

# UNEP FI Principles for Sustainable Insurance (PSI)

## Report on Progress 2022

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As a signatory of the Principles for Sustainable Insurance, the Group believes that integrating risks linked to environmental, social and corporate governance factors is necessary for an ever better understanding of the context in which Unipol operates, more awareness in risk assumption and, finally, a greater capacity to respond to the needs of customers and communities by creating shared value.

In compliance with the Principles for Sustainable Insurance, this report aims to give an account of how the Unipol Group implements the four principles as part of its insurance underwriting activities. The Integrated Report, the sustainability report and the report on climate-related information provide additional information on the Group's overall approach to ESG factors within its business activities.

## Principle 1: We will integrate environmental, social and governance factors into our decision-making model of insurance business

### Governance of ESG topics

Unipol Gruppo has set up a structured ESG governance system comprising 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 pursuing 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.
- Sustainability policies, i.e. the set of objectives, rules and initiatives defined by the Board of Directors to fulfil social and environmental expectations, are at a second level.
- The third level comprises sustainability management, i.e. the set of company organisational structures and processes capable of implementing or supporting operating activities linked to sustainability goals.



For a detailed analysis of the approach to Sustainability Governance, please refer to the Integrated Report of the Unipol Group and the Sustainability Report of the UnipolSai Group, available at <https://www.unipol.it/it/archivio/sostenibilit%C3%A0/risultati-e-strategia>.

## The Unipol Group's strategic approach to ESG risks and opportunities in its underwriting activities












### Impact and financial materiality of sustainability topics for the Unipol Group

In 2022, the Unipol Group carried out a new materiality analysis while preparing the Strategic Plan, integrating within this analysis the perspective related to the positive and adverse 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, which are published in detail in the 'Impact and financial materiality topics' section of the UnipolSai Sustainability Report.

Of the most important topics in terms of impact and financial materiality, 'Climate change', 'Offer accessibility and sustainability', and 'Data leverage and protection' are closely linked to the insurance business, as shown in the following table, which highlights the most important items for each topic.

MAIN IMPACTS GENERATED AND FINANCIAL EFFECTS

Material topic		Main positive and adverse 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
Offer accessibility and inclusiveness	+	Possibility for individuals and companies to transfer risk (also in multiple areas, over and above legal obligations)	 VERY HIGH	+	Growing awareness and attention of customers to ESG aspects related to the offer	 HIGH
	-	Limited insurability of certain categories or areas, with loss of mutuality	 MEDIU	-	Competitive pressure on prices	 HIGH
Data valorisation and protection	+	Strengthening road safety	 HIGH	+	Combating fraud	 HIGH
	-	Loss, improper disclosure, improper use of customer data	 MEDIU	-	Greater exposure to Cyber risk	

Areas of strategic intervention of the Unipol Group on ESG topics in insurance underwriting activities

Believing that the opportunities and wellbeing of the customers and people who interact with Unipol every day are necessary conditions for the Group's ability to develop in the market and for its sustainable success, the 2022-2024 Strategic Plan identifies and integrates, in relation to each of the strategic guidelines, ESG objectives, i.e. lines of action that, starting from opportunities linked to social, environmental and governance aspects, aim to generate positive impacts for stakeholders and society as well and contribute to sustainable development.

Particularly for insurance activities, Unipol strives to develop a range of insurance products and services to support customers in mitigating and adapting to climate change. Within the 2022-2024 Strategic Plan, the Group again set a target a target connected to the proportion of products with social and environmental value, establishing a **target of 30% for the end of 2024**. To **support customers in the transition to a low-carbon economy**, Unipol will develop products that incentivise its MV customers to reduce their emissions, with the support of telematics, and will pay increasing attention to reducing the environmental impacts of the claims management process, implementing circular economy approaches.

Identification and assessment of ESG risks and impacts in the insurance business

The Group risk management system ensures the monitoring of ESG risks, including climate change-linked risks. This oversight system assists the Boards in carrying out the tasks assigned to them by the system of internal policies and regulations on sustainability.

Like every year, again in 2022, the Interfunctional ESG Risk Panel<sup>1</sup> verified and updated (consistent with and in coordination with the materiality analysis process) the map of ESG risks and adverse impacts and related controls, summarised in the following table for the aspects linked to the insurance business. For ease of reading, the ESG risks (risks incurred) and potential adverse impacts (risks generated) are highlighted differently on the map.

<sup>1</sup> Body comprising Audit, Compliance and Anti-Money Laundering, Risk Management and Sustainability, aiming 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.

