

2023

UNEP-FI
PRINCIPLES FOR
SUSTAINABLE INSURANCE

Report
on the
implementation
of the Principles



Taking care of people for
a better world, together

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world, together



2023

**UNEP-FI
PRINCIPLES FOR
SUSTAINABLE INSURANCE**

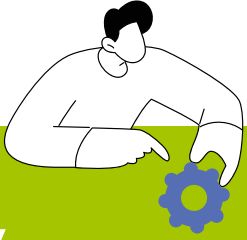
Report
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UNEP-FI PRINCIPLES FOR SUSTAINABLE INSURANCE

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4 Principles for Sustainable Insurance

1 Embed in the decision-making process environmental, social and governance issues relevant to the insurance business.

2 Work together with customers and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

3 Work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

4 Demonstrate accountability and transparency in regularly disclosing publicly the progress in implementing the Principles.

Reale Group joined UNEP FI Principles for Sustainable Insurance (PSI) in March 2023 via its Parent Reale Mutua.

The **UNEP FI Principles for Sustainable Insurance - PSI** serve as a global framework for the insurance industry to address environmental, social and governance (ESG) risks and opportunities. Indeed, the Group believes that the international context can further boost the implementation of its core principles: mutuality and sustainability.

In this respect, Reale Group, also acting as institutional investor and protection provider, **has revised its business model and voluntarily endorsed these commitments**, promoting a change model focused on **sustainable transformation**.

Therefore, by adopting these Principles, Reale Group undertakes to **integrate environmental, social and governance aspects in its decision-making process and its business strategy** to improve its risk assessment and underwriting process and understand the needs of its Members/Policyholders and Customers and the areas and the communities in which it operates with the ultimate goal of playing a key role in the transition to a more sustainable economy.

As required by the PSIs, this report describes how Reale Group has implemented the 4 Principles from the adoption date (31 December 2023).

Reale Group is an international, multiservice Group operating in Italy, Spain, Chile and, since March 2024, also in Greece, through its Parent, Società Reale Mutua di Assicurazioni, and its subsidiaries.

In this report, Reale Group describes the activities implemented by the Group's insurance companies (Reale Mutua, Italiana Assicurazioni, Reale Seguros Generales, Reale Vida y Pensiones and Reale Chile Seguros Generales).

Having joined the PSIs in 2023, some of the activities/actions described below are still in progress. However, information about the progress so far achieved in their implementation is provided.



Principle 1

Embed in the decision-making process environmental, social and governance issues relevant to the insurance business

Company strategy

Reale Group's sustainability governance consists of a set of organisational units, processes and procedures that ensure that ESG factors are always included in the most important decisions at group level.

In 2001, Reale Mutua acknowledged the importance of adopting a tool that described the values, principles and conduct to be complied vis-à-vis its Stakeholders. To this end, it developed and published its first Code of Ethics. Over the years, the Code of Ethics was adopted by all group companies (2013) and regularly updated (2018 and 2021).

The Code of Ethics helps all those who operate in, with and for the Group to act correctly, fairly and consistently with its culture and five values: Responsibility, Integrity, Cohesion, Innovation, Centrality of individuals.

Reale Group's Code of Ethics also confirms the Group's commitment to operate in compliance with all the values and principles of civil society, including that of legality. In this respect, the Group fully complies with all primary and secondary regulations in force in the countries and markets in which it operates.

The Group's first level of governance comprises the set of bodies and processes behind the goals set in strategic plans and the monitoring of social and environmental policies.

The Parent's Board of Directors is assisted by a Board Committee, the Sustainability Committee, which provides support with respect to sustainability matters in order to promote, at group level, the increasing integration of environmental, social and governance factors in corporate activities aimed at generating positive impacts which, where possible, are measurable and intentional, on the Stakeholders of Reale Group companies and the communities in which they operate, in a medium-long term horizon. Sustainability issues are identified and the significant impacts of the Group's business on the economy, environment and the community are analysed by sharing and exchanging information with the Group's main Stakeholders (Corporate Bodies, Employees, Members/Policyholders and Customers, Insurance Intermediaries and Suppliers). They are required to comment on the importance of material topics and the significance of the impacts. The results of these assessments are made available in the above-mentioned documents and form the basis for the graphic representation of the material topics and the Group's Sustainability Strategy.

