is also reflected in the non-financial reporting process it pioneered. The Unipol Group pursues issues concerning environmental protection and combating climate change following the principle of so-called 'dual materiality', which requires, on the one hand, the prevention and continuous reduction of the impacts of its business (direct and indirect) on the environment and nature and, on the other hand, the assessment of climate change-related risks on the value of its insurance assets and liabilities.

The 'Opening New Ways' 2022-2024 Strategic Plan further strengthens the Group's commitment to achieving the Strategic Development Goals of the UN 2030 Agenda, including in particular the fight against climate change. It does so by acting in three different areas. First, sustainability goals have been explicitly included in the 2022-2024 Long-term Remuneration Policy. Second, medium-/long-term greenhouse gas emission reduction targets have been set for real estate management activities, the management of assets covering the technical provisions and insurance risk underwriting activities, to contribute to achieving the targets set by governments in the Paris Agreement to limit the increase in the average global temperature to 1.5°C, and to achieve the global net zero CO<sub>2</sub> emissions target by 2050. Indeed, the Unipol Group has decided to join the *Net-Zero Asset Owner Alliance*, thus committing to adopting a financial asset investment policy consistent with a net zero greenhouse gas emissions target by 2050 and acting to reduce greenhouse gas emissions through engagement in the governance of investee companies. Lastly, the Unipol Group is committed to developing a range of insurance products and services to support customers in mitigating and adapting to climate change, thus contributing to covering the insurance protection gap and boosting awareness of climate change, and has set the goal of earning 30% of its premiums from products with social and environmental value by the end of 2024.

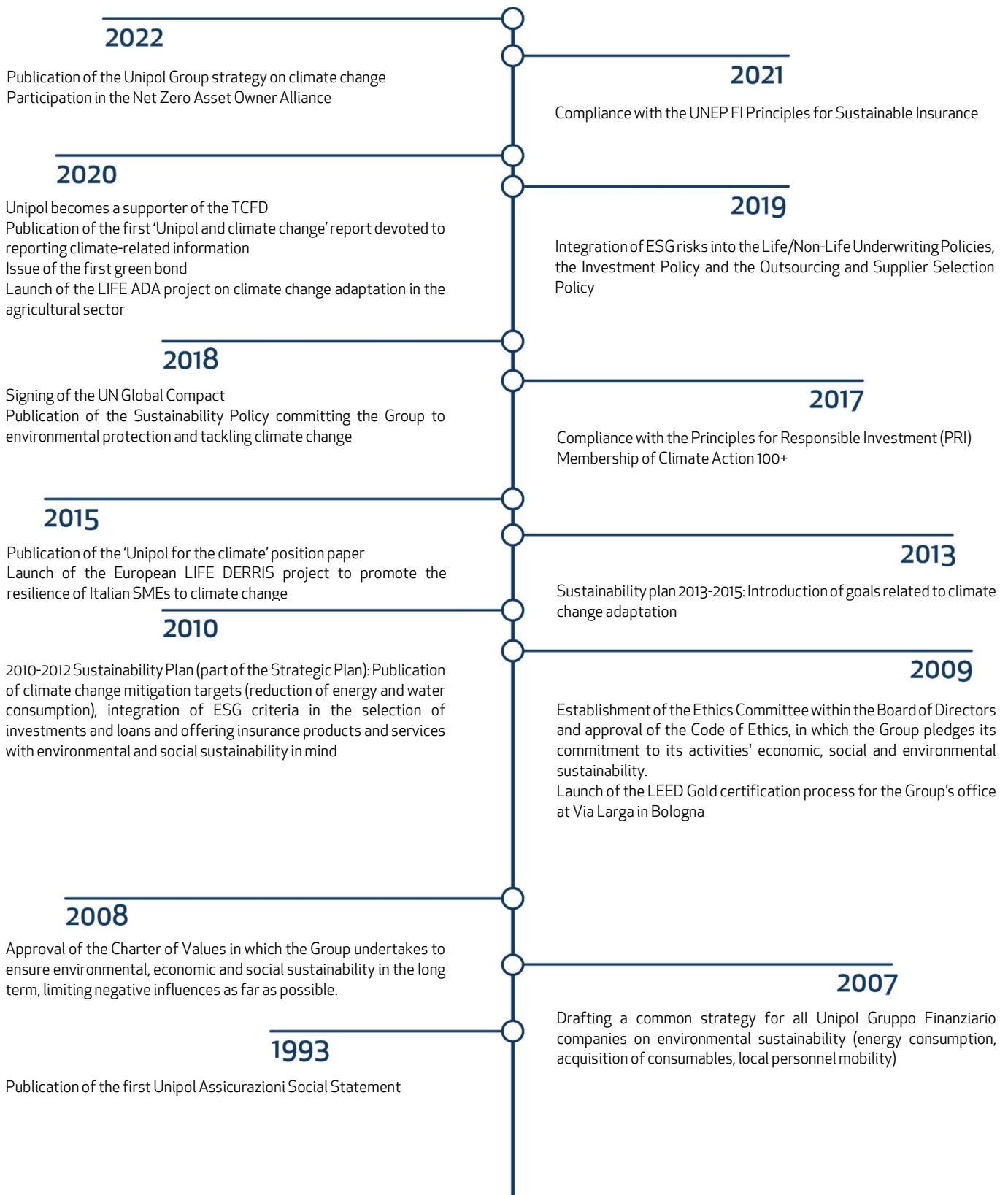
The fight against climate change requires a collective effort. The possibility of identifying solutions to the problem depends on our ability to respond rapidly and practically to complex demands, which require not only an understanding of natural phenomena but also an analysis of the functioning of society and the economic system. To this end, the Unipol Group intends to continue along the path it has embarked upon, recognising that non-financial reporting plays a crucial role, not only because, through the data included and represented in it, it will help foster the development of a culture of climate risk management and assessment, but also as part of a continuous improvement process aiming to provide a systematic overview of the company's creation of value, from both a financial and sustainability perspective.

Matteo Laterza

## INTRODUCTION

The 'Unipol and climate change' report is now in its fourth edition and continues to aim to provide specific, detailed information every year on how the Unipol Group governs, identifies, evaluates and manages the risks and opportunities linked to climate change in keeping with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), of which Unipol has been a supporter since 2020.

The year 2022 also marked a major milestone in the protection of biodiversity and the restoration of natural ecosystems with the adoption, in December, of the Kunming-Montreal Global Biodiversity Framework, which establishes objectives and targets for the achievement of a 'nature-positive' world by the end of 2050. This global commitment consolidates the work performed by the Task-force on nature-related financial disclosure (TNFD) to develop a reporting framework for information on risks connected to nature and the Science-Based Targets Network to develop a methodology enabling companies to set science-based targets for nature. The 'Unipol and climate change' report thus expands upon reporting information connected to the climate and includes information concerning the protection of biodiversity and natural ecosystems.



## 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.

Unipol Gruppo has set up a structured ESG governance system consisting of a set of rules, processes and organisational structures that operate in an interconnected manner at different levels to ensure the appropriate consideration of sustainability issues in all relevant business decision-making processes aimed at ensuring the definition, implementation and monitoring of the related objectives, to contribute to the pursuit of the sustainable success of the Company and the Unipol Group.

The first level relates to **sustainability governance**, i.e. the set of bodies and processes that make it possible to define objectives in strategic plans and monitor policies relating to social and environmental issues.

At a second level are the **sustainability policies**, i.e. the set of objectives, rules and initiatives defined by the Board of Directors to meet social and environmental expectations.

The third level consists of **sustainability management**, i.e. the set of company organisational structures and processes capable of implementing or supporting operating activities linked to sustainability goals.

This Committee's task to promote consistency between the principles of the Code of Ethics and company policies, liaising with the other bodies concerned, and contributing to the definition of initiatives to promote awareness and understanding of the Code of Ethics.

Firstly, note that the **Board of Directors** of Unipol Gruppo integrates the sustainability strategy into the Strategic Plans of the Company and the Group and supervises its implementation over time.

To this end, the company organises *induction* programmes for the Board of Directors to disseminate basic knowledge about sustainability among all board members. Unipol Gruppo believes that skills are a crucial factor as they allow the Board of Directors to increase its capacity for critical judgment, assess the sustainability strategies proposed by management and select those most consistent with the entire business plan.

In line with the principles of the current Corporate Governance Code and Italian and international models and best practices, the Board of Directors has long established specific internal board committees on ESG issues.

In detail, it set up the **Nomination, Governance and Sustainability Committee**, with proposing, advisory, investigative and support functions vis-à-vis the Board of Directors on, among other things, ESG issues and on the contents and purposes of the Code of Ethics, coordinating – for the aspects within its competence – the policies, processes, initiatives and activities aimed at overseeing and promoting the commitment of the Company and, in general, of the Group to pursuing Sustainable Success. Specifically, this Committee is entrusted with the task, in coordination with the Control and Risk Committee where applicable, of assisting the Board of Directors in a series of areas, identifying guidelines for integrating ESG factors into strategic plans, through the analysis of sustainability issues, also relevant for the generation of long-term value for Shareholders, considering the interests of other relevant stakeholders. Furthermore, this Committee has the task of promoting consistency between the principles of the Code of Ethics and company policies, liaising with the other bodies concerned, and contributing to the definition of initiatives to promote awareness and understanding of the Code of Ethics.

Among other things, the **Control and Risk Committee** supports the Board of Directors in defining the model for identifying, assessing and managing the main ESG risks, including, in particular, climate-related ones, and their impacts on the business strategy, keeping the Nomination, Governance and Sustainability Committee informed in this respect.

The **Remuneration Committee** supports the Board of Directors on, among other things, the assessments and decisions relating to the remuneration of the corporate bodies and 'Key Personnel' (as defined in the Remuneration Policies), including compensation plans based on financial instruments, and formulates proposals and/or expresses opinions to the Board of Directors for the remuneration of Directors holding special offices, as well as for setting up performance targets related to the variable component of the remuneration. In particular, as part of the remuneration policy preparation process, the Company considers the goal of pursuing sustainable success, defining specific sustainability goals to the achievement of which a variable remuneration component is subject. The Unipol Group's Remuneration Policies establish that 15% of the long-term incentive (LTI) of the 'Unipol Variable Pay' Incentive System, which applies to the Group's top managers and senior executives, including key managers, must be linked to the Climate Strategy and Finance for the SDGs. The performance targets of the 2022-2024 long-term incentive include, in particular, an indicator measuring the achievement of climate change targets related to the reduction of Scope 1 and 2 greenhouse gas emissions from the Group's capital properties, in line with climate science-based targets, as well as an indicator measuring the increase in the amount of thematic investments.



For detailed information, please refer to the Remuneration Report, available in the 'Governance' section of the Unipol Group's website.

Regarding the second level, Unipol Gruppo believes that an adequate governance system on ESG issues is based on an effective and efficient organisational and procedural system, correctly formalised and updated. To this end, the Company has internal regulations laying out **policies and guidelines** and specific operating procedures.

Insofar as they are of specific interest, the main contents of some of these policies are reported below.

The **Sustainability Policy** defines the Group's commitments for improving its sustainability results and managing and mitigating: (i) the ESG risks to which it is exposed, in line with the overall Group risk management system as well as (ii) the impacts on ESG factors generated by the Group as a result of its activities and business relationships.

The **Policy for managing dialogue with Investors in general** intends to govern opportunities for communication and participation with investors, in general, to ensure transparency of information, increasing investors' understanding of some issues that fall under the responsibility of the Board of Directors and relevant to investment decisions, including concerning ESG factors, and promoting the stability of investors' investments and thus the sustainable success of the Company.



*For more information on policies and guidelines, please refer to the 'The Unipol Group's strategic approach to climate-related risks and opportunities' section.*

Regarding **sustainability management**, the Company has assigned an inter-functional company committee, the Group Risk Committee, which brings together managers from different areas to coordinate sustainability activities. This Committee examines the contents of the sustainability policy, the model for identifying, assessing and managing the main ESG risks and their impacts on the business strategy and active policies for achieving the Objectives of the Paris Agreement.

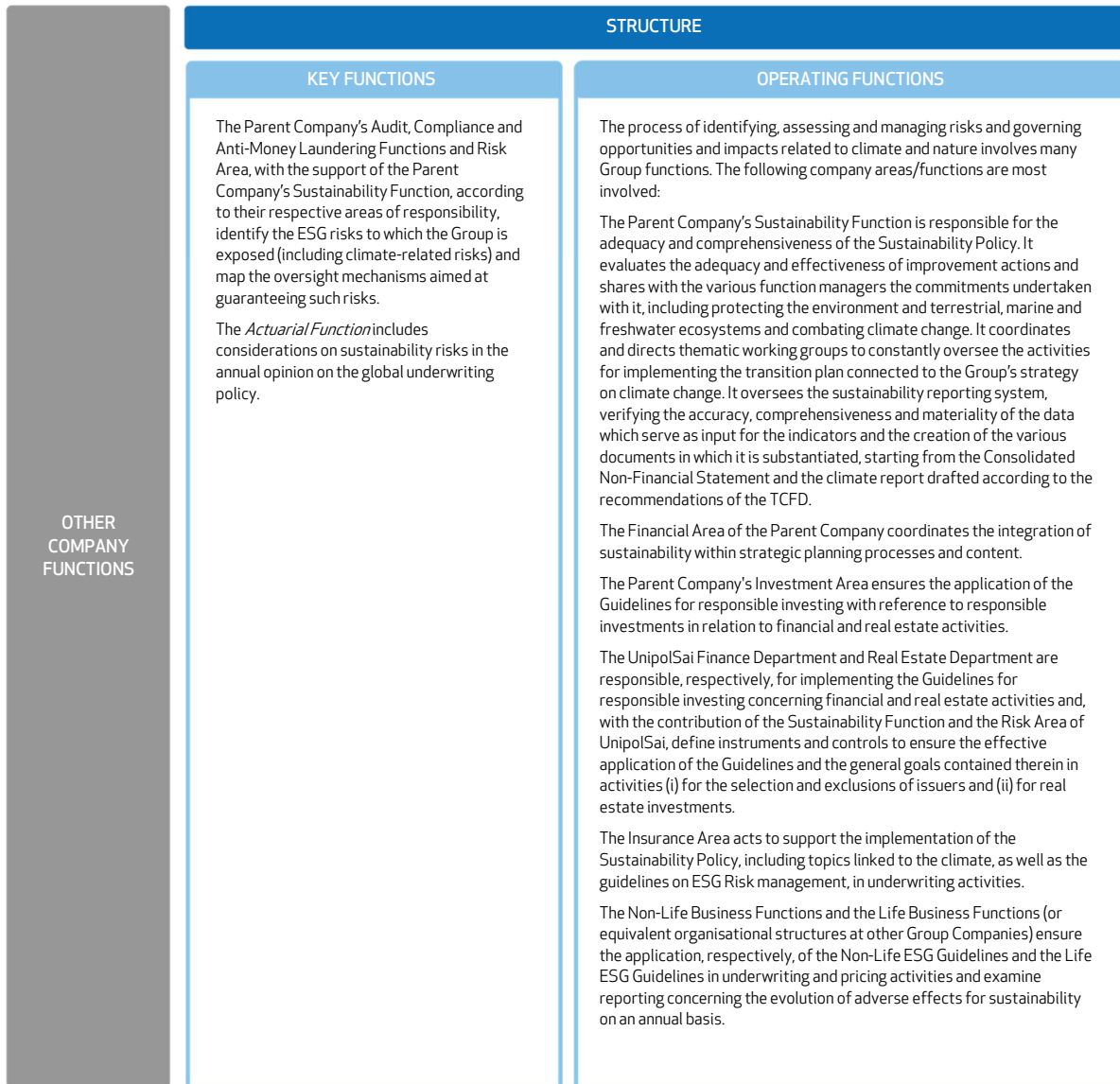
There is also a Sustainability Function within the company organisation that supports Top Management in pursuing Sustainability goals, plans and coordinates activities to integrate ESG issues into company processes and oversees the drafting of corporate sustainability documents.

Lastly, to oversee ESG issues, the administrative body has set up a structured system of reporting and exchange of information flows between the various parties involved to allow the Board of Directors to make informed decisions and receive timely communications on the identification, measurement or assessment, monitoring and management of ESG risks.



Governance of climate-related risks and opportunities

BOARD LEVEL	BOARD OF DIRECTORS	
	STRATEGIC ROLE	OVERSIGHT AND MONITORING ROLE
	<p>Approves the <b>Sustainability policy</b> which defines, among other things, the Group's commitments to the protection of the environment, terrestrial, marine and freshwater ecosystems and the fight against climate change, along with the <b>Unipol Group strategy on climate change</b>, which details how the Group is gearing up to address climate-related risks and seize opportunities by setting new medium- to long-term targets for reducing its greenhouse gas emissions to support its decarbonisation path.</p> <p>Approves the <b>risk management policy</b> and, considering the strategic objectives and in keeping with them, the <b>policies established to manage the ESG risks</b> (including climate-related risks) in the main company processes.</p>	<p>Is ultimately responsible for the internal control and risk management system (including ESG risks, within which special consideration is given to climate change).</p> <p>Ensures the ongoing completeness, functionality and effectiveness of the internal control and risk management system, under which it defines the model for identifying, assessing and managing key ESG risks.</p> <p>Approves – with the support of the Parent Company's Control and Risk Committee and Appointments, Governance And Sustainability Committee – the <b>Integrated Consolidated Financial Statements and the Consolidated Non-Financial Statement contained therein</b>, reporting, among other things, on the progress made concerning climate-related targets and compliance with the Sustainability Policy.</p>
BOARD LEVEL	APPOINTMENTS, GOVERNANCE AND SUSTAINABILITY	CONTROL AND RISK COMMITTEE
	<p>Has <b>proposal, advisory, screening and support functions</b> for the administrative body concerning <b>ESG issues</b>, including those linked to the climate, coordinating - for the areas of competence - the direction, processes, initiatives and activities designed to monitor and promote the Group's efforts in pursuing Sustainable Success.</p> <p>Supports the Board of Directors in (i) identifying guidelines for integrating ESG Factors into the Strategic Plan, (ii) <b>drafting and revising sustainability policies (including the Unipol Group strategy on climate change)</b>, (iii) drafting and reviewing the Annual Integrated Report and the Consolidated Non-Financial Statement contained in it, which report on the impacts of activities and the performance achieved (including that linked to the climate).</p> <p><b>Prepares the climate report drafted according to the TCFD's recommendations.</b></p>	<p>Supports the Board of Directors in defining the model for identifying, assessing and managing the main ESG risks, including, in particular, those related to the climate and Nature, and their impacts on the business strategy</p> <p>In consultation with the Manager in charge of preparing the Company's financial reports, the representatives of the auditing firm and the competent functions, it assesses the suitability of periodic financial and non-financial information to correctly represent the Company's business model, strategies, the impact of its activities and the performance achieved, coordinating with the Nomination, Governance and Sustainability Committee.</p>
MANAGEMENT LEVEL	COMPANY COMMITTEES	
	<p>The <b>Group Risk Committee</b>, which brings together the managers of several areas, examines: (i) the content of the Sustainability Policy, (ii) the model to identify, evaluate and manage the main ESG Risks, in particular those related to the climate and Nature, and their impact on the business strategy and (iii) the policies in place to achieve the Goals of the Paris Agreement. Particularly concerning the climate change strategy, the Group Risk Committee has the duty to: i) define, evaluate and periodically update the interim targets that the Group has set to reach the objectives defined in that area and ii) periodically review (at least twice per year) the progress of implementation activities against the targets.</p> <p><b>UnipolSai's Financial Investment Committee</b> monitors, at least annually, the operational guidelines set by UnipolSai's Finance Department to ensure effective implementation of the Guidelines for Responsible Investment Activities.</p> <p><b>UnipolSai's Real Estate Investment Committee</b> monitors, at least annually, the operational guidelines set by UnipolSai's Real Estate Management to ensure effective implementation of the Guidelines for Responsible Investment activities.</p>	
	TOP MANAGEMENT	
	<p>The Parent Company's Top Management (i) implements the commitments made in the Sustainability Policy based on the ESG risks identified, including in particular those linked to the climate and Nature and the topics emerging from the Materiality Analysis; (ii) identifies the indicators to be adopted to monitor the enactment of commitments; (iii) annually receives Sustainability Function indicator monitoring; (iv) carries out actions to support Policy implementation and intervenes in case of explicit violation of the Policy.</p>	



# THE UNIPOL GROUP'S STRATEGIC APPROACH TO CLIMATE-RELATED RISKS AND OPPORTUNITIES

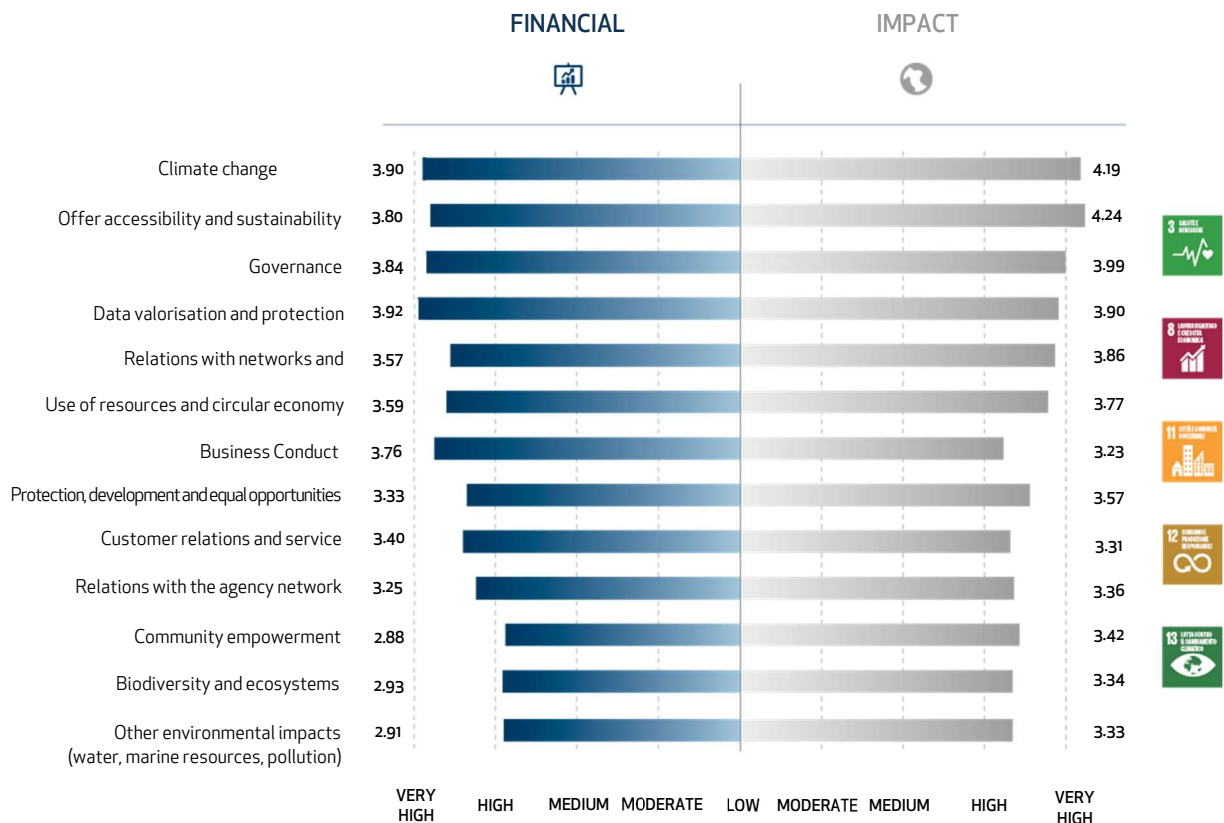
## Impact and financial materiality of climate change for the Unipol Group

In 2022, the Unipol Group carried out a **new materiality analysis** in conjunction with the preparation of the Strategic Plan, integrating within this analysis the view related to the **positive and negative impacts that are or could be generated by the organisation** ('impact materiality') with that relating to risks and opportunities associated with **sustainability issues that generate or may generate significant financial effects for the company**, because they significantly influence (or could influence) the cash flows, development, performance, position, cost of capital or access to loans of the company in the short, medium and long terms.