Risk areas connected to ESG factors	Topics in the materiality analysis	Risk incurred	Main regulatory and strategic controls in place
Climate change and biodiversity loss – Physical risks	Climate change	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	<ul style="list-style-type: none"> <li>• Unipol Group strategy on climate change</li> <li>• Risk management policy</li> <li>• Non-Life and Life Business Underwriting Policy, 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>• Reserving 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>• 2022-2024 Strategic Plan, 'Data-Driven Omnichannel Insurance' area</li> </ul>
	Biodiversity	Time frame: medium term	
	Climate change	Non-insurability of climate-related risks owing to the company's poor resilience Time frame: medium term	
Climate change and biodiversity loss - Transition risks	Climate change	Potential increase in underwriting risk for policyholders operating in carbon-intensive sectors (underwriting risk) Time frame: short-medium term	<ul style="list-style-type: none"> <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>• Integrated Reputation Management System</li> </ul>
	Climate change	Potential increase in the frequency and severity of disputes and resulting allocations of responsibility in relation to the Transition process Time frame: short term	
	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	Time frame: short term	
Technological evolution of society	Data protection and leveraging	Increased vulnerability of IT systems to outside attacks	<ul style="list-style-type: none"> <li>• Risk management policy</li> <li>• Operational risk management policy</li> <li>Guidelines on the IT and security risk assessment method</li> <li>• Business continuity policy</li> <li>• Business Continuity Plan</li> <li>• Information security policy</li> <li>• Group Policy on data governance</li> <li>• Charter for equal opportunities and equality at work</li> <li>• 2022-2024 Strategic Plan, Tech &amp; People Evolution area</li> </ul>
	Human capital development Relations with the agency network	Decline in employment in specific roles and skills mismatches	
Socio-demographic change	Offer accessibility and sustainability	Impacts of the ageing population on the sustainability of the risk assumed in the welfare and pension areas and on the adequacy of the offer	<ul style="list-style-type: none"> <li>• Sustainability policy</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>• Reserving Policy – Life and Non-Life Businesses</li> <li>• Policy regarding product governance and control - Non-Life and Life Businesses</li> <li>• 2022-2024 Strategic Plan, Data-Driven Omnichannel Insurance, Health &amp; Life Cycle Focus, Beyond Insurance Enrichment, Tech &amp; People Evolution areas</li> </ul>
	Offer accessibility and sustainability	Reduction of accessibility and sustainability levels of the offer, also because of lack of appeal to new generations and emerging segments	
Increase in social polarisation	Offer accessibility and inclusiveness	Reduction of insurability for the most vulnerable segments of our society	

Risk areas connected to ESG factors	Topics in the materiality matrix	Risks generated	Main regulatory and strategic controls in place
Violation of human and workers' rights	Offer accessibility and inclusiveness	Discriminatory statements or conduct in communications and in offerings	<ul style="list-style-type: none"> <li>• Sustainability policy</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>• Policy on insurance and reinsurance distribution</li> <li>• Policy regarding product governance and control - Non-Life and Life Businesses</li> <li>• Group Policy on data governance</li> <li>• Policy on the protection and leveraging of personal data (and further internal regulations)</li> <li>• Charter of Values and Code of Ethics (signed by agents)</li> <li>• Policy on the management of conflicts of interest - insurance segment</li> <li>• Guidelines for responsible investing</li> <li>• Organisation, Management and Control Model</li> <li>• Procedures for managing the company website and web services</li> </ul>
	Data protection and leveraging	Use of data that is improper, non-compliant and inconsistent with the Group's data ethics commitments	
	Workers in the value chain	Violation of human or workers' rights, or on other sensitive social and governance topics, at companies insured or investee companies	
	Customer relations and service	Poor monitoring of the safety of products and services made available by the organisation, including in the ecosystems	
Environmental damage and adverse impact on the environment	<p>Climate change</p> <p>Biodiversity and ecosystems</p> <p>Use of resources and circular economy</p> <p>Other environmental impacts</p>	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>
Conduct in violation of business integrity	Customer relations and service	Lack of transparency, clarity and integrity in relations with customers and other stakeholders and in related communications (e.g. greenwashing)	<ul style="list-style-type: none"> <li>• Sustainability policy</li> <li>• Policy on insurance and reinsurance distribution</li> <li>• Policy regarding product governance and control oversight mechanisms - Non-Life and Life</li> <li>• Policy on the protection and leveraging of personal data (and further internal regulations)</li> <li>• Organisation, Management and Control Model</li> <li>• Charter of Values and Code of Ethics (signed by agents)</li> <li>• Integrated Reputation Management System</li> <li>• Guidelines on the management and communication of inside information</li> </ul>