2001 first edition of the Code of Ethics

since 2013 extended to all group companies



2022 the Sustainability Committee is set up

since 2021

Reale Mutua has obtained the Benefit Corporation status ratified by IVASS in February 2022



an average of 24.5 hours of annual ESG training per employee

Furthermore, in February 2022, Reale Mutua obtained the **status of “Benefit Corporation”** (Law no. 208 of 28 December 2015). This resulted in the need to **amend its By-laws** to include in its mission the goal of pursuing, in addition to profits, **six Common Benefit Purposes**, in line with the 17 Sustainable Development Goals (SDGs) of the United Nations and the material topics identified by the materiality analysis. Pursuant to the legislation on Benefit Corporations, Reale Mutua prepares an Annual Benefit Report which covers the pursuit of its common benefit purposes and includes a description of its specific objectives, the impact of its business activities and the future objectives and activities planned.

The Parent’s Board of Directors appointed an **Impact Manager**, who is responsible for pursuing the common benefit purposes of the Benefit Corporation and for assisting with the context analysis necessary to define and periodically check the common benefit purposes.

The position is held by the head of the Group Sustainability department.

The sustainability **policies** comprise the **second level** of the Group’s ESG governance structure and lead to the definition of goals, rules and activities/actions to be pursued in order to achieve the social and environmental goals set by top management. In this respect, in 2023, numerous group policies and procedures were reviewed and updated to respond to the recent regulatory developments and resulting organisational needs.

These include the **Sustainability Risk Management Policy**, the **Reputational Risk Management Policy**, the **Procedure for the preparation of the Integrated Consolidated Financial Statements**, and the **Procedure for the implementation of the Group’s Environmental management system**.

The Remuneration Policy is currently being revised in order to include a KPI that better reflects sustainability risks in the variable remuneration of managers¹.

The **third level** comprises the **organisational units** that effectively implement the sustainability goals. In this respect, the Group Chief Sustainability & Institutional Communication Officer is one of the General Management units entrusted with cross-cutting and global control and steering functions and with the aim of ensuring the proper implementation of the Group’s Sustainability Strategy.

In order to ensure that its corporate culture complies with ESG goals, Reale Group regularly organises **training and engagement activities for Top Managers, Directors, Statutory Auditors and Employees**. In 2023, the average hours of training per employees totalled 24.5.

¹ At present, 30% of Top Managers’ performance incentives are linked to Stakeholder Satisfaction and sustainability, of which 10% is pegged to the Net Promoter Score (NPS) performance, 10% to the Trust Index performance and another 10% to the Citizenship KPI performance. The latter indicator summarises the perception of Italian public opinion given by the average of three following underlying factors: Reale Group acts responsibly to protect the environment, is active in supporting the right causes in society and makes a positive impact on society.



Specifically, during the year, training covered the following ESG areas:

- September - Dynamo Camp WS for Directors on "Ambition Letters and Budget Letters: strategies, priorities and goals";
- September - WS for governance bodies on "New sustainability challenges and Reale Group's strategies";
- July - Four days of ESG Technical Training for the employees of all the Group's functions.

In 2023, Reale Group decided to continue its journey towards compliance with the new CSRD regulation and to carry out a double materiality analysis in accordance with the new criteria currently set out in EFRAG's ESRS standard².

The double materiality analysis is part of a broader process aimed at integrating sustainability into strategic decisions, while considering Stakeholders' expectations. This assessment will identify the impacts, risks and opportunities (IROs) caused and incurred by the Group in terms of sustainability.

This analysis will enable the Group to further fine-tune the methodology previously applied by defining, for each potentially material topic the related impacts, risks and opportunities (IROs) that have been assessed by the stakeholders concerned.

The material topics covered by the NFS are those resulting from the impact materiality under the GRI Standards. The list of material topics and their priority was approved by the Group's Sustainability Committee and validated by the Board of Directors of Reale Mutua at its meeting on 1 December 2023.

The crucial topics identified by the materiality analysis are as follows:

«Development and enhancement of human capital and culture of inclusion», «Health, safety and wellbeing of workers» and «Customer Centricity». «Reputation, ethics, and business integrity», «Direct environmental impacts and climate change» and «Community support and impact philanthropy» remain highly relevant topics, also in line with sustainability macro-trends, in which stakeholders are increasingly interested.