The **Board of Directors of Unipol Gruppo** approved the results of the materiality analysis.

The materiality analysis highlights the importance of climate change in terms of impact materiality (or the positive and negative impacts that are or could be generated by the organisation) and financial materiality (or the significant financial effects of climate change generates or could generate for the Group). Please also note that the topic of the use of resources and the circular economy obtained a high score in terms of financial and impact materiality. Topics linked to biodiversity, ecosystems, and other environmental impacts (water, marine resources, pollution) received a high assessment of impact materiality and medium-high financial materiality.

## DOUBLE MATERIALITY



**MAIN IMPACTS GENERATED AND FINANCIAL EFFECTS**

Material topic		Main positive and negative impacts	Degree of impact		Main financial effects (risks and opportunities)	Degree of impact
Climate change	+	Contribution to increasing society's awareness of climate change issues	 HIGH	+	Climate change adaptation products and services (e.g., to support the resilience of people and businesses)	 HIGH
	-	Generation of greenhouse gas emissions	 HIGH	-	Greater technical and credit risk due to increased frequency and seriousness of claims linked to the consequences of climate change	 HIGH





For a detailed description of the definition of material topics, please refer to the 'Double Materiality: approach and results' section of the Unipol Group Annual Integrated Report.

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

The **Sustainability Policy**, approved by the Board of Directors, specifies the Unipol Group's commitments to protecting the environment and terrestrial, marine and freshwater ecosystems according to the double materiality approach, on the one hand focusing on the prevention and continuous reduction of its impacts (direct and indirect) on the environment and Nature, and on the other considering the possible effects on its business of the ESG Risks connected to climate change and the loss of Biodiversity.

Aware of the triple role that the Unipol Group is called upon to play in the fight against climate change as a risk carrier (management of technical insurance risk), risk manager (physical risk management) and investor (institutional investor), and the decarbonisation trajectory outlined by the Intergovernmental Panel on Climate Change (IPCC) to reach the targets for limiting the increase in the average global temperature outlined by the Paris Agreement, the Board of Directors of the Unipol Group adopted the *Unipol Group strategy on climate change in June 2022* to detail how the Group is preparing to deal with the risks and take advantage of the opportunities connected to the climate, by defining new medium/long-term targets for the reduction of its greenhouse gas emissions to support its path of decarbonisation. The climate strategy is an annex to the Sustainability Policy. It describes the commitments undertaken by the Group in its three main areas of intervention, described in the image below.

Areas of action	Unipol Group Approach
 <p><b>Real estate development and management activities</b></p>	<p><b>46.2% reduction by the end of 2030 in Scope 1 and 2 emissions</b> linked to consumption of electricity, gas and other energy sources for all buildings over which the Group has direct control. These range from the operating sites and those of the diversified companies to the real estate where the UNA Group operates and the foreign sites, in line with climate science and, in particular, with the scenario of limiting the increase in the global average temperature to within 1.5°C.</p>
 <p><b>Investments</b></p>	<p><b>Participation in the Net Zero Asset Owner Alliance:</b> commitment to reducing the emissions of its investment portfolios to net zero greenhouse gas emissions by 2050 and acting to reduce greenhouse gas emissions through the engagement of the investee companies.</p> <p><b>Expansion of sector exclusions within the most impactful sectors:</b></p> <ul style="list-style-type: none"> <li>outright exclusion from new investments of corporate issuers that derive 30% or more of their revenues from coal mining or power generation from thermal coal and that do not demonstrate an ambitious positioning in terms of business transition to a low-carbon economy;</li> <li>outright exclusion from new investments of those in Corporate Issuers that obtain 30% or more of their earnings from activities connected to tar sands, shale oil and arctic drilling.</li> </ul> <p><b>Thematic investments for the SDGs:</b> objective of reaching a total of €1,300m invested to support the 2030 Agenda in 2024, starting from the €862.2m invested at the end of 2021.</p>
 <p><b>Underwriting activities</b></p>	<p><b>New target connected to the incidence of products with social and environmental value</b> (target of 30% to be reached by the end of 2024).</p> <p><b>Supporting its customers in the transition to a low-carbon economy</b> by developing products aimed at incentivising Motor customers to reduce their emissions with the support of telematics and reducing the environmental impact of the claims management process.</p> <p><b>Exclusion</b> from the underwriting activities of the Non-Life and Life Businesses of companies operating mainly in the coal-mining industry and companies that adopt unconventional extraction practices (such as the removal of mountain peaks, fracking, oil sands, deepwater drilling) and <i>monitoring of the ESG performance</i> of customers operating in sensitive sectors (in terms of risks linked to climate change and/or nature).</p>



The results achieved by the Unipol Group at the end of 2021 with respect to these three goals are described in detail in the section 'The Group's climate-related objectives' of this report.

Through the model outlined in this policy, and the specific risk management policies, the Group defines suitable guidelines on activities which, going forward, identify, assess, monitor and mitigate the risks to which the Group is exposed, also because of its strategic decisions, as well as considering the various business areas and different applicable regulations, changes to the nature and extent of business activities and in the market context, the emergence of new risks or changes in existing risks.

## Identification, assessment and oversight of climate-related risks

The Risk Management System adopted by the Group is inspired by an Enterprise Risk Management logic (ERM Framework) based on the consideration, with an integrated approach, of all the current and prospective risks to which the Group is exposed, assessing the impact these risks may have on the achievement of the strategic objectives. Based on these principles, and to pursue to assigned objectives, the Risk Management System relies on a key element: the Risk Appetite. In quantitative terms, the Group's Risk Appetite is determined based on the following elements: capital at risk, capital adequacy and Liquidity/ALM ratios. Quality targets are defined for compliance, emerging, strategic, reputational, ESG and operational risks.

The **Risk Management Policy** outlines the risk management strategies and objectives of the Group and companies within its scope, identifying the roles and responsibilities of the corporate bodies and structures involved in the process. Through the model outlined in this policy, and the specific risk management policies, the Group defines suitable guidelines on activities which, on an ongoing basis, identify, assess, monitor and mitigate the risks to which the Group is exposed, also as a result of its strategic decisions, as well as considering the various business areas and different applicable regulations, changes to the nature and extent of business activities and in the market context, the emergence of new risks or changes in existing risks.

The **monitoring of ESG risks, including climate change-linked risks**, is ensured by the Group risk management system, with a first level of controls performed by the operating structures or as part of back office activities to ensure the correct execution of transactions, added to which are the **second-level controls of risks and compliance**, performed, among others, by the *Compliance and Anti-Money Laundering, Risk Management* and the Actuarial Function, and the **third-level controls** performed by Audit, each for its area of responsibility. This oversight system assists the Boards in carrying out the tasks assigned to them by the system of internal policies and regulations on sustainability.

## Identification and assessment of climate-related risks

For the Group, **ESG factor management** is the result of a complex process using different tools to identify and assess risks ('risks incurred') and negative current and potential impacts ('risks generated'), related to environmental, social and governance issues. Specifically, ESG risks are identified by focusing on risks emerging from environmental, social and governance aspects, identified through the Reputational & Emerging Risk Observatory. As part of the management process described above, an activity was launched for the main emerging ESG risks aiming to define a framework to identify the exposures, with a forward-looking and integrated approach, on other categories of risk deriving from the potential direct and indirect impacts generated by the occurrence of these risks.<sup>1</sup> The Group's Emerging Trend Radar maps the macro trends of changes in the external context identified by the Reputational & Emerging Risk Observatory. As part of the Radar, every macro-trend is classified according to:

- its **prevailing nature**: the radar is divided into four quadrants corresponding to the four dimensions of the external environment: Social, Technological, Environmental and Political (STEP);
- its **level of maturity**: the innermost circle of the radar includes the macro-trends material to the insurance sector in the time horizon of the Strategic Plan and in the outermost circle the macro-trends that will become material over a longer period.

Regarding environmental topics, the Emerging Trend Radar includes the topics of 'climate change and biodiversity' and 'circular economy'. The risks linked to Climate Change, in particular acute physical risks, have been identified as one of the two priority emerging risks for the Group.



*A specific analysis on the risks associated with biodiversity loss is available at the end of the chapter.*

To strengthen its ability to monitor and manage the negative impacts systematically, the Group has adopted its due diligence approach, outlining a model for planning due diligence activities according to a risk-based approach, starting from the areas identified by the OECD Guidelines for Multinational Enterprises, associated with the main negative impacts identified for the Group, the business processes concerned and the strategic and regulatory controls in place at Group level.

Risks and negative impacts (also in terms of the related reputational risk) that are fully integrated into the *ERM framework* and included in the taxonomy of risks common to the entire Group, defined in the Risk Management Policy.

The ESG risks and negative impacts are also included in the Group *Risk Appetite Statement* and (with particular reference to negative impacts) monitored through a dashboard dedicated to KRIs (Key Risk Indicators) designed to assess the degree of risk associated with each of the three areas: environmental, social and governance. The Unipol Gruppo Board of Directors is informed of the results of this monitoring at least once a year.

<sup>1</sup> To provide a medium/long-term, forward-looking vision, the Observatory uses a predictive model based on the Meeting Point theory, which anticipates future trends according to different time frames, from six months to five years, and methodologies based on futures studies, which explore longer time windows, from 10 to 20 years, also using long-term scenario analyses to strengthen the resilience of the Group's strategy in an external context characterised by increasing levels of complexity and uncertainty.

Like every year, the Interfunctional ESG Risk Panel<sup>2</sup> verified and updated (consistent with and in coordination with the materiality analysis process) the map of ESG risks and negative impacts and related controls, summarised in the following table. To facilitate reading, on the map. As specifically regards risks linked to climate change and biodiversity loss, the map indicates ESG risks (or risks suffered) and potential negative impacts (or risks generated) connected to the Group's core business in different manners:

Risk areas connected to ESG factors	Topics in the materiality analysis	Risk incurred	Main regulatory and strategic controls in place
<b>Climate change and biodiversity loss - Physical risks</b>	Climate change	<i>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</i>	<ul style="list-style-type: none"> <li>• Sustainability policy</li> <li>• Unipol Group strategy on climate change</li> <li>• Risk management policy</li> <li>• Non-Life and Life Business Underwriting Policy (and additional internal regulatory documents or corporate communications), including: (i) Guidelines for non-life business underwriting activities regarding environmental, social and governance factors ('Non-Life ESG Guidelines'); (ii) Guidelines for life business underwriting activities regarding environmental, social and governance factors ('Life ESG Guidelines')</li> <li>• Provisions Policy – Life and Non-Life Businesses</li> <li>• Guidelines for the management of credit risk assumption activities</li> <li>• Reinsurance and other risk mitigation techniques policy</li> <li>• Operational risk management policy</li> <li>• Business continuity policy</li> <li>• Business Continuity Plan</li> <li>• Guidelines for responsible investing</li> <li>• 2022-2024 Strategic Plan, 'Data-Driven Omnichannel Insurance' area</li> </ul>
	Biodiversity	<i>Time frame<sup>3</sup>: medium term</i>	
	Climate change	Non-insurability of climate-related risks owing to the company's poor resilience  <i>Time frame: medium term</i>	
	Climate change	Damage to Group property and assets and business continuity risk for Group sites and agencies / relating to the interruption of the supply chain (operational risk)  <i>Time frame: medium term</i>	
<b>Climate change and biodiversity loss - Transition risks</b>	Climate change	Decrease in the value of the investment portfolio relating to companies not meeting expectations concerning the path of transition towards a sustainable low CO2 emission economy (financial risk)  <i>Time frame: medium term</i>	<ul style="list-style-type: none"> <li>• Sustainability policy</li> <li>• Unipol Group strategy on climate change</li> <li>• Risk management policy</li> <li>• Guidelines for responsible investing</li> <li>• Non-Life and Life Business Underwriting Policy (and additional internal regulatory documents or corporate communications), including: (i) Guidelines for non-life business underwriting activities concerning environmental, social and governance factors ('Non-Life ESG Guidelines'); (ii) Guidelines for life business underwriting activities concerning environmental, social and governance factors ('Life ESG Guidelines')</li> <li>• Integrated Reputation Management System</li> </ul>
	Climate change	Potential increase in underwriting risk in relation to policyholders operating in carbon intensive sectors (underwriting risk)  <i>Time frame: short-medium term</i>	
	Climate change	Potential increase in the frequency and severity of disputes and resulting allocations of responsibility in relation to the Transition process  <i>Time frame: short term</i>	
	Climate change	Negative impact on reputation due to poor contribution to the mitigation of direct emissions (reputational risk)  <i>Time frame: short term</i>	
	Climate change	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 <sub>2</sub> emissions economy, or to combat biodiversity loss, is deemed insufficient by stakeholders (reputational risk)	
	Biodiversity	<i>Time frame: short term</i>	

<sup>2</sup> Body composed of Audit, Compliance and Anti-Money Laundering, Risk Management and Sustainability, which seeks to identify potential risks of a social, environmental and governance nature to which the Group is exposed, to map the oversights intended to manage such risks and to suggest possible improvement measures.

<sup>3</sup> Regarding the time frame of climate change-related risks:

• Short-term corresponds to the time frame of the strategic plan and therefore of the operational and financial planning;

• Medium-term corresponds to the time span of the Unipol Group's Emerging & Reputational Risk Observatory, that of identifying external risks and opportunities that could have an impact on the business model and on the business strategy;

• Long-term corresponds to the period until 2050, which is one of the main tipping points outlined in the special reports of the IPCC and a fundamental goal in climate ambitions at European level ('A Clean Planet for all', 2018; the 'European Green Deal', 2019; 'European Climate Law', 2020).

Risk areas connected to ESG factors	Topics in the materiality matrix	Risks generated	Main regulatory and strategic controls in place
<b>Environmental damage and negative impact on the environment</b>	Climate change Biodiversity and ecosystems Use of resources and circular economy Other environmental impacts	Negative impact on Group, agency network or supply chain transactions, including insured or investee companies, in terms of air pollution and greenhouse gas emissions and/or neglect of the natural environment (consumption of natural or soil resources, pollution of terrestrial or marine ecosystems, insufficient commitment to minimising impacts)	<ul style="list-style-type: none"> <li>• Charter of Values and Code of Ethics (signed by agents)</li> <li>• Sustainability policy</li> <li>• Unipol Group strategy on climate change</li> <li>• Risk management policy</li> <li>• Non-Life and Life Business Underwriting Policy (and additional internal regulatory documents or corporate communications), including: (i) Guidelines for non-life business underwriting activities concerning environmental, social and governance factors ('Non-Life ESG Guidelines'); (ii) Guidelines for life business underwriting activities concerning environmental, social and governance factors ('Life ESG Guidelines')</li> <li>• Guidelines for responsible investing</li> <li>• Outsourcing and supplier selection policy and Supplier Code of Conduct for responsible procurement</li> <li>• Operational risk management policy</li> <li>• Sector and supplementary agreements</li> <li>• Organisation, Management and Control Model</li> </ul>

Key:

Risks incurred

Negative impacts (risks generated)

Aaaaa = Regulatory oversight

Bbbbb = Strategic oversight

### Oversight of climate-related risks

The system of company policies to **monitor ESG risks and negative impacts** is periodically updated and constantly implemented. The main progress in 2022 is described below.

- **Underwriting policies - Non-Life Business and Life Business**

During 2022, **the Non-Life and Life ESG Guidelines**, attached to the related Underwriting Policies, previously focusing on the prevention and mitigation of potential indirect negative impacts in these areas, were updated to formalise the approach of integrating Sustainability Risks into the underwriting processes (also in response to the requirements of Delegated Regulation (EU) 2021/1256). Specifically, regarding the risks connected to climate change, the Group undertakes to identify actions to mitigate those risks while maintaining insurability.

Regarding **Non-Life business underwriting activities**, the Group is aware that in particular **the acute physical risks from climate change** include changes in the frequency of large-scale catastrophic events, the trends of which are difficult to identify.

In its pricing process, the Group considers Sustainability risks, and in particular the physical risks deriving from climate change, adopting the following control mechanisms with the due proportions depending on the assessment of the more or less significant exposure to the risks of the reference classes and/or products: implementation of a dynamic pricing policy; constant portfolio maintenance through adjustments at policy expiries to the latest tariff versions; periodic review of technical oversight mechanisms (e.g., excesses, insurance limits) referring to the guarantees associated with natural events, as well as the cover offered in the case of changes in risk levels; active portfolio management, through specific actions to update more dated positions, aiming to adjust the offer to customers by proposing more recent products which allow for more specific pricing sensitive to changes in risk levels. To support the definition of tariffs as concerns, in particular, the guarantees referring to natural disasters, the Group also relies on the results of dedicated models recognised in the insurance sector, which, depending on the risk in question, also make it possible to perform predictive analyses, in addition to relying, more generally, on calculation models that make use of historical data on the frequency and average cost of claims. In any case, the Group monitors how climate change evolves with respect to the results emerging from historical data, as well as its possible impact on future trends and outlooks.

On the other hand, as concerns **Life Business underwriting activities**, particularly concerning **physical risks (both acute and chronic) from climate change**, the Group has identified several ways climate change could potentially influence its business, or: changes in current mortality and morbidity rates and uncertainty as to future trends (for example, air quality, food and water security, changes in global temperatures); changes in the insurance context implying general uncertainty concerning the timing and extent of and responses to climate change.

As part of the pricing process, with the required proportions depending on the reference products, the Group undertakes to properly survey, assess and monitor technical mortality, longevity and morbidity/disability risks by revising the technical bases adopted when necessary. Climate change may influence the population's demographic characteristics, impacting longevity, mortality and morbidity risks in terms of acute as well as chronic, and therefore long-term, physical risks. However, the uncertainty of the extent and timing of these changes and the partial availability of data currently limit the possibility of application to demographic models. In any case, the Group monitors how climate change evolves in relation to the results emerging from historical data, their possible impact on future trends and outlooks, and with reference to catastrophe risks.



As described in the 'The Unipol Group's strategic action areas' chapter, the Non-Life and Life ESG Guidelines establish a series of **exclusions from Non-Life Business and Life Business underwriting activities** as well as monitoring of the ESG performance of a **range of sectors deemed sensitive** which have risks linked to climate change and/or nature (waste management and remediation, construction, transportation and storage, agriculture, livestock farming, forestry and fishing, textile and leather goods manufacturing activities).

In the Non-Life Business, aside from the exclusions described in the section " 'Unipol Group's strategic action areas on climate-related risks and opportunities', the Policy calls for an **assessment of the ESG performance of existing and potential customers**, based on which the decision is made whether or not to continue the commercial relationship.

In 2022 the structured process to identify parties with high potential to generate negative ESG impacts became fully operational: an online reporting tool that, with a data-driven approach<sup>4</sup>, allows intermediaries to identify potentially sensitive commercial relationships by integrating a summary ESG score for each stakeholder into the underwriting process, and a subsequent **assessment or screening process**: with the support of the Sustainability Function, when appropriate.

In 2022, 12 investigations were launched (15 in 2021), with the involvement of the Sustainability Function; following the assessments, three relationships were considered ineligible as they related to companies operating in direct mining activities or supporting them. Training courses supported this process, targeting the sales network (over 4,000 users) and employees working in the Corporate, SME and Transport and Aviation Business Lines.

In the **Life Business**, only one investigation was launched in 2022 (there were 15 in 2021). This case, relating to a company that carries out vehicle demolition activities, was deemed ineligible.

- **Investment policy**

The Investment Policy, with its appendix<sup>5</sup> 'Guidelines for responsible investing', promotes the integration of ESG factors into the decision-making processes relating to investments.

The Guidelines were updated in August 2022, especially to take into account the commitments undertaken by the Group with the formalisation of 'The Unipol Group strategy on climate change' and participation in the Net-Zero Asset Owner Alliance. To better support the application of commitments on sustainable finance and financial support to the transition, in 2022 the Group selected a new ESG data and information provider (S&P Global).

The Guidelines envisage the **ex-ante integration of ESG Factors** into the decision-making processes for financial investments, regarding the Class C Life and Non-Life Portfolios, through ESG performance screening, which takes into consideration, among other things, International conventions on sustainability ('norm-based screening') and sector-based and conduct-based exclusions. For Corporate issuers, the presence of environmental management policies and systems aimed at overseeing environmental impacts, the approach to biodiversity, the climate strategy and the decarbonisation strategy are considered in selecting the Issuers in which to invest. Two types of exclusion have also been established: conduct-based (issuers involved in the exploitation of natural resources that does not take due account of environmental impacts) and product-based (described explicitly in the 'The Unipol Group's strategic action areas on climate-related risks and opportunities' section). According to the Group's approach, this exclusion strategy makes it possible, on the one hand, to limit and reduce the indirect impacts on the environment and the climate caused by its investment decisions as well as, on the other hand, to monitor transition risks. These exclusions do not apply to companies that have defined robust and credible transition paths, given the Group's awareness of the importance of guaranteeing adequate financial support to such commitments.

For government issuers, aspects such as regulation of environmental elements, the intensity of greenhouse gas emissions and decarbonisation outlooks, and innovation in the environmental area are assessed in issuer selection. Investments in government securities issued by countries with predatory policies concerning environmental resources with global impact are also excluded. Financial assets are also monitored *ex-post* in compliance with the ESG criteria defined in the Guidelines to have a broader awareness of the risks associated with sustainability in its investments. In 2022, the *ex-post* sustainability monitoring performed on 80.0% of all assets under management (direct and indirect)<sup>6</sup> showed that 97.9% of the investments monitored met the ESG criteria defined by the Guidelines for responsible investing.

Application of the Guidelines in 2022 led to the identification of **378** Issuers excluded from the Group's investable universe, of which **230** are Corporate Issuers and **148** are Government Issuers. Of the 230 excluded corporate issuers, 88 were considered ineligible because they worked in thermal coal mining or energy generation (product-based exclusion), and 30 were excluded for environmental reasons (conduct-based exclusion).

<sup>4</sup> the approach envisages the allocation to existing and potential customers of an ESG Score, a statistical indicator of the undertaking's adequacy in terms of ESG issues, integrated into the underwriting control system and constituting part of the information assets of the commercial transaction.

