

GENERALI REAL ESTATE
RESPONSIBLE PROPERTY INVESTMENT
GUIDELINES



Version 3.0
22 July 2021

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Approval and Review

The Guidelines were approved by Generali Real Estate’s CEO.

The Guidelines shall be promptly reviewed, and in any case at least every three years, to include developments in legislation, market and/or best practices, Group strategy and organization.

Effective Date and Implementation Deadline

The Effective Date of the Guidelines is 22 July 2021.

The Guidelines shall be promptly implemented.

Overview

At Generali Real Estate, we are proactive in reducing of the environmental impact of our portfolio as well as integrating environmental, social and governance (ESG)¹ metrics and monitoring into our business operations. Our vision is to have a market-leading portfolio of sustainability credentials as well as best practice asset and property management and development approaches.

In line with Generali Group's Responsible Investment Guidelines, Generali Real Estate has developed its own set of Responsibility Property Investment Guidelines. This document outlines our commitment to embedding ESG throughout our work as well as the key roles and responsibilities of key stakeholders throughout the organization to drive and embed sustainability within the real estate portfolio.

Background

Generali, as a responsible Group that aims to create long lasting value over time for its stakeholders, has made public voluntary commitments² including the United Nations Global Compact (2007), the Principles for Responsible Investment (2011) and to support the Sustainable Development Goals (2015), in the belief that this choice falls within its fiduciary duties.

The Group has summarized this level of ambition in its purpose: "To enable people to shape a safer future by caring for their lives and dreams" and has defined a sustainability model in the "Charter of Sustainability Commitments" that is articulated in two pillars:

- Run a sustainable business focusing on excellence in internal business processes;
- Live the community, playing an active role where the Group operates, going beyond day-to-day business.

In particular, in its role as Asset Owner, the Group issued the Responsible Investment Group Guidelines to define an investment management framework for the adoption of responsible conduct in investment activity, including the integration of ESG factors into investment decision making, an exclusion list of issuers, promotion of impact investing, engagement and voting activities.

Through Generali as our Parent Company, our commitment to continuous improvement in both our real estate operations and within our industry is highlighted in our support of the above-mentioned initiatives and the disclosure under the United Nations Principles of Responsible Investment (UNPRI), Taskforce on Climate-related Disclosures (TCFD) and CDP frameworks.

¹ For a thorough definition of Environmental, Social, Governance (ESG) factors at Generali Group, please refer to "Sustainability Group Policy", 2019

² Generali, Our commitment to the environment & climate - Public Commitments, <https://www.generali.com/our-responsibilities/our-commitment-to-the-environment-and-climate/public-commitments>

The buildings sector consumes around 40% of the world's energy and contributes up to 30% of global annual greenhouse gas emissions³. Given this impact, sustainability is a key focus for Generali Real Estate (GRE) and at Generali Group level. There is a high internal awareness and understanding that the real estate sector is a key contributor to global megatrends such as climate change and that there is an opportunity for GRE to drive large impact and demonstrate leadership within the market.

Scope of Application

As a general rule, the Guidelines apply to all assets under management by GRE. This includes:

- Direct investments carried out by Group Insurance Companies (based on GRE advisory);
- Group Insurance Companies investments in RE Funds managed by GRE, also open to Third Party investors”

Therefore, assets or funds managed by Third Parties are out of scope of the current Guidelines. However, GRE commits to inform Third Party asset or fund managers about the existence of these Guidelines and encourage them to adopt their own guidelines consistent with the principles adopted.

In particular, the following asset classes are included:

- Direct investment portfolio
- Major development projects
- Own use assets
- Asset managed for third parties
- Assets managed for Pan EU Funds

³ United Nations Environment Programme Finance Initiative, Integrating Climate Risks in Real Estate, <https://www.unepfi.org/fileadmin/documents/IntegratingClimateRisksInRealEstate.pdf>

Strategic Vision

Generali has been a part of Italian society for since 1831, and our vision is to continue to contribute to Italian, European and global society for the years to come. This means we need to consider how we can build, refurbish and manage buildings for today, tomorrow and years to come.

At Generali Real Estate we have established these Responsible Property Investment Guidelines (RPIG) to address Environmental Social and Governance (ESG) concerns within our Real Estate portfolio⁴, including where we operate as an asset manager on behalf of third-party investors.

What we believe

We believe that we have a moral responsibility to act on ESG issues, and a fiduciary responsibility to address ESG risks and opportunities in our investments. These responsibilities must be converted to action and improvements to assets and operations. Within these guidelines, we are putting forward a pragmatic response to ESG aspects which are specifically relevant to us, addressing issues which have been highlighted in our Generali Group Materiality Analysis⁵.