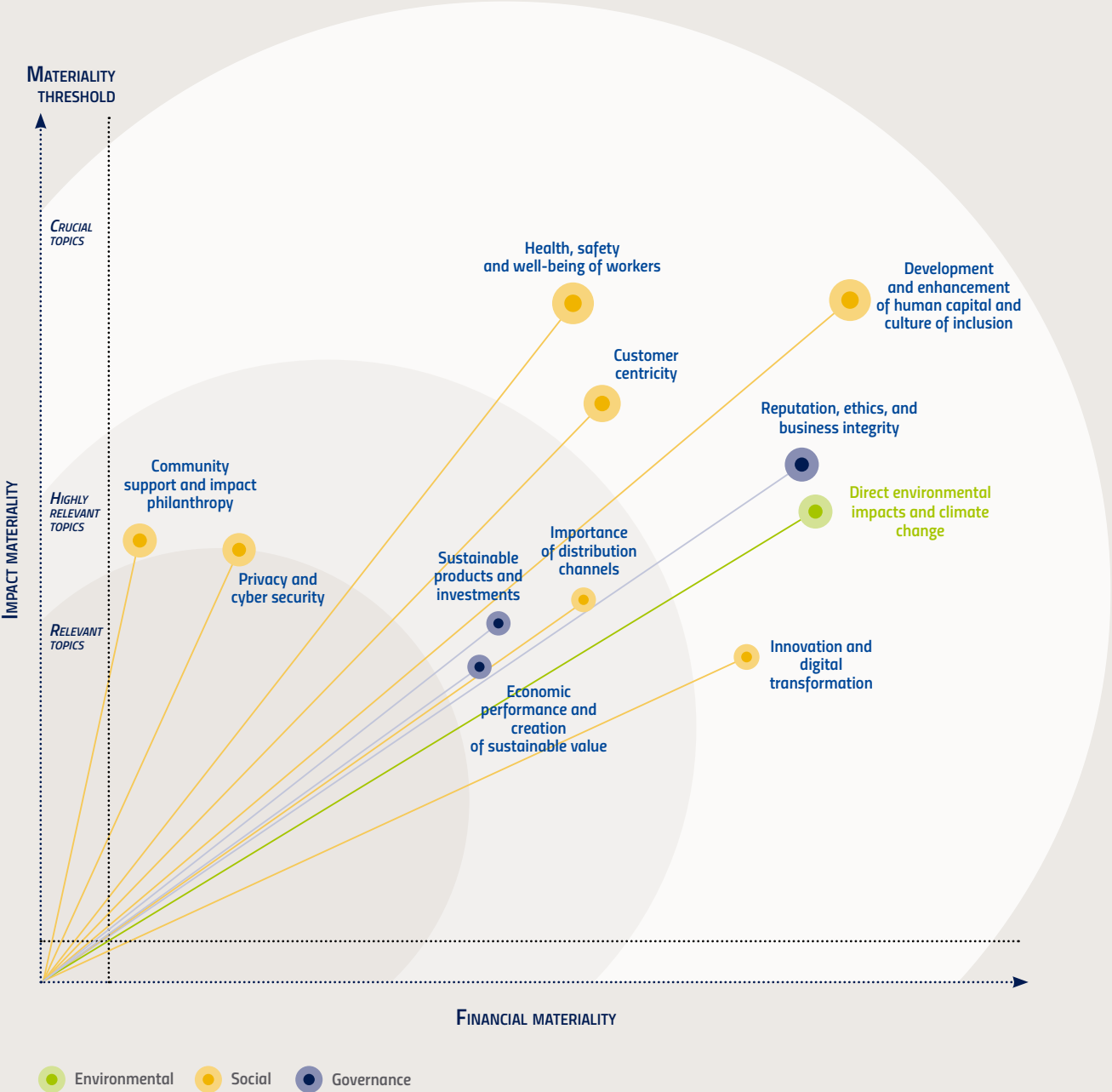
ESG training targeting:

- Directors
- Governance bodies
- Employees of all functions

² The current regulatory environment is represented by the ESRS (European Sustainability Reporting Standards - to the extent of "cross cutting standards" and "topical standards"), finally approved by the European Commission and published in the Official Journal of the European Union on 22 December 2023 (see Delegated Regulation 2023/2772). At the time of drafting this document, the final version of the "Implementation Guidance - Materiality Assessment" was not yet available. This will be a major methodological reference for conducting the next Double Materiality Analysis.