<sup>5</sup> The new version of the Guidelines for responsible investing was approved by the Board of Directors of Unipol Gruppo at the meeting of 4 August 2022

<sup>6</sup> The percentage value of ESG-monitored securities declined by around three percentage points in 2022 compared to the 2021 figure due to increased investments in asset classes not covered by the scope of analysis (mainly UCITS).

- **Outsourcing and supplier selection policy**

The Outsourcing and supplier selection policy envisages, among the supplier selection criteria, that fair and responsible stakeholder management requirements are also assessed. Suppliers are asked for a commitment to comply with 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<sup>7</sup>, which outline what Unipol expects from its suppliers concerning the protection of human rights and workers, protection of the environment and the fight against corruption.

Suppliers, with the exception of Public Administrations and independent contractors, whether or not they are members of professional associations, are asked to sign the Code when they sign or renew their contracts.

At the end of 2022, contracts that include the Supplier Code of Conduct covered **57% of total procurement**<sup>8</sup> expenses (+2 p.p. vs 2021).

In 2022, audits were conducted on 52 suppliers for ESG factors, selected based on an assessment of the potential risks linked to the operating sector or the organisation's characteristics. Of the suppliers in question, 48% have a high risk profile; over 140 improvement actions have been identified, of which more than 50% relate to the 'Environment' issue (in line with the high incidence of shortcomings identified in this section). A process to monitor its implementation will be launched in 2023.

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

The Group has mapped the risks and opportunities deriving from climate change, prepared following the taxonomy defined by the *Task Force on Climate-related Financial Disclosure*. In particular, it covers the various phases of the value chain and is not concentrated only on **direct transactions** but also includes **underwriting and investment activities** and encompasses both **physical risks**, or the risks deriving from the physical consequences of climate change, which may be acute or chronic, and **transition risks**, or the risks deriving from the transition towards a low carbon-emissions economy that is resilient to climate change, such as reputational, market and legal risks and risks linked to policies.

Figure 1 - Mapping of the risks and opportunities of climate change



Concerning the risks linked to climate change, the Unipol Group continues to **implement scenario analyses to measure the impacts of physical and transition risks**. Specifically, certain stress scenarios are assessed for physical risks and transition risks as part of the framework of stress tests defined by the Group and set out in the Own Risk Solvency Assessment Report on the 2022 financial year (the 'ORSA Report').

To ensure a standard of comparability, the Group decided to adopt the scenarios defined by the *Intergovernmental Panel on Climate Change (IPCC)* for the analysis of physical risks. As, in its *Opinion*<sup>9</sup>, EIOPA requires subjecting a company to a sufficiently wide range of stress scenarios, including at least two scenarios<sup>10</sup>, when possible, all RCP (Representative Concentration Pathway)<sup>11</sup> scenarios were analysed (2.6, 4.5, 6.0, 8.5). Referring to the Non-Life business, the analysis of the impact of climate change on physical risks in the ORSA Report includes three levels:

<sup>7</sup> ISO standard that provides guidance to organisations, regardless of their activity or size, on integrating sustainability into procurement.

<sup>8</sup> In 2022, the adoption of the Supplier Code of Conduct was extended to purchases by UnipolPay, by companies in the Mobility ecosystem (CambioMarcia, BeRebel, I-Car, Muriana Manuela) and the UnipolHome Property ecosystem. The purchases recorded by UniAssi Team and by the Serbian company Ddor Novi Sad regulated by specific contractual agreements and by the recently acquired companies WellBee, Tantosvago, Anton Maria Valsalva, Unicasa Italia, Gratia et Salus and DaVinci Healthcare are excluded.

<sup>9</sup> EIOPA, Opinion on the supervision of the use of climate change risk scenarios in ORSA, April 2021

<sup>10</sup> The IPCC-AR6 scenarios are defined by the combination of emissions contributing to global warming (e.g. CO<sub>2</sub>, methane) and socio-political scenarios (which specify the policies adopted that should lead to greater or lesser mitigation of the phenomenon). The change in the global average temperature over the pre-industrial period is one of the references for the definition of the scenarios. The EIOPA Opinion suggests setting up at least two scenarios: one *mild*, with a rise in temperature not exceeding 1.5° C and another *stronger* scenario with a rise in temperature of over 2° C (point 3.18 of the EIOPA Opinion)

<sup>11</sup> IPCC (2021). Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.)]. Cambridge University Press. In Press. <https://www.ipcc.ch/report/ar6/wg1/>

- 1) identification of the business lines characterised by direct or indirect impacts of climate change;
- 2) analysis of the monitoring of climate change to date ('Climate Change So Far');
- 3) near-term (2030) analysis for the most significant acute physical risks for the Group portfolio: flooding and convective storms;
- 4) mid-term (2030-2050) and long-term (2050-2100) analysis for the same risks as those set out in point 3;
- 5) long-term (2050-2100) analysis for chronic risks (i.e., average sea level rise) and the acute risks currently considered secondary perils (wildfire and drought) considering the breakdown of the Group portfolio.

It is important to note that the climate is a complex system whose dynamics may change drastically when the threshold values of certain key variables are exceeded. Therefore, although the models adopted consider uncertainty, they cannot adequately model all extreme trends that may emerge following the activation of feedback mechanisms that would bring the system towards a new balance. The clearest example in this regard is sea level rise. Although this trend is easier to predict than other phenomena, the sudden collapse of several ice caps could accelerate the process with a trend subject to high uncertainty.

Regarding **the assessment of the climate change impact on transition risks**, the Group quantifies the losses in the value of financial investments for the different asset classes (bonds, shares, funds, etc.), originating from the shocks, segmented by business sector (NACE<sup>12</sup>), calibrated based on scenarios outlined by the Network for Greening the Financial System (NGFS).

Concerning the stress scenarios evaluated on both types of climate risk, based on the information available at the date on which the ORSA Report was drafted, the estimates of financial and economic developments, the assessment methodologies described and the assumptions made within the latter, the level of current and forward-looking capital adequacy of the Unipol Group measured using the Partial Internal Model is deemed adequate to meet the Risk Appetite and Risk Tolerance levels approved by the Parent Company for the year 2023, even in light of the stress test scenarios defined for physical and transition risks.

## Impacts of climate change on Physical Risks

### *Climate change: general characteristics*

Climate change is associated with multiple **physical risks**, which are categorised by regulations into **acute** (e.g., flooding, hail and downpours) and **chronic** (e.g., sea level rise, rising temperatures, decrease in average precipitation). Concerning the other risks typically analysed in relation to the insurance business, two distinctive aspects in the analysis of climate risks are highlighted:

- The possible effects of climate change may comprise an increase in the frequency and/or severity of certain natural events and therefore regard the hazard component. The scheme below, set out in the EIOPA Application Guidance<sup>13</sup>, is useful to reconcile the taxonomy of the time horizons concerning climate risks with those typical of business analysis.

	2021	2031	2041	2051	2100
Business time horizon	Short-term	Mid-term	Long-term		
Climate change time horizon	Short-term		Mid-term	Long-term	

- uncertainty which, given the resolution and limits of existing climate models, is higher than in other risk analyses.

### *How is climate risk incorporated into catastrophe models?*

The catastrophe models traditionally consist of the following modules:

- **Hazard**: module which evaluates the frequency and severity of the physical risks under examination;
- **Vulnerability**: module which evaluates the vulnerability of the assets under analysis to specific levels of severity of the physical risks under examination;
- **Financial**: module which evaluates the breakdown of the loss between the various parties exposed (e.g., policyholder, insurer and reinsurer)

The possible effects of climate change may consist of an increase in the frequency and/or severity of certain natural events and therefore regard the hazard component. In this context, it is essential to capture external change trends based on the type of phenomenon analysed and the geographical area of interest, keeping well in mind the fundamental distinction between the natural variability that intrinsically characterises natural phenomena and the variability induced by climate change.

<sup>12</sup> Acronym of *Nomenclature statistique des activités économiques dans la Communauté européenne* represents the general classification system used to organise and standardise the definitions of economic and industrial activity in the States of the European Union.

<sup>13</sup> EIOPA (2022). Application guidance on running climate change materiality assessment and using climate change scenarios in the ORSA. EIOPA-BoS-22/329.

The scope of relevant risks for Italy

The Group’s direct exposures to physical risks are nearly entirely concentrated in Italy (e.g., more than 99% of the Property sums insured). The IPCC report ‘AR6 Climate Change 2021: The Physical Science Basis’ (‘IPCC Report AR6’) refers in an aggregate manner to the macro-region of Southern Europe, within which countries such as Spain, Italy and Greece show varying trends depending on the risk considered. Some risks have high spatial variability, such as hail risk, for which there may be an even more significant difference in severity just a few kilometres away. Figure below provides a summary and qualitative representation of the relationship between the level of scientific consensus relating to the projected trends and the geographical variability of the most significant climate-sensitive physical risks for the Mediterranean area. Some risks have high spatial variability, such as hail risk, for which there may be an even significant difference in severity just a few kilometres away. Other hazards, such as rising sea levels and droughts, while affecting limited areas, show less variability within them. On the other hand, Figure 3 provides some public access database maps representing the estimated trend for the risks subject to analysis on several combinations of time horizon and climate scenarios concerning Italy.

Figure 2 Climate change and relevant risks for the Mediterranean area: level of scientific confidence and spatial variability

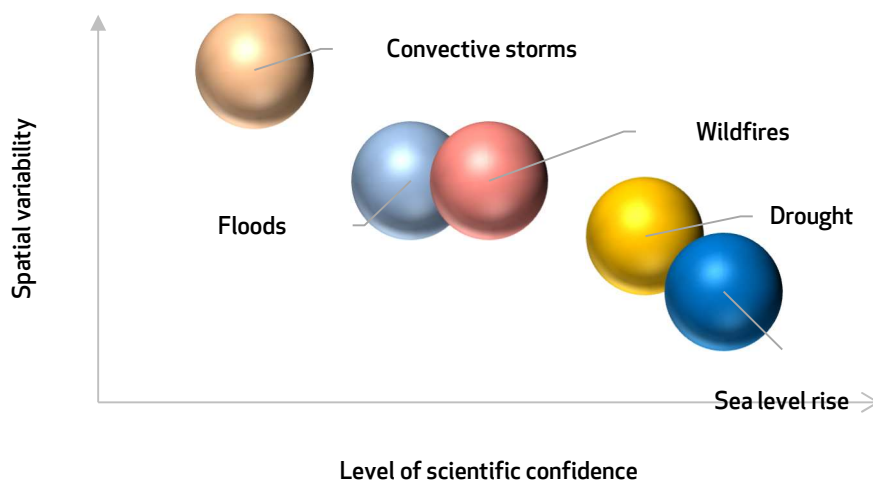
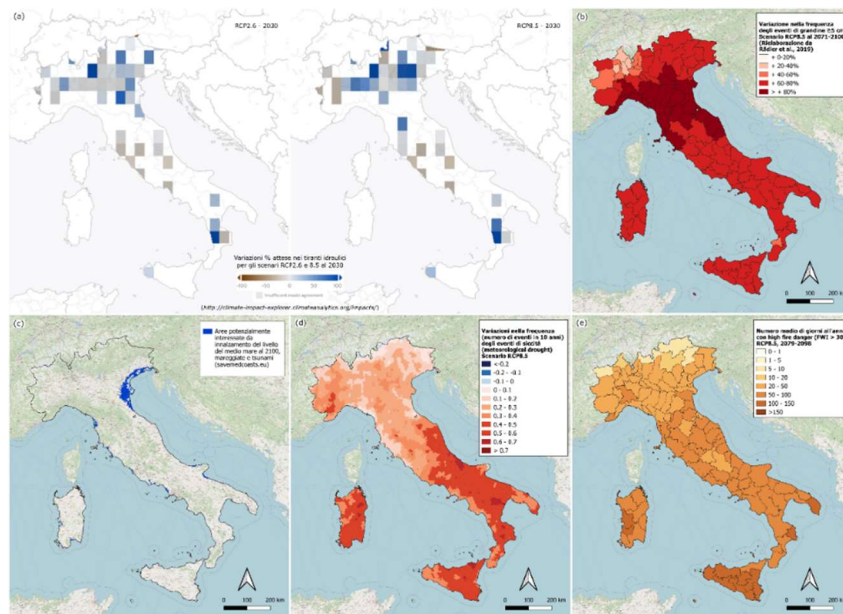


Figure 3 Future projections relating to the perils considered in Italy<sup>14</sup>



<sup>14</sup> (a) Flooding: expected percentage change in hydraulic heads in 2030 for scenarios RCP2.6 and RCP8.5 (source: <https://climate-impact-explorer.climateanalytics.org/impacts/>); (b) Severe convective storms (SCS): changes in the frequency (average number of events per year) of ≥5 cm hail events for RCP8.5 long-term (2071-2100) (re-calculation from Rädler et al., 2019<sup>14</sup>); (c) Sea level rise: areas potentially concerned by average sea level rise, storm surges and tsunamis in 2100 (source: <http://webgis.savemedcoasts.eu/>); (d) Drought: changes in the frequency of meteorological drought between now (1981-2010) and the 2041-2070 period, in scenario RCP8.5 (re-calculation from EEA data<sup>14</sup>); (e) Wildfire: forecasts of the average number of days per year associated with high fire danger (FWI > 30) for scenario RCP8.5 long-term (2079-2098) (re-calculation from Copernicus data<sup>14</sup>). Background maps: OpenStreetMap.

*Climate change to date: monitoring of most significant hazards for Italy*

To provide an overall framework in terms of frequency and severity of extreme natural events, the Group monitors the evolution of a series of indexes included in the European Extreme Events Climate Index (E<sup>3</sup>CI)<sup>15</sup> recently promoted by the IFAB (Foundation Big Data and Artificial Intelligence for Human Development)<sup>16</sup>, CMCC (Euro-Mediterranean Centre on Climate Change)<sup>17</sup> and Leithà<sup>18</sup> (Group company specialised in the development of data-intensive solutions). The goal is to provide information on the areas concerned by a number of types of weather-induced hazards and their severity. As things currently stand, consistent with the analogous index developed for North America (the Actuaries Climate Index, or ACI19), E<sup>3</sup>CI consists of a set of indexes providing information on the following five components: (1) cold stress, (2) heat stress, (3) drought, (4) extreme precipitation, (5) extreme wind. The assessment of the above components is based on ERA5<sup>20</sup>, the fifth generation hourly weather condition reanalysis dataset produced by the ECMWF<sup>21</sup> (European Centre for Medium-Range Weather Forecasts) which includes data from 1950 to date at a global scale and a spatial resolution of 0.25° and is updated daily. Each component of the E<sup>3</sup>CI employs a specific indicator as a proxy and is evaluated in relation to a reference value calculated on the 1981-2010 period, concerning which the E<sup>3</sup>CI presents the standardised anomaly on a monthly scale. The five components are also combined in the overall E<sup>3</sup>CI index, which summarises the underlying hazards. To date, E<sup>3</sup>CI has been made publicly accessible<sup>22</sup> at the national level. In the future, it will be possible to publish assessments at the individual administrative unit level as well.

Fig. 4 reports the series of standardised anomalies for Italy every month from January 1981 to January 2023 regarding the five components of the E<sup>3</sup>CI index and the overall index. The series included in Fig. 4 clearly show for the last four decades the decreasing and increasing trends, respectively, for cold stress and heat stress associated with a high degree of statistical significance. Regarding the drought component, the marked positive anomalies associated with the drought phenomenon that affected northern Italy during the summer of 2022, are evident. Regarding extreme precipitation, the marked positive anomalies observed over the last decade are apparent, while for powerful winds, the peak in October 2018, corresponding to storm Vaia, the severe Mediterranean storm that swept across much of northern Italy at the end of October 2018, with hurricane-level wind gusts and heavy rainfall, is obvious.

Please note that the indexes are evaluated on a national scale. Considering the spatially uneven nature of the underlying hazards, the future availability of the indexes at the administrative unit level will allow for monitoring with increased detail. In the meantime, during particularly significant events in Europe, the IFAB issues E<sup>3</sup>CI<sup>23</sup> spotlights ad hoc analyses performed by the CMCC based on higher resolution data. To date, for events that concerned Italy, spotlights have been issued regarding the summer 2022 drought<sup>24</sup>, the heat stress of May-August 2022<sup>25</sup> and the extreme precipitation in Italy of November 2022<sup>26</sup>.

15 <https://www.ifabfoundation.org/it/e3ci/>

16 <https://www.ifabfoundation.org/it/>

17 <https://www.cmcc.it/it>

18 <https://leitha.eu/>

19 <https://actuariesclimateindex.org/home/>

20 <https://cds.climate.copernicus.eu/cdsapp#!/dataset/reanalysis-era5-single-levels?tab=overview>

21 <https://www.ecmwf.int/>

22 <https://e3ci.dataclimate.com/>

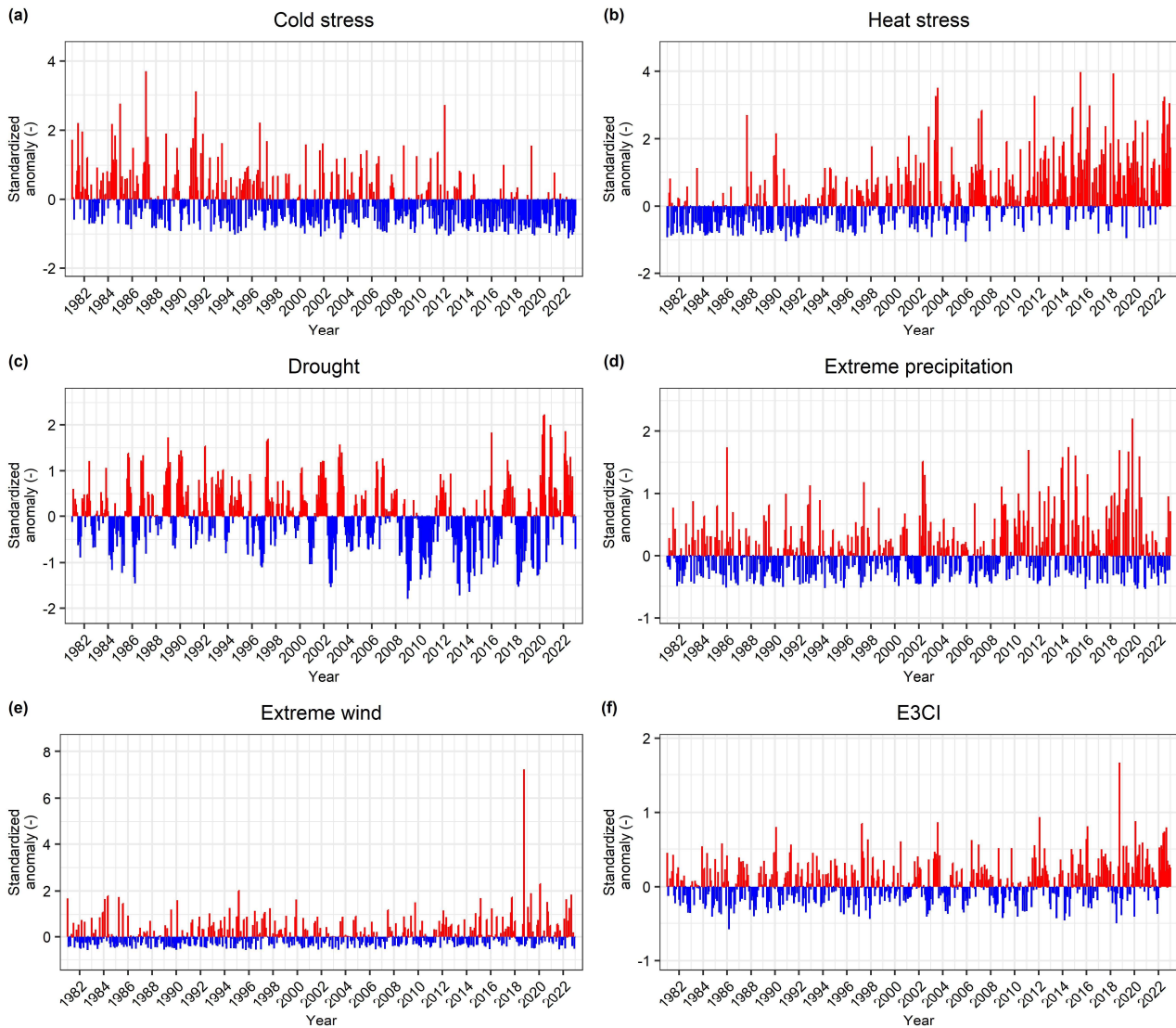
23 <https://www.ifabfoundation.org/category/e3ci/>

24 <https://www.ifabfoundation.org/2022/06/10/2022-european-drought/>

25 <https://www.ifabfoundation.org/2022/09/22/heat-stress-events-may-august-2022/>

26 <https://www.ifabfoundation.org/2023/01/12/extreme-precipitations-in-italy-focus-on-emilia-romagna-and-campania-regions-november-2022/>

Fig. 4 Series of standardised anomalies on a monthly basis from January 1981 to January 2023 for Italy. The five components of the E<sup>3</sup>CI index are reported (i.e., (a) Cold stress, (b) Heat stress, (c) Drought, (d) Extreme precipitation, (e) Extreme wind and (f) the overall E<sup>3</sup>CI index.



### Analyses relating to acute physical risks

As already mentioned, we should note that the main institutional reports specify that the expected impacts of climate change on physical risks will vary significantly, not only concerning the time horizon and the climate scenario (i.e., RCP), but also in relation to the geographical area and perils taken into consideration. On the one hand, the IPCC AR6 Report shows with high reliability that climate change is already triggering phenomena such as rising temperatures, more frequent heat waves and sea level rise. These phenomena are due to increase according to the mid-term (2050) and long-term (2100) climate projections. On the other hand, the IPCC indicates varying degrees of confidence and trends regarding the main acute physical risks, such as floods and severe convective storms (SCS).

As concerns flood risk, the reliability of future projections is highly influenced by non-negligible bias in the simulations for more extreme events obtained from the application of hydrologic models, characterised by uncertainties in addition to those already associated with the emission scenarios (i.e., RCP) and the underlying climate models. In this scenario, the IPCC AR6 Report indicates with high confidence a future increase in fluvial floods in North-Western Europe. For Southern Europe, they are expected to decrease at mid-century and the end of the century, with medium and low degrees of confidence for scenarios RCP8.5 and RCP2.6, respectively. The projections set out in the IPCC AR6 Report for mid-century and the end of the century for scenarios RCP8.5 and RCP4.5 also highlight, with medium confidence, an expected increase in extreme precipitation in the Mediterranean basin, corresponding, with high confidence, to an increase in the frequency and severity of pluvial type flooding phenomena (including flash floods), in an area for which, moreover, several studies have shown that roughly 20% of the urban areas are already affected by pluvial phenomena. Overall, regional changes in fluvial flood events are associated with more uncertainty than pluvial events due to the more complex underlying hydrological processes, including possible changes in the use of the soil and the management of water resources.