Key:

Risks incurred

Negative impacts (risks generated)

Aaaaaa = Regulatory oversight

Bbbbbb = Strategic oversight

## ESG Guidelines for the Non-Life Business and the Life Business

As a signatory of the **UN Global Compact and the UNEP FI Principles for Sustainable Insurance**, and as a supporter of the **Task-Force on Climate-related Disclosure**, in its 'Guidelines for underwriting activities regarding environmental, social and governance factors' ('ESG Guidelines'), in the Non-Life and Life businesses the Group formally adopted a system for identifying and monitoring ESG risks and adverse impacts in the various economic sectors and concerning the various segments, products and guarantees, which makes it possible to properly and promptly perform risk exposure assessments, defining responsibilities, decision-making processes and the subsequent actions.

The Non-Life and Life ESG Guidelines contain criteria and methodologies which define when a commercial relationship can generate adverse impacts for sustainability, with potential impacts from the perspective of both technical and reputational risk.

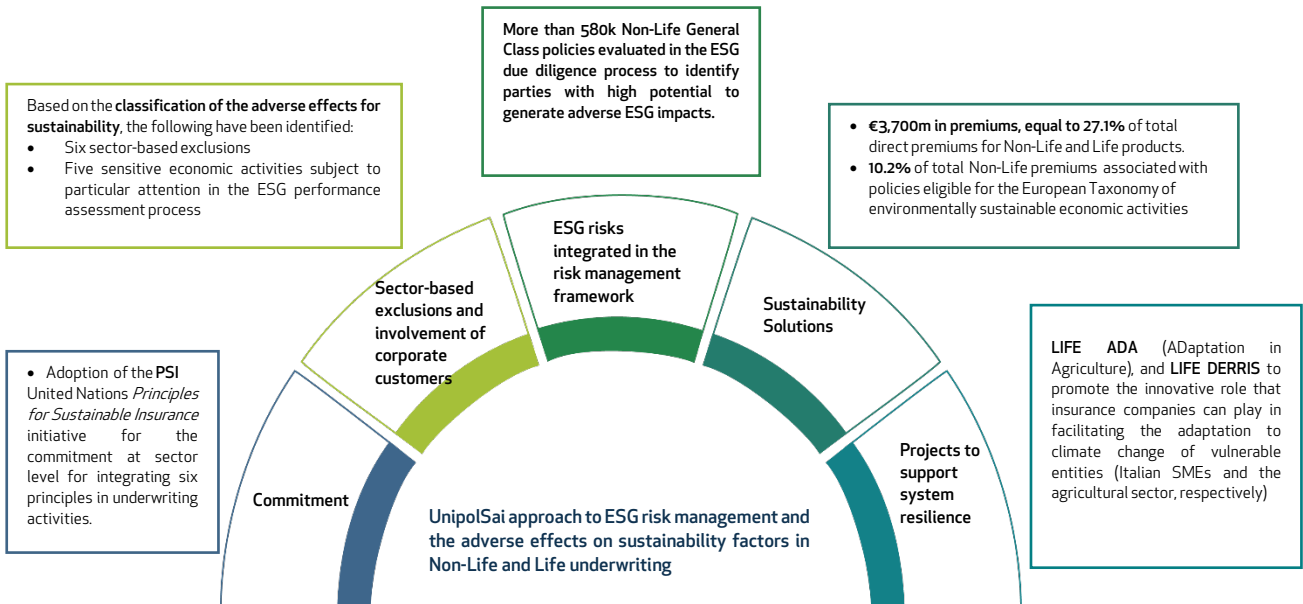
In general, the Group undertakes to pay the utmost attention, with the support of its internal processes and tools, to ensure that it does not engage in contractual relationships with parties that operate in conditions of:

- violation of human and workers' rights<sup>2</sup>;
- exploitation of natural resources that does not take due account of environmental impacts;
- systematic reliance on corruption and illegal practices in business management.

To this end, the Group has established processes and instruments to support the assessment of current and potential adverse effects for sustainability in the underwriting process in a gradual manner that considers the progressive spread of awareness at all levels and the implementation of the tools that support it, with methods and timescales proportional to the dimensions of the entities involved and the contractual operations.