Material topics





Principle 1

Principle 2

Principle 3

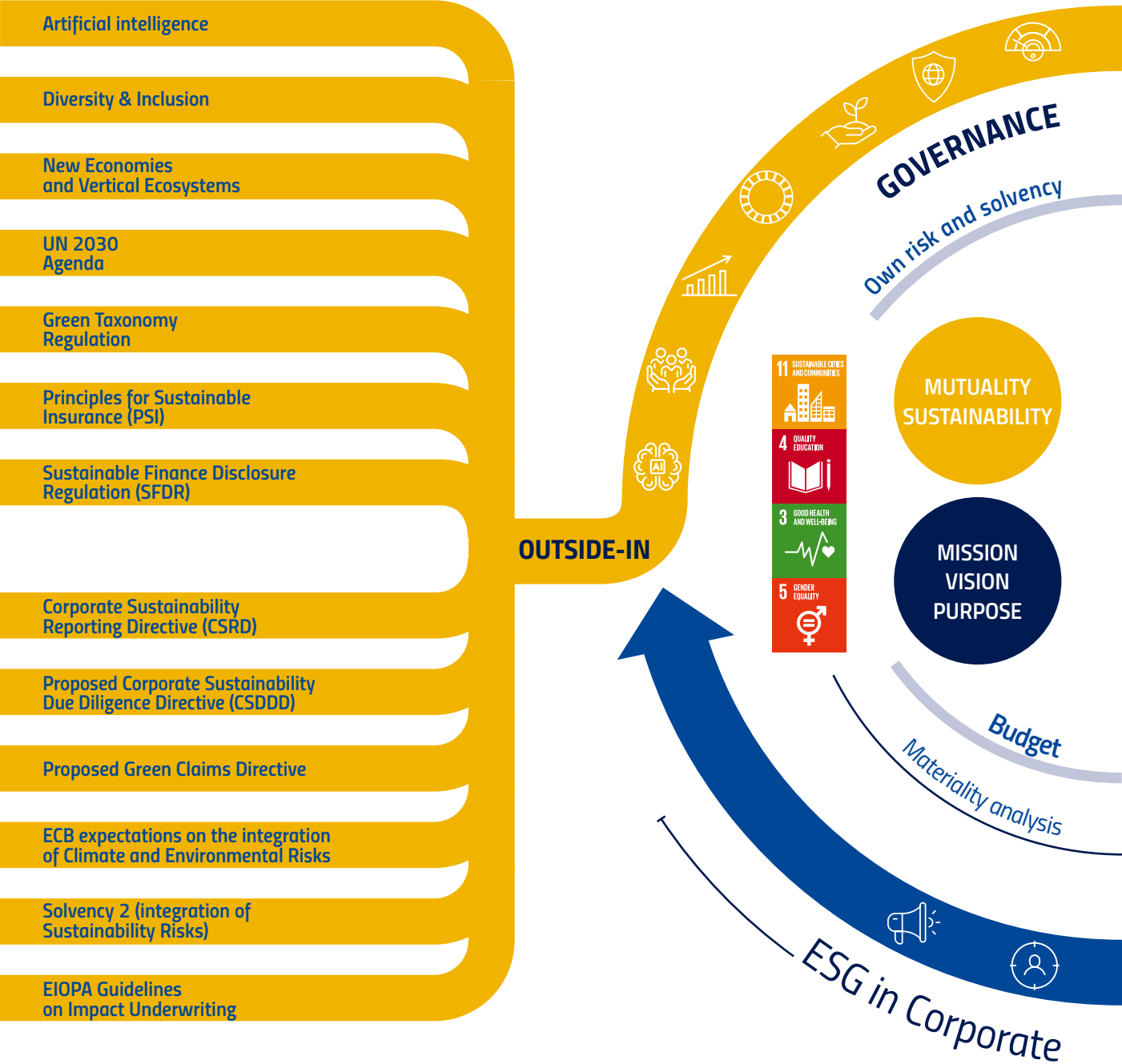
Principle 4



Sustainability-integrated model

For Reale Group, sustainability is a key tool to support both the Group's competitiveness and reputation and its profitability.

Consequently, sustainability is no longer an addition to strategic and operational activities; indeed, it has become an integral part of its Business Model.