For atmospheric events, the IPCC AR6 Report clearly indicates that the quantification of the effects of climate change on extreme storms (i.e., tropical cyclones, extratropical cyclones and severe convective storms) is complicated due to the nature of such phenomena (rare, brief and localised events characterised by a high degree of variability) and the capacity of the models currently available to accurately represent their underlying physical processes on a small scale. This is especially found in severe convective storms, characterised by events with a high degree of spatial locality and great temporal variability. For these, although current scientific knowledge makes it possible to identify specific atmospheric parameters that favour the development of the most severe storms, it is not sufficient to fully characterise the physical triggering process. Regarding the time series, in Europe, the IPCC indicates an increase in the number of hail reports, which, however, is not associated with statistically significant trends and appears, for the most part, linked to an increase in reporting<sup>27</sup>. Overall, the combination of the trends observed and the modelling forecasts provide indications for Europe of a slight increase overall in the frequency and severity of hail events. However, there is little agreement on the observed trends, and the changes associated with future climate projections are of low significance, with several contradictions. Regarding wind, the IPCC forecasts a reduction in average speed both in the Mediterranean area (high confidence) and Northern Europe (medium confidence). At the same time, it indicates a slight increase in the frequency and severity of extratropical cyclones, strong wind and extratropical storms for Northern, Central and Western Europe after mid-century due to global warming levels higher than 2°C (medium confidence). The IPCC AR6 report also indicates a decrease in the frequency (*medium confidence*) but an increase in the intensity of Mediterranean tropical cyclones (i.e. *Medicanes*) as well as, albeit with low confidence, a future increase in large-scale conditions favourable to the formation of extreme convective storm events.

For flooding and severe convective storms, the impact assessments relating to the Group portfolio were conducted based on the baseline estimates (not influenced by climate change) of some of the most advanced market models for acute physical risk analysis. Climate change impacts were assessed in relation to the near-term, mid-term and long-term time horizons and the RCP2.6, RCP4.5, RCP6.0 and RCP8.5 emission scenarios. Operating within the frequency-severity logic, the analyses were based on the assumption that only the frequency-related component would vary (frequency), considering the intensity constant (severity). In particular, **both the underwriting portfolio, for the Property and MV lines, and the Group real estate portfolio were analysed**. Specifically for flood risk assessment, the Group used a dedicated module integrated within the available market catastrophe model. For severe convective storms, internal analyses were performed based on the conditioning of the results of market models through a statistical approach<sup>28</sup>, based on the most recent findings of sector scientific literature, appropriately corroborated by a discussion with partners with specific experience on the matter. Regarding flooding, the analyses conducted show an increase in the hazard, which is more significant for the more severe RCPs: while for the RCP2.6 scenario the dynamics of the increase is limited in both the short and long term, for the more severe RCP8.5 scenario the increase in the hazard is significant especially in the long-term. Regarding convective storms, particularly concerning the joint contribution of hail, gusts of wind and tornadoes, it is confirmed that RCP8.5 is the severest in the long-term, with a higher impact as the time horizon considered increases. For this last *hazard*, we should further note the considerable uncertainty associated with the assessments performed, linked to the complex nature of such phenomena and the divergence of the estimates of currently available models, particularly evident in some geographical regions.

<sup>27</sup> Raupach T.H., et al. (2021). The effects of climate change on hailstorms. *Nature Reviews Earth & Environment*, 2(3), 213–226. <https://doi.org/10.1038/s43017-020-00133-9>

<sup>28</sup> Approach based on the use of statistical models to derive the value of certain climate variables based on other independent variables.

### Analyses relating to chronic risks and physical risks currently considered secondary perils

Regarding chronic physical risks and 'secondary perils', both characterised by the absence of fully probabilistic market models recognised as benchmarks for Italy, the analysis has concentrated, in line with the best risk management practices, on the identification of the potential exposures to risk and their classification in different risk clusters for the phenomenon studied.

*Sea level rise* is one of the chronic effects of climate change, which has measurable effects. The time series shows an acceleration of the phenomenon of average sea level rise over the last century: from ~1.3 mm/year for 1901-1970, in 1971-2006 it rose to ~1.9 mm/year, and over the last 15 years has been ~3.7 mm/year. The average sea level rise, aside from directly affecting currently urbanised areas, may also expose new areas to the effects of storm surges. Regarding future projections, there are uncertainties linked to the temporal trend of the phenomenon, also depending on the specific RCP scenario considered, with a rise in the 0.98-1.88 m range by 2100 in the most unfavourable scenario (RCP8.5), which could even exceed 2 m<sup>29</sup>. In general, the IPCC AR6 Report indicates with high confidence that sea level rise, combined with increasingly frequent *storm surges* and extreme flooding events (both *pluvial* and *fluvial*), will contribute to an increase in the likelihood of occurrence of flood events for urban centres located in coastal areas. In this context, the map published by *savemedcoasts* is indicative, relating to the main coastal areas in the Mediterranean region at an altitude of < 2 m above sea level, therefore potentially susceptible to flooding due to less favourable 2100 sea level risk forecasts, storm surges and tsunamis (see Figure 3(c)). Overall, this phenomenon is more concentrated in the North-Eastern Italy area, between the provinces of Ravenna and Trieste.

Recent scientific studies have shown an increase over the last 50-60 years in the frequency and severity of drought events in western and southern Europe<sup>30</sup>, particularly regarding the Mediterranean area during the summer season<sup>30</sup>. Specifically, for the Mediterranean zone, the IPCC AR6 report identifies an increasing trend in *agricultural* and *ecological* drought effects starting from 1950, showing, with a medium level of confidence, their links to human activity. For the same area, an increase in *hydrological drought* phenomena has been observed (*high confidence*). We expect that the trends observed in the time series may persist and become further exacerbated in the future, especially for the Mediterranean area, concerning both moderate (RCP4.5) and extreme (RCP8.5) climate scenarios<sup>30</sup>. The most updated climate projections, recently published in the IPCC AR6 Report and developed using the most up-to-date set of CMIP models<sup>31</sup> (i.e., CMIP6), net of certain uncertainties at the regional detail scale, indicate the general concordance of the models relating to the increase in the frequency with which drought indicators will surpass certain thresholds. In this context, the Group has performed assessments based on projections published by the <sup>32</sup>(EEA) concerning changes in the frequency (number of events in 10 years) of meteorological drought events in Europe between the present (1981-2010) and the 2041-2070 period, in the two scenarios RCP4.5 and RCP8.5. These estimates, reprojected on a municipal scale for Italy for this analysis (e.g., Figure 3(d)) indicate a generalised increase in the frequency of drought events, with different spatial patterns depending on the climate scenario considered.

The risk linked to *wildfires* is one of the acute risks currently considered *secondary perils* associated with a significant potential accentuation in the long-term in Italy. In this sense, we should recall that roughly 95% of fires are caused by intentional acts or negligence<sup>33</sup>. However, the effects and severity depend on environmental factors regarding fuel, such as prolonged periods of drought and heat waves, which help dry the vegetation. The IPCC AR6 Report highlights that certain areas, such as the Mediterranean, could in the future record more frequent *wildfire* events due to the increased *severity* of *drought* events and heat waves<sup>34</sup>. Moreover, an increase in *wildfire* events may contribute towards further increasing greenhouse gas concentrations (e.g., carbon dioxide, methane) in the atmosphere (*high confidence*), as well as trigger episodes of increases in air pollution near populated areas. Here, to evaluate *wildfire* risk, the Group looked at indicators based on the *Fire Weather Index*<sup>35</sup>(FWI) made available by *Copernicus* at European scale for the 1970-2098 period, calculated from reanalysis data and climate projections<sup>36</sup>. Specifically, the projections considered looked at the number of days per year associated with *high fire danger* (i.e., FWI > 30, according to the EFFIS classification) for the RCP8.5 scenario for various periods (e.g., 2079-2098 for the *long-term*; see Figure 3 (e)). The results show that in the future a greater portion of Italy's territory may fall within high fire risk zones.

Overall, the results of the analyses provide support especially concerning potential strategic risks which could, in the mid-/long-term, change the geographical composition of insurable risks or increase the significance of specific risks in terms of Non-Life insurance underwriting in the Italian market.

<sup>29</sup> IPCC (2021). Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Chapter 9: Ocean, cryosphere, and sea level change.

<sup>30</sup> European Commission - Joint Research Centre (JRC) (2017). Science for disaster risk management 2017: Knowing better and losing less. Publications Office. <https://data.europa.eu/doi/10.2788/842809>

<sup>31</sup> Coupled Model Intercomparison Project - <https://www.wcrp-climate.org/wgcm-cmip>

<sup>32</sup> <https://www.eea.europa.eu/data-and-maps/figures/projected-change-in-meteorological-drought>

<sup>33</sup> European Commission - Joint Research Centre (JRC) (2017). Science for disaster risk management 2017: Knowing better and losing less. Publications Office. <https://data.europa.eu/doi/10.2788/842809>

<sup>34</sup> IPCC (2021). Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Chapter 11: Weather and climate extreme events in a changing climate.

<sup>35</sup> <https://climate.copernicus.eu/fire-weather-index>

<sup>36</sup> <https://cds.climate.copernicus.eu/cdsapp#/software/app-tourism-fire-danger-indicators-projections?tab=overview>



## Impacts of climate change on Transition Risks

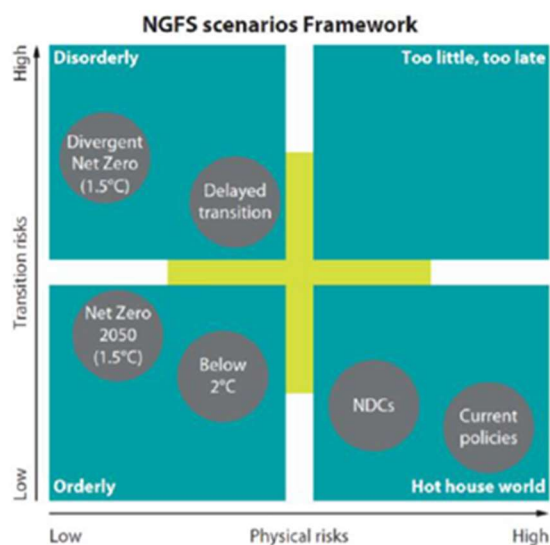
Concerning the estimate of the transition risk linked to climate change, the Group has started working with Moody's Analytics to model and quantify losses in the value of financial investments for the different *asset classes* (bonds, shares, funds, etc.), originating from the shocks, segmented by business sector (NACE), calibrated based on scenarios outlined by the *Network for Greening the Financial System* (NGFS).

### *The transition risk scenarios analysed*

Referring to the analysis of the impact of climate change on transition risks, the Group quantified the loss of value of the financial instruments held in portfolios (non-life business, life business with reference to Class C and free assets) at consolidated level and at individual Company level, in light of a pre-selected climate scenario - *Divergent NetZero 2050* - in a *near-term* time horizon assessed at 2027.

The *Divergent Net Zero* NGFS scenario assumes a zero-emissions target by 2050 but with higher costs due to the divergent policies introduced amongst the sectors and the more rapid elimination of fossil fuels. This scenario falls within the *Disorderly* category of the NGFS scenarios, or low physical risks and high transition risks. This scenario is different from the *Net Zero 2050* used for the previous year's assessments, assuming that climate policies are more stringent in the transport and building sectors. This implies that the inability to coordinate policy rigour amongst sectors entails a high cost for consumers, while the decarbonisation of energy supplies and industry is less rigorous.

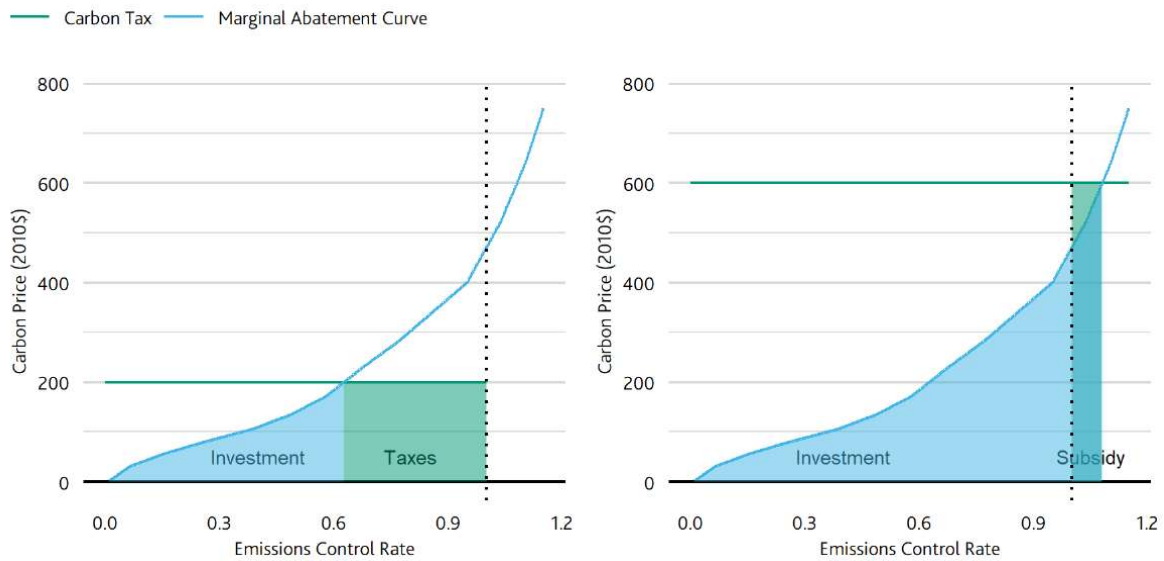
Furthermore, the presumption is that the availability of CDR (*Carbon Dioxide Removal*) technologies is lower than *Net Zero 2050*. Emissions are aligned with a climate target that calls for at least a 50% possibility of limiting global warming to below 1.5°C by the end of the century, with no or low surpassing (<0.1°C) of 1.5°C in prior years. This entails considerably higher transition risks than *Net Zero 2050* but overall lower physical risks than the six NGFS scenarios.



All NGFS scenarios are based on SSP 2 (*Shared Socioeconomic Pathways*), which represents the intermediate scenario in which social, economic and technological trends do not deviate markedly from historical models. Development and income growth are proceeding unevenly, with some countries making relatively good progress while others are not meeting expectations. Global and national institutions work to achieve sustainable development goals, but make little progress. Environmental systems are degraded, although there are some improvements, and in general, the intensity of resource and energy use is decreasing. The global population grows moderately and stabilises in the second half of the century. Income inequality persists or improves only slowly and challenges remain to reduce vulnerability to social and environmental change.

In climate models, the *carbon tax* and abatement investments are both significant transition costs. In the model developed in partnership with Moody's Analytics, these elements are linked through the marginal abatement cost curve concept. In particular, the assumption is that 'rational agents' within the economic system will reduce costs, when possible, until the point at which the marginal abatement cost is equal to the *carbon tax*, so above this level it makes no economic sense to pay higher abatement costs: from this level forward, the rational company begins to pay the *carbon tax*. With a progressively increasing *carbon tax*, CO<sub>2</sub> abatement will rise over time. At the same time, technological improvements could reduce abatement costs, lowering the abatement curve and increasing emissions abatement for a specific level of taxation. To determine the total abatement cost at a particular date, the area below the cost curve is calculated up to the fraction of current emissions abated, a level called the

emissions control rate. It is here that the carbon tax level intersects with the marginal abatement curve. The figure below (source: Moody's) illustrates what was described above:



In the scenario analysed, restrictive measures are taken to limit emissions, temperatures stabilise at mid-century, and physical damages are significantly low in proportion to GDP. On the other hand, the measures taken to reduce emissions result in high abatement costs, peaking at around 2040, which begin to decline in proportion to GDP after 2050. After reaching the Net Zero target, subsequent investments for reducing emissions are no longer necessary, and when the prices of technology decline, abatement costs also decline accordingly.

Returns are initially lower than the baseline scenario as the extra investments reduce consumption. However, when the abatement costs decline in the second half of the century, there is a period of growth recovery, and real returns will increase.

In this scenario, energy prices rise significantly. The high and rapidly rising price of carbon is passed on by energy companies in the form of higher energy prices. But, as companies invest in new production systems and in the transition to low-carbon energy resources, taxation reduces and prices decline again.

The higher energy prices lead to a general increase in price levels and a significant peak in consumer price inflation. When energy prices begin to drop, this effect is inverted and there is a period of declining inflation. The economy's energy intensity reduces over time, limiting the impact of the energy component on inflation.

### Assessment of the impacts of transition risk on the Unipol investment portfolio

The Unipol Group has evaluated the impacts of transition risk on its entire financial asset portfolio concerning the Non-Life business and the Life business and, for the latter, also regarding Class C investments and free assets. Specifically concerning investments in funds, the Group performed an analysis to identify the leading sector of exposure, which was then associated with the corresponding NACE sector shock. From this perspective, no impact was attributed to investments in infrastructural funds, primarily focused on renewable energies.

To calculate the climate impacts on the various asset classes, the Group adopted a methodology according to which, first of all, the long-term economic risks within the NGFS scenarios due to physical damages and CO<sub>2</sub> emissions abatement investments are calculated. Subsequently, these costs were converted into expected changes in real returns and risk premiums, using economic/financial models through a combination of the Ramsey rule and multi-asset capital pricing type models. By applying this methodology to the NGFS scenarios selected, the potential implications of climate change on strategic financial exposures held by long-term investors like insurance companies were quantified.

Physical damages were estimated based on a parametric approach (*global damage function*) which observes the change in average temperature compared to the pre-industrial era in relation to a proportional impact on global production (GDP).

Based on the shocks obtained through the methodology described above, the impact on the value of the assets and the Own Fund of the Group and each subsidiary was assessed.

## Risks linked to biodiversity loss

During 2020, the Unipol Group's *Reputational & Emerging Risk Observatory* introduced the topic of 'Nature and Biodiversity' as a new topic 'to watch' as part of the 'Climate change' macro-trend featured on the radar of relevant macro-trends for the insurance sector.

The insurance sector can play an essential role in supporting this transition, evaluating and limiting any direct impacts and, at the same time, including considerations relating to impacts on nature and biodiversity in performing its three key roles. Indeed, on one hand, climate change, both in its acute component of extreme weather events and its chronic component of irreversible environmental deterioration, provokes biodiversity loss. On the other hand, biodiversity loss in turn, accelerates climate change as it speeds up global warming and weakens the resilience of natural ecosystems, triggering a spiralling negative cycle. It is, therefore, necessary to face the challenge of climate change globally, expanding our view to consider *nature-related* risks and opportunities alongside *climate-related* ones, also considering the relative health impacts. Indeed, the COVID-19 pandemic has demonstrated how the climate, biodiversity, health and pollution crises are highly interdependent.

Ecosystem resilience is strictly linked to biodiversity, and does not have a linear trend, but rather depends on reaching specific thresholds or tipping points. As with climate change, planetary threshold levels can be defined, which identify the maximum levels of anthropogenic disturbances that the Earth system can withstand.

Activities supporting the climate transition must be accompanied and supported by a parallel transition towards the protection, restoration and promotion of biodiversity and solutions based on nature to interrupt and invert the vicious cycle, triggering a virtuous one by strengthening natural ecosystem resilience. This is why, at the initiative of the organisations Global Canopy, the United Nations Development Programme (UNDP), the United Nations Environment Programme Finance Initiative (UNEP FI) and the World Wide Fund for Nature (WWF), a task force on nature-related financial disclosure (TNFD) has also been created to integrate natural capital into economic/financial considerations, to redirect cash flows towards nature-positive activities, in keeping with SDGs 14 and 15.

The insurance sector can play an essential role in supporting this transition, evaluating and limiting any direct impacts and, at the same time, including considerations relating to impacts on nature and biodiversity in the performance of its three key roles. The possible contribution of the insurance sector, therefore, regards the offer of insurance products to fill the protection gap (*risk carrier role*), the provision of tools and services for preventing and managing risks relating to natural capital and biodiversity (*risk manager role*) and the mobilisation of the resources required to finance the transition towards the protection, restoration and promotion of biodiversity (*investor role*).

Insurance companies can include considerations relating to impacts on nature and biodiversity in their investment and underwriting strategies to reward sectors and businesses that promote biodiversity or the sustainable use of the land and sea and exclude those which cause harm or actively engage with them to favour their transition towards a neutral or positive impact on the biosphere and biodiversity. Ecological limits can be defined in terms of 'footprint' on specific natural resources such as water, on biodiversity or on the biosphere in general to guard against *nature-related* risks. To take advantage of *nature-related* opportunities, dedicated products, services and tools, such as specific *nature-friendly* bonds or funds or financial instruments, may be developed. Training, research, partnership and reporting activities can also contribute towards creating and spreading a culture and sensitivity around these topics, thus meeting growing stakeholder demands with reputational benefits.

Based on the systemic analysis of macro change trends in the external context currently present on the Reputational & Emerging Risk Observatory's radar, 6 main emerging risk areas have been identified, including 'Climate Change and Biodiversity'. In this area, the 'risk of biodiversity loss and the collapse of natural ecosystems (land and sea)' was mapped.

During 2022, the emerging risks mapped were subject to a structured assessment and prioritisation process involving a panel of external experts from academia and research centres or opinion leaders. The assessment was based on multiple parameters, including traditional parameters of likelihood and impact and other parameters such as time horizon and interconnections with other risks.

During 2022, in cooperation with the Sustainability Function, the Risk Area began activities intended to define a biodiversity loss risk management framework, to identify the impacts of this risk on the various categories within the Group's ERM Framework.

## PRODUCTS AND SERVICES TO TACKLE CLIMATE CHANGE

### Offer of insurance products and services to support customers in the transition towards a low carbon emission economy

Thanks to the support of Leithà, the Group company specialised in data science and computer science, the Unipol Group has a series of projects in place to strengthen and expand its ability to analyse weather and climate data to support the entire value chain of the insurance business:

- **Risk prevention: the Weather Alert service, developed based on a predictive model capable of giving customers advance warning of the risk of heavy hail, was extended to customers** in the agricultural sector by sending specific risk alerts relating to hail and strong wind. Over 3.8 million text messages were sent in 2022; since the start of the campaign, the number of texts sent has been 10.4 million in total, with 4.2 million UnipolSai, Linear and Arca Assicurazioni customers involved;
- **Pricing: the European Extreme Events Climate Index (E3CI)**, described in the section 'Impacts of climate change on Physical Risks', has been expanded with two new components due for release in 2023 (forest fires and hail), in addition to projections of the index components to 2100. In 2022, a study was carried out on several Italian cities using satellite interferometric data, which led to the creation of indicators capable of assessing the stability of buildings also in extreme weather or natural events (e.g. landslides);
- **Claims management: in 2022, Lorentz was perfected, an advanced tool for the collection and presentation of weather indicators which, for the General Classes, makes the Adjuster and Independent Expert aware of the weather conditions that led to the generation of the claims.** Aside from data on maximum daily precipitation, the tool provides data on the evolution of precipitation during the day, the likelihood of hail and flooding, maximum wind speed and lightning density. The tool helps speed up investigation times, produce more precise estimates, and identify potentially fraudulent claims. Using diverse data sources (satellite data, data from on-the-ground sensors and modelling data), Leithà performed several post-event analyses concerning particularly intense weather phenomena, managing the delimitation of flooded areas after floods, the identification of the areas most impacted by wind and precipitation phenomena and their comparison with data on the exposure of the Group's insured assets. In particular, using Machine Learning techniques, Leithà provided the Group with estimates of the impacts of extreme events in terms of frequency and severity of claims. These analyses can be carried out in just a few hours after the event date.

