

Report on corporate governance  
and share ownership  
for the 2015 financial year



**UNIPOLSAI ASSICURAZIONI S.p.A.**

**ANNUAL REPORT ON CORPORATE GOVERNANCE  
AND SHARE OWNERSHIP  
FOR THE 2015 FINANCIAL YEAR**

Bologna, 10 March 2016

This Report is available in the Governance Section of the Company's website [www.unipolsai.com](http://www.unipolsai.com)

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## DEFINITIONS

For the purposes of the provisions in this Report and in addition to the definitions provided in the text below, the expressions and / or words capitalised have the following meaning:

**Appointed Director:** the Director appointed by the Board of Directors to oversee the operation of the internal control and risk management system.

**Code of Conduct, Code:** the Code of Conduct for listed companies approved in March 2006 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., with subsequent amendments, available on the website of the latter [www.borsaitaliana.it](http://www.borsaitaliana.it).

**Parent Company UGF, Parent Company, Controlling Company, UGF:** Unipol Gruppo Finanziario S.p.A., parent company of the Unipol Group.

**Board of Statutory Auditors:** the supervisory body of the Company.

**Board of Directors, the Board:** the administrative body of the Company.

**Financial Reporting Officer:** the manager charged with preparing the company's financial reports, pursuant to Art. 154-bis of the Consolidated Law on Finance (TUF).

**Financial Year, Year:** the financial year ended 31 December 2015.

**Group, Unipol Group:** Unipol Gruppo Finanziario S.p.A., and the companies directly and indirectly controlled by this, pursuant to Art. 2359 of the Italian Civil Code.

**Insurance Group:** the Unipol Insurance Group, registered in the Register of Insurance Groups under number 046.

**Instructions to Stock Exchange Regulations:** guidelines on the Regulation of Markets organised and operated by Borsa Italiana S.p.A..

**ISVAP, IVASS or Authority:** the Insurance Sector Regulator (which changed its name to IVASS with effect from 1 January 2013).

**Shareholders' Meetings Regulation:** regulations approved by the Shareholders' Meeting on 29 April 2013, aimed at regulating the orderly and efficient conduct of General Meetings, Ordinary and Extraordinary.

**Market Regulations:** regulations for the markets organized and managed by Borsa Italiana S.p.A..

**Issuers' Regulation: Regulation** issued by CONSOB in 1999 with resolution No. 11971 on issuers, with subsequent amendments.

**Market Regulations:** regulations on markets issued by CONSOB in 2007 with resolution No. 16191, with subsequent amendments.

**Report:** this report, containing the information about the Code of Conduct, corporate governance, and ownership structures that issuers of listed shares are required to provide pursuant to Art. 123-bis of TUF (as defined below) and 89-bis of the Issuers' Regulation.

**Company's website:** [www.unipolsai.com](http://www.unipolsai.com)

**Subsidiaries:** the companies controlled, directly or indirectly, by UnipolSai, pursuant to Art. 2359 of the

Italian Civil Code.

**Company, UnipolSai:** UnipolSai Assicurazioni S.p.A..

**Solvency II:** the set of laws and regulations introduced as a result of the adoption of Directive 2009/138/EC of the European Parliament and Council, 25 November 2009, on the taking-up and pursuit of the insurance and reinsurance business, in force since 1 January 2016.

**Consolidated Law on Finance, TUF:** Legislative Decree No. 58 of 24 February 1998, with subsequent amendments.

## INTRODUCTION

Having adopted since 2006 the recommendations contained in the Code of Conduct, UnipolSai publishes an annual report providing information on its corporate governance and ownership structure, pursuant to Art. 123-bis of TUF, as well as the additional information recommended by the Code.

This Report consists of three parts:

- Section I, which contains summary data on the profile of the Company and the Unipol Group;
- Section II, which provides the main information required by the aforementioned Art. 123-*bis* of TUF;
- Section III, which contains information on the governance structure and the principles, rules and procedures adopted pursuant to the Code of Conduct and revised to keep into account the developments of the relevant legislation, as well as any additional information required by Art. 123-bis of TUF and not provided in Section II.

Unless otherwise indicated, the information in this Report refers to the end of the 2015 financial year.

## COMPLIANCE

Since 2006 UnipolSai adopts the Code of Conduct promoted by Borsa Italiana S.p.A. (available on the website of the latter, in the section of the Committee for Corporate Governance at <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf>). In the year, the corporate governance structure of UnipolSai is not affected by non-Italian legal provisions.

## SECTION I

### ISSUER PROFILE

UnipolSai is an issuer with shares listed on the Computerized Stock Market managed by Borsa Italiana S.p.A., and at the date of this Report, included in the FTSE MIB index; the Company is controlled pursuant to Art. 2359, Par. 1:1, of the Italian Civil Code, by UGF and is subject to the direction and coordination of the latter, pursuant to Art. 2497 et seq. of the Italian Civil Code.

UnipolSai is a multi-branch insurance company part of the Unipol Group, operating in the following areas:

- a) insurance, articulated in:
  - Non-Life and Life;
  - bank-insurance;
- b) real estate;
- c) other activities, including, among the others, financial, hospitality and medical services.

First of all it is recalled that, following the completion of the merger by incorporation of Unipol Assicurazioni S.p.A., Milano Assicurazioni S.p.A. and Premafin HP S.p.A. into FONDIARIA-SAI S.p.A. ("Merger"), a general review of the organisational structures of the Unipol Group was launched, aimed to achieve greater efficiency and effectiveness while respecting the prerogatives of the different companies and their specificity in terms of positioning of their business. In this context, organisational structures and operational processes, within the Parent Company UGF and UnipolSai, have been gradually rationalised, centralising competences and operational activities at the latter company, which is the reference company in the insurance sector after the Merger.

This year was the last year covered by the 2013-2015 Business Plan: its organisational, business and financial targets have been attained and the process of rationalisation and integration of the diverse members of the Group, which had been given a leading role within the Business Plan, has been basically completed.

The corresponding process of gradual adaptation and harmonisation of the existing policies in the Unipol Group and in the former Fondiaria-SAI Group has been completed; other policies have been adopted to comply with EU and Italian industry regulations, also keeping into account the further amendments and integrations made to these provisions during the year.

#### **The governance system**

The governance structure of the Company is based on the traditional model of administration and control. Its main bodies are: the Shareholders' Meeting, the Board of Directors (operating with the support of the Board Committees) and the Board of Statutory Auditors.

The statutory audit is carried out by independent auditing company pursuant to the current legal provisions on the matter.

The role and responsibilities of these bodies are discussed in Section III.

### **UnipolSai and social responsibility**

At the Board Meeting of 13 February 2013, the Board of Directors approved the Charter of Values ("Charter of Values") and the Code of Ethics ("Code of Ethics") of the Unipol Group.

With this, the Company has supported the choice of the Unipol Group, which has made corporate social responsibility a deeply integrated strategy in all corporate decisions, from the definition of the management of all its activities, from sales to personnel issues, from its relations with suppliers to those with the community; all this as part of a process that leads gradually, and through a continuous improvement, to the development of an organic corporate policy of sustainability, understood as the ability to combine efficient economic management, social responsibility and environmental protection.

In 2015, the parent company UGF continued to work to update its Code of Ethics, to align it with legal and regulatory developments and with the most advanced international standards on policies and conducts of ethical and social responsibility. Specifically, the experience in the application of the Code of Ethics has confirmed the validity of the choice made by Group to acquire an instrument that, translating the values into principles of conduct, has made it possible to address the complex issue of how to manage the relations of the company with and within the set of its stakeholders, in order to consolidate a more uniform culture, encouraging the integration between people with backgrounds and contexts sometimes very different. As the validity of the choices made in the past has been confirmed, the objective of the update was therefore to address the need for innovation and further qualification of the Code of Ethics.

The new Code of Ethics, approved by the Board of Directors of UGF on 5 November 2015, was adopted by UnipolSai with the Board resolution of 17 December 2015.

Since 1 January 2016, UnipolSai has also acquired a specific "Sustainability" structure with the objective of ensuring a greater control on the development of social responsibility policies and processes in the Company.

## SECTION II

### INFORMATION ON OWNERSHIP STRUCTURES

*(Section drafted also pursuant to Art. 123-bis of TUF)*

#### 1. SHARE CAPITAL STRUCTURE

##### 1.1 Composition

Implementing the resolutions of the Extraordinary Shareholders' Meeting of the of 26 January 2015 and of the Special Meeting of Class A and B Preference Shareholders of 27 January 2015, previous the fulfilment of all conditions, UnipolSai has carried out, on 29 June 2015, the conversion of all outstanding 1,276,836 Class A saving shares and 377,193,155 Class B saving shares, into, respectively, 127,683,600 and 377,193,155 new ordinary shares, with the same characteristics of outstanding ordinary shares, on the basis of the following conversion ratios:

- 100 ordinary shares, with normal dividend rights, for each Class A savings share, without equalisation payment;
- 1 ordinary share, with normal dividend rights, for each Class B savings share, without equalisation payment.

The last day of trading of Class A and B preference shares was 26 June 2015 and since 29 June 2015 only the ordinary shares of UnipolSai are traded on the Mercato Telematico Azionario of Borsa Italiana S.p.A.

On 31 December 2015, the conversion, mandatory on maturity, of 1,343 bonds, for a nominal value of Euro134,300,000.00, representing the "Convertible Loan UnipolSai Assicurazioni 2014-2015 6.971%" took place, resulting in the issue of 49,194,135 new ordinary shares of the Company and an increase in UnipolSai share capital of Euro35,316,508.

As of 31 December 2015, the composition of the share capital, Euro2,031,445,960.02, fully subscribed and paid up, is summarised in the following table:

Type and name of shares	No. Shares	Market
UnipolSai ordinary	2,829,702,916	MTA

As a result of the coming into force, on 31 January 2016, of the merger by incorporation of Liguria – Società di Assicurazioni - S.p.A. ("Liguria") and Liguria Vita S.p.A. into UnipolSai, 12,525 new UnipolSai ordinary shares, having the same characteristics as the outstanding ordinary shares, were issued to Liguria shareholders other than the Merging Company, on the basis of the conversion ratio of 1.2 ordinary shares of the Company for each Liguria share. The share capital of UnipolSai therefore increased by Euro8,991.71.

At the date of this Report, the composition of the share capital, fully subscribed and paid up, equal to Euro2,031,454,951.73, is summarised in the following table:

Type and name of shares	No. Shares	Market
UnipolSai ordinary	2,829,715,441	MTA

## 1.2 Rights of classes of shares

At the date of this Report there were no categories of shares with special dividend rights, as the share capital consists only of ordinary shares.

## 1.3 Power to increase share capital and authorisations to buy back treasury shares and shares of the parent company

### 1.3.1 Powers to increase share capital

At the date of this Report, no powers have been conferred to the Board of Directors to increase the share capital.

### 1.3.2 Authorisations to the acquisition of treasury shares and shares of the Parent Company

The Ordinary Shareholders' Meeting on 17 June 2015 has authorised the Board of Directors to purchase and sell treasury shares pursuant to Art. 2357 and 2357-ter of the Italian Civil Code, as well as shares of the Parent Company for a period of 18 months from the decision of the Meeting.

During the year the Company did not make use of this authorisation, neither with reference to its own shares nor to the shares of the parent company UGF.

At the date of this Report, the Company holds in its portfolio treasury shares and shares of the parent company UGF.

Specifically, the company holds:

- directly, 5,205,640 treasury shares (equal to 0.184% of share capital);
- indirectly, 48,344,045 treasury shares (equal to 1,708% of share capital) through the following subsidiaries:
  - UnipolSai Finance S.p.A. for 38,454,775 shares;
  - UnipolSai Nederland BV for 9,443,258 shares;
  - Pronto Assistance S.p.A. for 344,312 shares;
  - Popolare Vita S.p.A. for 101,700 shares.

The changes from 1 January 2015 are due to the merger by incorporation into UnipolSai of SAI Holding Italia S.p.A., which owned 3,225,720 UnipolSai shares, and the acquisition of 1,254,300 shares within the liquidation of the subsidiary Sainernational S.A.

As for the shares of the Parent Company, UnipolSai did not carry out any purchase in 2015, as mentioned above, and to the date of this Report. On 1 July 2015, the executives of the Company were awarded a total of 67,042 shares of UGF, as part of the compensation plan based on financial instruments of the share

performance type for the years 2010-2012, approved by the Ordinary Shareholders' Meeting of the merged Unipol Assicurazioni S.p.A. on 26 April 2012.

At the date of this Report, UnipolSai holds 3,108,860 ordinary shares of the Parent Company.