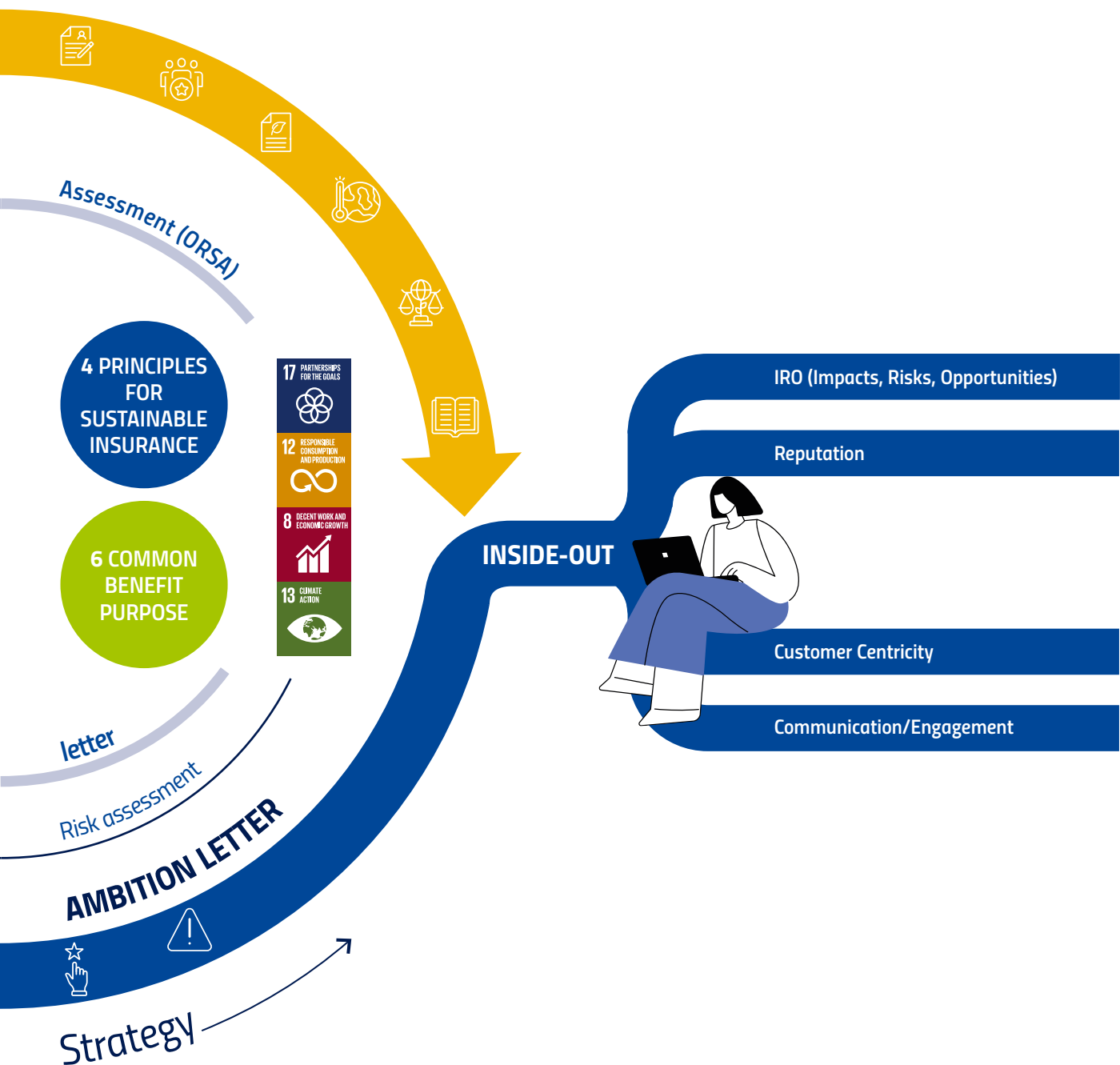
Principle 1

Principle 2

Principle 3

Principle 4

Integration is the concept underpinning the entire Sustainability Model: integrated thinking, in fact, is a holistic way of thinking about business activities, at all stages, from strategic planning to monitoring and reporting.



Risk management and underwriting

Reale Group has integrated sustainability risks within its Control and Risk Management System framework, in line with the broader approach of sustainability management at company level.

In 2023, several projects were pursued covering multiple aspects, such as strengthening the governance of the corporate units involved in the sustainability risk management process and fine-tuning the methodology for climate scenarios in asset and liability modelling.

Specifically, the following goals were achieved:

- **revision of the sustainability Risk List**, improvement of climate scenarios for insurance companies and extension of the scope to the real estate and banking sectors;
- **development and extension of the sustainability risk management framework** to include the companies which not currently in-scope;
- **development of the process to define** limits and exclusions vis-à-vis the counterparties deemed “unsustainable”, which was launched in 2022, to strengthen the ex-ante management of sustainability risks, also in the underwriting phase;
- **integration of the Group's Risk Assessment** process with the process to identify material topics, with a view to comply with double materiality requirements.

Products and services

Reale Group's sustainability strategy is focused on an increasingly larger **integration of sustainability topics** into processes, business goals and related measurement, **when choosing investments, the content of products and services offered to Members/Policyholders and Customers, in internal and external communication** and by launching initiatives that benefit all its Stakeholders.