In general, the exclusions do not apply to the underwriting of products to protect employees of contracting legal entities in the event of illness and accident, depending on the social role that this coverage plays in relation to people, nor to pension, protection and savings products in the 'collective' products catalogue, where the employees of contracting legal entities are insured and that are considered of intrinsic social value, in a logic of integration of public and private welfare.

### Integration of Sustainability into the insurance business



<sup>2</sup> For example, work environment conditions, gender or racial discrimination, and child or forced labour in supply chains.

For **Non-Life**, in 2022, the structured process to identify parties with high potential to generate adverse ESG impacts became fully operational, envisaging two due diligence mechanisms:

- **the online reporting tool** that, with a data-driven approach<sup>3</sup>, allows intermediaries to identify potentially sensitive commercial relationships by integrating a summary ESG score for each stakeholder into the underwriting process. At the end of 2022, the model, formalised in specific company documents, is applied to twenty products, and a further extension is planned for 2023.  
The ESG score is determined for joint-stock companies in the General Classes portfolio, equal to 29% of customers, which in terms of premiums is equivalent to 56% (580k policies; €1bn in premiums).  
The portfolio analysis carried out when implementing the score showed that 0.5% of these customers (equal to 0.75% in terms of premiums) had an ESG score above the critical threshold;
- **the assessment or investigation tool**: for transactions with counterparties identified as highly critical, the Sustainability Function is involved, which carries out or requests the necessary investigations, with the involvement of Risk Management if appropriate, and shares with the Business Functions the option most consistent with the company vision for cases presented (proceed with the transaction, abstain, launch an engagement activity with the customer).

In 2022, 12 investigations were launched (15 in 2021), with the involvement of the Sustainability Function, to assess potentially sensitive cases in terms of adverse ESG effects. The cases had the following outcome:

- **Relationships considered ineligible**: 3, as they related to sectors or activities deemed excluded by the Guidelines (direct mining and support activities);
- **Relationships considered eligible**: 9, as they related to (i) sectors or activities which after complete verification proved not to be excluded according to the Policies; (ii) the underwriting of products to protect employees of contracting legal entities in the event of illness and accident<sup>4</sup>; (iii) parties which although they belong to excluded or sensitive sectors, following engagement activities, demonstrated that they have adequate ESG risk monitoring tools. In one of these cases, as set out in the Non-Life ESG Guidelines, the Group Risk Committee was involved, deciding that there were no reasons to prevent the renewal of the insurance coverage requested by the customer subject to negotiations.

Information media (guidebooks/FAQs/manuals) for use by the network and training courses for the sales network (over 4,000 participants) and employees operating in the Corporate, SME and Transport and Aviation lines of business were dedicated to supporting this process.

In the **Life business**, the relative ESG Guidelines, again referring to existing and potential legal entity customers and for investment products, identify specific sector limitations designed to prevent adverse effects for sustainability.

All companies operating in the Life business have adopted and formalised in dedicated company communication documents, aimed at all entities internal and external to the Group, appropriate measures to ensure the application of the limitations indicated above in investment product underwriting and distribution processes.

Concerning the underwriting of investment products, the Group adopts a structured approach that integrates a system of delegations connected to quantitative underwriting thresholds, internal regulation and communication tools and training activities to support the identification and assessment of the most significant adverse effects for sustainability related to transactions in this area.

Only one investigation was launched in 2022 (there were 15 in 2021), with the involvement of the Sustainability Function, to assess cases potentially sensitive to ESG risks. This case was deemed ineligible for a company that carries out vehicle demolition activities.

The number of commercial relationships with companies in excluded sectors established before the definition of the Life ESG Guidelines comes to 1.1% in terms of the number of policies and 0.47% in premiums on the applicable segment total (legal entity policyholder investment range).

The approach adopted bears witness to the partnership established with customers and intermediaries to build together the awareness and involvement that facilitates the recognition of the ESG risk and the identification of solutions. The goal of protecting reputation and promoting best practices for managing potentially negative environmental, social and governance risks is pursued with the cooperation of customers, brokers and agents.

Internally, a system has been structured to **monitor** the potential adverse effects on the sustainability of commercial relations, with a special focus on verifying that excluded and sensitive sectors established in the Guidelines are adequately addressed, and understanding the significance of sustainability factors on claims and profitability in underwriting activities.

<sup>3</sup> the approach envisages the allocation to existing and potential customers of an ESG Score, a statistical indicator of the enterprise's adequacy in terms of ESG issues, integrated into the underwriting control system and constituting a part of the information assets of the commercial transaction.