Given that this authorisation will expire on 17 December 2016, the Board of Directors on 10 March 2016 voted to propose its renewal at the Shareholders' Meeting called to approve the 2015 financial statements, for an additional period of 18 months.

Specifically, the authorisation to buy and sell treasury shares, in the interests of the Company and in compliance with applicable regulations and accepted market practices, has the following objectives:

- to intervene, directly or through intermediaries, to promote the smooth conduct of trading, against distortions due to an excessive volatility or insufficient market liquidity;
- to take the opportunity to maximise the value that can be derived from market trends - and thus also by pursuing trading objectives - or connected with strategic transactions of interest for the Company;
- to use treasury shares as an investment object for the efficient use of the liquidity generated by the core activity of the Company and/or for the allocation of the shares to implement the compensation plan based on financial instruments, pursuant to Art. 114-*bis* of TUF.
- to use these shares to ensure, if necessary, the overall consistency of transactions that create the need to place fractional shares.

The acquisition and disposal of shares of the Parent Company, in the interests of the Company and in compliance with applicable regulations and accepted market practices, has the following objectives:

- to take the opportunity to maximise the value that can be derived from market trends - and thus also by pursuing trading objectives - or connected with strategic transactions of interest for the Company;
- to use said shares as a form of investment for the efficient use of the liquidity generated by the core activity of the Company and/or for the allocation of the shares to implement the share-based compensation plan based on financial instruments, pursuant to Art. 114-*bis* of TUF.

The proposal provides for the purchase and sale of treasury shares and shares of the parent company in the quantities and with the procedures set out below:

- purchases may be made up to the maximum amount permitted by law and accepted market practice, in the manner provided for by Art. 132 of the Consolidated Law on Finance and Art. 144-*bis*, Par.1:a-c, of the Issuers' Regulation, as well as by any other provision, including the provisions of Directive 2003/6/EC and its implementing provision, Italian and European, where applicable;
- the disposal may be made in the manner permitted by law, also by carrying out, one or more times, a series of acquisition and sale transactions, until the expiry of the term of the authorisation;
- purchases and sales may be carried out at a price not above 15% and not below 15% of the reference price recorded by the respective securities on the trading day before the date of each transaction, and in any case the expenditure must not exceed Euro100 million for treasury shares and Euro50 million for the shares of UGF.

#### 1.4 Share transfer restrictions, ownership limits and acceptance clauses

The existing By-Laws of UnipolSai set no restrictions on the transfer of shares, nor limits to their holding, nor approval clauses.

## 2. SHAREHOLDER BASE

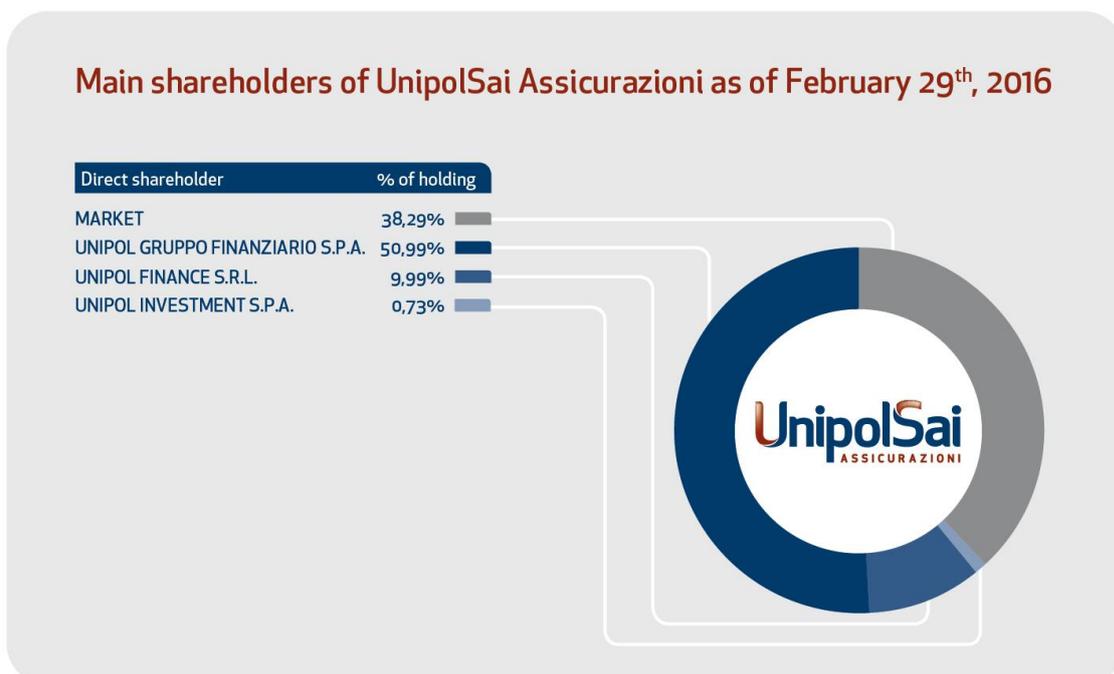
The total number of Shareholders of UnipolSai, as shown by the register of Shareholders at the date of this Report, is approximately 50 thousand.

### 2.1 Relevant shareholdings

Relevant shareholdings in the Company, which directly or indirectly, through an intermediary or trust companies, exceed 2% of the share capital with voting rights, on 29 of February 2016, as resulting from the register of the Shareholders, the communications received by law and all other communications, were:

Registrant	Direct Shareholder	% held
Finsoe S.p.A.		61.71
	Unipol Gruppo Finanziario S.p.A.	50.99
	Unipol Finance S.r.l.	9.99
	Unipol Investment S.p.A.	0.73

The allocation of the share capital is shown below:



## **2.2 Special control rights**

No securities conferring special control rights have been issued.

## **2.3 Mechanism for the exercise of voting rights in the system of employee shareholding**

There is no system of employee shareholding.

## **2.4 Restrictions on voting rights**

There are no restrictions on voting rights, it being understood that UnipolSai treasury shares and those shares held by subsidiaries are deprived by law of this right.

## **2.5 Agreements between Shareholders**

The excerpt of the agreement between UGF and Premafin concluded on 29 January 2012 (as subsequently amended) was published in the Italian press most recently on 27 June 2012; the description of the essential elements of the agreement can be found on the CONSOB website in the section about the Company.

## **2.6 Change of control clauses**

UnipolSai has concluded distribution agreements for its insurance products with Unicredit Group and Banco Popolare Group that may lapse in the event of a change of control of UnipolSai itself.

In 2015, lending agreements concluded by some direct or indirect subsidiaries contained standard change of control clauses. At the date of this Report, no lending agreements signed by Subsidiaries contained such clauses.

Other financing agreements signed by some Subsidiaries provide for the repayment and/or withdrawal of the lender in the event of direct and sometimes indirect ownership changes.

## **2.7 Controlling entity and co-ordination and direction activities**

The Company is controlled pursuant to Art. 2359, Par. 1:2 of the Italian Civil Code, by Finsoe S.p.A., which holds, indirectly through UGF, a stake equal to 61.88% of the ordinary share capital.

At the date of this Report, Finsoe does not exercise direction and coordination activities on UnipolSai, pursuant to Art. 2497 et seq. of the Italian Civil Code, by reason of its exclusive configuration as a holding company with respect to UGF and its subsidiaries, as well as the organisational and functional structure that, in keeping with said role, it has chosen.

Pursuant to Art. 2497 et seq. of the Italian Civil Code, as from 14 November 2012, UGF exercises direction and coordination over UnipolSai and the subsidiaries of the latter.

Also with effect from 14 November 2012, UnipolSai has become part of the Unipol Insurance Group, headed by UGF, entered under No. 46 in the Register of Insurance Groups as set forth in Art. 85 of Legislative Decree 209/85 and ISVAP Regulations No. 15 of 20 February 2008.

# **3. OTHER INFORMATION**

## **3.1 Compensation of Directors**

There are no agreements between the Company and the Directors providing for compensation in the event of resignation, revocation of mandate/appointment, or cessation of this following a takeover bid. Similarly,

there are no agreements providing for the assignment, or the maintenance, of non-monetary benefits for persons who have ceased their position or the conclusion of consulting contracts for a period subsequent to the termination or compensation for non-compete obligations, nor are there, finally, plans for the succession of Directors.

For more detailed information on this subject, reference is made to the Remuneration Report pursuant to Art. 123-ter of TUF, available on the Company's Website.

### **3.2 Rules concerning the operation of the Shareholders' Meeting**

The call and operation of Shareholders' Meeting are governed by Art. 8, 9, 10, 11 and 12 of the By-Laws as well as by the Shareholders' Meetings Regulation.

For a brief description of these rules, reference is made to Chapter 1, Section III, of this Report.

### **3.3 Rules for the composition, appointment and operation of the corporate bodies**

The composition, appointment and operation of the Board of Directors and the Executive Committee are governed by Art. 13, 14, 15, 16, 17 and 18 of the By-Laws.

For a brief description of these rules reference is made to the following Chapters 2 and 6, Section III, of this Report.

### **3.4 Rules on the amendments of the By-laws**

Amendments to the By-Laws are resolved by the Extraordinary Shareholders' Meetings - subject to approval of the relevant Special Meeting of Savings Shareholders, where necessary and for as long as this category of shares exists - or by the Board of Directors, only for amendments made to align the By-Laws with legal and regulatory provisions.

### **3.5 Main features of the internal control and risk management system with regard to financial reporting**

The description of the main features of the internal control and risk management system with regard to the Company's financial reporting is found in Par. 8.3, Section III, of this Report.

## **SECTION III**

### **GOVERNANCE SYSTEM AND INFORMATION ON THE IMPLEMENTATION OF THE PROVISIONS OF THE CODE OF CONDUCT**

*(Section drafted also pursuant to Art. 123-bis of TUF)*

#### **1. SHAREHOLDERS' MEETING**

##### **1.1 Shareholders' Meeting**

The Shareholders' Meeting is the body that expresses the will of the Company through its resolutions; resolutions taken by this in accordance with the law and the By-Laws are binding on all shareholders, even if absent or dissenting.

Despite the broad diversification of methods to communicate with the Shareholders, used by the Board of Directors considers the Shareholders' Meeting an important moment for a fruitful dialogue between Directors and Shareholders, always in compliance with the regulations on the so-called price sensitive information.

Pursuant to Art. 9 of the By-Laws, as allowed by relevant legal provisions in force, the Ordinary and Extraordinary Shareholders' Meetings are convened on a single call, with the quorums for the meeting and the voting prescribed by legal provisions, without prejudice to the possibility that the notice of call might also set later calls in accordance with Art. 2369, Par. 1 of the Italian Civil Code.

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in case of his/her absence by the Deputy Chairman, or in his/her absence by a Director, failing that, by a person elected by the majority of the capital represented.

According to the By-Laws, the Board of Directors may provide, with regard to individual Meetings and in compliance with the existing legislation on the subject, for the exercise of the intervention and voting rights to be carried out remotely, also by electronic means of communication, provided that the requirements for the identification of the entitled persons and the security of communications are met. The notice of call must in this case specify, also by reference to the Company's website, the conditions of participation in the Meeting.

During the Meeting, all those entitled to vote are allowed to take the floor on any topic under discussion and to make comments and proposals. To take the floor it is necessary to make a request to the Chairman; the Chairman oversees the debate, giving the floor for those who have asked for it, according to the chronological order of the requests, or else according to the alphabetical order of the surnames of the applicants, in the case of multiple simultaneous requests.

The Company identifies for each Meeting a designated representative to whom Shareholders may grant delegation with voting instructions on all or some of the proposals on the agenda; the identity of the representative and the procedures and time limits for the conferral of powers are set out in the notice of call of the Meeting.

The Board of Directors ensures the Shareholders receive adequate information by making available to the public, under the terms and conditions of the law, explanatory reports on the proposals for consideration by

the Meeting.

The members of the Board of Directors must attend the Shareholders Meetings.

The Regulation of the Shareholders' Meetings, approved by the latter and available on the Company's Website ([www.unipolsai.com/it/Governance/assemblee/Pagine/Regolamento-Assemblee.aspx](http://www.unipolsai.com/it/Governance/assemblee/Pagine/Regolamento-Assemblee.aspx)), regulates the operation of the Ordinary and Extraordinary Shareholders' Meetings.

## **1.2 Special Meetings of Savings Shareholders**

Referring to what was said on this issue in Section II, Par. 1.1, we note that implementing the resolution of the Extraordinary Shareholders' Meeting of 26 January 2015 and the Special Shareholders' Meetings of the holders of Class A and Class B savings shares of 27 January 2015, all conditions being met, on 29 June 2015, UnipolSai converted all outstanding 1,276,836 Class A savings shares and 377,193,155 Class B savings shares, respectively, into 127,683,600 and 377,193,155 ordinary shares, with the same characteristics as the ordinary shares outstanding at the conversion date.