The Unipol Group can offer insurance products and services to support customers in mitigation and the transition towards a low carbon emission economy<sup>37</sup>. A number of examples are provided below:

- products aimed at business segments, such as the **production of renewable energy** ('UnipolSai Energia' product);
- offers to facilitate renovations, for the most part aimed at improving **residence energy efficiency**. In 2022, through the agency channel, tax credits were purchased for a total value of €715.4m referring to 4,463 cases, to support citizens in accessing the relief offered by the 2021 Relaunch Decree for renovation works, primarily to improve the energy efficiency of homes. A further 5,000 policies of different types were associated with these, for total premiums in excess of €6.4m (€2.8m in 2021).
- 'Pay as you drive' policies which reduce premiums based on vehicle use. The year 2022 saw the marketing of distinctive solutions for advanced pricing and underwriting models, thanks to the development of algorithms based on data on driving habits and the introduction of new parameters related to traffic and speed. Through the potential offered by telematics, new solutions were made available for mobility risk prevention and protection, such as assistance services and dangerous driving alerts (which at the same time enable customers to be more aware of the link between driving style and emissions). During the year, the new **'BeReBel Motor Vehicles'** product was launched, resulting from the partnership between BeReBel and Linear. This is an innovative product for MV TPL, Other MV risks and Land Vehicle Hulls insurance, with monthly payment and mileage pricing, which involves installation of the *'RebelBot'* satellite device. Distribution takes place via app. Through BeRebel, by joining the BeGreen initiative, you can offset the CO<sub>2</sub> emissions corresponding to the kilometres travelled by your vehicle;
- solutions and services for promoting **sustainable mobility**. Lastly, UnipolRental has launched an *all-inclusive green offer* designed for the *corporate world*, and in parallel for the retail world, which includes: aside from latest-generation electric and plug-in vehicles, all maintenance and assistance services, replacement or additional vehicle (the 'Roomy car' or a thermic engine vehicle that can be used for 21 days per year), installation and maintenance of charging stations at the customer's premises, or possibly wallboxes for home charging, an 'energy card' for charging through public networks, and an insurance policy for the electrical system. In 2022, Unipol Gruppo signed an agreement with Shell that will promote the development of a complete and innovative offer targeting motorists and aimed, among other things, at contributing to Italy's ecological transition; the partnership is based on five main areas: electronic toll collection, fuel card, electric mobility, telematics and company fleet management. The 'Full Assistance' guarantee was also integrated in terms of operations, also including services dedicated to the new needs of electric car users. Lastly, new mobility-related habits

<sup>37</sup> Regarding the type of phenomenon it is intended to represent, the information presented here differs from the information published below in the section 'Disclosure on the European Taxonomy of environmentally sustainable economic activities', and is therefore in no way comparable to them.

and conduct are targeted by solutions for valuing and purchasing used cars (Tenuta Bene and Cambiomarcia) and e-bikes (Cambiobike) through proprietary platforms, contributing to the development of the circular economy and sustainable mobility.



*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.*

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

In keeping with the vision of the respective role that public institutions and insurance companies should play to manage the growing risks deriving from climate change, outlined in the *position paper* 'Unipol for the climate' mentioned above, the Unipol Group has designed and implemented two projects aiming to **promote the innovative role that insurance companies can play to favour the adaptation to climate change of vulnerable parties** by implementing partnerships with the public administration.

The Unipol Group is implementing two projects that aim to **promote the innovative role that insurance companies can play in favouring climate change adaptation for vulnerable entities** (Italian SMEs and the agricultural sector, respectively) by implementing partnerships with public administration. In 2022, the project consolidated the tools to increase the awareness and ability of farms to adapt to climate change.

The **LIFE ADA (ADaptation in Agriculture) project**, launched in 2020, focuses on three agricultural supply chains: dairy (Parmigiano Reggiano), wine, fruit and vegetables. In 2022, the project consolidated the tools for increasing the awareness and ability of farms to adapt to climate change. The ADA web tool, in Beta version, has been made available to farmers in Emilia-Romagna to test it, analysing the climate change risks to which they are exposed (currently and in the future), accessing the library of adaptation actions and selecting the most suitable ones for their specific situation to create their own adaptation plan. The activities carried out in the pilot region laid the foundations for extension of the project to three other Italian regions (Tuscany, Lazio and Veneto) in 2023.

The **LIFE DERRIS project**, launched in 2015, is also continuing, seeking to increase the awareness of Italian SMEs on the risks that extreme weather events can pose to their business continuity. The project has devised a free online climate risk self-assessment tool (CRAM) that aims to help companies identify possible risk prevention and management actions to be implemented to increase their resilience to the expected impacts of climate change. In 2022, Unipol teamed up with Legambiente to organise awareness-raising events. At the end of 2022, the tool had been used by almost 9,000 users for about 12,000 sessions (+1000 compared to the previous year).




Since September 2020, UnipolSai has headed the LIFE ADA project along with the partners ARPAE Emilia-Romagna, CIA, CREA - PB, Festambiente, Legacoop Agroalimentare Nord Italia, Leithà and the Emilia-Romagna Region. The project aims to increase resilience to climate change impacts of the agricultural sector in three supply chains: dairy (Parmigiano Reggiano), wine, and fruit and vegetables.

<https://www.lifeada.eu/it/>

---




The year 2015 saw the start of the LIFE DERRIS project, the first European project bringing together the public administration, businesses and the insurance sector to reduce risks caused by extraordinary weather events. The project was coordinated by Unipol, along with the partners ANCI, CINEAS, the City of Turin, Italian Local Agenda 21 Coordination and UnipolSai.

<https://www.derris.eu>

Lastly, in March 2022, ICMIF (International Federation of Insurance Cooperatives and Mutual Societies, of which Unipol is a member) and UNDRR, the United Nations Office for Disaster Risk Reduction, launched a working group in which the Unipol Group participated to create a **resilience benchmark**, which was officially launched in October 2022, to:

- Monitor what ICMIF members do to improve the prevention capacity of their policyholders/customers against the seven mechanisms highlighted in the publication entitled 'From protection to prevention: the role of cooperative and mutual insurance in disaster risk reduction'<sup>38</sup> published in 2021.

<sup>38</sup> The publication is available at the following link: <https://www.icmif.org/undrr-icmif-report/>. The seven mechanisms identified in the publication, which insurance companies can activate to support a reduction in the risk of catastrophic events and resilience are:

**Direct mechanisms to reduce disaster risks - through insurance products:**

1. Apply variable pricing of insurance to provide incentives for risk reduction
2. Include prerequisites and exemptions to provide incentives for risk reduction
3. Ensure investment reduces and prevents risk and builds resilience

**Indirect mechanisms to reduce disaster risks - through insurance providers:**

4. Raise awareness of the systemic nature of risks and provide transparent information and advice for reducing hazards, exposure, and vulnerability
5. Build and share capacity and technology for risk modelling, analysis and monitoring
6. Promote and enhance local social capital for responding to disasters and innovating to reduce risks
7. Work with the public sector to flag any "unsustainable developments" and support decision-making toward disaster risk reduction and informed risk prevention investments while closing protection gaps.







- Formalising the efforts of each member (regarding other members) by assigning a score
- Using the power of the ICMIF network to discuss areas for improvement

**Investments to support the fight against climate change and the protection of the environment**

Unipol has a structure dedicated to the selection and management of **alternative investments**, such as 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.

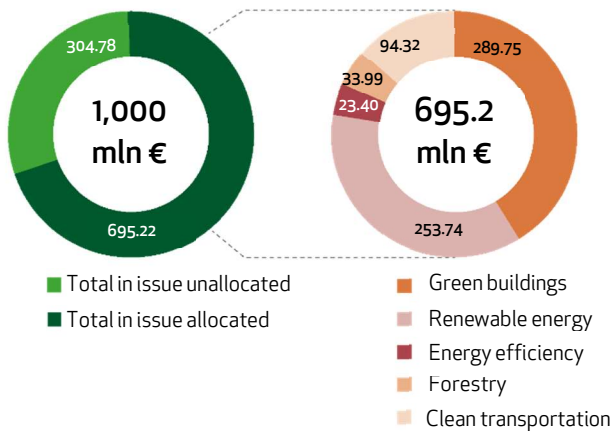
Investments with these characteristics grew by 34.5% overall in 2022, **those for combating climate change and for protection of the environment and of terrestrial, marine and freshwater ecosystems by 35.8%**. The new 'Opening New Ways' 2022-2024 Strategic Plan envisages a target of €1,300m invested in support of the 2030 Agenda by the end of 2024. In the table below, the investments are classified based on their positive impact on the different SDGs.

**Thematic and impact investments for the fight against climate change and protection of the environment and terrestrial, marine and freshwater**

ISSUES	Value €m 2022	Δ y-y	SDGs
Renewable energy, eco-efficiency	604.3	+ 35.3%	 
Sustainable mobility	121.6	+ 56.3%	
Sustainable forest management	40.8	+ 20.0%	
Organic farming and Eco-innovation	37.1	/	
Water	42.7	- 34.1%	
<b>TOTAL</b>	<b>€846.5m</b>	<b>+35.8%</b>	

The Group has outstanding Green Bonds worth a total of € 1bn, comprising bond loans - *senior, unsecured and unsubordinated*, non-convertible on maturity in 2030, issued in 2020 in compliance with its Green Bond Framework published in September 2020, with a *Second Party Opinion* issued by Sustainalytics.

**Green Bond issue and allocation by category**



At 31 December 2022, the income allocated to the refinancing or financing of projects consistent with the criteria defined in the Green Bond Framework totalled **€695.2m**.

An in-depth description of the allocation of income and the related impacts generated is contained in the Green Bond Report, which is published annually in conjunction with the publication of data relating to non-financial performance.



More information is available in the 'Green Bond Report 2022' published on the Unipol Group website ([www.unipol.it](http://www.unipol.it)).

# TARGETS AND INDICATORS

## The Group's climate-related objectives

The Unipol Group Climate Change Strategy, adopted in June 2022, set targets in each of the Group's three main areas of action.

As mentioned, in the Governance chapter, in 2022 some of these indicators were integrated into the long-term incentive (LTI) of the 'Unipol Variable Pay' Incentive System.

Lastly, in May 2022, the Unipol Group joined the **Net-Zero Asset Owner Alliance**, thus committing to defining specific intermediate targets to reduce the emissions of its investment portfolios to net zero greenhouse gas emissions by 2050. These intermediate targets will be published in 2023.

## Targets linked to the climate and nature



	DESCRIPTION OF THE GOAL	BASELINE 31/12/2021	ACTUAL FIGURE 31/12/2022	TARGET 31/12/2024	MATERIAL TOPICS
IMPACT OF PRODUCTS WITH ENVIRONMENTAL AND SOCIAL VALUE	Increased penetration of products with a social and environmental impact on the total insurance portfolio.	26%	27%	30%	<ul style="list-style-type: none"> <li>- Offer accessibility and sustainability</li> <li>- Use of resources and circular economy</li> <li>- Customer relations and service</li> </ul>
FINANCE FOR SDGs*	Increase in the amount of thematic investments for SDGs.	862 € mln	1,159.6 € mln	1,300 € mln	<ul style="list-style-type: none"> <li>- Climate change</li> <li>- Governance</li> <li>- Community empowerment</li> <li>- Biodiversity and ecosystems</li> <li>- Use of resources and circular economy</li> </ul>

	DESCRIPTION OF THE GOAL	BASELINE 31/12/2019	ACTUAL FIGURE 31/12/2022	TARGET 31/12/2030	MATERIAL TOPICS
SCOPE 1 AND SCOPE 2 EMISSIONS*	Reduction of emissions of CO <sub>2</sub> of operating sites (market-based approach)	30,337 ton CO <sub>2</sub> eq	16,280 ton CO <sub>2</sub> eq (-46.3%)**	-46.2%	<ul style="list-style-type: none"> <li>- Climate change</li> <li>- Use of resources and circular economy</li> <li>- Other environmental impacts (water, marine resources, pollution)</li> <li>- Biodiversity and ecosystems</li> <li>- Governance</li> </ul>

\* the goals listed are included in the performance targets of the 2022-2024 long-term incentive component, 15% of which depends on the level of achievement of the above-mentioned sustainability goals.

\*\* The data relating to Scope 1 and Scope 2 climate-altering emissions are determined based on the data of the Group's vehicle fleet and the consumption of electricity, gas and other energy sources for all buildings over which the Group has direct control, from the operating sites to the diversified companies, also including the properties in which Gruppo UNA carries out its activities and the offices abroad. In 2022, two new companies, Uniassiteam s.r.l and lCar, were included in the Scope 1 and 2 climate-altering gas emissions reporting scope. The total reduction in Scope 1 & 2 emissions in 2022 compared to the baseline (2019) is mainly linked to the extension of electricity supplies from renewable sources and the reduction in emissions of the Unipol Group's vehicle fleet (thanks to an increase in the share of hybrid vehicles and the reduction in total km travelled). The Group will continue to strive to reduce its Scope 1 & 2 emissions to confirm its emissions reduction trend in the context of a complete exit from the pandemic emergency and from a medium/long-term perspective beyond 2030.



### Climate change and the insurance business

In 2022, the claims from weather events (direct cover) affecting Italy increased over the previous year, confirming a growth trend linked to the ongoing climate changes.

In September 2022, UnipolSai launched a structured and integrated plan of actions to assist people affected by the floods in the Marche region to facilitate claim management, grant significant extensions and deferred payments and provide prompt and suitable responses to support customers and agencies resident in areas affected by the flood.

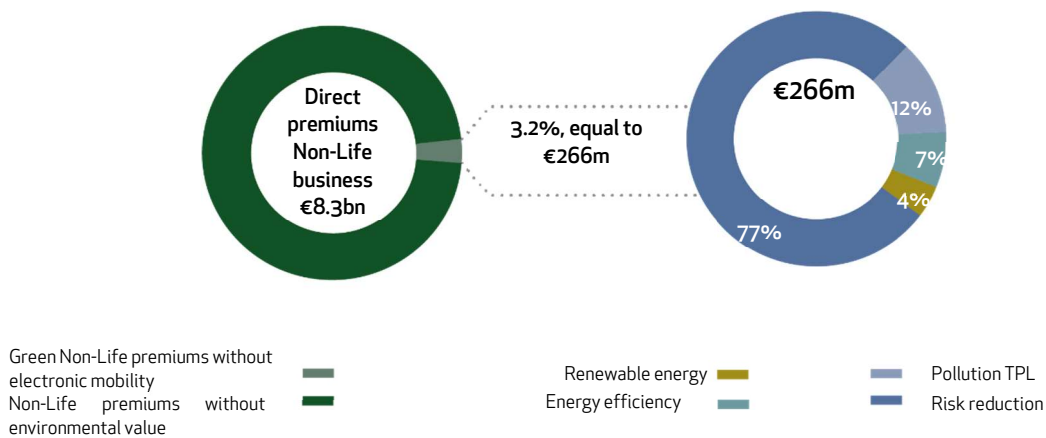
The Unipol Group's climate strategy establishes a specific climate-linked target for underwriting activities, i.e., increasing the penetration of products with social and environmental value (including those which contribute to the mitigation of and adaptation to climate change) in the overall insurance portfolio, with a goal of 30% to be reached by the end of 2024.

Solutions that integrate economic growth and social and environmental value<sup>39</sup> collected premiums of €3,700m in 2022, accounting for 27.1% of total direct premiums for Non-Life and Life products. 72% of these premiums were attributable to Non-Life business, where they represent 32% of direct premiums, while they constitute 20% of Life premiums.

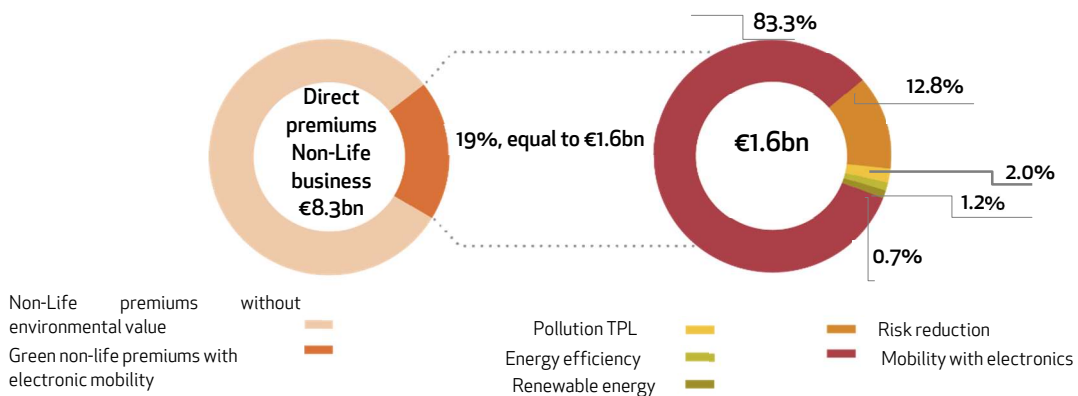
Regarding specifically the identification of distinctive insurance solutions that integrate economic growth and environmental impact (understood as the mitigation of and/or adaptation to climate change), the premiums collected in 2022 from the sale of policies thus characterised totalled €266m (compared to €256m in 2021), equal to 3.2% of direct premiums for Non-Life products (in line with 2021). To these must be added premiums related to auto policies that include blackbox installation, which account for 16.1% percent of direct premiums for Non-Life products (versus 17% percent in 2021).

#### Incidence of environmental value products and services on direct premiums for non-life business products

##### Green premiums without electronic mobility



##### Green premiums with electronic mobility



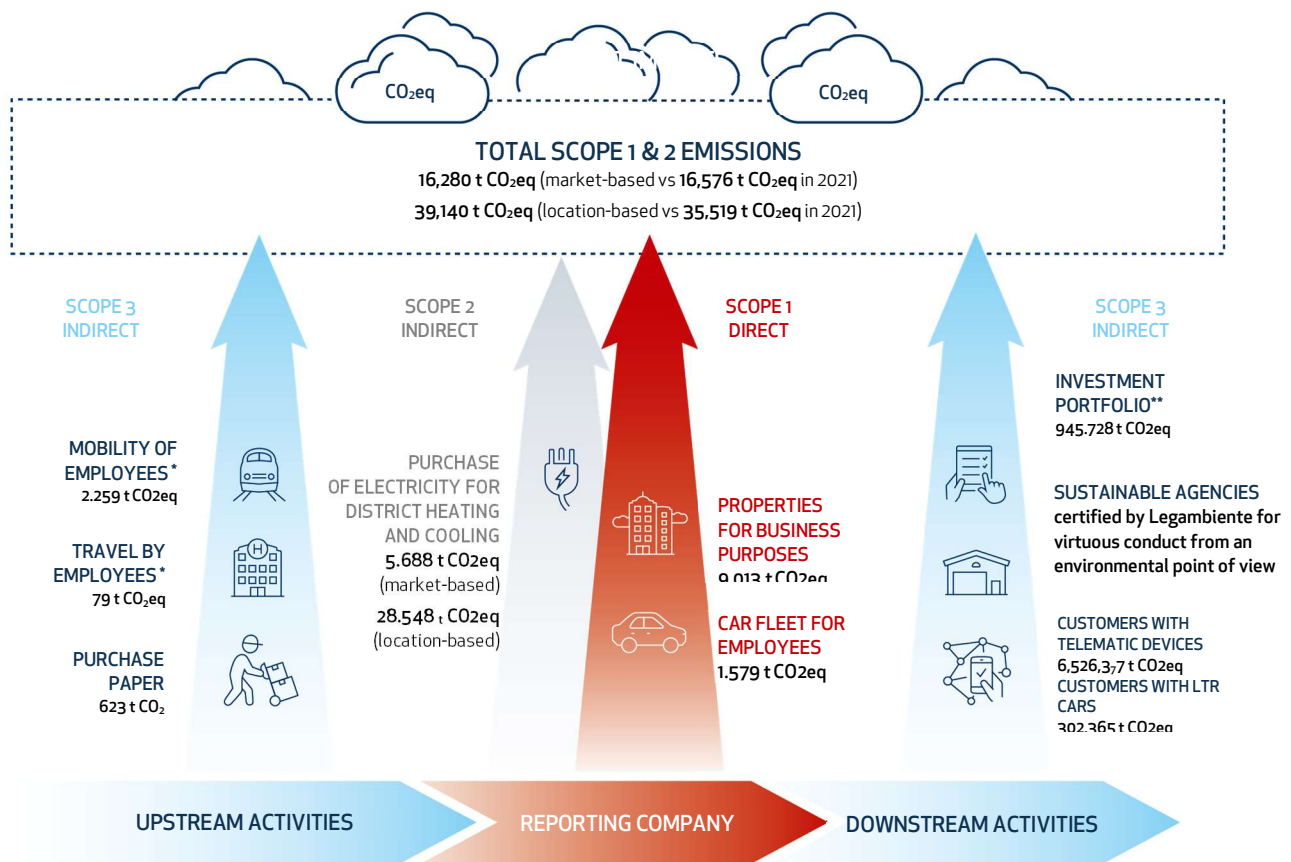
<sup>39</sup> To be classified as a 'solution of social and environmental value', a product or service must be capable of responding to social requirements by improving people's lives, having a positive environmental impact or responding to climate concerns.

UnipolSai is committed to developing the first insurance tools that recognise a benefit to companies that can demonstrate their contribution to the objectives of the 2030 Agenda. The **insurance agreement signed by Snam and UnipolSai** adopts this approach, for the first time recognising the significance of policies and actions linked to sustainability in the pricing of risk and, to create shared value, rewards the policyholder's commitment to risk prevention. With this in mind, the UnipolSai TPL policy envisages a reduction - recognised in advance - of 5% of the annual taxable premiums of Snam Rete Gas. The decrease will be confirmed at the end of the insurance period against achieving specific objectives for the reduction of methane emissions that contribute to the abatement of the company's Scope 1 emissions thanks to investments made in modernising and monitoring gas network infrastructure. Through this initiative, the Unipol Group aims to reward Snam's ability to implement actions intended to reduce environmental risks as an example of a virtuous company in the Italian landscape.

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

The Group has a consolidated process for analysing and monitoring its direct and indirect impacts on the environment<sup>40</sup> along the entire value chain to outline the activities necessary to reduce these negative impacts. In addition to reducing greenhouse gas emissions, the Unipol Group is paying increasing attention to its contribution to protecting nature and biodiversity.

### Management of environmental impacts



<sup>40</sup> For the measurement of greenhouse gas emissions, the calculation methodology adopted is that laid out in Directive EU/87 of 2003 relating to the emission trading scheme and the international classification proposed by the GHG Protocol standard - and picked up on in the GRI Standards - in Scope 1, Scope 2 and Scope 3.

\* Referring to Scope 3 emissions deriving from employee and customer mobility in Italy, the 2022 DEFRA coefficients (UK Department for Environment, Food & Rural Affairs - UK Government GHG Conversion Factors for Company Reporting) were used.