Consequently, during the year, Reale Mutua began revising a series of products such as those covering photovoltaic, wind and solar thermal energy production plants or some separately managed products which guarantee access to care for customers with a medium-low spending profile. Reale Seguros also renewed its offer of digital products in favour of sustainable mobility.

The next three years will see the development of **taxonomy-aligned products for the insurance (green products) and banking sectors** to be included in the Group's offering. Furthermore, the Group will assess the opportunity for the development of products with environmental/social benefits (in addition to taxonomy-aligned products).

Sales & Marketing

Reale Group is committed to increasing the awareness of environmental, social and governance topics through the **constant training of its agency network**, in order to transform regulatory obligations into a genuine opportunity to enhance the skills of agency personnel, but also to consolidate and develop their insurance, financial and sustainability education.

Specifically, in 2023, five classroom sessions were held of the course **"ESG profiles of insurance distribution – Life business"**, which involved 113 people. The aim of the course was to provide agents with a clear overview of the disclosure requirements applicable to the integration of sustainability risks in their investment or insurance advice, pursuant to articles 3-6 of the SFDR.



Reale Group has also launched numerous opportunities for discussion and dialogue with its Stakeholders to improve the Group's accountability and engage Stakeholders in business decisions.

The constant **engagement** of Stakeholders is part of the Group's integrated approach towards a business conduct that aims to continuously improve the quality of the service offered, improve accessibility and guarantee maximum transparency of information.

Through listening, dialogue and engagement actions, the Group engages with its stakeholders with mutual collaboration and responsibility, placing **Stakeholders at the heart of business processes** and considering them an important strategic element to identify and influence the Group's "material" topics.

During the year, Reale Group focused, in particular, on **the external communication of its values and activities/actions associated with the six common benefit purposes** of Reale Mutua as a Benefit Corporation, by launching **Future Now**, a web series which links the current major topics - from sport to culture, from economics to sustainability - to the Group's values, with Yuri Chechi as the voice and face of the stories and as the bridge between present and future.

Real estate investments and management

For Reale Group, **sustainable finance** can genuinely contribute to financing sustainable and inclusive growth models and become one of the key factors in supporting sustainable transition and economic growth over time.

Sustainability risks are reflected in investment and underwriting decisions, focusing, in particular, on sustainability, also when selecting securities investments, as per the new version of the "**Sustainable Securities Investment Policy**", which came into force on 1 January 2023.

The Group integrates sustainability risks into its investment decision-making and management process through sustainability strategies that include exclusion criteria, ESG integration criteria and best-in-class, as well as impact investing and thematic investments.

The strategies described apply to the Italian, Spanish and Chilean portfolios, **covering approximately 87% of the assets under management** making up the total managed securities portfolio, with a scope that includes both the Life and Non-Life business. The **ESG rating** of the insurance portfolios, calculated using MSCI data, is **A**.

As part of its activities aimed at assessing the principal adverse impact (PAI) on sustainability factors deriving from investment decisions, the Risk Management Function contributes to monitoring the sustainability risk by setting the levels beyond which the indicators must be monitored.

Furthermore, the funds underlying the investment insurance products sold by the group companies were selected according to a strategy that aims to integrate ESG principles into the pursuit of economic surplus value.

In line with the perspective of integrating ex-ante sustainability into the planning, design, risk analysis and investment processes, the Group has launched a **three-year strategic project called "ESG in Corporate Strategy"** in order to support the effective integration of environmental, social and good governance topics into its business by defining a Group's ESG strategic and operational plan.

Similarly to the projects implemented in previous years, this approach leads to timely and correct compliance with applicable regulations and confirms the Group's strong position in terms of sustainability.



Principles of fairness to manage the supply chain

Principle 2

Work together with customers and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

Reale Group **promotes responsible management of its supply chain, based on principles of fairness**, respect for roles and sharing of business management principles, by choosing suppliers that responsibly manage environmental and social impacts, protect the rights of their workers and promote these actions also in the sub-supplier network.

The Group privileges those suppliers who can responsibly describe their environmental and social impacts, protect the rights of their workers and promote these actions also in the sub-supplier network. This commitment is implemented via a series of measures that transfer the values and principles of mutuality and sustainability that drive the Group's actions to suppliers.

To this end, the suppliers entered in the list can read the Group's Code of Ethics, the Supplier Code of Conduct and the Group's Environmental Guidelines by accessing the platform used to manage the list.