Until 26 June 2015, on account of the resolutions passed by the Special Meetings of Class A Savings Shareholders at the meeting held on 3 July 2012, Mr Dario Trevisan was the Joint representative of Class A Savings Shareholders ("Representative A").

The Representative A received gross annual fees of Euro35,000 and was reimbursed for the expenses incurred in the performance of his duties.

Pursuant to Art. 146 of TUF, the Special Meeting of Class A Savings Shareholders of 13 April 2012 had set up a Fund to meet the expenses required to safeguard their joint interests, in the amount of Euro500,000.

Until 26 June 2015, on account of the resolutions passed by the Special Meetings of Class B Savings Shareholders at the meeting held on 29 October 2012, Mr Giuseppe Dolcetti was the Joint Representative of Class B Savings Shareholders ("Representative B").

The Representative B received gross annual fees of Euro35,000 and was reimbursed for the expenses incurred in the performance of his duties.

Pursuant to Art. 146 of TUF, the Special Meeting of Class B Savings Shareholders of 29 October 2012 had set up a Fund to meet the expenses required to safeguard joint interests, in the amount of Euro50,000.

## **2. BOARD OF DIRECTORS**

Number of meetings during the year: 10.

Average length of meetings: 2 hours and 7 minutes.

Average participation: 86.32%.

Number of meetings planned for 2016: 9 (of which 2 already held as at the date of this Report).

### **2.1 Role, responsibilities and operation**

The Board of Directors is vested with the widest powers for the ordinary and extraordinary management of the Company. Therefore it has the right to perform all acts, including sales, which it deems desirable for the achievement of the purpose of business, excluding only those that the law expressly assigns to the Shareholders' Meeting.

In line with the above principle of the centrality of the administrative body, Art. 17 of the Company's By-Laws has assigned to the competence of the Board of Directors, in addition to the resolutions on the issue of non-convertible bonds, the resolutions concerning:

- i) mergers, in the cases provided by Art. 2505 and 2505-bis of the Italian Civil Code, also when reference thereto is made, for de-mergers, by Art. 2506-ter of the Italian Civil Code;
- ii) the opening or closure of secondary offices;
- iii) the indication of which among the Directors - in addition to the Chairman, the Deputy Chairmen and Chief Executive Officers - and among the Executives of the Company have the power to represent the Company pursuant to Art. 21 of the By-Laws;
- iv) the reduction of the share capital following withdrawal of a Shareholder;
- v) the amendments to the By-Laws required to comply with the prescriptions of law;
- vi) the transfer of the registered office within the territory of Italy.

Pursuant to the law, the By-Laws and the policies in force, the Board, inter alia:

- a) examines and approves the strategic, financial and business plans of the company, regularly monitoring their implementation;
- b) defines:
  - the tasks and responsibilities of the Corporate Bodies and the Risk Management, Compliance and Audit Functions, as well as information flows, including schedules, between the various units and between Corporate Bodies and the method of coordination and collaboration, if the control remits have areas of potential overlap or make it possible to create synergies;
  - the nature and level of risk consistent with the strategic objectives of the Company and its subsidiaries;
- c) appoints one or more Appointed Directors chosen among its members;
- d) after hearing the opinion of the Control and Risk Committee:
  - sets the reference guidelines of the internal control and risk management system, to ensure that the main risks for the Company and its subsidiaries are correctly identified and adequately measured, managed and monitored, assessing also the compatibility of these risks with the Company's management consistent with identified strategic objectives;
  - assesses - at least on an annual basis - the adequacy of the internal control system and the management of existing and future risks with respect to the features of the Company and its subsidiaries and to the risk appetite set as well as its effectiveness and its ability to grasp the evolution of corporate risks and the interaction between them;
  - approves, at least once a year, the work plan prepared by the head of the Audit Unit, Risk Management, Compliance Functions, after consulting the Board of Statutory Auditors and the Appointed Director;

- describes, in the corporate governance report, the main features of the internal control and risk management system, providing an assessment of the adequacy of that system;
  - assesses, after consulting the Board of Statutory Auditors, the conclusions set out by the statutory auditor in the letter of suggestions and in the report on the key issues identified during the statutory audit;
- e) requires the prompt reporting of the most significant weaknesses, giving timely directions for corrective measures, the effectiveness of which it later evaluates;
- f) determines the risk appetite of the Company and its subsidiaries in line with the objective of safeguarding the assets, establishing consistent levels of risk tolerance which are reviewed at least once a year, to ensure their effectiveness over time.
- g) appoints, replaces and revokes, on a proposal from the Appointed Director - after a favourable opinion of the Control and Risk Committee and having consulted the Board of Statutory Auditors - the managers of the Audit, Risk Management and Compliance Functions, in compliance with the eligibility requirements for the position, in terms of reputation and professionalism set by the corporate policy in place, and defines the remuneration pursuant to the remuneration policy adopted by the Company;
- h) may establish internal commissions and committees with proposals and advisory functions, as deemed appropriate and necessary for the correct operation and development of the Company, ensuring that there is adequate and continuous interaction between them, the Top Management and the corporate control functions;
- i) defines, after assessing the proposals of the Remuneration Committee, general policies containing guidelines for the remuneration of Directors and managers with strategic responsibilities (including managers of the Audit, Compliance and Risk Management Functions), as well as the Risk Takers, to be approved pursuant to the applicable legislation;
- j) appoints and removes the members of the Supervisory Board of the Company pursuant to Legislative Decree 231/2001; sets, with the support of the Remuneration Committee, the remuneration of those members; approves, annually and on a proposal from the Supervisory Board, the estimates of expenditure, including on an extraordinary basis, necessary for the performance of the supervisory tasks laid down by the organisation and management model, as well as the statement of expenditure of the previous year;
- k) assesses the general performance, taking into account, in particular, the information received from the delegated bodies, and regularly comparing the results achieved with those planned;
- l) carries out, at least once a year, with the support of the Nomination and Corporate Governance Committee, an evaluation of the operation of the Board of Directors and its committees (hereinafter the "Board Performance Evaluation"), as well as of their size and composition, taking into account factors such as the characteristics of professional managerial experience and the gender of its members, and their seniority in office;
- m) approves, ensuring adjustment to the context, the system of delegation of powers and responsibilities of the Company, taking care to avoid excessive concentration of powers in a single

party and monitoring the exercise of delegated powers, providing for adequate emergency plans (the so-called "contingency arrangements") if it decides to take over the delegated powers;

n) approves the guidelines and policies that apply to the Company as required by industry regulations.

Further competencies reserved to the Board of Directors are envisaged by (i) the policies adopted by the Company with regard, amongst other things, to underwriting and insurance investment, reservation and disposal of financial assets, equity and real estate, financing and management of credit and (ii) the system of delegation of powers granted to the Executive Committee and Chief Executive Officer. This legislation seeks to ensure that the Board of Directors examines and resolves on significant transactions of strategic importance and major amount.

Consistent with the recommendations laid down in the Code of Conduct - and in particular in Art. 7 of the same Code, which provides that the Board of Directors "*sets guidelines and assesses the adequacy of the system*" and "*identifies one or more managing Directors, in charge for establishing and maintaining an effective system of internal control and risk management*" - the Board of Directors, at the Board Meeting held on 8 May 2013, appointed a Director to be in charge of the internal control and risk management system of the Company, in the person of its Deputy Chairman Mr Pierluigi Stefanini.

Under Art. 15 of the By-Laws, the Board of Directors will meet at least quarterly and whenever the Chairman, or other person standing for the Chairman, deems it appropriate, or when it is requested by at least three Directors, or by the Chief Executive Officer. The Board of Directors may also be called, after communication to the Chairman of the Board of Directors, by at least one Statutory Auditor.

The resolutions are adopted with the favourable vote of the majority of the Directors attending the meeting, unless otherwise provided by law; in case of a tied vote, the vote of the Chairman of the meeting prevails.

The Chief Executive Officer, in particular, reports regularly to the Board on the situation in the individual business sectors of the Company and its objectives and activities, comparing them with the forward-looking plans and the expected results.

For the accomplishment of its tasks, the Board has made use of Committees, including:

- the Control and Risk Committee, which has regularly reported on the analysis and the activities carried out, the findings and proposals for measures and initiatives to be launched, has delivered opinions to support the administrative body on specific matters within its competence;
- the Remuneration Committee, the Nomination and Corporate Governance Committee and the Related Party Transactions Committee, which have provided advice and made proposals to be submitted to the Board of Directors with regard to specific matters within their mission;
- the Executive Committee, which has performed investigative and advisory functions on certain topics.

The Board reviewed the adequacy of the organisational, administrative and accounting procedures and, in particular, of the internal control and risk management system of the Company and its main subsidiaries, on the basis of the regular reports of the Chief Executive Officer, the Control and Risk Committee and the control Functions of the Company (see, in that regard, the relevant chapter). The explanatory report on the issues discussed is usually submitted to the Directors and to the Statutory Auditors in the days leading up to

meetings, with appropriate highlighting of salient aspects of the items on the agenda (Executive Summary), except in cases of urgency and/or confidentiality requirements. This documentation is made available electronically (Virtual Data Room): as well as allowing more efficient management in terms of shorter times and high standards of privacy ensured, this puts in place effective measures for compliance with the requirements set in Legislative Decree No. 231/2001 and in the Code of Conduct.

With reference to issues on the agenda, the necessary information will be in any case provided during the Board meetings, in particular where for the reasons mentioned it is not possible to provide the necessary information with reasonable advance notice.

## **2.2 Composition**

According to the By-Laws, the management of the Company pertains to a Board of Directors consisting of no less than 9 and no more than 19 members appointed by the Shareholders' Meeting, after having established the number, and the requirements of professionalism, integrity and independence required by the applicable laws and regulations.

The Directors hold office for three years - or for the shorter term set by the Shareholders at the time of their appointment - and may be re-elected.

The Ordinary Shareholders' Meeting of 29 April 2013 has, most recently, appointed the Board of Directors, consisting of 19 members, giving them a mandate of three years and, therefore, up to the Meeting called to approve the 2015 financial statements.

In accordance with Art. 13 of the By-Laws and pursuant to current laws and regulations, the appointment of the members of the Board of Directors took place on the basis of lists presented, pursuant to laws and By-Laws, by (i) Premafin HP and (ii) Anima SGR S.p.A., Arca SGR S.p.A., Eurizon Capital SGR S.p.A., Eurizon Capital s.a., Fideuram Gestions SA, Fideuram Investimenti SGR SA, FIL Investments International, Interfund SICAV, Mediolanum Gestione Fondi SGRp.A., Pioneer Investment Management SGRp.A., Pioneer Asset Management S.A., on behalf of the funds managed by them. These lists were accompanied, inter alia, by the statements in which the individual candidates declared that there were no grounds for ineligibility or incompatibility, and that the requirements for their respective positions were met, and a curriculum vitae of their personal and professional characteristics with appropriate indication of their suitability to qualify as independent under the Code of Conduct and Art. 147-ter of TUF. The lists with the aforementioned statements are available in the Governance Section/Shareholder's Meetings/Shareholder's Meetings archive of the Company's Website.

Mr. Roberto Giay, Head of Legal Affairs, Shareholdings and Institutional Relations of the Company has been elected pursuant to Art. 14 of the By-Laws as Secretary of the Board of Directors.

The Ordinary Meeting of 26 January 2015 confirmed as Directors of the Company, for the entire term of the Board, Mr Giuseppe Recchi, co-opted by Board of Directors at the meeting of 13 November 2014 to replace the Director Mr Vanes Galanti, who had presented his resignation.

The Ordinary Meeting of 17 June 2015 has appointed as member of the Board of Directors Ms Cristina De Benetti (co-opted during the Board meeting of 10 February 2015), whose mandate will expire at the same time as that of the other Directors currently in office. Ms De Benetti replaces Ms Maria Antonietta Pasquariello, who had resigned effective from the said Board meeting of 10 February 2015.

The Board of Directors has duly fulfilled the obligations assigned to it by law and verified the statutory requirements of its members and the members of the Board of Statutory Auditors.

On 10 February 2015 the Board of Directors adopted, pursuant to the industry regulations introduced in 2014, the Policy for the assessment of the eligibility requirements for the position ("Fit&Proper Policy"), which describes, inter alia, the procedures for assessment of the eligibility requirements for the position - in terms of good reputation, professionalism and independence, and the absence of legal obstacles, grounds of disqualification and incompatibility situations - of the members of the administrative and control bodies. This Policy has come into force on 1 April 2015.