\*\* Regarding the climate impacts of investments, in line with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard for Category 15-Investments and the PCAF Global GHG Accounting & Reporting Standard for the financial industry, the value represents the absolute emissions of the corporate portfolio (listed equities and corporate bonds) in terms of Scope 1 & 2 CO<sub>2</sub>eq emissions and other direct emissions (including CCl<sub>4</sub>, C<sub>2</sub>H<sub>2</sub>Cl<sub>2</sub>, CBrF<sub>3</sub>, CBrF<sub>2</sub> and biomass CO<sub>2</sub>). The value in terms of carbon intensity (Carbon to Value invested - C/V) and Weighted Average Carbon Intensity (WACI) is detailed in the section "The climate impact of the investment portfolio". The Corporate portfolio analysed corresponds to the Group's direct investments in corporate bonds and equities (thus excluding investments in cash, UCITS, ETFs, derivatives and unlisted instruments), equal to €16,494m.

## Direct impacts

In its Climate change strategy adopted in June 2022, the Group defined a new target for reducing its Scope 1 & 2 emissions. Specifically, the Group is committed to a **46.2% reduction by the end of 2030 in Scope 1 and 2 emissions** linked to consumption of electricity, gas and other energy sources for all buildings over which the Group has direct control, from the operating sites and those of the diversified companies to the real estate where the UNA Group operates and the foreign sites, in line with climate science and in particular with the scenario of limiting the increase in the global average temperature to within 1.5°C.

Unipol monitors its greenhouse gas emissions related to the energy consumption of real estate assets for business purposes and the company fleet (Scope 1 & 2 emissions). With specific regard to real estate assets for business purposes, for 2022, the calculation of Scope 1 & 2 emissions was determined by the consumption of electricity, gas and other energy sources (gas oil and diesel, LPG, district heating and cooling) for all the buildings over which the Group has direct<sup>41</sup> control.

In 2022, **total Scope 1 & 2 emissions** amounted to 39,140 t CO<sub>2</sub>eq according to the location-based approach (vs 35,519 t CO<sub>2</sub>eq in 2021). The increase in consumption reflects a greater continuity of in-office presence of employees from November 2021 onwards. The total Scope 1 & 2 emissions, according to the market-based approach, instead decreased (16,280 t CO<sub>2</sub>eq in 2022 vs 16,576 t CO<sub>2</sub>eq in 2021), thanks in particular to the activation of contracts for electricity supplies from renewable sources in Serbia in May 2022.

Aside from Scope 1 & 2 emissions, Unipol monitors and reports on the impacts in terms of consumption of water resources and materials, as well as waste production.

## Energy consumption

The reduction and efficiency of energy consumption of real estate assets represent a significant issue both from the point of view of ESG impacts and financial effects.

In **real estate development** activities, investments in new buildings and substantial renovations of existing properties are characterised by the use of techniques and technologies aimed at maximising energy savings, leading in several cases to the acquisition of certifications that demonstrate the high levels of energy performance of buildings (such as Leed Platinum and Leed Gold).

In the **real estate asset management** activities, including property for 'business purposes' and 'third-party use', the energy management system certified to the **ISO50001 standard**, implemented by UnipolSai, commits the company to continuous improvement through widespread monitoring of energy consumption and planning of activities aimed at reducing consumption of electricity as well as thermal energy. Furthermore, the path of certifying significant properties of the Group for business use has continued with the BREEAM In-Use certification, which assesses the environmental performance of buildings. Seven new buildings were certified in 2022 (four with the 'Good' level and three with 'Very good'), adding to the ten certified in 2021. Aside from energy use, the BREEAM assessment criteria encompass many topics connected to impacts on nature such as health and well-being, transport, water use, materials, soil use and pollution.

Lastly, to strengthen the performance analysis of real estate assets according to the sustainability profile, twenty-eight Group properties were analysed using the GRESB criteria, the reference ESG rating system at the international level for real estate investments.

Some of the significant activities performed to reduce energy consumption include improving the efficiency of IT structures, one of the primary sources of consumption after the heating and cooling systems. The server virtualisation process reduces electricity consumption to power and cool IT equipment by roughly 38,377 MWh/year, corresponding to around 10,000 tonnes of CO<sub>2</sub> avoided.

### Direct impacts linked to energy consumption

Energy consumed	M.U.	2022	2021	Change %/p.p.
<b>Total Gas</b>	<b>Gj</b>	<b>135,983</b>	<b>115,306</b>	<b>18%</b>
Insurance	Gj	31,066	46,649	-33%
Hotel	Gj	81,035	43,022	88%
Agricultural	Gj	721	696	4%
Tourism	Gj	1	1	0%
Healthcare	Gj	20,923	22,781	-8%
Beyond	Gj	2,237	2,157	4%
<b>Total Diesel</b>	<b>Gj</b>	<b>9,308</b>	<b>6,400</b>	<b>45%</b>
Insurance	Gj	626	288	118%
Hotel	Gj	8,424	5,763	46%

<sup>41</sup> Referring to the companies operating in Italy, the source of the emission conversion factors (related to CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O gases for Scope 1 and Scope 2 according to the location-based method) and of the global warming potential (GWP) is the guideline for the application of the GRI Standards in environmental matters (December 2022 version), drawn up by ABI - Associazione Bancaria Italiana. With specific reference to the emissions from energy purchases (Scope 2) of companies operating in Italy (according to the market-based method) and in Serbia and Ireland (according to the market-based and location-based methods), the European Residual Mixes 2021 emission factors derived from the AIB Association of Issuing Bodies (Residual Mix and Production Mix, May 2022 version) were used. Emissions are expressed in tonnes of CO<sub>2</sub> equivalent (t CO<sub>2</sub>eq).

Energy consumed	M.U.	2022	2021	Change %/p.p.
Agricultural	Gj	216	324	-33%
Tourism	Gj	-	-	0%
Healthcare	Gj	41	25	64%
Beyond	Gj	-	-	0%
<b>Total Automotive diesel</b>	<b>Gj</b>	<b>4,183</b>	<b>4,027</b>	<b>4%</b>
Insurance	Gj	-	-	0%
Hotel	Gj	-	-	0%
Agricultural	Gj	4,183	4,027	4%
Tourism	Gj	-	-	0%
Healthcare	Gj	-	-	0%
Beyond	Gj	-	-	0%
<b>Total Electricity</b>	<b>Gj</b>	<b>302,101</b>	<b>257,963</b>	<b>17%</b>
of which renewable	Gj	293,487	241,475	22%
of which non-renewable	Gj	8,614	16,488	-48%
<b>Total Electricity</b>	<b>Gj</b>	<b>302,101</b>	<b>257,963</b>	<b>17%</b>
Insurance	Gj	155,920	143,658	9%
Hotel	Gj	105,218	75,465	39%
Agricultural	Gj	3,467	2,815	23%
Tourism	Gj	12,064	13,137	-8%
Healthcare	Gj	21,332	20,548	4%
Beyond	Gj	4,102	2,340	75%
<b>Total LPG</b>	<b>Gj</b>	<b>1,268</b>	<b>1,753</b>	<b>-28%</b>
Insurance	Gj	-	-	0%
Hotel	Gj	-	-	0%
Agricultural	Gj	1,268	1,753	-28%
Tourism	Gj	-	-	0%
Healthcare	Gj	-	-	0%
Beyond	Gj	-	-	0%
<b>Total District heating/cooling</b>	<b>Gj</b>	<b>77,947</b>	<b>67,407</b>	<b>16%</b>
Insurance	Gj	56,730	49,804	14%
Hotel	Gj	21,217	17,603	21%
Agricultural	Gj	-	-	0%
Tourism	Gj	-	-	0%
Healthcare	Gj	-	-	0%
Beyond	Gj	-	-	0%
<b>Energy intensity - Total</b>	<b>GJ/add</b>	<b>42.9</b>	<b>37.9</b>	<b>13%</b>
Insurance	GJ/add	22.1	21.7	2%
Hotel	GJ/add	310.6	204.1	52%
Agricultural	GJ/add	104.8	102.3	2%
Tourism	GJ/add	430.9	469.2	-8%
Healthcare	GJ/add	235.0	240.9	-2%
Beyond	GJ/add	20.4	14.5	41%

Direct GHG emissions and indirect GHG emissions from energy consumption	M.U.	2022	2021	Change %/p.p.
<b>Scope 1 - Tonnes of Emissions</b>	<b>T CO<sub>2</sub> eq</b>	<b>10,592</b>	<b>9,231</b>	<b>15%</b>
Scope 1 - Direct GHG emissions - Fleets	T CO <sub>2</sub> eq	1,579	1,656	-5%
Scope 1 - Direct GHG emissions - Property	T CO <sub>2</sub> eq	9,013	7,575	19%
<b>Scope 1 - Direct GHG emissions - Property by sector</b>	<b>T CO<sub>2</sub> eq</b>	<b>9,013</b>	<b>7,575</b>	<b>19%</b>
Scope 1 - Insurance	T CO <sub>2</sub> eq	1,857	2,725	-32%
Scope 1 - Hotel sector	T CO <sub>2</sub> eq	5,350	2,922	83%
Scope 1 - Agricultural	T CO <sub>2</sub> eq	453	480	-6%
Scope 1 - Tourism	T CO <sub>2</sub> eq	0	0	1%
Scope 1 - Healthcare	T CO <sub>2</sub> eq	1,222	1,322	-8%
Scope 1 - Beyond insurance	T CO <sub>2</sub> eq	130	125	4%
<b>Scope 2 - Indirect GHG emissions from energy purchased (Location Based)</b>	<b>T CO<sub>2</sub> eq</b>	<b>28,548</b>	<b>26,288</b>	<b>9%</b>
Scope 2 - Insurance	T CO <sub>2</sub> eq	16,691	16,385	2%
Scope 2 - Hotel sector	T CO <sub>2</sub> eq	8,884	6,890	29%
Scope 2 - Agricultural	T CO <sub>2</sub> eq	252	218	15%
Scope 2 - Tourism	T CO <sub>2</sub> eq	875	1,019	-14%
Scope 2 - Healthcare	T CO <sub>2</sub> eq	1,548	1,594	-3%
Scope 2 - Beyond insurance	T CO <sub>2</sub> eq	298	182	64%
<b>Scope 2 - Indirect emissions from energy purchased (Market Based)</b>	<b>T CO<sub>2</sub> eq</b>	<b>5,688</b>	<b>7,345</b>	<b>-23%</b>
Scope 2 - Insurance	T CO <sub>2</sub> eq	3,416	5,922	-42%
Scope 2 - Hotel sector	T CO <sub>2</sub> eq	1,699	1,052	62%
Scope 2 - Agricultural	T CO <sub>2</sub> eq	-	-	0%
Scope 2 - Tourism	T CO <sub>2</sub> eq	21	28	-23%
Scope 2 - Healthcare	T CO <sub>2</sub> eq	270	208	30%
Scope 2 - Beyond insurance	T CO <sub>2</sub> eq	280	135	108%
<b>Emission intensity - Scope 1 + 2 (location based)</b>	<b>T CO<sub>2</sub> eq/add</b>	<b>3.2</b>	<b>3.0</b>	<b>6%</b>
Insurance	T CO <sub>2</sub> eq/add	1.7	1.7	-3%
Hotel	T CO <sub>2</sub> eq/add	20.5	14.1	45%
Agricultural	T CO <sub>2</sub> eq/add	7.5	7.4	1%

Direct GHG emissions and indirect GHG emissions from energy consumption	M.U.	2022	2021	Change %/p.p.
Tourism	T CO <sub>2</sub> eq/add	31.3	36.4	-14%
Healthcare	T CO <sub>2</sub> eq/add	15.4	16.2	-5%
Beyond	T CO <sub>2</sub> eq/add	1.4	1.0	40%

### Renewable energy

The electricity supply contracts signed in Italy since 2015 and in Serbia since 2022 envisage that **100% of power supplied must be from renewable sources**.

A range of initiatives are underway to boost the production of energy from renewable sources, thanks to the installation of photovoltaic systems. In 2022, Tenute del Cerro, the Unipol Gruppo's agricultural and wine production company, opened a new winery, a 4,000 m<sup>2</sup> building used to improve and expand Tenute del Cerro production and storage capacity. The structure is characterised by green construction techniques and is equipped with photovoltaic panels producing 80 KW of energy.

The installation of additional photovoltaic systems at other wineries currently under renovation is also planned. To complement these activities, two of the company's agritourism facilities will be equipped with electric vehicle charging stations which can be used by both company vehicles and guests.

In December 2022, work began at Marina di Loano to construct the first photovoltaic system, which will start functioning at the end of the first quarter of 2023. The first phase will set up a 1,100 m<sup>2</sup> surface area of solar panels, while the second will end with the system's final configuration of 1,500 m<sup>2</sup>, with the production of 334,000 KW/year. Electric mobility solutions and rapid charging stations for every type of electric vehicle are also available for guests.

### Water consumption

The use of **water** is primarily linked to hygienic and irrigation uses and, in limited cases, for technological purposes in air conditioning systems. Water savings monitoring is constant; for this purpose, management systems have been implemented with electrovalves to prevent waste. For the toilets, the water comes from the mains system or other water service management companies, whilst for irrigation it also comes from springs or waterways.

Total water consumption in 2022 was approximately 1.5m<sup>3</sup>, of which 900,000 m<sup>3</sup> were attributable to hotels and 300,000 m<sup>3</sup> for irrigation use.

#### Direct impacts linked to water consumption

Water withdrawal	M.U.	2022	2021	Change %/p.p.	Notes
<b>Water withdrawal</b>	m <sup>3</sup>	<b>1,534,887</b>	<b>1,158,650</b>	<b>32%</b>	
Insurance	m <sup>3</sup>	188,757	170,376	11%	
Hotel	m <sup>3</sup>	938,099	569,202	65%	
Agricultural	m <sup>3</sup>	296,793	285,005	4%	
Tourism	m <sup>3</sup>	47,739	57,715	-17%	
Healthcare	m <sup>3</sup>	57,254	74,573	-23%	
Beyond	m <sup>3</sup>	6,246	1,779	251%	

The chapter on biodiversity protection describes some practices implemented for water resource management particularly in the agricultural sector.

### Waste management

For waste management at the Group's offices, to ensure control and traceability, operating methods are adopted that vary according to the waste treated (i.e. self-disposal of waste, transfer of waste to authorised third parties pursuant to regulations in force and disposal of waste to public municipal waste collection service operators).

The Group follows municipal directives for proper waste disposal, changing its processes and procedures where necessary and arranging to recycle or reprocess where possible. Compliance with local regulations is ensured for separated waste, such as paper, plastic, and glass.

The types of waste considered hazardous (neon and light bulbs, WEEE electrical and electronic equipment, toner and spent batteries, hospital waste, etc.) are managed according to their specific characteristics. They are disposed of separately and appropriately, according to regulations in force.

In the same way, for foreign companies, waste collection and management occur in compliance with reference national legislation.

#### Direct impacts linked to waste

Waste by type	M.U.	2022	2021	Change %/p.p.	Notes
Total waste*	Tonnes	1,160	1,425	-19%	The data does not include waste generated by Unipol Re DAC, Arca Vita International Dac and Unipol Rental whose waste is managed through the public service.
Non-hazardous waste	Tonnes	1,062	1,226	-13%	
Hazardous waste	Tonnes	98	199	-51%	

Waste by type	M.U.	2022	2021	Change %/p.p.	Notes
					Note that in 2021 the worksite activities in place for property maintenance led to more waste production than in 2022.

\* the total waste count cannot include waste that is delivered to the public service at the various sites. The same treatment is envisaged for municipal waste and separate waste (paper, plastic, glass, metal).

### Reduction of resource consumption and Circular Economy

For consumables such as toner and cartridges, the Group adopts a centralised management system which redistributes them at the retail level to insurance agencies, together with printed matter and copying paper. For materials collection, an effective and environment-friendly recycling system is in place that uses the most advanced processes and reuse options for all empty toner cartridges in compliance with European regulations (Waste Electrical and Electronic Equipment Directive 2012/19/EU - WEEE). During 2022, 31,250 pieces were acquired, including toner and drum units, with 80% certified as regenerated. The collection and recycling system in 2022 collected more than 8,000 pieces from the agencies alone, equal to 11 tonnes of material, with savings of 24,000 kg of CO<sub>2</sub>eq.

The disposal of office machines in Italy receives special attention: they undergo a careful reuse process before becoming waste.

UnipolTech, the telematics provider of UnipolSai which manages the telematic devices returned by customers, subjects the **devices returning from the market** to a process for their **regeneration**, evaluating each of them based on:

- technical obsolescence (device no longer aligned with new functions required based on the evolution of the telematic service);
- economic benefit of regeneration;
- product integrity (return due to suspected defectiveness);

Following this assessment, obsolete or not conveniently regenerable devices are sent for disposal (along with malfunctioning devices no longer covered by the warranty); all others go for regeneration, helping to reduce the consumption of new raw materials needed to produce the products while also limiting waste production.

In 2021, the year of its operational start-up, UnipolTech regenerated 182,000 devices, equal to 67% of returns from the market. At 30 June 2022, the cumulative figure since UnipolTech began operations is approximately **700,000 devices regenerated**.

At the end of 2022, the impact of regenerated products placed on the market compared to new products purchased was 45%.

The portion of devices that cannot be regenerated is disposed of according to directives and procedures established by legislation, which require the separation of the materials (batteries, plastic and electronic components) of which the devices are made and the assignment of waste management to authorised entities, which appropriately process and recycle the materials.

Regarding reducing the consumption of materials (and therefore of natural resources and raw materials), the Unipol Group pays particular attention to **reducing the consumption of paper and plastic**.

Document dematerialisation policies, with more than 8 million policies underwritten with FEA by more than 3,7 million customers, avoided 140 tons of CO<sub>2</sub> eq emissions (111 in 2021). In 2022, 97% of purchase contracts (83% in 2021) were digitally signed without recourse to hard copy.

To reduce the use of plastic and waste production in general, the Group has implemented an internal communication campaign for employees entitled 'More sustainable together', to encourage the adoption and spread of virtuous conduct. The communication campaign, which involved posting tips and information in the company's common areas, focused on the installation of new bins for proper paper and plastic handling and water dispensers to reduce plastic waste production. In 64 of the Group's offices, 193 fountains were installed, dispensing 139,103 litres of water (while avoiding the consumption of 278,000 plastic bottles).

In the hotel sector, guests were involved in supporting the **Smile at the Planet** initiative for the adoption of virtuous conduct in the consumption of bath and bed linen. In the 21 participating facilities, the initiative allowed savings of over 390,000 pieces, for a value of almost €100k compared to the same period in 2019. The **Plastic Free** pilot project to introduce natural and renewable materials in hotels led to a 40% increase in the purchase of such materials compared to 2019. Participation in the **'Tempi di Recupero Week'** initiative to promote the fight against food waste led to total CO<sub>2</sub>eq savings of 3.45 tonnes; the partnership with Too Good To Go was also launched in this area.

One of the Group's initiatives to reduce waste and promote the circular economy includes replacing plastic cups with paper cups and spoons with wooden stirrers and recovering cigarette butts in dedicated ashtrays and collectors for storage. A company then recycles them in a process that uses them to create a plastic polymer. This activity began in April 2022, and a total of 6.3 kg has been collected.

## Indirect impacts

Unipol is constantly striving to improve the measurement and reporting of its indirect emissions (Scope 3) and environmental impacts concerning the following stakeholders, as illustrated in the summary scheme 'Management of environmental impacts' at the beginning of the chapter.

### Employees

In 2022, the Unipol Group continued to monitor the climate-altering gas emissions connected to employee travel and trips considering - aside from the emissions generated by employee trips by air, train and personal vehicles already calculated in previous years (2259 t CO<sub>2</sub> in 2022, up compared to 2021, when travel declined due to the pandemic) - also the emissions generated by employee hotel stays (79 t CO<sub>2</sub>eq in 2022).

The Unipol Group also pays attention to the issue of its employees' home-work journeys, in particular to reduce their negative impact both environmentally (emissions of climate-changing gases and pollutants with consequent impact on air quality) and socially (traffic congestion in urban areas and consequent worsening of the quality of life), by promoting the use of sustainable means of transport. To improve the identification of new mobility needs, the Group carried out a very extensive survey, which involved 7,742 employees belonging to 17 companies distributed over 30 sites, located in eight provincial capitals. The health emergency affected the data recorded in 2022, as in 2021. Certain categories of company employees recorded significant use of smart working, resulting in changes to their travel habits.

Despite the continued prevalence of private transport with a preponderance of cars over motorcycles and bicycles, 2022 saw a gradual increase in the volume of Local Public Transport subscriptions, in contrast to 2021. Again due to the health emergency, carpooling and sharing mobility options (with the exception of bicycles) were still unused.

The Unipol Group provides a financial incentive to employees to purchase public transport passes and therefore reduce the emissions associated with commuting. In 2022, the use of such passes avoided the emission of 1,228 tons of CO<sub>2</sub>eq.

In 2022, after the 2021 trial phase, the UniShuttle app, designed and created by Leithà to streamline and optimise the use of the company shuttles made available to employees, provided information on the percentage occupancy of the vehicles and respect for timetables. With the help of tablets used by the shuttle drivers, it was possible to monitor the schedules, frequencies and level of use of the individual runs. The data thus collected made it possible, already starting in November, to optimise and increase service practicality for users, while also helping to streamline it in terms of schedules, frequencies and vehicle sizes.

### Customers

Also in 2022, the Unipol Group calculated the emissions generated by customer movements with telematics devices (6,526,377 t CO<sub>2</sub>eq vs 6,548,666 t CO<sub>2</sub>eq in 2021) and customer travel with the long-term rental vehicles (LTR) of UnipolRental (302,365 t CO<sub>2</sub>eq vs 218,880 t CO<sub>2</sub>eq in 2021).

Monitoring of the environmental impact of the commercial website ([www.unipolsai.it](http://www.unipolsai.it)) also continues. The analysis concentrated on 100 pages (half on desktop and the other half on mobile devices) of the website, which accounted for 84% of the annual views between September 2021 and August 2022. The result is 63.1 tonnes of CO<sub>2</sub>eq (+66.04% compared to the global median)<sup>42</sup>. The goal of this process is to highlight the respective performance of the various pages subject to analysis to show possible areas for improvement to reduce the website's carbon footprint. These activities can provide useful tips for developing the Group's other websites and apps.

### Suppliers

As pointed out above, the Policy on Outsourcing and Supplier Selection stipulates that among the criteria for selecting suppliers, the requirements of fair and responsible management towards stakeholders are also assessed.

Furthermore, the purchasing structures in the Group Companies undertake to apply criteria for the responsible purchase and use of the goods and services also obtained through centralised purchasing based on eco-sustainability criteria. As specifically regards green procurement, a broad range of product categories are involved:

- purchase of electricity from renewable sources;
- purchase or rental of selected environmentally efficient goods (green certified ICT equipment, multifunctional printers with smart printing and waste reduction, installation of luminous signs with high energy savings);
- purchase or rental of goods or services with lower impacts on climate altering gas emissions (long-term rental of 95 company hybrid/plug-in and electric vehicles, electric bikes to promote sustainable employee mobility, support for the purchase of passes for the local public transport system, bicycle courier service);

<sup>42</sup> In the previous year, the analysis referred to emissions generated by the top 50 desktop and mobile page views in the October 2020 - September 2021 period. Total CO<sub>2</sub> emissions amounted to 44.6 tonnes.