We recognize that ‘Climate Change’ is the most impactful issue for GRE because of its relevance for the real estate sector and its urgency. Many of the items included in these Guidelines, are there to address this issue.

The other issues mentioned above and included in the ESG definition (Appendix 1), have been considered and addressed from a sustainability point of view, mainly through reference to other policies and guidelines operating at GRE.

What we will do

The guidelines support the integration of sustainability into the decision-making and in our day to day business so that ESG is taken in consideration on how we invest and how we operate. Only through this integration can we realise the opportunity to use ESG metrics to highlight future opportunities and manage future risks around environmental and social issues.

These RPI Guidelines will direct our leadership, staff, and our suppliers in how we will do business in our Real Estate portfolio, mainly with respect to the **environmental aspects**.

With respect to other ESG topics, these are addressed in the following procedures in force at Generali Real Estate⁶:

⁴ Definition of key ESG issues for Generali Real Estate can be found in Appendix 1

⁵ The Materiality Matrix, approved by the Board of Directors of the Generali Group, identifies the material aspects that can have a significant economic, social and environmental impact on the Group's activities and which, influencing the expectations, decisions and actions of stakeholders, are perceived as relevant by the latter.

⁶ This list is not exhaustive and could be modified over time

- CAPEX Procedure
- Health, Safety and Environmental Management System Procedure
- Procurement Procedure
- Direct Investment and Divestment Procedure
- Letting Procedure
- Compliance key controls on Real Estate Management Procedure

Responsible Property Investment Principles

These guidelines are based on sets of principles associated with best practice in our sector, ensuring we are aligned with our peers and using the latest research to drive our activities.

Aligned with the Generali Group, GRE aims at incorporating ESG topics into the investment decision making and ownership practices. GRE is committed in the fulfilment of the following six principles adopted from UN PRI⁷:

- “We will incorporate ESG issues into investment analysis and decision-making processes.”
- “We will be active owners and incorporate ESG issues into our ownership policies and practices.”
- “We will seek appropriate disclosure on ESG issues by the entities in which we invest.”
- “We will promote acceptance and implementation of the Principles within the investment industry.”
- “We will work together to enhance our effectiveness in implementing the Principles.”
- “We will each report on our activities and progress towards implementing the Principles.”

Furthermore, as the real estate business is specifically concerned, GRE takes inspiration from the Environmental Sustainability Principles for the Real Estate Industry, promoted by the World Economic Forum⁸:

⁷ <https://www.unpri.org/pri/an-introduction-to-responsible-investment/what-are-the-principles-for-responsible-investment>

⁸ <https://www.weforum.org/whitepapers/environmental-sustainability-principles-for-the-real-estate-industry>

1. “Embed adherence to best-in-class sustainability standards in all aspects of our real estate operations, with board level responsibility for monitoring and disclosing our sustainability performance. “
2. “Ensure that our decisions contribute to improvements in environmental sustainability at the local and urban levels, working cooperatively with tenants, city governments, planners and other stakeholders in achieving our targets. “
3. “Commit to continuous improvement in the environmental performance of construction and development activities, our real estate operations and our asset management policies.”
4. “Track the environmental performance of our real estate assets and operations on a continuous basis, to assess our ecological footprint, and our exposure to risk from natural shocks, environmental regulation and the economic impacts of climate change.”
5. “Identify explicit targets for improving our environmental sustainability performance including specifically in our commitment to minimize emissions of greenhouse gases and to increasing our use of renewable resources.”

The principles apply to all GRE business areas and functions, and to the assets named in the scope.

Climate Change Strategy

Climate change is a current global risk and natural disasters are on the rise, constituting a threat to global economic development. In this context, the mitigation of climate risks and adaptation strategies are key factors at both the global level and organizational level for strengthening the resilience of communities.

‘Climate change and natural disaster’ has been identified by the Generali Materiality Matrix as one of the megatrends posing the main concern to the Group. Most of the possible outcomes from climate change, mainly deriving from an increase in global temperatures, will have direct impact on the real estate assets, such as increased intensity of storms, including tropical cyclones with higher wind speeds and precipitations; increased risk of inland flash floods; more frequent coastal flooding and increased coastal erosion from storms and sea level rise.

In line with the Principles of Responsible Investment, and in execution of the Group Policy for the Environment and Climate, Generali Group has defined its commitment, notably through investment activities, to mitigate climate change and support the transition towards a low-carbon economy, integrating the social dimension into the climate strategy and disclosing the risks and opportunities associated with Climate Change.

As a tangible expression of this commitment, the Generali Group joined the Net-Zero Asset Owner Alliance, a coalition of some of the world's leading asset owners, convened by the United Nations, delivering on a bold commitment to make their investment portfolios – including real estate - climate-neutral by 2050.