The Shareholders' Meetings of 29 April 2013, 26 January 2015 and 17 June 2015 authorised, pursuant to Art. 2390 of the Italian Civil Code, within the limits of the law (and, therefore, in compliance with the provisions of Art. 36 of Decree-Law No. 201 of 6 December 2011, converted with amendments by law No. 214 of 22 December 2011 on the so-called "prohibition of interlocking") the exercise of concurrent activities by the members of the Board of Directors. The Board of Directors also verified the absence, in its members, of situations of incompatibility pursuant to the legislation just mentioned.

The current composition of the Board of Directors is shown in Table 1. The CVs of the Directors currently in office can be found on the Company's Website, in the section entitled "Governance/Corporate Bodies/Board of Directors".

#### ***Criteria for the holding of offices in other companies***

Directors accept their office when they believe they will be able to devote the necessary time to the performance of their duties, also taking into account the number of Director or Auditor positions held in other companies listed on regulated markets (also abroad), in financial, banking and insurance companies, or in large companies.

The regulation on the "Limits to the number of positions held by Directors of UnipolSai S.p.A." was adopted by the Board of Directors in its meeting of 13 February 2013, under the provisions of application criterion 1.C.3. of the Code of Conduct, as the guideline for the maximum number of positions of a Director or Statutory Auditor that can be considered compatible with the effective execution of the mandate of Director of the Company and provides for the verification of the number of offices held by Directors to be performed by the Board of Directors every year and disclosed in the report on corporate governance and ownership structure.

The regulations concerning the maximum number of offices held by Directors or Statutory Auditors, available in the Corporate Governance section of the Company's Website, provide some general criteria which take into account the actual role which a UnipolSai Director holds in other companies, as well as the nature and the size of these companies, introducing differentiated limits, respectively, for the role of Chairman, Executive Director, Non-Executive Director or independent Director of UnipolSai.

The text of the regulations also takes into account the prohibitions introduced by Art. 36 of aforementioned Decree-law No. 201 of 6 December 2011, converted, with amendments, by Act No. 214 of 22 December 2011, which forbids to take or hold positions in competing companies or groups, operating in the credit, insurance and finance markets (the so-called "prohibition of interlocking").

The number of offices held by the Directors is verified by the Board of Directors at the time the Directors are appointed and, thereafter, once a year.

The annual assessment of the compliance with the limits to the number of offices held by the Directors was most recently performed by the Board of Directors on 7 May 2015. This assessment was also carried out for Ms Cristina De Benetti after her appointment by said Meeting on 17 June 2015. The Board of Directors has deemed all the members of the Board of Directors to be able to perform their duties effectively.

Lastly, no situations of so-called "cross-directorship" were identified.

### ***Induction Program***

For the purposes of application criterion 2.C.2. of the Code, specific in-depth courses were carried out on some issues in order to enable the Directors and Board of Statutory Auditors to acquire an adequate knowledge of the business sector in which the Company operates, the business dynamics and their evolution, as well as the regulatory reference framework. Specifically, during the year, three induction sessions were organised devoted to the in-depth study of issues related to the Non-Life and Life insurance segments and Financial Statements and Actuarial.

The sessions were developed on the basis of presentations by the top management of the Company, who have described the processes object of the training, focusing on the issues of greatest interest for the corporate bodies.

### **2.3 Appointment and replacement of Directors**

Pursuant to laws and By-Laws, the Directors are appointed by the Shareholders' Meeting on the basis of lists submitted by those entitled, which contain the names of candidates, no less than nine and not more than nineteen, identified by a sequential number. The lists must indicate a number of candidates belonging to the less represented gender to ensure, within each list, respect for the balance between genders at least to the minimum extent required by the legislation and regulations currently in force.

In each list at least two candidates must be included and expressly indicated as having the same independence requirements specified for the Statutory Auditors under Art. 148, Par. 3, of TUF and subsequent amendments and integrations. If only two candidates possess the above requisites, then such candidates cannot be listed under the last two consecutive numbers of each list, without prejudice – with regard to the Company – to the qualifications of Par. 2.4 below on the provisions of Art. 37 of the Market Regulations.

Shareholders presenting a list, shareholders belonging to a material shareholders' agreement pursuant to Art. 122 of TUF, regarding financial instruments issued by the Company, the parent company, the subsidiaries and joint ventures pursuant to Art. 93 of TUF, cannot submit nor participate in submitting more than one list, even through an intermediary or trust company; they cannot vote for lists other than the one that they have submitted or participated in submitting, even through an intermediary or trust company. Any support and votes cast in breach of such provision shall not be allocated to any list.

A candidate can appear on only one list, on pain of ineligibility.

The right to submit a lists pertains to Shareholders who, alone or together with other Shareholders, holds a stake identified pursuant to the legal or regulatory provisions in force at the time and which shall be from time

to time indicated in the notice of call of the Shareholders' Meeting: at the date of this Report, said stake, identified by CONSOB, most recently in its Resolution No. 19499 of 28 January 2016, was equal to 1% of ordinary share capital.

Ownership of the shareholding required for submitting lists is based on the shares registered to the Member(s)/proxy(ies) on the day on which the lists are deposited with the Company.

If during the year one or more Directors cease to hold office, as long as the majority still consists of Directors appointed by the Meeting, the procedure, pursuant to Art. 2386 of the Italian Civil Code, will be as follows:

- a) the Board of Directors selects the new Director from the list the ceased Director used to belong to and the Shareholders' Meeting resolves, with the majorities provided by law, on the basis of the same criteria;
- b) if there are no more non-elected candidates from said list or there are no candidates with the prescribed requisites, or if for any reason whatsoever it is not possible to proceed pursuant to a), the Board of Directors first, and the Shareholders' Meeting thereafter, resolve on the replacement with the majorities provided by law, disregarding the voting list mechanism.

If the majority of the Directors appointed by the Meeting ceases to apply, the entire Board is understood to have resigned and the remaining Directors must convene the Meeting for the appointment of the entire new Board.

As the Meeting called to approve the 2015 financial statements must also resolve on the appointment of the Board of Directors, for what is not expressly mentioned here, we refer to Art. 13 of the By-laws, as well as to the report to the Meeting, published on the Website of the Company pursuant to the law.

The structure, composition and the additional information required by the Code of Conduct on the Board of Directors are shown in Tables 1 and 2.

## **2.4 Non-executive and independent Directors**

The Company, in line with international best practice, paying special attention to the requirement of substantial independence of the non-executive Directors, has adopted a restrictive interpretation of the provisions contained in the Code of Conduct, in order to reconcile the interests of all Shareholders, both majority and minority. Consequently, it was decided to exclude from the list of independent Directors - regardless of whether they are in one or more of the situations specified by Art. 3 of the Code - those Directors who:

- (i) hold offices in the corporate bodies of UGF as well as of the companies that indirectly control UnipolSai;
- (ii) are called to be part of the Executive Committee, regardless of any evaluation of the frequency and content of the meetings of such Committee;
- (iii) are, or have been in the last three years, significant figures (holding the position of Chairman of the Board of Directors or Chief Executive Officer or qualifying as Key Managers) in companies of the Unipol Group with strategic importance within the Group itself;
- (iv) hold offices in the corporate bodies of any entity participating in a shareholder's agreement for the control of the Company, or in other ways containing clauses on the composition of the Board of

Directors of the Company, or of companies controlled by these pursuant to Art. 2359, Par. 1, of the Italian Civil Code (this case, however, did not apply in the previous financial year, nor in the current one).

In its meeting of 20 March 2014, the Board of Directors carried out a partial revision of the criteria under (ii) above, previously adopted by the Board for the qualification as non-executive Directors, regardless of any other considerations, of members of the Executive Committee; as a result of this revision, the possibility was recognised for Directors who are members of the Executive Committee of the Company to be qualified as non-executive (and, where appropriate, independent), provided that they are not given individual management powers. This is based on the application criteria 2.C.1. and 2.C.3. of the Code and on the consideration that the Executive Committee of UnipolSai cannot be considered a body systematically involved in the current operations of the Company, due to:

- the strictly advisory nature of the functions assigned to the same; the Board of Directors has in fact assigned to this body "*advisory functions and the task of participating in the identification of development policies and guidelines of strategic and operational plans to be submitted to the Board of Directors, in particular on the following issues:*
  - *policies regarding dividends and/or remuneration of the capital;*
  - *transactions of an extraordinary nature under the responsibility of the Shareholders' Meeting, more specifically capital increases and issues of convertible bonds, mergers, demergers, reserves distribution, purchase of own shares and amendments to the By-Laws;*
  - *extraordinary transactions of a relevant strategic interest, or intended to significantly affect the value or structure of the share capital or to significantly affect the price of stocks, such as acquisitions or disposal of relevant shareholdings, aggregations or alliances with other groups as well as significant changes in the structure or composition of the Group;*
  - *long-term strategic plans and annual budgets of the Company and the Group*";
- as well as the fact that the delegation of powers of a strictly operational nature attributed to the Committee concerns issues not deemed to be physiological and recurring in the company's operations.

In view of this, the Board of Directors is currently composed - with the exception of the Chief Executive Officer and, as explained below, the Deputy Chairman - of non-executive Directors, i.e. without management powers and not holding strategic or management positions in the Company, in subsidiaries of strategic importance or in parent companies, as provided for in the Code of Conduct. Previously, given his automatic membership of the Executive Committee, the Chairman of the Board of Directors had been classified as an executive Director, albeit without management powers and not holding strategic or management positions in the Company, in subsidiaries of strategic importance or in parent companies.

It is also pointed out that the Board of Directors, in its meeting of 8 May 2013, identified the Deputy Chairman of the Company, Mr. Pierluigi Stefanini, as Appointed Director, pursuant to the Code of Conduct - being a Director without operational powers - for the entire term of office of the Board of Directors. Mr. Pierluigi Stefanini, as a result of the appointment received, has been qualified as an executive Director.

It is pointed out that, in the aforementioned Fit&Proper Policy, with reference, in particular, to the requirement of independence of a Director, the criteria adopted so far by the Board of Directors of UnipolSai and therefore also the criteria of assessment of the requirement of independence approved by the Board of Directors in its meeting of 29 January 2012, according to which, for the assessment of the independence of a Director, account should be taken of any professional service provided to the Company and/or subsidiaries exceeding 5% of the annual turnover of the Company or Entity which the Director controls or of which the Director is an important representative or of the Professional or Consulting Firm of which the same is a partner or shareholder or, in any case, exceeding the amount of Euro200,000.

The annual assessment by the Board of Directors of the independence requirements of non-executive Directors required by Consolidated Law on Finance and the Code of Conduct was carried out most recently at the Board meeting of 7 May 2015, taking into account the indications provided by CONSOB with communication DEM/10046789 of 20 May 2010, in which it is stated that *"the definition of independent director pursuant to the combined provisions of Par. 4, Art.147-ter, and Par. 3, Art. 148, of TUF, allows the appointment of an independent director of a listed company as an independent director in one or more subsidiaries of the listed company without this in itself leading to the loss of independence"*. This assessment was also carried out for Ms Cristina De Benetti, after her appointment.

The outcome of these assessments is shown in the enclosed Table 1, remembering in this regard that the Company must comply with Par. 1, Art. 37 of the Market Regulations which reads *"subsidiaries subject to management and coordination by another Italian or foreign company with shares listed on regulated markets are also required to have a board of directors consisting of a majority of independent directors"* pursuant to TUF and the Code of Conduct.

The Board of Statutory Auditors reports on the outcome of the assessments carried out on the correct application of the assessment criteria and procedures adopted by the Board of Directors in regard to the independence of its members in the Statutory Auditors' report.

In compliance with application criterion 3.C.6. of the Code of Conduct, there was a meeting of the independent Directors, with the participation, at the request of said Directors, of the Chairman and the Chief Executive Officer. Among the issues, discussed at this meeting, there were issues related to the strategy of the Company and the Group, the prospects for performance of the management and the most significant investments.

## **2.5 Lead Independent Director**

The Chairman has not been delegated operational powers, and has no specific role in developing corporate strategies. The separation of the roles of Chairman and Chief Executive Officer has not necessitated the appointment of a Lead Independent Director, as the conditions pursuant to application criterion 2.C.3. of the Code of Conduct were not met.

## **2.6 Remuneration**

The Shareholders' Meeting of 29 April 2013 resolved i) each Director to receive an annual remuneration of Euro30,000, in addition to the expenses incurred in the execution of their duties; ii) each member of the Executive Committee to receive Euro15,000 per year, and iii) an attendance fee of Euro750 to be paid for each Board, Executive Committee or Shareholders' Meeting attended by a Director.