- purchase of recycled or reusable goods (recycled paper, toner)

The purchase of 1,037 tonnes of recycled paper, instead of virgin fibre paper, avoided the generation of 1,078 t CO<sub>2</sub>eq.

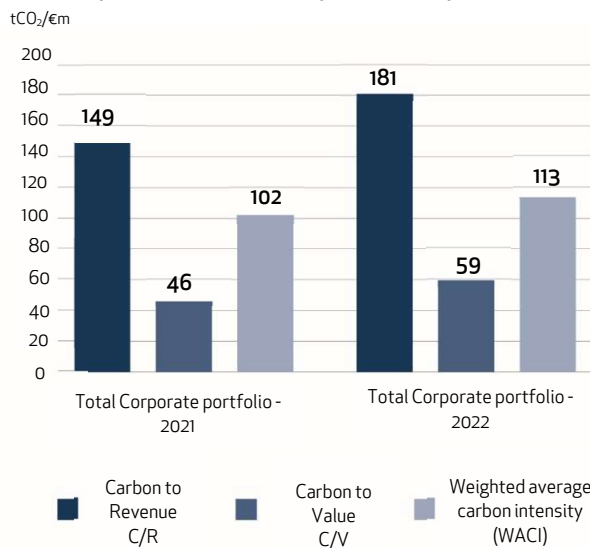
**Investments:**

Also in 2022, Unipol measured the climate impact of the investment portfolio and its alignment with emission reduction trajectories defined at the international level with the support of S&P Global Sustainable 1.

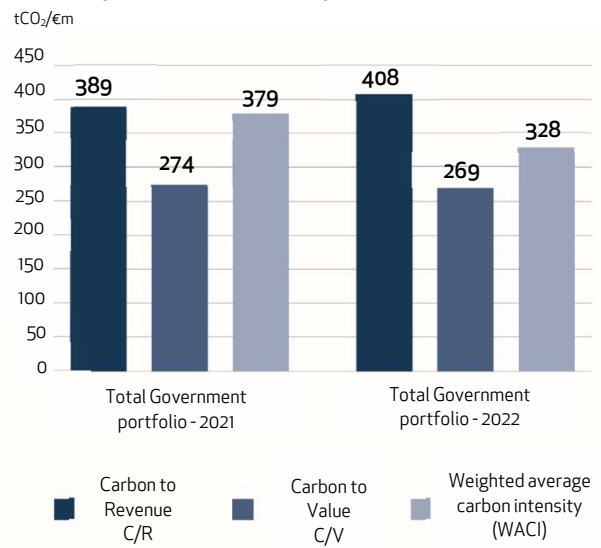
In line with recommendations of the Task Force on Climate-related Financial Disclosures, among the many metrics to be analysed concerning the Corporate portfolio (Corporate Bonds and Equity) and the Government Bonds portfolio<sup>43</sup>, the primary metrics are<sup>44</sup>:

- **Carbon to Revenue – C/R**, which measures the amount of portfolio-induced emissions<sup>45</sup> (in tCO<sub>2</sub>eq) apportioned by revenue or GDP.
- **Carbon intensity (Carbon to Value invested - C/V)**, which measures the total emissions induced by the portfolio (in tCO<sub>2</sub> eq.) on the value of that portfolio (in €m);
- **Weighted average carbon intensity (WACI)**, obtained by adding together the carbon intensity of each company (calculated as the Scopes 1 & 2 emissions divided by period revenues) and of each country (calculated as the Scopes 1 & 2 emissions divided by the period GDP) in the portfolio, weighted according to the weight of each company and each country in the portfolio.

**Climate impacts of the investment portfolio - Corporate**



**Climate impacts of the investment portfolio - Government**



The climate impact indicators for the Corporate investment portfolio show an upward trend, largely determined by the baseline taken into consideration. The analysis carried out in 2021 used the emissions of companies in 2020 as its basis, which were distorted by the Covid-19 pandemic. For the analysis carried out in 2022, the 2021 baseline is the result of a year very close to 'Business as Usual', with emissions returning to pre-pandemic levels.<sup>46</sup>

The emissions of Unipol's Corporate portfolio are *aligned with a trajectory of between 1.5 and 2 degrees*, indicating a positioning already consistent with the Paris Agreement's minimum goals, and well on the path towards the more ambitious goals that the Group intends to take on. The **Paris Alignment** analysis of the Corporate portfolio assesses the adequacy of emission reduction programmes of companies in the portfolio against the international climate goals, considering past data and forward-looking indicators over a medium-term horizon.

Corporate bonds were analysed in more detail to identify the sectors that most impact the portfolio's carbon footprint and to more accurately define the activities to develop to reduce the portfolio's climate impact.

<sup>43</sup> The analysis was conducted on figures at 30 September 2022, on 76.0% of total assets under management (direct and indirect), i.e. €45.3bn in debt and equity securities, of which €16.5bn Corporate and €28.8bn Government. Therefore, the excluded asset classes are: cash, UCITS, ETFs, derivatives and unlisted instruments.

<sup>44</sup> Additional information is provided in the Unipol Group's 'Unipol and Climate Change 2022' Report and on the website [www.unipol.it](http://www.unipol.it)

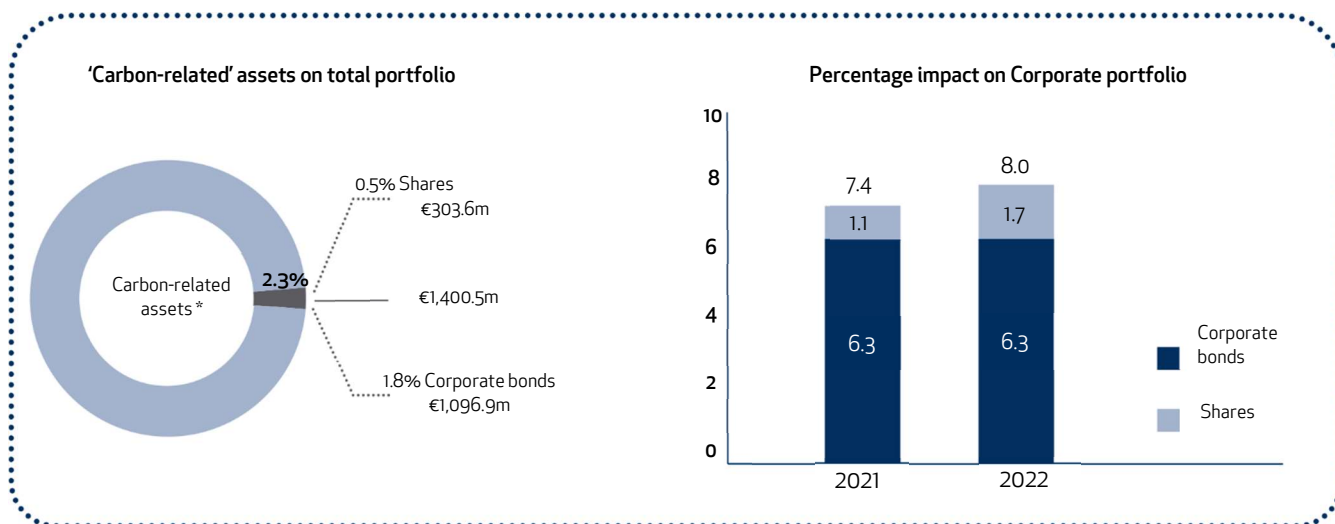
<sup>45</sup> For investments in Corporate Bonds or Equity, the total emissions induced by the portfolio are calculated by allocating the emissions generated by the investee companies based on the value of the Group's investment as a ratio of the market capitalisation or enterprise value of those companies. For Government Bonds, the allocation of the emissions of the investee countries is calculated as a ratio of the Group's investment in government bonds for each country to that country's GDP.

<sup>46</sup> 2021 was the first year in which Unipol used S&P Global Sustainable 1 as climate data provider. Without a shared methodological standard for calculating the portfolio's climate impact, the change in provider means that comparison with the performances measured in previous (pre-pandemic) years is impossible, as these were calculated using partially different methodologies.



Unipol has assessed its exposure to fossil fuel mining or energy production from fossil fuels sectors, considering the combined weight of companies in the portfolio that have revenues from such activities and the role such activities have on those revenues. **Fossil fuel exposure** represents 0.63% of the Corporate portfolio; considering exposure to coal alone, the related revenues have a 0.15% impact.<sup>47</sup>

The incidence of 'carbon-related assets' (calculated using the GICS classification) on the overall portfolio remained constant compared to 2021, while the incidence on the Corporate portfolio is up by 8%.<sup>48</sup>



To support its commitment to reducing the emissions of its investment portfolios in line with the targets defined by the Paris Agreement, UnipolSai has joined **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. Unipol also participates in the **CDP's Investor Signatory Programme**. As part of this, it has joined the CDP's *Science-Based Target 2022-2023* campaign to carry out a collective *engagement* action on more than 1,000 of the world's most impactful companies to ask them to set emission reduction targets in line with the Paris Agreement's 1.5°C target. Also concerning engagement, regarding the Real Assets and Private Equity Funds, engagement activities have been carried out during the underwriting phase, aimed at excluding investments whose primary 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.

## Agencies

The 2022-2024 Strategic Plan confirmed the 'Sustainable Agencies' project launched in the prior three-year period with the help of Legambiente, aimed at supporting UnipolSai agencies in raising awareness about reducing their impacts on the environment. Starting from the experience of the initial qualification cycle, in 2022, the Agency eco-sustainability assessment criteria were reviewed and enhanced to increasingly leverage the distribution network's capacities to support customers in their sustainable choices in relation to both insurance and ecosystem services. With this renewed approach, in 2023 the phase of involving Agencies in environmental qualification will resume.

## Protection and restoration of biodiversity

On the one hand, the issue of protecting biodiversity is expressed through interventions at some of the Group's diversified companies that are more dependent on natural resources and, on the other, through a collaboration with Legambiente to implement restoration interventions in vulnerable areas of Italy.

Following the persistence of drought events for Tenute del Cerro<sup>49</sup>, a Group company operating in the agricultural sector specialising in the cultivation of vineyards in Tuscany and Umbria, is implementing a series of actions to improve the irrigation system, to equip vineyard cultivations with emergency irrigation systems and safeguard production and quality levels. Systems have been implemented to collect and recover rainwater to reduce groundwater withdrawal to a minimum. In 2022, the Argiano

<sup>47</sup> The analysis of stranded assets covers 93% of the analysed Corporate portfolio, based on available information.

<sup>48</sup> 'Carbon-related' assets refer (according to the definition provided by the TCFD Recommendations) to those linked to the Energy and Utilities sectors (according to the Global Industry Classification Standard - GICS sector classification), excluding Water Utilities, Independent Power Producers (IPP) and Renewable Energy Producers.

<sup>49</sup> Tenute del Cerro owns around 4,300 hectares of land in Tuscany and Umbria, of which 300 hectares of vineyards among the most sought-after for high quality wine production.

reservoir was expanded at Fattoria del Cerro to double its capacity, which is now roughly 84,000 cubic metres. The required authorisations are currently being obtained to construct a new lake, named San Giuseppe, which will have a reservoir capacity of 50,000 cubic metres. These two basins will make it possible to intervene when necessary on the majority of the Fattoria del Cerro vineyards.

Furthermore, the vineyards, particularly at Fattoria del Cerro, have drip or micro-sprinkler irrigation systems to optimise and substantially reduce water use.

Another lever for action is precision agriculture. The equipment or tractors purchased in 2022 are for the most part equipped with satellite control systems that can optimise farming operations and save and reduce the use of crop protection chemicals. The company will also set up weather stations that can monitor environmental conditions in order to limit anti-parasite use where and only to the extent to which it is necessary.

The Unipol Group has two macro-areas of cooperation with Legambiente:

- 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, based on a survey of information on the effects of events on urban areas, infrastructure and historical assets in Italian cities, in addition to presenting national and international best practices;
- support for the **'Bellezza Italia'** project, a campaign that aims to study the impacts of climate change on natural ecosystems and support compromised areas in becoming beautiful again, so they can be used safely and also become resilient to extreme events.

Two important projects were launched in 2022 as part of this campaign. In Puglia, the **'Campomarino dune caretakers' project** was presented, which calls for the redevelopment and use of the Campomarino di Maruggio natural area in the province of Taranto. The project was selected based on its strategic role in the coastal dune system, which unfortunately is one of the most vulnerable and threatened ecosystems in Italy, for the mitigation of the risk of erosion and the reduction of the effects of climate change. The project made it possible to preserve and maintain existing vegetation and plant native plant species to restore the dune system. To reconcile environmental protection with sustainable tourism development, educational signs provide visitors with information about the vegetation present at the site, the importance of a dune system and the resulting need for everyone to help protect the dune area. After the mapping and surveying of the plants already present on site, construction began on the *Pancratium maritimum* experimental nursery to multiply native plants to then plant them in the dune area involved in the project and favour their uniform spread, guaranteeing the continuity of the plant species. The second project initiated in 2022 regards constructing the first **Lakes observatory, Cusio Observatory, on Lake Orta**, which represents an international-level recovery case study. The goal of the Observatory will be to coordinate ongoing monitoring to understand and mitigate the effects of climate change and plan the adaptation of a lake territory, identifying innovative and practical cutting-edge scientific environmental sustainability solutions. The project results will be made available to the local community and political decision-makers to launch actions to reduce atmospheric pollution and protect water quality and habitats.

Lastly, in July 2022, the study carried out as part of the project **'Paths of collective memory along Rio Posada'**, a biodiversity hotspot in Sardinia, launched in 2021, was presented. This study presents a detailed analysis of the extreme events that have occurred over the last 50 years and the actions under way to foster adaptation to climate change in the area.

In 2022, the Unipol Group began a partnership with Ogyre, the first Italian 'fishing for litter' platform, operating thanks to communities of local fishermen in Italy, Brazil and Indonesia, who, while fishing, also retrieve waste from the sea, thereby contributing towards protecting marine biodiversity. Unipol has undertaken to collect 11,000 kg of marine waste or 1 kg for each Group employee. The partnership with Ogyre echoes the awareness-raising campaign carried out with Group employees to reduce the use of plastic in the company and adequately recycle waste, developed in 2022 and described previously in the sub-section on waste management.

Lastly, DDOR launched an urban green area development campaign, dedicating a share of the premiums associated with comprehensive coverage and property policies (the commercial name of which was changed to increase the initiative's visibility with customers) to a fund dedicated to tree planting. The campaign took place from 1 May to 30 September 2022. For the selection of areas in which to plant trees, an online vote was held from June 1 to August 15 in which local communities were invited to designate their preferred cities. Based on the proposals received, ten municipalities were selected, with which DDOR entered into contact to gather information about the type of trees to be included in the project. To date, the planting of nearly five hundred plants is planned, and the work has started in seven of the ten cities involved in the campaign. The success of this project led DDOR to include it in its three-year plan, adding additional insurance products to the fundraising campaign, which will be extended to twelve months.

## ADVOCACY ACTIVITIES ON MATTERS LINKED TO CLIMATE CHANGE

The Unipol Group's Regulation Function reports to the Chief Regulation and Economic Studies Officer and conducts regulatory oversight, advocacy and Top Management support activities. Through this Function, the Group fosters and promotes dialogue with Institutions, *regulators* and national and European supervisors to support the demands of its companies in a transparent manner and with respect for the general interest. Unipol also oversees and participates in the work of some important trade associations such as Assonime, Assogestioni, ABI, AMICE<sup>50</sup> and of the most *important national and European stakeholder groups* engaged in the discussion and preparation of technical documents to support the Institutions and Supervisory Authorities in the areas of greatest interest to the Group.

Regarding sustainability, specifically the fight against climate change, in 2022, the European institutions confirmed their strong focus on sustainable finance. The European Union aims to take on a global leadership role in this area. The main initiatives in which Unipol was involved in 2022 include:

- participation in consultations and surveys conducted by the European Commission and by ESMA, respectively, on ESG ratings, recognising the critical role that they play in the investment decisions of many market operators (including the Unipol Group itself), although at the moment, there are no regulatory constraints requiring reference to such ratings<sup>51</sup>;
- transmission of a position paper to the European Commission, following the publication by the European Commission of a **proposed corporate sustainability due diligence directive (CSDDD)**;
- participation of the Unipol Group in a consultation started by EFRAG at the time of the publication of the first group of **European sustainability reporting standards (ESRS)**,
- monitoring of the topic of the integration of customer sustainability preferences in adequacy assessments pursuant to the **insurance distribution directive (IDD)** and participation (expressing its critical opinion) in a targeted consultation of the European Commission on retail client assessment portability and the consultation conducted by EIOPA on the draft 'Guidelines on integrating the customer's sustainability preferences in the suitability assessment under the IDD',
- monitoring of work concerning the approval of the EU Taxonomy delegated acts (delegated regulation (EU) 2022/1214) aimed at integrating the 'Climate' delegated act (delegated regulation (EU) 2021/2139) with technical screening criteria for economic activities in the energy sectors, particularly natural gas and nuclear energy, and the adoption by the European Commission of the *Regulatory Technical Standards (RTS)* – supplementing the RTSs set out in delegated regulation (EU) 2022/1288 to the 'Disclosure' regulation (SFDR, regulation (EU) 2019/2088) - containing the information to be provided in precontractual documents, on websites and in periodic reporting on the exposure of financial products to investments in activities linked to fossil gas and nuclear energy;
- intervention during the consultation initiated by EIOPA on its *supervisory statement* on insurance product exclusions concerning risks deriving from systemic events, which aims to promote supervisory convergence on how national authorities evaluate the treatment of insurance product exclusions in relation to the risks deriving from systemic events as part of the design of an insurance product and the definition of terms and conditions.

---

<sup>50</sup> Association of Mutual Insurers and Insurance Cooperatives in Europe

<sup>51</sup>Therefore, the lack of a legally binding definition of ESG ratings and the absence of minimum requirements relating to sources of information and methodologies constitutes a severe problem, which impacts the reliability and comparability of ESG ratings and ESG data. Due to these problems, investors are exposed to the risk of buying products that do not meet desired ESG characteristics, and the broader goal of channeling capital to support sustainable assets may be compromised.

Lastly, the Unipol Group participates in international initiatives to strengthen its *commitment* to climate-related matters in its various reference areas. These initiatives also provide a forum for discussion to gather ideas for continual improvement of the path taken by the Group to align its commitments with the objectives set by the Paris Agreement.

<b>UN Global Compact (UNGC)</b>	UN initiative that promotes corporate social responsibility by adhering to ten fundamental principles on human rights, labour, the environment and anti-corruption. The Unipol Group joined the UN Global Compact in 2018.
<b>Net-Zero Asset Owner Alliance (NZAOA)</b>	Alliance of international institutional investors, committed to bringing their investment portfolios to net zero greenhouse gas emissions by 2050, which the Group joined in the spring of 2022.
<b>Task Force on Climate-related Financial Disclosures (TCFD)</b>	Established in December 2015 by the Financial Stability Board (FSB), in June 2017, the Task Force published eleven recommendations to promote transparent reporting by companies on the risks and opportunities related to climate change. In November 2020, Unipol became a supporter of the Task Force on Climate-related Disclosures to consolidate its commitment to reporting climate-related information.
<b>Principles for Sustainable Insurance (PSI)</b>	UNEP FI programme for the insurance sector, which aims to address risks and opportunities related to environmental, social and governance issues. In March 2021, Unipol became a signatory to the UNEP FI Principles for Sustainable Insurance to strengthen its contribution as risk managers and investors to economic, social and environmental sustainability, understood as sustainable development.
<b>Principles for Responsible Investment (PRI)</b>	Principles for the integration of ESG criteria into investments, resulting from the partnership between UNEP FI and the Global Compact. The Unipol Group signed the Principles for Responsible Investment in 2017, committing to integrating social, environmental and governance criteria into the assessment of investments and understanding the implications of ESG factors in its activities as asset manager.
<b>Carbon Disclosure Project (CDP)</b>	Independent non-profit organisation that provides companies and countries with a global system of information on climate change. Participation in the CDP promotes disseminating information on emissions and the management of climate change-related risks and opportunities. Unipol publishes its environmental performance through the Climate Change programme of the CDP. In 2022, the Group obtained a rating of B for its Climate Change questionnaire (in line with the 2021 Climate Change questionnaire). Unipol also participates in the CDP's Investor Signatory Program to conduct engagement activities.

# APPENDIX 1 – COMMITMENTS AND EXPOSURE OF THE UNIPOL GROUP TO THE COAL INDUSTRY AND THE OIL & GAS INDUSTRY

This appendix aims to summarise the commitments and exposure of the Unipol Group to the coal industry and the oil & gas industry.

## Investments

### Commitments

The Group policies that govern the management of ESG risks call for exclusions and specific divestment objectives as concerns coal and the oil & gas industry, as well as monitoring the alignment of the investee companies with decarbonisation processes in keeping with the Paris Agreement targets.

According to the Responsible Investment Guidelines, the Unipol Group excludes outright from new investments those in Corporate Issuers that gain 30% or more of their earnings from coal mining activities or the generation of electricity from thermal coal, as well as activities linked to tar sands, shale oil and arctic drilling, and that do not show a sufficiently ambitious position in terms of transitioning their business to a low carbon regime.

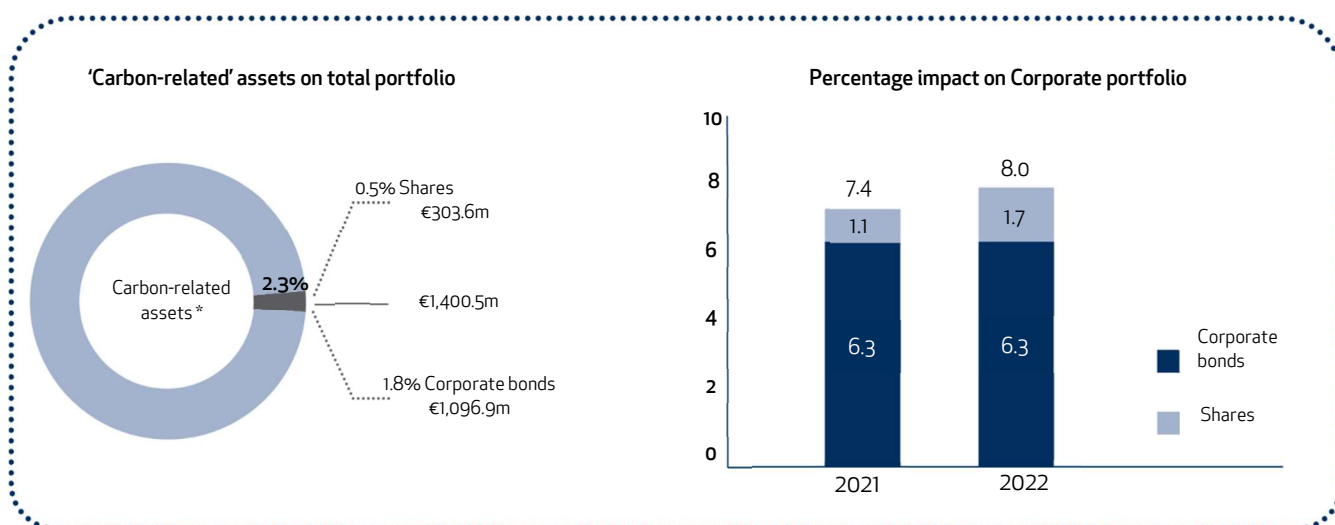
The Group has committed to completing its divestment from coal by the end of 2030.