In 2023, the **ESG assessment of the active suppliers' list** continued (15% of active suppliers was assessed). During the year, a market survey was launched to identify an "ESG rating provider", specialised in the ESG assessment of the supply chain, in order to perform a more extensive and representative assessment of Italian and foreign Suppliers and integrate ESG principles in procurement decisions and processes and in the development of a sustainable procurement strategy.



Principle 3

Work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

All Reale Group companies are driven by the mutualistic model of the Parent Reale Mutua and are committed to spreading it, also by actively participating in international working tables promoted by Amice **Amice** (*Association of Mutual Insurers and Insurance Cooperatives in Europe*) and **Eurapco** (*European Alliance Partners Company*), whose aim is to promote discussion and foster synergies between mutual societies in Europe. Reale Mutua also actively participates in public consultations for the definition of new legal and regulatory measures in the sector, such as the quali-quantitative survey promoted by IVASS in 2022 and 2023 aimed at analysing and monitoring the physical risks from natural catastrophes related to climate and seismic events, transition risks and sustainability risks in the insurance sector.

Reale Mutua promotes the concept of mutuality in the local area, the academic world, schools and the third sector, by developing and participating in discussions, dialogue and in-depth analyses to raise public awareness of the meaning, action and effectiveness of mutuality as an economically and socially sustainable model.

The Parent enhances the good practices of the organisations operating in Italy. For example, in collaboration with Itas Mutua, it promoted the "**Mutuality Award**"; a national award created in 2023 in order to spread the values of mutuality by supporting virtuous projects aimed at building a more sustainable future.



Reale Group is an active member of numerous **national and international alliances and associations** in order to build a system that effectively enables seizing valuable opportunities by pooling information, comparing visions, sharing and strengthening skills in order to facilitate development and innovation in the insurance, banking and services sectors.

In 2023 Reale Group consolidated its active presence on various working tables on sustainability, for example by participating in **ANIA's Permanent Sustainability Commission** and in specific AMICE and Eurapco Sustainability Working Groups. Furthermore, the Group promoted and organised national and international meetings at its offices in order to foster communication between sector professionals.

In June 2022, Reale Mutua joined **Assobenefit**, the National Association for Benefit Corporations that brings together more than 150 Benefit Corporations in Italy. As part of this partnership, in March, Reale Mutua took part in the fourth National Day of Benefit Corporations entitled "Between avant-garde and rule, charting the course for a sustainable future", with a speech on "Benefit Corporations: a driving force for Sustainable Corporate Finance and Sustainable Finance".



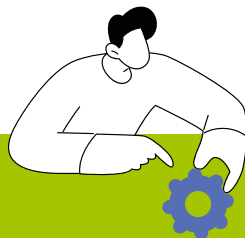
Since 2014, through **Museo Storico Reale Mutua**, the Group has been preserving and returning to the community almost two hundred years of mutual history, hosting cultural and social inclusion projects.

In 2024, the Museum will be subject to a major restoration in order to increase the focus on the changes that involved the Group over the past few years: first and foremost the internationalisation and the integration of ESG principles into its business strategy.

Since 2018 Reale Group has been supporting the Italian **Sustainable Finance Forum** and, in 2023, it financed, for the second year in a row, the **"Sustainability in the Italian insurance sector"** research aimed at analysing how sustainability aspects are included in the governance and strategies of insurance companies.

The four talks for employees on **female empowerment**, which were held between February and November 2023 through **Valore D**, an association of companies committed to gender balance and an inclusive culture in organisations and in Italy, confirm the genuine impact generated by the involvement in associations.

Thanks to **Reale Foundation**, Reale Group's Corporate Foundation, active in Italy, Spain and Chile, the Group returns part of the value generated to the communities in which it operates, by generating positive, measurable and additional environmental and social impacts.



During the year, the Foundation received

€1,543,000 which was used to support

80
projects

27,893
direct beneficiaries

470,601
indirect beneficiaries



Principle 4

Demonstrate accountability and transparency in regularly disclosing publicly the progress in implementing the Principles.

Corporate Governance, also via Committees, prevents the Group's information assets to be held only by a few; in contrast, information assets are distributed among several people, therefore guaranteeing sharing and **transparency**.

Indeed, transparency is a fundamental principle for Reale Group both in terms of accountability and to maintain a good reputation with Stakeholders. The transfer of information to the Board of Directors, the heart of the decision-making process, is a duty and a requirement. Information must be as clear, exhaustive, timely and complete as possible.