This Meeting also resolved to provide insurance coverage for third party liability risks arising from the legal and contractual obligations associated with the office of Director and the associated legal protection, with costs borne by the Company, conferring on the Board of Directors and, on its behalf, on the Chairman, the broadest powers for implementation of the resolution, including the power to make any changes to the insurance policy in place that may be appropriate in regard to terms and conditions, as long as they remain in line with market terms and conditions.

After consultation with the Remuneration Committee and the Board of Statutory Auditors, the Board of Directors has set the remuneration of the Chairman, Deputy Chairman and Chief Executive Officer.

The Board of Directors has also approved a fixed fee of Euro1,000 for each Board Committees meeting attended by a Directors member of such a Committee.

The remuneration of non-executive Directors does not depend on the performance of the Company, nor are there any plans for share-based incentives or, in general, plans based on financial instruments for members of the Board of Directors.

Also in 2015, the Board of Directors set, basically in line with the previous year, the general policy for the remuneration of members of corporate bodies and the key managers of UnipolSai for 2015, which was approved by the Ordinary Shareholders' Meeting held on 17 June 2015.

On 10 March 2016, the Board of Directors of the Company approved (i) the new general policy for remuneration of members of corporate bodies and key managers of UnipolSai for the current year, (ii) the Remuneration Report prepared pursuant to Art. 123-ter of TUF and Art. 24 of ISVAP Regulation No. 39 of 9 June 2011, and (iii) the Report on the compensation plan based on financial instruments, pursuant to Art. 114-*bis* of TUF, with the corresponding Plan Regulations, all documents which will be submitted to the Shareholders' Meeting called to approve the 2015 financial statements.

Please refer to the Remuneration Report (which will be made available in the terms set by law in the Governance section of the Company's Website) for information on the objectives pursued by the Remuneration Policy, the principles that underlie it, the criteria used to determine the relationship between the fixed and variable component, the performance objectives to which variable components are linked, the terms for the vesting of rights, as well as mechanisms to incentivise the managers of the internal control functions, as well as greater details on the plan of allocation of financial instruments; the same document also provides detailed information on the amounts received, during the Year, by the members of the Board of Directors, by the Chief Executive Officer, as well as the total remunerations received by the Key Managers.

### **Succession planning**

With reference to the recommendations contained in CONSOB Communication No. DEM/110129884 of 24 February 2011, it is pointed out that the Company has started working on a Succession Planning project for Group Executives and, more generally, key managers.

The project, in line with the model of managerial skills adopted by the Group, is a continuation of the assessment processes already initiated in previous years and has the objective of identifying short, medium and long term successors for the more prominent organisational positions. The assessment approach envisaged focuses on both the professional skills demonstrated as well as the individual potential, also using the direct contribution of management, called upon - through appropriate interview methodologies - to

identify a panel of successors not only in the vertical line of responsibility but also in the cross-sectional knowledge of resources in other areas of the company. The design methodology adopted uses, among the reference parameters, the Job Description tool, organising the most significant information to define a clear and easy-to-use network of skills. Finally, the process also takes account not only of the importance of the position currently held by the persons identified, but also those which could potentially be covered, considering the attractiveness in terms of retention.

## **2.7 Annual self-assessment**

The Board Performance Evaluation activities on the size, composition and operation of the Board of Directors and Board Committees, carried out by the Nomination and Corporate Governance Committee with the support of a leading external advisor, were divided into: (i) an individual discussion with each Director and Statutory Auditor based on a self-assessment questionnaire; (ii) an analysis of the information and comments made; and (iii) discussion within the Board, during its meeting on 7 May 2015, of a report on the main results.

The Board of Directors defined the criteria and tools for the execution of the Board Performance Evaluation and, in line with that done in previous years, involved the Board of Auditors, and also deemed it appropriate for Egon Zehnder International S.p.A., advisor of high standing in the industry, to support Directors and Statutory Auditors in the execution of the analysis. The Board appointed the advisor for a three-year term to accompany the entire term of office of the Board of Directors and, therefore, follow the evolution of the same during the period 2013-2015: an annual Board Performance Evaluation is carried out, taking into account, on the one hand, the evolution of legislation and the experience of other best practices and, on the other, the work carried out by the Board of Directors over the three years. We note in this regard that Egon Zehnder International S.p.A. also performs the same assignment for the Parent Company.

These activities, carried out in 2015 with reference to the previous year, have resulted in the following:

- satisfaction for the performance of the Board in terms of risk management and control and the internal operation of the Board itself;
- satisfaction for the leadership of the Chairman and the Chief Executive Officer for the good operation of the Board;
- satisfaction for the ways in which the Chief Executive Officer has ensured in good time the inclusion of all critical issues on the agenda of the Board meetings and the quality and continuity of the relationship between Chief Executive Officer and each Director;
- satisfaction for the quality of the documentation sent in preparation of the Board meetings as well as of the corresponding minutes;
- evaluation of the opportunity to dedicate more time to strategy issues and to establish adequate and continuous induction and refresher plans for all Directors.

The Nomination and Corporate Governance Committee, in its quality of body with propositional and advisory functions for the identification of the optimal composition and the best operating procedures for the Board of Directors – keeping also into account that the mandate of the Board will expire at the Shareholders' Meeting called to approve the 2015 financial statements – already at the end of the year had resolved to start the annual *Board Performance Evaluation* with the support of the Advisor, to allow the Board to assess its results

as well as to express its opinion on the managerial and professional competencies that ought to be present in the Board (the “Opinion”) as soon as the assessment was completed and, in any case, in time for said Meeting.

The Board Performance Evaluation reviewed by the Board of Directors on 10 March 2016 has shown:

- positive opinion of the overall performance of the Company also in terms of pursuit of all the stakeholders’ interest;
- positive assessment of the leadership of the Chairman for the good operation of the Board of Directors;
- positive opinion on how the quality and continuity of the relationship between the Chief Executive Officer and each Director allowed the duties and responsibilities as Director to be fulfilled with involvement and effectiveness;
- positive judgement on the composition of the Board of Directors in terms of overall skills and expertise shown with regard to internal control and risk management, knowledge of the trends of the economic-financial systems and of the sector, provisions and regulations, despite some room for improvement regarding the competence relating to strategic planning, the insurance business and the accounting and actuarial systems;
- satisfaction with the promptness and quality of the documents forwarded in preparation for the board meeting and their reporting;
- appreciation for the training courses targeting Directors;
- evaluation of the opportunity to dedicate more time to strategy issues, human resources and organisation and to reduce the size of the administrative body.

In consideration of the three-year assignment received, the Advisor also reported on the evolution of the administrative body occurred throughout the three-year mandate, identifying some indications for the composition of the new Board of Directors that are useful to prepare the Opinion.

Thus we note that, pursuant to the Code of Conduct (application criterion 1.C.1:h), the Board of Directors, with the support of the Nomination and Corporate Governance Committee, keeping into account the outcome of the annual assessment of the size, composition and operation of the Board of Directors and Board Committees (“Board Performance Evaluation”), expresses to the Shareholders, before the appointment of the new Board of Directors, its opinion on the professional roles that ought to be present in the Board.

### **3. THE CHAIRMAN**

The Chairman of the Company is elected, pursuant to Art. 14 of the By-Laws, by the Board of Directors from among its members, if the Shareholders’ Meeting has not already done so, for three years or for the shorter period of office of the Board itself.

In addition to exercising company representation pursuant to Art. 21 of the By-Laws, the Chairman calls the meetings of the Board of Directors and the Executive Committee, establishes their agenda, coordinates their work and ensures, according to the particular circumstances, that adequate information on the items on the agenda is provided to all Directors. In this regard we refer to what was said in Par. 2.7 above on the overall

positive assessment of the quality of the documentation sent in preparation of the Board meetings reached during the *Board Performance Evaluation*.

The Shareholders' Meeting of 29 April 2013 confirmed Mr Fabio Cerchiai as Chairman of the Company for the duration of office of the Board of Directors and, therefore, until the date of approval of the 2015 financial statements.

The Chairman has the power to initiate the activity of the Board of Directors, promoting transparency in the Company's business, and taking care to represent all Shareholders.

Specifically the Chairman ensures continuity of relations between the Board and Directors holding special offices, stimulating their activity and ensuring a fruitful collaboration.

The Chairman ensures that Directors and Statutory Auditors take part in initiatives aimed at increasing their knowledge of the corporate context and dynamics, as well as the evolution of the same, also having regard to the relevant regulatory framework, in order for them to carry out their role in an informed and effective manner.

The Chairman has access to all information within the structure, informing the Chief Executive Officer of information acquired from other sources, for the orderly management of the structure.

The Chairman, also at the request of one or more Directors, may request the Chief Executive Officer that Managers of the Company and its Subsidiaries, in charge of the relevant corporate functions according to the subject, attend Board meetings to provide useful information on items on the agenda.

The Chairman is automatically a member of the Executive Committee, pursuant to Art. 18 of the By-Laws, without this entailing, as mentioned earlier, his/her qualification as an executive Director, as Chairman does not have any delegated powers nor has been separately granted key roles or management positions.

#### **4. THE DEPUTY CHAIRMAN**

The Deputy Chairman is elected, pursuant to Art. 14 of the By-Laws, by the Board of Directors from among its members, for three years or for the shorter period of office of the Board itself.

In addition to exercising company representation pursuant to Art. 21 of the By-Laws, the Deputy Chairman replaces the Chairman with the same powers in the case of his/her absence or impediment.

The Board of Directors, in its meeting of 8 May 2013, confirmed Mr. Pierluigi Stefanini as Deputy Chairman of the Company, appointing him – as mentioned above – Appointed Director.

The Deputy Chairman is automatically a member of the Executive Committee, pursuant to Art. 18 of the By-Laws.

#### **5. CHIEF EXECUTIVE OFFICER**

The Chief Executive Officer is appointed, pursuant to Art. 14 of the By-Laws, by the Board of Directors from among its members, for three financial years or for the shorter period of office of the Board itself. The Board of Directors, in its meeting of 8 May 2013, in continuity with the Board resolution of 5 November 2012, confirmed Mr. Carlo Cimbri as Chief Executive Officer of the Company, thus also ensuring, by virtue of the same role held by the latter in UGF, an adequate level of coordination with the policies of the Unipol Group,

for the purposes of effective management of the process of integration and rationalisation of the Group primarily pursued with the Merger.

With reference to the governance requirements made by the supervisory authorities for the insurance sector, at the time they authorised the acquisition of the control of the former Premafin/Fondiaria SAI group, and specifically to the need to ensure that, within a maximum of 18 months from the coming into force of the merger of Unipol Assicurazioni S.p.A., Milano Assicurazioni S.p.A., Premafin HP S.p.A. in FONDIARIA-SAI S.p.A., from which UnipolSai originates, the titles of Chief Executive Officer of UGF and UnipolSai were separated, to ensure, for the rest of the ongoing integration process, continuity of management and an adequate coordination and oversight of said companies, the Unipol Group has asked IVASS to extend the term to comply with said requirement, originally set to 6 July 2015, until the approval of the 2015 financial statements, when the mandates of the Boards of Directors of UGF and UnipolSai will expire and the reference time horizon of the respective 2013-2015 Business Plans will be over.

IVASS has found the comments made by Unipol Group in support of the request for an extension worth considering and has agreed to an extension. Therefore, the aforementioned term was extended to the Meeting called to approve the 2015 financial statements.

The Chief Executive Officer is an executive Director of the Company.

The Chief Executive Officer, in addition to exercising company representation pursuant to Art. 14 of the By-Laws, has been assigned by the Board of Directors the following functions:

- i) implementing the resolutions of the Board of Directors, the Executive Committee and the Shareholders' Meeting;
- ii) promoting corporate policies within the scope of the strategic guidelines established by the Board of Directors;
- iii) ensuring day-to-day management of the business;
- iv) supervising and coordinating all corporate activities;
- v) ensuring that the organisational, administrative and accounting structure is adequate for the nature and size of the Company;
- vi) supporting the Appointed Director in the design and implementation of the internal control and risk management system, pursuant to the governance directives and policies established by the Board of Directors.

The Board of Directors has also conferred specific powers on the Chief Executive Officer, with corresponding limits.

The Chief Executive Officer is automatically a member of the Executive Committee, pursuant to Art. 18 of the By-Laws.

## **6. THE EXECUTIVE COMMITTEE**

The Board of Directors may appoint, pursuant to Art. 18 of the By-Laws, an Executive Committee, choosing the members from among its members, establishing the number and delegating to the same all or part of its powers, except for those expressly to be retained by law or according to the By-Laws by the Board of

Directors.