Furthermore, GRE is keen to fulfil the current national regulations addressing climate change issues (for example, the Tertiary Decree in France), and aims to align with the incoming EU Taxonomy regulation.

Communications Guidelines

Investor Communications

Where we are managing assets on behalf of investors, whether they are Group Insurance Companies or third-parties, we will deliver the best ESG reporting for investors, being open to dialogue with the relevant stakeholders to be always in line with best market practice in the sector. Furthermore, together with its clients and especially the Group and funds management, GRE will investigate on the most relevant certifications and reports, in order to enhance the ESG related activities, GRE is carrying out. Through these disclosures GRE can demonstrate the value creation and protection of its assets and funds through the integration and management of ESG issues.

Communications to investors may include any of the following:

- Performance against investor targets, (for example carbon reduction targets)
- Participation in third party benchmarking activities (i.e. GRESB).

Embedding our Principles in the Key Operational Activities

GRE has identified key ESG topics for integration within the GRE portfolio. A key environmental issue identified is climate change impact on the business and real estate portfolio. In order to act and implement an awareness, understanding and improvement on ESG impacts, GRE has identified the key areas of strategic focus across the business. These are outlined as follows:

Area 1: Transactions

Through acquisition we aim to select assets whilst considering ESG issues.

GRE takes proactive steps to ensure the assets within the portfolio achieve sustainability credentials.

Whilst GRE does not have its own exclusion policy, it takes the following measures in line with the Generali Group Ethical Filter for investments⁹: whenever a buyer, a seller or a co-investor is included in the “Restricted List” of issuing companies identified by the Group due to poor ESG credentials, an escalation process to the Group Chief Investment Officer, based on the opinion of the Chief Executive Officer of GRE, is required to authorize further business relations.

The following implementation activities establish GRE’s approach to acquisition:

Sustainable credentials

- Focus on building certifications including but not limited to: BREEAM, LEED, WELL Building Standard, HQE and DGNB and increasing coverage throughout the portfolio.
- All acquisitions, except for specific cases¹⁰, will undergo sustainable assessment (The outputs of these checks are embedded in the due diligence for informational purposes and presented to the investment committee for consideration alongside other factors in the investment decision process.
- Aiming GRE acquires, whenever possible, assets to meet the requirement of the EU Taxonomy regulation.

⁹ Reference to: *Responsible Investment Group Guideline – Asset Owner*, Group Investments, Asset & Wealth Management

¹⁰ decided by the Global Head of Asset, Property Management and Sustainable Investing, in conjunction with the Global Head of Transactions

Area 2: Development and Project Management

When GRE is undertaking development or refurbishment opportunities, GRE recognizes the opportunity to embed sustainability within the projects. This includes both the capital expenditure on materials in the initial build and implementation of technology upgrades and building management systems optimization during refurbishment and project management stages for operational effectiveness.

The following implementation activities establish GRE's approach to development and project management:

Projects and development

- GRE aims to integrate responsible property investment considerations into the design and specification of major refurbishments and new developments.
- Investment in capital expenditure to ensure the most appropriate level of technology efficiency is achieved when developing or refurbishing sites.
- Aiming GRE develops new sites and progresses appropriate project upgrades to meet the requirement of the EU Taxonomy regulation and for Generali's Green Bond Framework whenever possible. To meet these requirements, we will ensure reporting and measurement of performance before and after major refurbishment projects is undertaken to monitor and measure impact.
- We will enhance continuous improvements in the energy intensity of our portfolio through upgrades and optimization in the development and project management of our assets, in line with the European Union's Energy Performance in Buildings Directive (EBPD).
- Assessing and mitigating climate risk through the relevant upgrades and major refurbishments of assets within the portfolio.

Area 3: Active Asset and Property Management

In order to optimize the assets within the portfolio and ensure reduction of impacts from GRE's assets on the environment, we have built in various proactive asset management activities. These include gathering data and utilizing reporting and trends to make enhancements and engage with the relevant stakeholders.

At GRE, the following implementation activities establish GRE's approach to active asset and property management:

Sustainable credentials

- Focus on building certification through certification schemes such as BREEAM, LEED, WELL Building Standard, HQE and DGNB.
- Focus on increasing the number of in-use certifications and/or sustainable assessments we hold within the portfolio.
- Annual updates and targets on our 3 years plan to ensure we are increasing the sustainability credentials of our portfolio.

Energy efficiency and CO² reduction projects

- Continuous improvements on operational performance (i.e. through building management system (BMS) optimization, proactive property and/or Facility management) through target setting and strong monitoring.
- Data is captured through the ongoing data analytics project. This data is combined to ensure consistent and accurate reporting.
- Using the data captured within our data analytics system to drive proactive property management and maintenance to pursue energy and resource efficiencies as well as targeting assets for refurbishments and upgrades.