<sup>4</sup> According to the Guidelines, exclusions based on ESG benefits do not apply to underwriting products that protect employees of contracting legal entities against illness and accident, based on the social role these covers play vis-à-vis individuals. Therefore, for these products, there are no exclusions envisaged a priori related to the operating sector of the policyholder company.



In 2022, the Non-Life and Life ESG Guidelines were updated with a specific analysis of the possible implications of **sustainability risks** in Non-Life and Life Business underwriting processes and with the inclusion, amongst the sector limitations, of economic activities that obtain 30% or more of their earnings from coal mining activities or the generation of electricity from thermal coal, and that do not show a sufficiently ambitious position in terms of transitioning their business to a low carbon regime.

Because of the particularly serious and urgent nature of their impacts and the great focus of regulators and supervisory authorities on this matter, and thanks to the significant efforts made by the scientific and technological community to make data and analyses available to support the identification of the associated risks, the implications of Sustainability risks deriving from climate change in Non-Life underwriting processes have taken on particular significance.

In this regard, to encourage them to reduce the sustainability risks to which they are exposed, the Group undertakes to strengthen over time its capacity to evaluate such impacts by seeking pertinent data on which it can rely, also to consider the significant differences in those impacts based on factors such as customer location and demographic and socioeconomic profile. At the same time, the Group strives to identify effective risk mitigation actions to appropriately combat adverse selection, maintaining insurability on the one hand and boosting the possibility of accessing insurance services on the other.

Concerning the possible implications of Sustainability risks in Life underwriting processes, particularly regarding physical risks (both acute and chronic) from climate change, the Group has identified several ways climate change might 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.

## Principle 2: We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions

### Range of insurance products and services on social and environmental topics

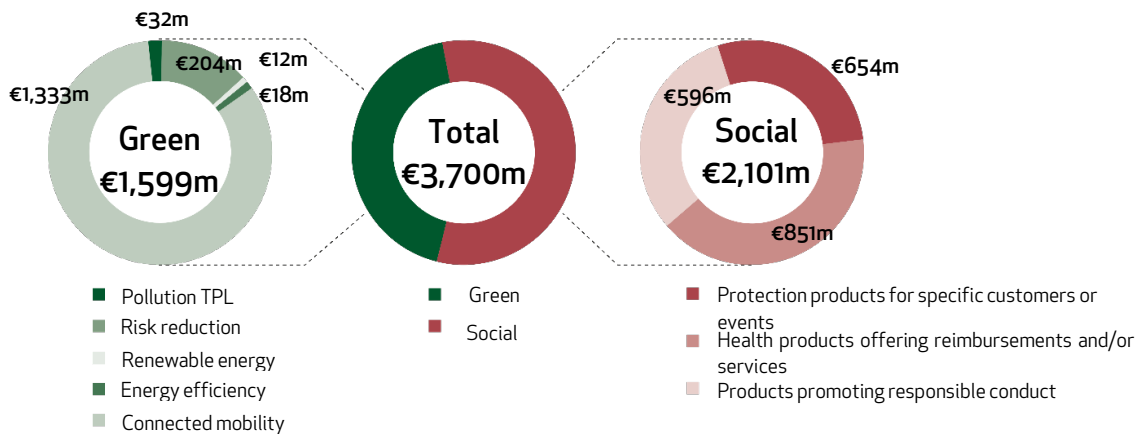
#### Range of insurance products and services with social and environmental value

In 2022, Unipol earned premiums of €3,700m from solutions that integrate economic growth and social and environmental value, accounting for 27.1% of total direct premiums. 72% of these premiums are attributable to Non-Life business, where they account for 32% of direct premiums, while 20% of the premiums refer to the Life business. To be classified as a 'solution with social and environmental value', a product or service must be able to satisfy social needs by improving people's lives, have a positive environmental impact or respond to concerns about the climate.

UnipolSai is constantly committed to innovating and developing new sustainability-focused products and services through solutions that directly address environmental and/or social risks and opportunities or by including sustainability components in standard products. This enables the Group to act as a partner:

- in the transition towards a low carbon regime, by offering products and services with a positive impact on the environment or with risk mitigation support services, which enable individuals and companies to carry out renewable energy projects, for example
- in health with a view to the overall well-being of society
- in connected and sustainable mobility
- in insurance inclusion through recourse to technology to try out risk prevention and mitigation models for socially disadvantaged groups.

### The impact of products and services with social and environmental value



This chart includes premiums relating to telematic devices in the mobility area only as regards environmental aspects (promotion of sustainable behaviour through mileage-based tariffs), even if the benefits of telematics are also attributable to social factors (in terms of safety and combating fraud).