The Chairman of the Board of Directors, the Deputy Chairman and the Chief Executive Officer are also members of the Executive Committee, if this is appointed.

The Board of Directors, in its meeting of 8 May 2013, appointed the Executive Committee, establishing, pursuant to the By-Laws in force at the time, that it should have three members, in the persons of the members of the Committee pursuant to said By-Laws, and resolved to attribute to this - as mentioned in Par. 2.4 above - "*advisory functions and the task of participating in the identification of development policies and guidelines of strategic and operational plans to be submitted to the Board of Directors, in particular on the following issues:*

- *policies regarding dividends and/or remuneration of the capital;*
- *transactions of an extraordinary nature under the responsibility of the Shareholders' Meeting, more specifically capital increases and issues of convertible bonds, mergers, demergers, reserves distribution, purchase of own shares and amendments to the By-Laws;*
- *extraordinary transactions of a relevant strategic interest, or intended to significantly affect the value or structure of the share capital or to significantly affect the price of stocks, such as acquisitions or disposal of relevant shareholdings, aggregations or alliances with other groups as well as significant changes in the structure or composition of the Group;*
- *long-term strategic plans and annual budgets of the Company and the Group".*

The Board of Directors also conferred specific powers to the Executive Committee, with the corresponding limits, in regard to acts which do not fall within the powers conferred to the Chief Executive Officer.

The Board of Directors, in its meeting of 20 March 2014, increased the number of members of the Executive Committee from three to five, co-opting, in addition to the Chairman, Deputy Chairman and Chief Executive Officer, the independent Directors Mr Nicla Picchi and Mr Francesco Vella.

The current composition of the Executive Committee is provided in the Table below.

	Members	Office held	Independent	% attendance	Meetings attended
<b>THE EXECUTIVE COMMITTEE</b>	Fabio Cerchiai	Member		100%	1/1
	Stefanini Pierluigi	Member		100%	1/1
	Carlo Cimbri	Member		100%	1/1
	Nicla Picchi	Member	X	100%	1/1
	Francesco Vella	Member	X	100%	1/1

In 2015, the Executive Committee met once.

For what was said in Par. 2.4 above, Mr Picchi and Mr Vella, as well as Mr Cerchiai, continue to qualify as independent Directors.

## 7. OTHER COMMITTEES

The Board of Directors, within the scope of its powers as per the By-Laws, in order to increase the efficiency and efficacy of its activities, has established four specific internal Committees, with advisory and propositional functions, and has defined their responsibilities also in compliance with the criteria set forth in the Code.

More specifically, the Board of Directors of 8 May 2013 approved the establishment of the following internal Committees:

- Control and Risk Committee;
- Remuneration Committee.

In 2014, the Board of Directors also established:

- on 20 March 2014, the Nomination and Corporate Governance Committee;
- on 15 May 2014, the Committee for Transactions with Related Parties, as set forth in the Procedure for transactions with related parties.

The members of each Committee are appointed by the Board of Directors and are chosen among the members of the latter. The Committees are dissolved at the end of the term of office of the Board of Directors. If one or more Committee members become unavailable for any reason, the Board of Directors chooses a replacement among its members.

### 7.1 Nomination and Corporate Governance Committee

Number of Meetings held during the Year: 4.

Average length of meetings: about one hour.

Number of meetings scheduled for 2016: keeping into account the renewal of the Board of Directors of the Company at the time of the Meeting called to approve the 2015 financial statements, the agenda will be approved by the newly nominated Nomination and Corporate Governance Committee. At the date of this Report the Committee had already met once.

The composition of the Nomination and Corporate Governance Committee is detailed in the Table below.

	Members	Office held	Independent	% attendance	Meetings attended
<b>NOMINATION AND CORPORATE GOVERNANCE COMMITTEE</b>	Francesco Vella	Chairman	X	100%	4/4
	Massimo Masotti	Member	X	75%	3/4
	Maria Lillà Montagnani	Member	X	100%	4/4

The Chairman of the Committee is responsible for the drawing of the minutes of the meetings, with the support of the Secretary, whose functions are carried out within the Legal Affairs, Shareholdings and Institutional Relations Department.

The Board of Directors appointed by the Shareholders' Meeting of 29 April 2013 had resolved not to

establish a specific Nomination Committee in consideration of the concentration of the controlling shareholding of the Company and the fact that the latter operates under the direction and coordination of UGF, pursuant to Art. 2497 and subsequent Articles of the Italian Civil Code; if this had been necessary, the functions of the Nomination Committee as set forth by the Code, would have been carried out by the Board of Directors as a whole, as permitted by the Code itself.

In the later meeting of 20 March 2014, taking into account the increased size of the Company after the Merger, the Board of Directors resolved to establish a Nomination and Corporate Governance Committee, and pursuant to the provisions of Art. 37 of the Market Regulations and the Code of Conduct, called for three Directors to join the Committee, all of them non-executives and independent, and to attribute to this Committee the following functions:

- i) to propose to the Board of Directors the candidates for the offices of Directors in the cases of co-option, if any independent Director must be replaced;
- ii) to define times and methods for performing the Board Performance Evaluation;
- iii) to inform and update the Board of Directors of any development of the regulations in force and the best practices applicable to corporate governance;
- iv) to express opinions to the Board of Directors regarding:
  - a) the implementation of the corporate governance system;
  - b) the size and composition of the Board of Directors, along with recommendations as regards the professional roles to be held within the Board of Directors, as well as the maximum number of assignments and derogations to the non-compete clause.

The Committee has a budget, approved by the Board of Directors, which is adequate for the performance of its tasks.

In 2015 and at the meeting held in 2016, the Nomination and Corporate Governance Committee performed, inter alia, the following activities:

- proposed to the Board of Directors the appointment of a new Director to replace the non-executive and independent Director, Ms Maria Antonietta Pasquariello, who had resigned;
- defined criteria and methods to carry out the annual *Board Performance Evaluation* of the Board of Directors, with the support of an external advisor;
- reviewed the annual reports on Corporate Governance of 2015 and 2016;
- expressed, pursuant to the Code of Conduct, opinions regarding the independence of the Directors and Statutory Auditors.
- expressed its opinion on the Fit&Proper Policy;
- reviewed the induction plan for the year for the Board of Directors and the Board of Statutory Auditors;
- provided to the Board of Directors in office guidelines to the Shareholders on the optimal composition of the new Board (reference is made to the indications in paragraph 2.7 above).

The meetings of the Nomination and Corporate Governance Committee were attended by employees of the Company, upon invitation by the Chairman, in order to provide input to the discussions on the agenda items.

## 7.2 Remuneration Committee

Number of Meetings held during the Year: 5.

Average length of meetings: 1 hour, approximately.

Number of meetings scheduled for 2016: keeping into account the renewal of the Board of Directors of the Company at the time of the Meeting called to approve the 2015 financial statements, the agenda will be approved by the newly nominated Remuneration Committee.

At the date of this Report the Committee had already met once.

The Board of Directors appointed, at the meeting of 8 May 2013, the members of the Remuneration Committee. One of the members of the Remuneration Committee has adequate knowledge and expertise in financial matters, as assessed by the Board of Directors at the time of his/her appointment.

The composition of the Committee is detailed in the Table below.

	Members	Office held	Independent	% attendance	Meetings attended
	Francesco Vella	Chairman	X	100%	5/5
<b>REMUNERATION COMMITTEE</b>	Maria Rosaria Maugeri	Member	X	100%	5/5
	Giorgio Ghiglieno	Member	X	100%	5/5

The Chairman of the Committee is responsible for drawing the minutes of the meetings, with the support of the Secretary, whose functions are carried out within the Human Resources and Organisation Management Department.

The Board of Directors, pursuant to the Code and ISVAP Regulations No. 39 of 9 June 2011, has assigned to the Remuneration Committee the following tasks as regards remuneration:

- to submit proposals to the Board of Directors regarding the definition of the general policies containing the guidelines for the remuneration of Directors and Personnel (as defined by the aforementioned ISVAP regulations), including the Executives with strategic responsibilities as well as the managers of internal control functions, in compliance with the directions set forth by the Parent Company;
- to submit proposals to the Board of Directors as regards the remuneration of the executive Directors and of the other Directors who hold particular offices, taking into consideration the directions set forth by the Parent Company, and to set performance objectives related to the variable component of such remunerations, thus monitoring the application of the decisions adopted by the Board of Directors and verifying, in particular, the actual fulfilment of such performance objectives;
- to evaluate regularly the adequacy, the overall consistency and correct application of the policies for the remuneration of the Directors and the Executives with strategic responsibilities (including the

managers of internal control functions), availing itself of the information provided by the Chief Executive Officer and submitting proposals to the Board of Directors on these matters.

The members of the Board of Statutory Auditors are also invited to attend the meetings of the Remuneration Committee. Four out of five meetings were attended by the Chairman of the Board of Statutory Auditors and all were attended by at least one member of the Board of Statutory Auditors.

In 2015 and at the 2016 meeting, the Remuneration Committee carried out mainly the following activities:

- performed advisory and propositional functions for the definition of policies applied to the remuneration of Directors and general personnel (as identified pursuant to applicable regulations);
- reviewed the remuneration benchmarks of key management personnel comparing them with those of similar Groups and Companies also by hearing an external expert on executive compensation invited to this purpose, to establish the overall alignment of the remunerations, thus expressing favourable opinion as regards possible adjustments of the fixed portion of remuneration of key personnel, based on said market benchmarks;
- reviewed and proposed to the Board of Directors the adoption of the Remuneration Policy for 2015 and 2016;
- reviewed and shared the Remuneration Report prepared pursuant to Art. 123-ter of TUF and the above-mentioned ISVAP Regulations for 2015 and 2016;
- expressed a favourable opinion to the Board of Directors as regards the adoption of the executive incentive plan called Unipol Performance Management, for the 2013-2015 period and the corresponding Regulations for 2015;
- expressed a favourable opinion to the Board of Directors as regards the adoption of the executive incentive plan of the Company, called Unipol Performance Management, for the 2016-2018 period, the corresponding Regulations for 2016, and the Remuneration Plan based on financial instruments pursuant to Art. 114-*bis* of TUF;
- reviewed, expressing favourable opinion, the proposal for the harmonisation of the pension plans for the executives of the Company, aimed to create a single internal regulatory sources for executives from the former Unipol Group and the former Premafin/Fondiarria-SAI group.

The Committee also made a prior assessment of the independence of the advisor from whom it has received information on market practices regarding remuneration policies.

The Committee has a budget, approved by the Board of Directors, which is adequate for the performance of its tasks.

### **7.3 Control and Risk Committee**

Number of Meetings held during the Year: 7.

Average length of meetings: 1 hour and 30 minutes, approximately.

Number of meetings planned for 2016: keeping into account the renewal of the Board of Directors of the Company at the time of the Meeting called to approve the 2015 financial statements, the agenda will be approved by the newly nominated Control and Risk Committee. At the date of this Report the Committee has

already met once.

The Board of Directors, at the meeting of 8 May 2013, appointed, pursuant to the Code, the Control and Risk Committee, composed exclusively of independent Directors, one of whom with adequate expertise in accounting, financial or risk management matters, as assessed by the Board of Directors at the time of his/her appointment.

The composition of the Control and Risk Committee is detailed in the following Table.

	Members	Office held	Independent	% attendance	Meetings attended
<b>CONTROL AND RISK COMMITTEE</b>	Massimo Masotti	Chairman	X	100%	7/7
	Maria Lillà Montagnani	Member	X	86%	6/7
	Nicla Picchi	Member	X	100%	7/7

The Chairman of the Control and Risk Committee is responsible for drawing the minutes of the meetings, with the support of the Secretary, whose tasks are carried out within the Audit Function.

The Control and Risk Committee performs, for the Board of Directors, propositional, advisory, investigation and support activities regarding the assessments and resolutions to be issued by the Board in reference mainly to the internal control and risk management system, as well as to the approval of periodical accounting documents.