To understand more fully how its investments influence climate change, the Group measures, monitors and reports on metrics associated with the carbon footprint of its financial portfolio and evaluates its future alignment with the Paris Agreement goals (Paris alignment) on a *forward-looking* basis.

### Exposure

Unipol has assessed its exposure to fossil fuel mining or energy production from fossil fuels sectors, considering the combined weight of companies in the portfolio that have revenues from such activities and the role such activities have on those revenues. **Fossil fuel exposure** represents 0.63% of the Corporate portfolio; considering exposure to coal alone, the related revenues have a 0.15% impact.<sup>52</sup>

<sup>53</sup>The incidence of ‘carbon-related assets’ (calculated using the GICS classification) on the overall portfolio remained constant compared to 2021, while the incidence on the Corporate portfolio is up by 8%.



<sup>52</sup> The analysis of stranded assets covers 93% of the analysed Corporate portfolio, based on available information.

<sup>53</sup> 'Carbon-related' assets refer (according to the definition provided by the TCFD Recommendations) to those linked to the Energy and Utilities sectors (according to the Global Industry Classification Standard - GICS sector classification), excluding Water Utilities, Independent Power Producers (IPP) and Renewable Energy Producers.

## Underwriting activities

### Commitments

the Non-Life and Life ESG Guidelines call for the exclusion from Non-Life and Life Business underwriting activities of any companies that obtain 30% or more of their earnings from coal mining activities or the generation of electricity from thermal coal and which do not show a sufficiently ambitious position in terms of transitioning their business to a low carbon regime, as well as companies that adopt unconventional mining practices (such as removal of mountain tops, hydraulic fracturing – fracking, tar sands, deepwater drilling). The exclusions based on ESG performance do not apply when underwriting products that protect the employees of the policyholder legal entities in the case of illness and accident, in view of the social role that these policies perform for individuals.

### Exposure

Unipol has assessed its exposure to activities linked to the coal mining and oil & gas industries specifically regarding General Class premiums only of the company UnipolSai Assicurazioni S.p.A. for legal entities with an assigned ATECO code. This analysis, limited to 89% (equal to €1,590m) of the total General Class premiums<sup>54</sup>, shows that the percentage of premiums received from companies operating in the coal mining industry (excluding peat) is equal to 0.001% of the overall total premiums collected from legal entities in the General Classes (in line with 2021) and 0.0003% of total direct premiums for Non-Life products for UnipolSai. That relating to companies operating in the crude oil and natural gas extraction industry equals 0.037% of the total premiums received from legal entities in the General Classes (0.009% of total direct premiums for Non-Life products for UnipolSai). In comparison, the percentage of companies operating in businesses supporting oil and natural gas extraction is equal to 0.008% of the total premiums received from legal entities in the General Classes (0.002% of total direct premiums for Non-Life products for UnipolSai).

---

<sup>54</sup> The ATECO codes and the corresponding NACE codes were identified to proceed with the analysis of the economic sectors in the insurance portfolio, using the most precise NACE codes (level 4) as far as possible.

## APPENDIX 2 - DISCLOSURE ON THE EUROPEAN TAXONOMY OF ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES

This Appendix provides the information required by Art.10 of Delegated Regulation (EU) 2021/2178, which integrates the "Taxonomy Regulation" and governs the disclosure of environmentally sustainable economic activities to be included in annual financial reports published between 1 January 2022 and 31 December 2023.

In the Unipol Group's commitment to contribute to the challenges posed by climate change through its main areas of activity, investments and underwriting, the European taxonomy of environmentally sustainable economic activities<sup>55</sup> (the "Taxonomy") constitutes a fundamental support to strengthen the orientation of strategies towards the achievement of Community environmental objectives (the "Environmental Objectives"), starting with climate change mitigation and adaptation, which – among the six overall objectives – are the first to be subject to detailed regulation<sup>56</sup>.

In 2022, as described in the chapter "Opening New Ways: 2022-2024 strategies", Unipol published its climate change strategy, with the definition of new medium-long term targets for the reduction of its greenhouse gas emissions to support its own decarbonisation process and new commitments in this regard; the Taxonomy will acquire an increasingly important role in supporting the implementation of these objectives.

The initiatives implemented with the new Strategic Plan, and related results in support of the environmental goals, are described in detail in preceding paragraphs of the chapter "Support in implementing the 2030 Agenda and contribution to combating the climate emergency". The information contained in that chapter was prepared on the basis of criteria which, by scope and application method, differ from those defined in the Taxonomy and therefore might not match that indicated in this section.

Information on how and to what extent the Unipol Group's activities are associated with environmentally sustainable economic activities in relation to investing and underwriting activities is presented below; this information is prepared based on the interpreted regulatory requirements also considering the interpretative and/or clarification documents published<sup>57</sup>. It should be noted that the Group has used templates for its reporting that are consistent with those contained in the annexes to Delegated Regulation (EU) 2021/2178 applicable for the period from 1 January 2024, adapting their content where necessary, supplementing the information that is currently available in the manner required by the regulations and indicating the cases in which such information is not currently available<sup>58</sup>.

In parallel with the updated reporting of eligibility data, the Group is building internal paths and processes to monitor its alignment with the Taxonomy. As regards investments, 2023 will be dedicated to expanding the scope of data available and strengthening the ability to include information relating to the taxonomy alignment of issuers in the investment-related decision-making process, in line with the definition of intermediate targets in the processes for decarbonisation of the investment portfolio that will be finalised by the middle of the year, as required on joining the Net-Zero Asset Owners Alliance. With regard to underwriting, the Companies concerned have launched a process to assess opportunities to strengthen the taxonomy alignment of their portfolios, aimed at identifying any actions to be taken and defining specific targets.

### 1. KPI relating to investments

In the first phase of application of the Taxonomy Regulation, insurance and reinsurance undertakings are required to report on the investments made:

- I. the proportion of exposures to Taxonomy eligible and Taxonomy-non-eligible economic activities;
- II. the proportion of exposures to central governments, central banks and supranational issuers ("Investments in sovereign entities");
- III. the proportion of exposures to derivative assets;
- IV. the proportion of exposures to undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU ("Non-financial statement").

<sup>55</sup> Defined in Regulation (EU) 852/2020 and its Delegated Acts.

<sup>56</sup> Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, as amended ("Climate Delegated Act")

<sup>57</sup> "FAQs: How should financial and non-financial undertakings report Taxonomy-eligible economic activities and assets in accordance with the Taxonomy regulation Article 8 Disclosures Delegated Act?" published in December 2021 and supplemented by the "Draft Commission notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets" of February 2022. "Platform considerations on voluntary information as part of Taxonomy-eligibility reporting - Appendix 1" of the Sustainable Finance Platform.

<sup>58</sup> "FAQs: How should financial and non-financial undertakings report Taxonomy-eligible economic activities and assets in accordance with the Taxonomy regulation Article 8 Disclosures Delegated Act?", FAQ no. 5.

Note that, for the purpose of calculating the proportion referred to in point ii) above, the denominator, which corresponds to the concept of "total investments" in the following table, is the sum of items "2.1 Property"<sup>59</sup>, "4 Investments" and "7 Cash and cash equivalents" as recorded in the Statement of Financial Position<sup>60</sup>. However, the denominator for the proportions in points i), iii) and iv), which corresponds to the concept of "Assets covered by the KPI" in the following tables, is determined by deducting the total investments in sovereign entities from the denominator referred to in point ii) as described above.

In order to guarantee, at least in reference to information to be disclosed in application of the Taxonomy Regulation, effective comparability of the data published, the European Commission<sup>61</sup> requires that disclosures concerning the aforementioned percentages are based on actual information, provided by the financial or non-financial undertaking in which the exposure is held. To respond to this request, avoiding the use of estimates, as reference for calculation of the taxonomy eligibility of its investments, Unipol has used the data disclosed by issuers in its portfolio through the related Non-Financial Statements for 2021, the first year in which the issuers had to report this figure pursuant to the "Taxonomy Regulation"<sup>62</sup>. These data were collected promptly with the support of a specialist provider. Taxonomy eligibility is considered only for companies that fall within the scope of DNF regulations and publish their own eligibility data. For individual listed issuers, a hierarchy of data has been adopted: priority is given to data reported at the issuer level; if not available, parent level data is used; if not available, data reported by the final entity is used. In a phase in which the tools to manage the information flows and processing necessary for application of the regulations are still being structured and applied at system level, data collection and subsequent eligibility analysis has focused on issuers in which direct investments are held by the Group and that fall within the scope of application of the regulations (EU financial and non-financial undertakings subject to the application of Articles 19a and 29a of Directive 2013/34/EU). Indirect investments in companies potentially subject to the obligation to publish non-financial disclosures were consequently considered ineligible at this stage, as it was not possible to complete the analysis on all indirect financial instruments in the portfolio. The methodological approach described above also results in the non comparability of the eligibility data provided below with those provided – as voluntary information – in the 2021 Non financial Disclosure, where economic activities classified with a NACE code that can be associated with economic activities described in Annexes I and II of the Delegated Climate Act were considered eligible, and this approach had covered both direct and indirect investments, for which a look-through logic was applied.

Note that with reference to the investments indicator, for calculation of the total value and the weighted average percentage of Taxonomy-eligible exposures on the basis of turnover and capital expenditures, as required by regulations and shown in the table below, the following action was taken:

- with reference to exposures in non-financial undertakings, the data provided by issuers were considered, already broken down by turnover and capital expenditures;
- for exposures other than those in non-financial undertakings, as the indicators broken down between turnover and capital expenditures are not available, the value considered for both indicators was:
  - i. for credit institutions, the share of exposures to economic activities eligible for the taxonomy in relation to total covered assets;
  - ii. for insurance and reinsurance undertakings, the arithmetic average between the proportion of exposures in Taxonomy-eligible economic activities with respect to the total assets covered and the share of taxonomy-eligible Non-Life insurance business in total Non-Life premiums;
  - iii. for investment property, the entire value, given that it is considered among exposures to Taxonomy-eligible economic activities as its nature is deemed consistent with the list in Annexes I and II of Delegated Regulation (EU) 2021/2139 (Climate Delegated Act).

Book values were used to weight the exposures.

Real estate investments, as well as real estate for own use (except for land), were considered as exposures in economic activities eligible for the taxonomy, as the nature of the same was deemed consistent with the list contained in Annexes I and II of EU Delegated Regulation 2021/2139 ("Climate Delegated Act").

Weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with, Taxonomy-eligible economic activities relative to the value of total assets covered by the KPI, with the following weights for investments in undertakings:		Weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with, Taxonomy-eligible economic activities with the following weights for investments in undertakings:	
turnover-based (%)	22.3	turnover-based (€m)	7,508.45

<sup>59</sup> Compared to the approach used for the disclosure of eligibility related to 2021, the item "2.1 Real Estate" has been integrated, based on the annotation in the "DRAFT COMMISSION NOTICE on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act establishing technical screening criteria for economic activities that contribute substantially to climate change mitigation or climate change adaptation and do no significant harm to other environmental objective" dated December 19, 2022, response to question 144.

<sup>60</sup> Therefore, items "1 Intangible Assets", "2.2 Other Tangible Assets", "3 Technical Provisions – Reinsurers' share", "5 Sundry Receivables," and "6 Other Assets" are not included in the total investments considered for the purpose of computing the taxonomic indicator on investments.

<sup>61</sup>FAQs: How should financial and non-financial undertakings report Taxonomy-eligible economic activities and assets in accordance with the Taxonomy regulation Article 8 Disclosures Delegated Act?" published in December 2021, FAQ no. 12

<sup>62</sup> The data published by issuers refer to the regulatory requirements expressed prior to the publication of Delegated Regulation (EU) 2022/1214 amending Delegated Regulation (EU) 2021/2139 with regard to economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 with regard to public disclosure of specific information relating to such economic activities. Therefore, it was not possible to use data reported by issuers on nuclear and gas activities, which were not yet eligible when publishing the latest available data, for the eligibility calculation, nor, consequently, to publish the tables provided in Annex III of this document.



capital expenditures-based (%)	23.5	capital expenditures-based (€m)	7,942.86
Percentage of assets covered by the KPI relative to total investments of insurance or reinsurance undertakings (total financial assets under management). Excluding investments in sovereign entities.		Monetary value of assets covered by the KPI. Excluding investments in sovereign entities.	
Coverage ratio (%)	53.9	Coverage (€m)	33,740.27

Investments in central governments, central banks and supranational issuers represent 46.1% of the Group's total assets, equal to €28,910m.

#### Additional, complementary disclosures - breakdown of denominator of the KPI

Percentage of derivatives relative to total assets covered by the KPI		Value in monetary amounts of derivatives	
%	0.8	(€m)	281.34

Proportion of exposures to EU financial and non-financial undertakings <sup>63</sup> not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:		Value of exposures to EU financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU:	
for non-financial undertakings (%)	0.5	for non-financial undertakings (€m)	175.1
for financial undertakings (%)	19	for financial undertakings (€m)	6,240.7

Proportion of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:		Value of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU:	
for non-financial undertakings (%)	3.9	for non-financial undertakings (€m)	1,323.9
for financial undertakings (%)	15.7	for financial undertakings (€m)	5,297.1

Proportion of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:		Value of exposures to financial and non-financial undertakings subject to the application of Articles 19a and 29a of Directive 2013/34/EU:	
for non-financial undertakings (%)	12.1	for non-financial undertakings (€m)	4,085.6
for financial undertakings (%)	30	for financial undertakings (€m)	10,107.3

Proportion of exposures to other counterparties over total assets covered by the KPI:		Value of exposures to other counterparties:	
(%)	17.9	(€m)	6,049.2

Value of all the investments that are funding Taxonomy-non-eligible economic activities relative to the value of total assets covered by the KPI:		Value of all the investments that are funding Taxonomy-non-eligible economic activities:	
turnover-based (%)	77.7	turnover-based (€m)	26,231.8
capital expenditures-based (%)	76.5	turnover-based (€m)	25,798.4

#### Additional, complementary disclosures: breakdown of numerator of the KPI

Proportion of taxonomy-eligible exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:		Value of taxonomy-eligible exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:	
for non-financial undertakings			
turnover-based (%)	2.9	turnover-based (€m)	966.9
capital expenditures-based (%)	4.2	capital expenditures-based (€m)	1,400.3
for financial undertakings <sup>64</sup>			
turnover-based (%)	7.2	turnover-based (€m)	2,432.5
capital expenditures-based (%)	7.2	capital expenditures-based (€m)	2,432.5

<sup>63</sup> For reporting on this indicator, the Group decided to refer to the sample tables proposed in the "Platform considerations on voluntary information as part of Taxonomy-eligibility reporting - Appendix 1" with regard to Investment KPI reporting for financial undertakings, limiting the scope of this item to undertakings in the European Union not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI. This makes it possible to present a breakdown of the denominator of the KPI by means of individual values which, taken together, make up 100% of the denominator, making the figure easier to understand and compare.

<sup>64</sup> For exposures in financial enterprises, as separate indicators between turnover and capital expenditures were not available, the value considered for both indicators was: for credit institutions, the share of taxonomy-aligned economic assets of the investment beneficiary enterprises; for insurance and reinsurance enterprises, the arithmetic mean between the share of taxonomy-eligible economic asset exposures to total covered assets and the share of taxonomy-eligible non-life insurance economic assets to total non-life premiums.

Proportion of the insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policyholders, which are directed at funding, or are associated with, Taxonomy-eligible economic activities:		Value of the insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policyholders, which, based on the core business of the issuer (financial assets) or the nature of the investment (property), are directed at funding, or are associated with, Taxonomy-eligible economic activities:	
turnover-based (%)	20.7	turnover-based (%)	6,997.1
capital expenditures-based (%)	21.9	capital expenditures-based (%)	7,387.4

Proportion of Taxonomy-eligible exposures to other counterparties (property) over total assets covered by the KPI: <sup>65</sup>		Value of Taxonomy-eligible exposures to other counterparties (property) over total assets covered by the KPI:	
turnover-based (%)	12.2	turnover-based (€m)	4,109.1
capital expenditures-based (%)	12.2	capital expenditures-based (€m)	4,109.1

## 2. Underwriting KPI

Insurance and reinsurance business is included in the Taxonomy as an economic activity that can make a substantial contribution to the objective of climate change adaptation through the provision of insurance services relating to the **coverage of climate-related hazards** in accordance with Annex II, points 10.1 and 10.2, of the Climate Delegated Act. Specifically with regard to insurance, the economic activity described by point 10.1 is the provision of insurance services related to the **underwriting of climate-related hazards** (classified in Appendix A of the Climate Delegated Act), within the eight lines of the insurance business expressly laid out. In the first phase of the application of the Taxonomy Regulation, insurance and reinsurance undertakings are required to disclose the proportion of Non-Life insurance economic activities that are **Taxonomy-eligible and Taxonomy-non-eligible**. To be considered Taxonomy-eligible, in addition to belonging to one of the above-mentioned lines of business, a policy must have conditions that provide coverage for risks related to "climatic hazards"<sup>66</sup>.

To identify Taxonomy-eligible policies and the related premiums, the Group used the **risk category** as the analysis and selection element, representing the minimum disaggregation unit through which premiums recognised in the different ministerial classes<sup>67</sup> are allocated to the different types of guarantee. From among the risk categories to which its own portfolio is classified, Unipol has selected the risks referring to climatic hazards. Of these, the risk categories with a particular impact on the portfolio are those relating to weather events, fire and flood. Using these risk categories as basis, the guarantees and products containing them and therefore envisaging their coverage<sup>68</sup> were identified.

The analysis thus carried out has made it possible to highlight the lines of business in which the Group provides insurance coverage against climate-related hazards, and within these insurance activities, which policies cover risks relating to "climatic hazards", to be reported for the purposes of calculating the KPI related to underwriting.

As a result of the analysis, the Group identified significant underwriting of climate-related hazards in the following lines of business:

- other motor insurance;
- marine, aviation and transport insurance;
- fire and other damage to property insurance.

The premium amounts indicated below are therefore concentrated in these three lines of business, which overall represent **28.2% of the total gross premiums written** for the Non-Life business.

Economic activities	Absolute premiums, year 2022	Proportion of premiums, year 2022t	Absolute premiums, year 2021	Proportion of premiums, year 2021
	Currency (€m)	%	Currency (€m)	%
A.1. Non-Life insurance underwriting - Taxonomy- <b>eligible</b> activities <sup>69</sup>	864.2	10.2%	817.20	10.0%
A.2. Activities not included in A.1	7,638.1	89.8%	7,397.10	90.0%
<b>Total (A.1 + A.2)</b>	<b>8,502.3</b>	<b>100%</b>	<b>8,502.3</b>	<b>100%</b>

<sup>65</sup> The proportion of Taxonomy-eligible exposures to other counterparties is composed entirely of investment property. Therefore, it is not possible to present a figure based on turnover and/or based on capital expenditures. The amounts indicated represent the value of the investment recognised in the Financial Statements.

<sup>66</sup> "Draft Commission notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets", FAQ no. 25

<sup>67</sup> Under Italian law, "class" refers to management of the form of insurance corresponding to a risk or group of similar risks from the points of view of risk assumption and damage settlement.

<sup>68</sup> It should be noted that in the limited number of cases where a reliable breakdown of premiums by risk category was not available in the databases, such premiums were conservatively considered non-eligible.

<sup>69</sup> For premiums relating to reinsurance business carried out by the reinsurance company UnipolRe, not all information on the eligibility or ineligibility of reinsurance business is available at this stage. Therefore, these were prudentially considered non-eligible.



**Building a better  
working world**

EY S.p.A.  
Via Meravigli, 12  
20123 Milano

Tel: +39 02 722121  
Fax: +39 02 722122037  
ey.com

Independent accountant's assurance report on Unipol Group's direct GHG emissions (Scope 1) and indirect emissions (Scope 2) within "Unipol and climate change 2022"

To the Management of  
Unipol Gruppo S.p.A.

### *Scope*

We have undertaken a limited assurance engagement of the accompanying document "Unipol and climate change 2022" of Unipol Gruppo S.p.A. and its subsidiaries (hereinafter "Unipol Group" or "Group") for the year ended on December 31<sup>st</sup>, 2022, comprising direct GHG emissions (Scope 1) and indirect emissions (Scope 2) and the main assumptions and methodologies on pages 33-37 (hereinafter the "GHG emissions" or the "Subject Matter").

### *Criteria applied by Unipol Group*

In preparing the GHG emissions, Unipol Group applied the criteria described in the section "Oversight of the direct and indirect environmental impacts of the Unipol Group" of the document "Unipol and climate change 2022", including the selection of GRI Standards referenced (the "Criteria").

### *Unipol Gruppo S.p.A.'s responsibilities*

Unipol Gruppo S.p.A.'s management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the GHG emissions, such that it is free from material misstatement, whether due to fraud or error.

### *EY's responsibilities*

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

Our engagement was conducted in accordance with the *International Standard for Assurance Engagements on Greenhouse Gas Statements* ('ISAE 3410') and the terms of reference for this engagement as agreed with Unipol Gruppo S.p.A. on July 20<sup>th</sup>, 2022. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.



### *Our Independence and Quality Control*

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and have the required competencies and experience to conduct this assurance review.

EY also applies International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### *Description of procedures performed*

Procedures performed in a limited assurance engagement vary in nature and timing and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

The Green House Gas quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation (or measurement) uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

The engagement consists of making enquiries, primarily of persons responsible for preparing the GHG emissions and related information and applying analytical and other relevant procedures.

Our procedures included:

- analysis of the methods applied by the Group for developing estimates and of their appropriateness and consistent application. However, our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate estimates carried out by the Group;
- understanding of the processes that lead to the generation, detection and management of the GHG emissions data and the related information reported in the section "Oversight of the direct and indirect environmental impacts of the Unipol Group" of the document "Unipol and climate change 2022".



In particular, we have conducted interviews and discussions with the management of Unipol Group and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of GHG emissions data and information to the management responsible for the preparation of the document “Unipol and climate change 2022”.

Furthermore, for significant information, considering the Group’s activities and characteristics at Group level:

- with regards to qualitative information, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
- with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.

We also performed such other procedures as we considered necessary in the circumstances.

#### *Conclusion*

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to GHG emissions for the year ended on December 31<sup>st</sup>, 2022, in order for it to be in accordance with the Criteria.

Milan, June 20<sup>th</sup>, 2023

EY S.p.A.

A handwritten signature in black ink, appearing to read 'Paolo Ancona', written over a horizontal line.

Paolo Ancona  
(Auditor)



**unipol.it**

Unipol Gruppo S.p.A.  
Registered Office  
Via Stalingrado, 45  
40128 Bologna