The main standard product areas in which the inclusion of sustainability components is becoming increasingly frequent are presented below.

#### Mobility

- 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.
- In 2022, 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 a monthly payment and mileage pricing, that involves the installation of the *'RebelBot'* satellite device. Distribution takes place via app. Through BeRebel, by joining the **BeGreen** initiative, it is possible to offset CO<sub>2</sub> emissions corresponding to the kilometres travelled by the vehicle.

#### Welfare

- The continued investment to increase the accessibility of its services, implementing innovative models for prevention, care and treatment of customers through digital platforms, IoT, chronic disease management programmes, home care services, physiotherapy and social care and telemedicine. One example is the **MONITOR SALUTE®** (Monitor Health) service, now included in many collective health plans, including cover for sector-specific healthcare funds.
- To integrate Life & Health, **Genitori & Figli (Parents & Children)**, was launched, a package of services designed by SiSalute to support parents in the daily management of their children, from birth to adolescence. The initiative includes paediatric first aid training courses and management of the most common diseases, access to the network of facilities affiliated with UniSalute Servizi for examinations and tests during pregnancy and the possibility of requesting remote video consultations with specialist personnel at discount rates.
- The UniSalute Over65 policy increases the accessibility of care opportunities, providing for a maximum age threshold for underwriting or renewal of 80 years, higher than the market average.
- The Health offer includes cover for the risk of non-self-sufficiency, as in the **'UnipolSai Autonomia Costante'** product. The **integrated global support** model defined by the Group envisages personalised management of medical care and consultancy of excellence in cases of non-self-sufficiency and hospitalisation at home after a hospital stay).
- The offer of investment and welfare products classified pursuant to Article 8 of Regulation (EU) 2019/2088, i.e. that promote environmental and/or social characteristics, with total premiums of €280m.

#### Property

In September 2022, UnipolSai launched a structured and integrated plan of actions to assist people affected by the floods in the Marche region to help 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.

### 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 has 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. In 2022, over 3.8m text messages were sent, making 10.4m since the start of the campaign, involving 4.2m customers of UnipolSai, Linear and Arca Assicurazioni;
- **Pricing:** the **European Extreme Events Climate Index (E3CI)**<sup>5</sup> has been expanded with two new components to be released in 2023 (forest fires and hail), in addition to projections of the index components to 2100. In 2022, a study was conducted on several Italian cities, 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:** 2022 saw the completion of Lorentz, 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. Among other things, the tool provides data on maximum rainfall, probability of hail and flood and maximum wind speed, and makes it possible to speed up investigation times, produce more precise estimates and identify potentially fraudulent claims. In particular, using Machine Learning techniques, Leithà provides the Group with estimates of the impacts of extreme events in terms of frequency **and severity of claims, which can materialise within a few hours of the event.**

UnipolSai offers insurance products and services to support customers in climate change mitigation and adaptation<sup>6</sup>. Concerning mitigation, these are, for example, products aimed at business sectors such as renewable energy production ('UnipolSai Energia' product); offers to facilitate renovation works, largely aimed at improving the energy efficiency of homes, as described previously; 'Pay as you drive' rates, which envisage a reduction in premiums based on the use of the vehicle.

The Group is carrying out two projects aiming to **promote the innovative role that insurance companies can play in assisting vulnerable entities** (Italian SMEs and the agricultural sector, respectively) with climate change adaptation, through implementing partnerships with the public administration. The Group's approach focuses on the need to increase the knowledge of these entities, through training activities and by providing them with specific tools to strengthen their ability to prevent and manage climate-related risks (current and future) to maintain their long-term insurability, despite the increase in catastrophe and systemic risks.

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 the 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, aiming 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 worked with Legambiente to organise awareness-raising events. At the end of 2022, almost 9k users have employed the tool over some 12k sessions (+1000 compared to the previous year).

### Financial inclusion

Data management and analysis have always been fundamental for the world of insurance, especially in evaluating risks and hence establishing premiums. Today, alongside traditional information (demographic or behavioural data), access to new types of data coming from social networks, banking transactions, credit cards or even new technological devices and sensors integrated into vehicles, for example, is triggering a profound change for the entire sector.

Based on the Company's capacity to analyse the conduct of policyholders more accurately and construct algorithms which forecast how, where and when the customer will want to be protected, it is possible to more accurately quantify the costs relating to risks and, as a result, offer personalised packages and products depending on the customer, as well as increasingly advanced products, such as on-demand, instantaneous and pay-per-use insurance. At this revolutionary time for the insurance world, UnipolSai aims to fill the protection gap by leveraging digital solutions to boost the resilience of low-income groups and contribute towards increasing insurance accessibility, availability and affordability.