As regards the performance of these activities, pursuant to the Regulations applicable to the Committee and the policies in effect, the Control and Risk Committee carries out in particular the following tasks:

- a) expresses its opinions to the Board of Directors regarding the following:
  - definition of the guidelines for the internal control and risk management system, to correctly identify, measure, manage and monitor the main risks to which the Company and its subsidiaries are exposed, thus assessing the degree of compatibility of such risks with a management of the company in line with the identified strategic objectives;
  - approval, on an annual basis, of the work plan prepared by the managers of the Audit, Compliance and Risk Management functions;
  - preparation of the annual report on corporate governance, providing a description of the main characteristics of the internal control and risk management system, and assessing its adequacy;
  - assessments, after consulting with the Board of Statutory Auditors, of the results provided by the Auditing Company in its contingent letter with recommendations and in the report about any fundamental issues identified during auditing;
- b) issues a binding opinion on the proposal for the appointment and the revocation of the managers of the Audit, Compliance, Money Laundering and Risk Management Functions and related remunerations, pursuant to the guidelines adopted by the Board of Directors;

- c) expresses a binding opinion on the resolutions approved by the Board of Directors on the allocation of adequate resources to the managers of the Audit, Compliance, Money Laundering and Risk Management Functions, for the fulfilment of their responsibilities;
- d) assesses, together with the Financial Reporting Officer, after consulting with the Independent Statutory Auditors and with the Board of Statutory Auditors, the correct application of accounting standards and, with reference to the Consolidated Financial Statements, their consistent use at a Group level;
- e) expresses opinions on specific issues regarding the identification of the main corporate risks;
- f) reviews the regular reports containing assessments about the internal control and risk management system, and those of particular relevance, prepared by the Audit, Compliance, Money Laundering and Risk Management Functions;
- g) monitors the autonomy, adequacy, efficacy and efficiency of the Audit, Compliance, Money Laundering and Risk Management Functions;
- h) may ask the Audit Function to carry out assessments on specific operational areas and inform, at the same time, the Chairman of the Board of Directors, the Appointed Director, the Chief Executive Officer and the Chairman of the Board of Statutory Auditors about such assignments;
- i) reports to the Board of Directors, at least every six months, at the time of the approval of the annual and semi-annual financial reports, about the performed activities and the adequacy of the internal control and risk management system.

The Control and Risk Committee, also on the basis of the powers attributed by Legislative Decree No. 39/2010 to the Board of Statutory Auditors in its role as a committee for internal control and audit, is responsible for establishing the necessary operational coordination also with the Board in order to ensure an efficient performance of the activities shared by both bodies and in compliance with the respective areas of competence. To this end, and to contain the cost of controls, in 2015, the members of the Board of Statutory Auditors attended the meetings of the Committee.

The Control and Risk Committee also expresses non-binding opinions to the Board of Directors on the presence of inter-group transactions exceeding the limits of annual operability as set forth in the Inter-group Guidelines adopted pursuant to ISVAP Regulations No. 25 of 27 May 2008.

In order to perform its tasks, the Committee makes use of tools and information flows provided specifically by the Audit, Compliance and Money Laundering Functions of the Company, so as to allow the Committee itself to issue the required assessments within its area of competence.

The Control and Risk Committee may also:

- request to the members of the bodies of the Subsidiaries to provide all information, including documents, deemed necessary to the correct performance of the assigned tasks;
- propose, with the appropriate reasoning, the appointment of external consultants who would support the Committee itself for the performance of tasks assigned thereto.

The Committee has a budget, approved by the Board of Directors, which is adequate for the performance of its tasks.

At the meetings held in 2015 and until the date of this Report, the Control and Risk Committee reviewed and evaluated, among other things:

- the reports on the activities of the Audit Function, including special control activities required by the annual plan and/or outside of said plan and shared with the Committee itself, as well as the corresponding activity plan;
- the reports on the activities of the Risk Management Function and corresponding activity plan, including specific information about the plan for the alignment with Solvency II regulations;
- the reports about the activities carried out by the Compliance Function during the financial period, and related activity plan;
- the reports on the activities of the Money Laundering Function;
- the correct use and consistency in the application of the accounting standards used in the preparation of the consolidated financial statements, as well as the results of the assessments carried out on the internal control systems related to accounting and financial policies (Law 262/2005), through specific meetings with the Financial Reporting Officer and the Auditing Company;
- the proposals related to general policies applied to the remuneration of the Directors and of Executives with strategic responsibilities of UnipolSai, including the managers of the Audit, Compliance, Money Laundering and Risk Management Functions;
- the proposals for the annual update of the ICS Directives (as defined in the following Chapter 8), issuing specific opinions;
- the company's policies, prepared or updated pursuant to the provisions contained in the ISVAP Regulations No. 20/2008;
- the drafts of the annual Report on Corporate Governance and ownership structures of the 2015 and 2016 periods;
- the results of the Audit reports of special significance.

The Committee also reported to the Board of Directors on its activities and their results at the time of the approval of the interim Financial Statements as at 30 June 2015 and of the 2015 Draft Financial Statements.

Employees and external subjects, convened in reference with specific agenda topics, participated in the Committee's meetings upon invitation by the Chairman.

#### **7.4 Related Party Transactions Committee**

Number of Meetings held during the Year: 8.

Average length of meetings: 1 hour, approximately.

Number of meetings scheduled for 2016: keeping into account the renewal of the Board of Directors of the Company at the time of the Meeting called to approve the 2015 financial statements, the agenda will be approved by the newly nominated Committee for Transactions with Related Parties.

At the date of this Report the Committee had already met once.

The Board of Directors appointed, on 15 May 2014, the members of the Related Party Transactions

Committee, established at the same time.

The composition of the Related Party Transactions Committee is shown in the following Table.

	Members	Office held	Independent	% attendance	Meetings attended
<b>RELATED PARTY TRANSACTIONS COMMITTEE</b>	Massimo Masotti	Chairman	X	100%	8/8
	Giorgio Ghiglieno	Member	X	100%	8/8
	Nicla Picchi	Member	X	87%	7/8
	Francesco Vella	Member	X	100%	8/8

The Chairman of the Committee is responsible for drawing the minutes of the meetings, with the support of the Secretary, whose functions are carried out within the Legal Affairs, Shareholdings, and Institutional Relations Department.

The Committee has functions of advice, discussion and proposition with respect to the Board of Directors and the corporate structures of UnipolSai and its subsidiaries, on Transactions with related parties, in compliance with the provisions of the Regulations issued by CONSOB with resolution No. 17221 of 12 March 2010, and subsequent amendments, and the internal procedure adopted by the Board of Directors of UnipolSai for the execution of the Transactions with related parties (Related-Party Procedure; see Par. 9 below).

More specifically, the Committee:

- participates in the negotiations and the investigations of Transactions of Greater Importance (as defined in the Related Party Procedure);
- expresses to the Board of Directors of the Company an opinion on the methods for the establishment of the Registry where the related Parties are recorded (the “Related Parties Register”);
- expresses to the competent body a reasoned, non-binding opinion about the interest of the Company in carrying out Transactions of Lesser Importance (as defined in the Related Parties Procedure, as well as about the convenience and substantial correctness of related conditions);
- expresses to the competent body, on the basis of complete and timely information provided by the company's structure during the investigation, and if appropriate, during negotiations, a favourable and reasoned opinion on the interest of the Company to the execution of Transactions of Greater Importance, as well as on the convenience and substantial correctness of their conditions;
- expresses to the delegated body of UnipolSai (Board of Directors or Chief Executive Officer, based on the respective areas of competence and/or delegated powers), which has the authority to approve Transactions of Greater and Lesser Importance carried out through the subsidiaries, a reasoned and non-binding opinion regarding the interest of the Subsidiary and of UnipolSai in the completion of the Transaction, as well as on the convenience and substantial correctness of all related conditions;
- expresses to the Board of Directors an opinion on the updates made to the Related Parties Procedure.

The Committee has a budget, approved by the Board of Directors, which is adequate for the performance of its tasks.

The meetings of the Related Party Transaction Committee were attended by employees and external parties, invited by the Committee's Chairman to discuss specific items on the agenda.

## **8. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The Internal Control and Risk Management System is a key element in the overall corporate governance system. It consists of a set of rules, procedures and organisational structures aimed to ensure:

- effectiveness and efficiency of corporate processes;
- suitable limits on current and future risks;
- preventing the company's involvement, even involuntary, in illegal activities, particularly those associated with money laundering, usury and terrorism financing;
- the prevention and correct management of the potential conflicts of interest with Related Parties, as identified by legal and regulatory provisions of reference;
- verification that corporate strategies and policies are implemented;
- safeguarding of the values of company assets also in the medium-long term;
- reliability and integrity of accounting and operational data and IT procedures;
- adequacy and promptness of the corporate data reporting system;
- compliance of business activities with laws, supervisory regulations, corporate governance regulations and the company's internal provisions.

The Internal Control and Risk Management System is specified in the corresponding Directives (the "ICS Directives"), approved by the UnipolSai Board of Directors on 20 March 2014 and regularly updated thereafter, the last update having been approved at the meeting on 6 August 2015.

The ICS Directives define the coordination methods and information flows between the different parties involved in the Internal Control and Risk Management System, as well as the coordination procedures and the reporting flows between these parties.

Each year, with regard to the provisions of ISVAP Regulation No. 20 of 26 March 2008 (Regulation on internal control, risk management, compliance and outsourcing of insurance company activities), the Board of Directors examines and approves a specific report on the Internal Control and Risk Management System, subsequently sent to the Authority, which amongst other things describes:

- the internal control system as a whole, including its main procedures, any initiatives undertaken during the year and any changes made;
- the role and functions of the Administrative Body and its internal committees;
- the company organisation chart;
- the structure of the Audit, Risk Management and Compliance Functions and the number of human resources dedicated to the related activities, as well as their characteristics and technical-

professional experience;

- the internal audit activities undertaken, any shortcomings reported and the corrective measures adopted;
- the strategies, processes and procedures for internal and external reporting, the methods adopted to effectively and continuously identify, measure, monitor, document, manage and report risks, at the individual and aggregate level, to which the company could be exposed;
- the methods by which the risk management system is implemented and integrated into the company's decision-making processes.

In 2015, the corporate policies referring to the Internal Control and Risk Management System were considerably revised, also pursuant to Par. 6, Art. 30, Legislative Decree No. 209/2005, as modified by Legislative Decree No. 74 of 15 May 2015, implementing the Solvency II Directive. These policies were approved by UGF as part of its management and coordination activities, after the involvement of the companies of the Group included in the corresponding scope of application, and were later adopted by the latter, including the Company. The principles and processes of the Risk Management System as a whole are governed by the following Group policies: "Risk Management Policy", "Current and Forward-looking Risk Assessment Policy" and "Operational Risk Management Policy". Another integral part of the Risk Management System consists of the policies outlining the principles and guidelines on: (i) management of specific risk factors (e.g. Investment Policy for market risk, Credit Policy for credit risk, etc.), (ii) management of a risk within a specific process, (iii) mitigation of a risk and (iv) management of risk measurement models.

#### *Risk Management System*

The Risk Management System is the set of processes and tools used in support of the risk management strategy of the Unipol Group; it provides adequate understanding of the nature and significance of risks to which the Group and individual companies, including UnipolSai, are exposed. The Risk Management System allows the adoption of a single point of view and a holistic approach to risk management, which is an integral part of the management of the business. Within the Risk management system, the risk management process, applied also by UnipolSai, is articulated in the following stages:

- identification of risks, consisting in the identification of risks believed to be significant i.e. those the consequences of which can endanger the solvency or reputation of the UnipolSai or be a serious obstacle to the achievement of strategic objectives;
- current and forward-looking assessment of risk exposure, which is performed through methods envisaged in regulations and best practices as regards risks for which measurement is not regulated or defined by high-level principles. With regard to the forward-looking assessment of risks, the Own Risk Solvency Assessment (ORSA) is used to support the strategic decisions of the company;
- monitoring of risk exposure and reporting, a system implemented on the basis of principles of completeness, promptness and disclosure efficiency - to ensure a timely and ongoing monitoring on the evolution of the Risk Profile and the compliance of the Risk Appetite identified. This system guarantees that the quality and quantity of information provided is commensurate with the needs of the various recipients and with the complexity of the business managed, in order for it to be used as a strategic and operating tool in assessing the potential impact of decisions on the company's risk

profile and solvency;

- mitigation of risks, which consists in identifying and proposing actions and initiatives required and/or useful in mitigating existing or prospective levels of risk not in line with the risk objectives defined at corporate level.

The risk identification, assessment and monitoring processes are performed on an ongoing basis, to take into account any changes in their nature, business volumes and market context, and the insurgence of new risks, or changes in existing risks.

These processes are carried out using methods that guarantee an integrated approach at Group level. The holding company ensures that the risk management policy is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of additional supervision and their mutual interdependencies.

#### *Risk Appetite and Risk Appetite Framework*

The Risk Management System is designed with an enterprise risk management approach, i.e. based on consideration from an integrated point of view of all current and forward-looking risks to which the Group is exposed, assessing the impact these risks could have on achieving the strategic objectives.