The communications to the community are also characterised by utmost transparency and truthfulness.

Transparency vis-à-vis Employees also includes the periodic publication of information on new hirings, job changes and promotions, and transparency vis-à-vis Members/ Policyholders and Customers is implemented in various ways, for example by providing timely information on websites, personal areas and Apps.

Contracts are drafted in a simple and clear manner, to facilitate understanding of the characteristics of the products/services offered, pursuant to the regulations in force.

Transparency initiatives include the setup of the "Commissione di Garanzia dell'Assicurato" (Policyholders' Ombudsman) in Reale Mutua in 1995 which was extended to Italiana Assicurazioni in 2014.

This Commission is an independent and impartial body whose aim is to resolve any disputes between the Company and the Policyholder through an effective procedure, minimum formalities and at no cost for the Policyholders.

For Reale Group, the periodic monitoring of the external perception of its reputation is of fundamental importance in order to safeguard the relationship of loyalty and trust built with its Stakeholders. In 2023, public opinion interviews were conducted in Italy and Spain (Chile has not yet adopted this tool), using the RepTrak® analysis model. Reale Group's **Brand Reputation** falls in the **average** bracket with **68.6 points**.

During the year, the fifth company climate survey was conducted, addressed to all employees of the Group's Italian companies. The "Trust Index", an indicator that globally measures the corporate climate and the trust index of the company, was 65% (as in 2021 and 2022), enabling the Group to achieve the "**Great Place to Work**" certification.



Transparency
a fundamental
principle for:

Accountability

Reputation

vis-à-vis
Stakeholders





Furthermore, since 2012 the Group has been **UNI EN ISO 14001:2015** certified, becoming the first insurance company to achieve this certification. This certification confirms the Group's awareness and commitment to the environment, as well as its responsibility and commitment to the constant monitoring of its environmental activities aimed at continuous improvement.

Reale Group annually publishes the **Integrated Consolidated Financial Statements**, prepared pursuant to Legislative decree no. 254/2016 and the GRI Standards (2021) reporting "in accordance with GRI Standards", which allows the Group to ensure the highest degree of transparency to its Stakeholders in relation to the organisation's impacts on the economy, people and the environment.

Furthermore, pursuant to the regulations governing Benefit Corporations (Legislative decree no. 208/2015), Reale Mutua publishes the **Annual Benefit Report which covers the pursuit of its common benefit purposes**. The Report was published on the Company website in the "Sustainability" section, attached to the Financial Statements of Reale Mutua, and included, in a specific section, in the 2022 Integrated Consolidated Financial Statements.

Reale Group is committed to raising awareness among all Stakeholders on the issues related to sustainable insurance principles through social communication campaigns focused on sustainability and risk management issues, as well as the dissemination of financial information.

Conclusions

By joining the Principles for Sustainable Insurance, Reale Group undertakes to act as institutional investor and protection provider in order to generate positive, measurable and additional impacts throughout the value chain and create more resilient and sustainable communities.

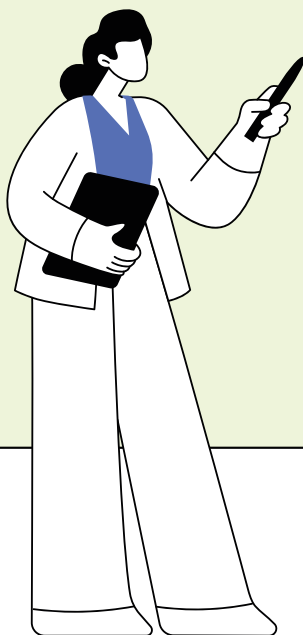
Thanks to its international and multi-service nature, the Group can operate in different contexts and diversified production environments, maximising the impact of its actions and spreading its founding values: mutuality and sustainability.

This report describes the Group's journey to building genuine and integrated sustainability in its business, respecting and integrating the 4 Principles for Sustainable Insurance in its business operations.

Having joined the PSIs in 2023, it was not possible to include a description of new and ex-ante projects in accordance with the PSIs. However, the PSI-compliant activities/actions currently being implemented were described.

Reale Chile Seguros Generales S.A. has been developing its Non-Life business in Chile since 2017. Given the different regulatory environment and the specific nature of the market, the Company follows the Parent's sustainability strategic approach when developing projects specific to the reference context.

As of 2024, PSI-related activities will be planned and scheduled as part of the implementation of the Group's broader strategic activities and covered in subsequent reports.



Principles for Sustainable Insurance 2023

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