<sup>5</sup> First index in Europe to monitor and manage the impact of extreme weather events, developed by Leithà as part of an International Foundation Big Data and Artificial Intelligence for Human Development (IFAB) project in partnership with the Euro-Mediterranean Centre for Climate Change (CMCC).

<sup>6</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 it.

For the segment of customers who do not find the traditional insurance offer suitable and require a differentiated approach, the Group is researching solutions that can at least partially fill protection gaps. The main levers of these solutions rest on methods of involvement and purchasing insurance, such as in the MV BeRebel offer, which enables on-demand adaptability of coverage and suspension periods, offering customers control over the insurance protection they need based on their driving habits. In this case, customers can flexibly increase and decrease their insurance coverage and even change insurance plans to find a combination that meets their needs. This offers customers a new way to manage their insurance commitments, adapted to their lifestyle and financial situation. The BeRebel innovation came in the wake of the pandemic, against a volatile economic backdrop, accentuating customer desire to have more control over what, when and how to purchase insurance.

Another area in which insurance becomes effective as a tool for promoting economic growth and reducing inequalities is in managing the income of households that experience a shock. The management of these risks includes encouragement to perform risk mitigation actions, as described in the Property section, to reduce losses from atmospheric events, or in the area of Welfare, to handle occasions of discontinuity in income-generating capacity.

Moreover, in the UnipolSai Group's range of offerings, there are 'smart' covers, accessible simply and quickly, for micro-businesses or new start-ups, in addition to covers to defend the income of your company or household well-being, platforms that allow remote and digital access to health services and advice on health needs, and specific cover in the event of death and permanent disability from accident for non-EU citizens. In this last case, the 'Arca 3 for you' product is dedicated to non-EU citizens who regularly live and work in Italy and aside from accident coverage, it includes an assistance package that encompasses body repatriation to the country of birth and support from a linguistic mediator for explanations relating to the product.

The Group considers financial consulting to be an effective tool for protecting vulnerable customers, ensuring awareness of the consequences of insurance contract conditions. In this regard, the Group and its intermediaries make consistent efforts to protect the resources invested by policyholders and to regularly revise their products, to ensure an adequate ratio between the costs incurred and the benefits offered, avoiding the use of generic terms in contracts and the use of generic risk coverage exclusions.

In line with the 'Data-Driven Omnichannel Insurance' strategic area of the 2022-2024 Strategic Plan, Linear, as already done on the Unipol Gruppo and UnipolSai websites, has introduced an effective solution to guarantee web accessibility depending on the needs of all website users. This evolution ensures that even users with sensory, physical/motor or neurological/cognitive disabilities can browse the website. Thanks to integrated IT solutions, it is now possible to quickly and easily customise the accessibility profile by selecting the one most suited to one's needs (such as removing colour contrast, increasing font size and text spacing or setting up automatic content reading), thus guaranteeing and improving navigation quality for an increasingly broad audience.

To help break down barriers through speech recognition and synthesis technologies, UnipolSai and Linear offer roadside assistance service within Pedius, an app that integrates useful functions for deaf people and all those who find themselves unable, even temporarily, to communicate vocally. The app allows users in need to call for UnipolAssistance roadside assistance and indicate their location; with Pedius, the user uses a text chat that is transformed into a digital voice, while the call centre operator proceeds with the voice response: their voice is transformed into text and sent in real-time.

To reach unserved or underinsured market segments, the insurance solution for **Third Sector** entities offers a high degree of customisation based on the different economic and social purposes of the entities concerned and recorded premiums totalling €7.3m (€5.5m in 2021).

UnipolSai's support to communities to promote financial inclusion, resilience, financial education, risk reduction and accessible insurance products extends to the micro-insurance project carried out in cooperation with ICMIF (*International Cooperative and Mutual Insurance Federation*). Called '5-5-5 Mutual Microinsurance Strategy' and launched in 2016, the project involves five countries (Colombia, Kenya, India, Sri Lanka and the Philippines). It has reached more than 2.8m low-income people, offering them access to insurance coverage for everyday risks such as disease, climate change and other phenomena, thanks to an average premium per policy of 0.74 dollars.

