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# Climate Change Strategy

## Technical Note

### Insuring and investing for a low-carbon society

On 21 February 2018, the Board of Directors of Assicurazioni Generali S.p.A. approved its first corporate's strategy on climate change, adopting significant actions in investments and underwriting, which represent the Group's core activities.

Complying with this resolution, the present document details the operational implications of the strategy aimed at facilitating the transition toward a low-carbon future.

- Investments as asset owner
  - Exclusion of any new investments in businesses associated with the coal sector and gradual divestment of the €2 billion exposure on coal-related assets, with the disposal of equity assets by April 2019.
  - New green investments amounting to €3.5 billion by 2020.
- Underwriting
  - Commitment not to increase the minimal insurance exposure to coal-related activities.
  - Commitment not to insure any new coal-related customer and any new coal construction project (mines and plants) with immediate effect.
- Stakeholders' engagement for a 'Just Transition'
  - In countries in which the economy and employment depend heavily on the coal sector, implementation of the engagement activities with coal-related counterparties, in line with the Just Transition principles; disclosure about the number of engaged companies and definition of a roadmap following the engagement.
  - Planning of an annual reporting.

## Introduction

The long-term goal adopted under the Paris Agreement of "limiting global warming to well below 2°C and to pursue efforts to limit temperature increases to 1.5°C above pre-industrial levels" requires the rapid decarbonization of the global economy. The Special Report on Global Warming of 1.5°C recently published by the Intergovernmental Panel on Climate Change (IPCC) has reiterated the urgency of an action by the whole civil society.

In this context, Generali's strategy is in line with the Paris Pledge for Action defined as part of the 21<sup>st</sup> Conference of the Parties (COP21).

Furthermore, Generali supports the Task force on Climate-related Financial Disclosure (TCFD), committing itself to voluntarily disclose the risks and opportunities associated with climate change. The Group also supports the project *Investing in a Just Transition*, promoted by The Grantham Research Institute/London School of Economics and the Harvard University in partnership with PRI (Principles for Responsible Investments). The aim of this initiative is to support a 'just' transition towards a low-carbon economy, integrating the social dimension into the climate strategy.



## Investments as asset owner

### - **Green investments by 2020**

Generali is strongly committed to supporting the transition to a greener and more sustainable economy. To this end, the Group will increase investments in green and sustainable sectors by €3.5 billion by 2020, mainly through bonds and infrastructures.

Going forward, Generali will continue monitoring the implementation of the investments plan and provide annual updates on its status.

### - **Positioning in coal-related activities\***

As announced in February 2018, Generali ceased to invest in issuers associated with the coal industry.

Moreover, with regard to its current €2 billion exposure to the coal sector, Generali is disposing of equity investments and is gradually eliminating bond investments by bringing them to maturity and/or considering the possibility of divesting them before maturity. The disposal of equity assets will be completed by April 2019.

In countries in which the economy and employment depend heavily on the coal sector, Generali has begun to engage the issuers in a dialogue about their transition plans. In these areas, the current exposure amounts to 0.02% of the general account investments and relates to 4 companies out of the 120 ones identified as 'Top Coal Plant Developers' by Urgewald and currently taken as reference.

## Underwriting

### - **Growth in green insurance**

Renewables are already the first energy source to which Generali is exposed, representing two thirds of the entire Primary Energy Sources (PES) portfolio. With specific regard to Non-Life premiums, Generali will further strengthen its already strong presence in the renewable energy sector by transferring knowledge and best practices across geographies and exploring the possibility to setup a dedicated industry practice.

The range of products with environmental value for the retail market and SMEs will be expanded (e.g. sustainable mobility and energy efficiency).

### - **Positioning in coal-related activities\***

Generali is committed not to increase its minimal insurance exposure to coal-related activities.

To this end, the Group will not provide insurance Property coverage for coal-related assets of potential new clients that fall within the definition of coal-related business, regardless of their economic size and geographical position.

Moreover, Generali will no longer offer Construction covers for any new coal mine and new coal plant. This exclusion does not refer to the modernization or retrofitting of existing power plants/units owned or operated by existing clients.

With regard to the existing minimal portfolio of coal-related activities, representing around 0.1% of the all Non-Life premiums, Generali has been engaging its clients in a dialogue about their transition plans. The current exposure relates to 6 companies out of the 120 ones identified as 'Top Coal Plant Developers' by Urgewald and currently taken as reference.



## Stakeholders' engagement for a 'Just Transition'

According to the UNFCCC - *United Nations Framework Convention on Climate Change* data, the transition to a low-carbon economy will affect nearly 1.5 billion workers across the world. For this reason, Generali supports the idea of a "Just Transition" even for workers and communities contributing to a healthy, resilient, and sustainable society, where no one is left behind. This is why Generali's strategy not only includes actions in investments and underwriting, but it also relies on stakeholders' engagement to involve those potentially impacted in the decision-making process.

In countries in which the economy and employment depend heavily on the coal sector, Generali is involving issuers, clients, and other stakeholders through constant dialogue, monitoring their plans to reduce environmental impacts, their strategy to shift to low-carbon activities and the measures envisaged for protecting the community and citizens.

The engagement process, started in July 2018 and ending by Q1 2019, involves coal-related companies in countries where the coal's share in the national power mix exceeds 45% (according to the International Energy Agency data) and where the Generali Group is present on both the investments and underwriting side. In these areas, the Group's exposure on coal-related activities currently amounts to 0.02% of the general account investments and to around 0.1% of the all Non-Life premiums. This exposure relates to 6 companies<sup>1</sup> out of the 120 ones identified as Top Coal Plant Developers by Urgewald and currently taken as reference. Regular updates on this exposure will be published annually in the Group non-financial reporting.

The engagement process will enable Generali to decide whether to continue insuring the coal-related activities of these companies. Depending on the outcomes of the engagement dialogues, the Group will decide either for ending the Property coverages or for renewing them. The renewal of Property coverages is subject to the engaged company's commitment to present and implement a credible transition plan. In this case, every two years Generali will monitor the level of implementation of this plan.

On the investments side, the engagement process will follow the same path as for the underwriting activities.

Dialogue takes time, but it is the most efficient way to accelerate the 'just' transition: avoiding the creation of stranded workers and stranded communities is a priority while contributing to achieve a "well under 2 degree" future.

### \* Definition of coal-related businesses

Generali uses the following stringent criteria to define coal-related businesses:

- » companies for which more than 30% of revenues derive from coal
- » companies for which more than 30% of energy produced derives from coal
- » mining companies that produce more than 20 million tonnes per year of coal
- » companies actively involved in building new coal capacity (coal plants) as identified by Urgewald in its 'Top 120 Coal Plant Developers' list.

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<sup>1</sup> With regard to four of the six mentioned companies, Generali has a minimal exposure on both the investments and the underwriting side; for the remaining two companies, the Group's marginal exposure is limited to the underwriting activities.