Tenant engagement activities

- Green clauses are put in place in the standard leases to ensure optimal building efficiency in operation.

Embedding our Principles in other Special Vehicles

This section applies to specific examples where Generali Real Estate has explicit requirements associated with activities other than the portfolio management for Generali asset owners (i.e. Group insurance companies).

It includes the management of Third Party assets and contribution to Generali Group financial frameworks such as the Green Bond or other capital financial instruments.

Real Estate Investment Funds

Ensuring we have an effective and market-leading fund strategy is essential for GRE to attract and retain third-party investors. As the ESG requirements within the real estate sector increase, we take a proactive approach to establish the ESG credentials of our funds, ensure we have a multi-year outlook and advocate our sustainability management to reflect the market's needs and requirements. For all our funds and especially those managed on behalf of third parties, we aim to continuously improve the sustainability credentials of our funds through integration of the activities outlined in the precedent sections of these Guidelines into our operational processes.

The current investors are mainly Generali Group investors, but the funds are progressively being opened to third party investors. The responsible investment process will follow the same process as GRE's activity for the wider portfolio of Generali owned assets. However, since each fund vehicle may have its own specific strategy and governance, being managed by specialized fund managers, they may have their own:

1. Requirements: funds can have specific restrictions or sustainability strategies and actions (including but not limited to, for example, having a GRESB rating, full BREEAM-certified fund, other certification or labelling for funds, ISO14001 certification for shopping centres, systematic installation of renewable energies for assets in logistic funds, etc.);
2. Ability to adjust these restrictions as appropriate over time: each fund management team may want to increase the ESG performance of the fund - this is outside the scope of the present Guideline;
3. Reporting regime above and beyond the GRE ESG reporting activities.

This considered, possible sustainability actions can include:

- Running the sustainability assessment for new acquisitions in all fund assets. The goal being that all the assets within the funds are either assessed or certified.
- Focus on efficiently and effectively responding to third-party requests for data and performance of ESG metrics within our portfolio.
- Actively engaging with third-party investors on the ESG trends and requirements in the market.

- Ensuring the activities prescribed in these Guidelines for the wider portfolio of Generali owned assets are embedded and implemented to meet third-party investor requirements

Green Bond Framework and Other Generali Group Financial Instruments

Generali is the first insurance company in Europe to announce the issue of a green bond and to publish the Green Bond Framework, which clearly defines the investment processes and areas for assets under management. Specifically, six categories of investable assets have been defined (green buildings, renewable energy, energy efficiency, clean transportation, sustainable water management, recycling, and re-use & waste management) and a selection and monitoring procedure assigned to a cross-functional committee (Generali's Green Bond Committee) within the Company.

Eligible Assets that meet the eligibility criteria are defined by the Generali Group.

GRE will provide the relevant eligible assets to the Generali Green Bond Committee, who makes the final decision on the allocation of designated assets to the bond.

Although the management of the Green Bond Framework is outside the scope of the present Guidelines, having a different structure and governance at Generali Group level, the underlying eligible assets under the Green Building category, follow the investment process outlined within these Guidelines. Similarly, GRE will provide its contribution to other financial instruments used by Generali Group (for example, the Generali Green Insurance-linked Securities, Green Loans), in the scope of what is defined by the structure of each operation.

APPENDIX 1 – Definition of ESG issues for Generali Real Estate

Key to the strategic vision of how to invest in real estate responsibly is the recognition of the following ESG issues:

E – Environmental	<p>Aspects related to the quality and to the functioning of the environment and natural systems, including:</p> <ul style="list-style-type: none"> • greenhouse effect and climate change; • the availability and consumption of natural resources, including energy and water; • quality of the air, water and soil; • changes in the use of soil and urbanization; • choice of design and construction materials the production and management of waste; • the protection of natural habitats and biodiversity.
S – Social	<p>Aspects related to the rights, well-being and legitimate interests of people and local communities, including:</p> <ul style="list-style-type: none"> • human rights, diversity and promotion of equal opportunities; • respecting workers’ rights and decent working conditions, including child and forced labor; • occupational health and safety.
G – Governance	<p>Aspects related to government of the companies and organizations, including:</p> <ul style="list-style-type: none"> • transparency; • ethics and integrity in business practices and compliance with laws; • corruption; • tax responsibility; • board structure, independence and diversity.

Source: Selection of relevant Environmental, Social, Governance (ESG) factors among those identified at Generali Group level, included in the “Sustainability Group Policy”, 2019