## Boosting the awareness of customers, brokers, agents and employees on ESG factors

In terms of working with customers, **engagement initiatives** have been undertaken to understand customers' activities and work together to ensure the adoption of responsible and sustainable commercial practices. In this case, the role of insurance is to verify the presence of adequate oversight mechanisms and improvement plans adopted by the customer in the face of potential critical issues in the management of ESG factors or critical violations. Aside from the individual level with the potential customer, dialogue is also carried out through trade associations and institutions to share experiences and expertise.

One example of this is **the insurance agreement between Unipol and Snam**, which for the first time, recognises the significance of ESG risks in the pricing of risk, but above all, rewards the policyholder's commitment to prevention to create shared value.

UnipolSai strove to develop the first insurance tools that recognise a difference for the benefit of companies able to demonstrate their contribution to the goals of the 2030 Agenda. Considering Snam's strategy, which places sustainability at the centre of its value creation chain, and in relation in particular to the company's objectives to reduce Scope 1 emissions, UnipolSai Assicurazioni recognises a reduction of 5% of the annual taxable premiums, payable by the policyholder Snam Rete Gas for the Basic Agreement Policy. This reduction is recognised in advance on the premium to be paid and confirmed at the end of the Insurance Period, based on the achievement of the annual targets identified.

Another metric subject to discounts by UnipolSai within its liability coverage linked to the mitigation actions taken by Snam, specifically Snam's capacity to put virtuous actions into place to reduce the environmental risks linked to its ordinary activities. In this case, the monitoring concentrates on the results of actions for reducing greenhouse gas emissions, with a particular focus on the percentage of natural gas recovered from maintenance and transport activities.

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.

The approach adopted bears witness to the partnership established with customers and intermediaries to build together the awareness and involvement that facilitates the recognition of the ESG risk and the identification of solutions. The goal of protecting reputation and promoting best practices for managing potentially negative environmental, social and governance risks is pursued with the cooperation of customers, brokers and agents.

Sales network training courses have been dedicated to ESG risk management, one with a specific application regarding Non-Life General Class risk underwriting, which 4,083 people completed, and another focusing on new elements introduced by EU Regulation 2019/2088 to improve transparency on sustainability in investment processes and define the characterisation of the sustainability of Life products.

Internally, during the year, ESG video conference and e-learning courses saw the involvement of 206 Group employees, with total participation of 319. Particularly regarding the insurance business, the 'Renewable Energies' course was dedicated to the Chief Property & Casualty Officer Department to present current market trends in renewable energy in terms of regulations and opportunities, with in-depth analyses on public support policies and tools for the ecological transition. It includes a focus on hydrogen in the Italian and European landscape. The following e-learning courses were provided: the 'EU Regulation 2019/2088 - 2022 ed.' to illustrate the new elements introduced by European Regulation 2019/2088 in force as of 10 March 2021; 'BUSINESS 2030', to provide details on the justification of a transformation of the business model and show the most successful approaches, focusing sharply on the opportunities of sustainable development, and 'The management of environmental, social and governance factors in the non-life underwriting process', to analyse the management of environmental, social and corporate governance aspects in Non-Life General Class risk underwriting.

## Principle 3: We will work with governments, regulators and other key stakeholders to promote widespread societal actions on environmental, social and governance issues.

To improve its approach through dialogue and continuous education, the Group participates in associations committed to developing and spreading sustainable development principles, such as the International Federation of Insurance Cooperatives and Mutual Societies (ICMIF) and the Principles for Sustainable Insurance (PSI) of UNEP FI, through which to develop innovative insurance and risk management solutions to promote Sustainability risk mitigation and adaptation.

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>7</sup> published in 2021;
- 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

Regarding PSI, in 2022 the Group took part in the launch of the PSI working group on the Life & Health segment to identify and promote more inclusive and prevention-based protection models.

In 2022, the Group's institutional positioning activities for sustainability continued: Unipol's attention focused on sustainable finance and climate change.



For a detailed analysis of the Unipol Group's position on the topics of sustainable finance and climate change, please refer to the 'Relations with institutional stakeholders and representation of interests' section of the Sustainability Report of the UnipolSai Group, available at <https://www.unipol.it/it/archivio/sostenibilit%C3%A0/risultati-e-strategia>.

## Principle 4: We will regularly disclose our progress in implementing the Principles, showing our accountability and transparency.

Unipol regularly and transparently publishes monitoring results on compliance with its Non-Life and Life underwriting policies in the Unipol Integrated Report and the UnipolSai Sustainability Report. Furthermore, all relevant policies are published on the Group website and are reviewed as appropriate once a year.

<sup>7</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.



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