In order to pursue these high-level objectives, the approach adopted considers the need to reconcile the demands of the different stakeholders. Specifically the Risk Management System aims to reflect:

- the need to safeguard assets and reputation;
- the need for security and solvency;
- the rating sought;
- the need to diversify risks and ensure adequate liquidity.

Based on these principles and in order to pursue the assigned objectives, the Risk Management System is designed around a fundamental concept: Risk Appetite.

The definition of Risk Appetite is based on the following general principles:

- the objective is not to eliminate risks but to manage them in such a way as to ensure sustainable, long-term growth;
- the components of the risk profile most important to guarantee the security and protection of customers, employees and the market are: capital strength, adequate liquidity and a sound reputation;
- fairness in the relations with all the stakeholders is necessary, balancing their demands and expectations in terms of risk management.

In line with said principles, UnipolSai ensures adequate levels of:

- capitalisation, to avoid revising strategic decisions;
- liquidity, to be able to meet one's commitments even in periods of stress due to company-specific or market-wide events under reasonable conditions and in a reasonable time;

- monitoring of reputational risk, to minimise the risk of negative events that can damage the image of the Company and/or the Group;
- monitoring of emerging risks to anticipate the arising of risks that can damage the capital strength, and arrange for their management;
- monitoring of operating risk, to ensure, even in the case of extreme events, the continuity of business transactions and the safeguard of the corporate capital.

The Risk Appetite can be set as a fixed target or as a range of possible values and includes quantitative and qualitative elements.

In quantitative terms, the Risk Appetite is set on the basis of the following elements:

- risk capital;
- capital adequacy;
- liquidity/ALM (*Asset Liability Management*) ratios.

Quality objectives are defined in reference to compliance, strategic, reputational, emerging and operational risks.

The Risk Appetite is formalised in the Risk Appetite Statement, which indicates the risks that the Company intends to assume or avoid, sets the quantitative limits and the qualitative criteria to be taken into account for the management of unquantified risks.

The Risk Appetite forms part of a reference framework - the Risk Appetite Framework (RAF). The RAF is defined in strict compliance and prompt reconciliation with the business model, the strategic plan, the ORSA process, the budget, the organisation of the company and the internal control system. The RAF defines the Risk Appetite and other components ensuring its management, both in normal and stressed conditions. These components are:

- Risk Capacity;
- Risk Tolerance;
- Risk Limits (or the operational risk limits);
- Risk Profile.

The activity to set the RAF components is dynamic, and reflects the risk management objectives associated with the objectives of the Strategic Plan. Verification is performed annually as part of the process of assigning budget objectives. Further analyses for the preventive control of Risk Appetite, and capital adequacy in particular, are performed when studying extraordinary transactions (mergers, acquisitions, disposals, etc.).

The RAF is articulated in several dimensions of analysis, with the aim of guaranteeing the ongoing monitoring of risk trends. The main dimensions of the analysis are: risk category, group, subgroup and individual company.

*The ORSA process*

As part of its own Risk Management System, the Company uses the ORSA process as a tool to assess risk management system effectiveness.

The key objective of this tool is to support the company in defining its Risk Appetite, in compliance with the objective of safeguarding assets. This evaluation covers at least the overall solvency requirement and takes account of the specific risk profile, in current and forward-looking terms.

### 8.1 Articulation of control levels

The Internal Control and Risk Management System is divided into various levels:

- **line controls** (so-called “first-level controls”), aimed at ensuring transactions are carried out correctly. These are performed by the same operating structures (e.g. hierarchical, systematic and sample controls), also through the different units which report to the managers of the operating structures, or carried out as part of back office activities; as far as possible, they are incorporated in IT procedure. The operating structures are the primary bodies responsible for the risk management process and must ensure compliance with the adopted procedures and compliance with the established risk tolerance level;
- **risk and compliance controls** (so-called “second-level controls”), which aim to ensure, among other things:
  - the correct implementation of the risk management process;
  - the implementation of activities assigned to them by the risk management process;
  - the observance of the operating limits assigned to the various functions;
  - the compliance of company transactions with the regulations.

The functions responsible for these controls are separate from the operating functions; they help define the risk governance policies and the risk management process;

- **internal review** (so-called “third-level controls”), verification of the completeness, functionality and adequacy of the Internal Control and Risk Management System (including the first- and second-level controls) and the compliance of business operations with this.

### 8.2 Role of the corporate bodies, the company control Functions (Audit, Risk Management and Compliance) and the main bodies and parties involved in the Internal Control and Risk Management System

#### **CORPORATE BODIES**

**Board of Directors:** the Board of Directors is ultimately responsible for the Internal Control and Risk Management System, for which it has to ensure constant completeness, function and effectiveness. In this respect, the Board approves - amongst other things - the organisational structure and the assignment of duties and responsibilities to the operating units, ensuring appropriate segregation of functions. With support from the Control and Risks Committee, it also defines the guidelines for the Internal Control and Risk Management System, performing an annual assessment of system adequacy, effectiveness and actual operations.

Pursuant to the ICS Directives, all parties involved in the Internal Control and Risk Management System

exchange information flows as envisaged in current regulations and all other information useful to guarantee that the Board of Directors is fully aware of the significant corporate events and that the other parties involved have all the information necessary to perform their own duties.

**Appointed Director:** as previously mentioned, the Deputy Chairman, Pierluigi Stefanini, was chosen as Appointed Director by the Board of Directors on 5 November 2012. This appointment was later confirmed by Board of Directors resolution of 8 May 2013, valid for the entire term of office of the current Board of Directors, i.e. until the Shareholders' Meeting called to approve the financial statements at 31 December 2015, in line with the recommendations of the Code, in particular Art. 7 which states that the Board of Directors performs "*a role of guidance and assessment of the system's adequacy*" and identifies "*from within the Board, one or more Directors appointed to set up and maintain an effective internal control and risk management system*".

The following functions, duties and powers were assigned to the Appointed Director, in compliance with applicable legal and regulatory measures:

- handling the identification of the main corporate risks, taking account of the features of the activities carried out by the Company and its subsidiaries, regularly subjecting them to review by the Board of Directors;
- implementing the guidelines set by the Board of Directors, overseeing the design, implementation and management of the internal control and risk management system, and constantly verifying its adequacy and effectiveness;
- ensuring adaptation of the Internal Control and Risk Management System to changes in the operating conditions and in the legal and regulatory framework;
- asking the Audit function to perform audits on specific operating units and on the compliance with internal rules and procedures in the execution of corporate transactions, reporting to the Chairman of the Board of Directors, Chief Executive Officer, Chairman of the Control and Risks Committee and Chairman of the Board of Statutory Auditors;
- promptly informing the Control and Risks Committee (or Board of Directors) and the Chief Executive Officer of any problem and critical issue identified during his/her activities or anyway notified, so that the appropriate initiatives may be carried out;
- after receiving favourable opinion from the Control and Risks Committee and after consulting the Board of Statutory Auditors, formulating proposals to the Board of Directors on the appointment or replacement of the managers of the Audit, Risk Management and Compliance Functions.

**Top Management** (Chief Executive Officer, General Manager and Top Management with tasks of management oversight<sup>1</sup>): supports the Appointed Director in designing and implementing the internal control and risk management system, including those deriving from non-compliance with the regulations, in line with the directives and the risk governance policies defined by the Board of Directors and with the guidelines set

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<sup>1</sup> Key managers are those identified for the purposes of the application of the legal and regulatory provisions on intra-group transactions as set forth in ISVAP Regulation No. 25/2008.

by the Parent Company.

***COMPANY CONTROL FUNCTIONS (AUDIT, RISK MANAGEMENT AND COMPLIANCE)***

Pursuant to applicable industry legislation, the Company's organisational structure requires the company control Functions (Audit, Risk Management and Compliance) to be separated from an organisational point of view and to report directly to the Board of Directors and operate under the coordination of the Appointed Director.

With effect from 15 January 2014, the Risk Management and Compliance Functions report to the Chief Risk Officer (in turn reporting to the Board of Directors). This structure makes it possible, by preserving the independence and separateness of the individual control Functions, and guaranteeing compliance with the principle of segregation of transactions from control Functions, to further strengthen the integrated monitoring of the risks to which the Unipol Group is exposed in the different areas in which it carries out its activity, developing synergies between the second-level control Functions so that potential overlaps between control areas are avoided.

The Audit, Risk Management and Compliance Functions use a common methodology and reporting system, which offer maximum convergence in the description of processes, the assessment of operational risks and assessment of Internal Control and Risk Management System effectiveness.

In the organisational model for the company control Functions, designed in the ICS Directives, in the latest version approved by the UnipolSai Board of Directors, in addition to conducting their own activities for the Company, the UnipolSai control Functions, besides carrying out the activities within their competence for the Company, guarantee outsourcing of the service for the companies that have signed specific service agreements with UnipolSai and which report to the corresponding functions of the Parent Company.

The aforementioned Fit&Proper Policy also describes the procedure for assessing these requirements in reference to the Managers of the control Functions and the Chief Risk Officer.

**Audit**

The Audit Function assesses the completeness, function, reliability and adequacy of the Internal Control and Risk Management System according to the nature of the business activities and the level of risks undertaken, as well as its updating, also through support and advisory activities provided to other company functions.

The Audit Manager, Mr Andrea Alessandri, was appointed by the Board of Directors on 13 November 2012, and his duties were specified and approved by a resolution of the Board of Directors, which also established his powers, responsibilities and reporting methods. He is not in charge of any operating department.

Personnel assigned to this Function must be granted free access to all company structures and documentation concerning the activity being audited, including information that may be used to verify the adequacy of controls carried out on outsourced corporate functions. The structures being audited must also provide accurate and complete information.

Both continuously and with regard to specific needs, and in compliance with international standards, the Audit Function verifies the operations and suitability of the Internal Control and Risk Management System by means of an audit plan, approved by the Board of Directors, based on a structured process of analysis and

prioritisation of the main risks. The 2015 plan was approved by the Board of Directors on 19 March 2015 after prior examination by the Control and Risks Committee and after consulting the Board of Statutory Auditors and the manager in charge of the Internal Control and Risk Management System.

The Audit Function's duties include the following types of activity:

- process audit (insurance, operational, financial and information technology);
- within its competence, the preparation of reports required by regulations and the performance of related activities;
- compliance verification/inspection of the insurance agencies and claims settlement services;
- verification of internal fraud by employees, trustees and salespeople;
- cooperation with the Control and Risks Committee, the Independent Statutory Auditors, the Board of Statutory Auditors and the Supervisory Body set up according to Legislative Decree 231/2001.

As part of its activities, the audits refer in particular to:

- the function of the Internal Control and Risk Management System as a whole with regard to the risks intrinsic to the processes examined and the identification of anomalous trends;
- compliance with regulations, policies and directives approved by the Board of Directors, organisational procedures and, in general, internal regulations;
- compliance with the limits set by delegated power mechanisms and the full and correct use of available information;
- IT system adequacy and reliability to ensure that the quality of information on which top management bases its decisions is not compromised;
- compliance of administrative and accounting processes with the criteria of accounting accuracy and correct record-keeping.
- effectiveness and efficiency of controls on outsourced activities.

At the end of each audit, the corresponding report is prepared for Top Management and the parties concerned. If particularly significant or serious situations are found, these must be promptly reported to the Board of Directors, the Board of Statutory Auditors, the Control and Risks Committee and the Appointed Director in charge of Internal Control and Risk Management System.

Six-month reports on the activities performed, summarising all audits undertaken, are also prepared for the Board of Directors, Board of Statutory Auditors, Control and Risks Committee and the Appointed Director.

The Audit Function is given a budget based on its own estimation of requirements which, where necessary, can also be supplemented during the year.

### **Risk Management**

In the risk management system, the Risk Management Function is in charge of identifying, measuring, evaluating and monitoring on an ongoing basis the current and future risks to which the company is or might be exposed, at the individual and aggregate level, as well as their interconnections. The risk management process as a whole is described in detail in the collection of group policies and in particular in the "Risk

Management Policy", in the "Policy for the current and forward-looking assessment of risks" and the "Policy for the management of operational risk".

In exercising its role, the Risk Management function is in charge of the design, implementation, maintenance and development of tools used to measure risk. Among these, special relevance is given to the definition and the use of instruments to calculate the capital needed against the risks identified and specifically the so-called Internal Model. Within the process of implementation of Solvency II regulations, the responsibility for the design and implementation of the Internal Model of the Company is separated from the responsibility for its validation.

The Risk Management Function also contributes to the dissemination of a risk culture throughout the Group.

The Risk Management Function is also in charge of monitoring data quality with special reference to the calculation of the capital for Solvency II purposes (both Internal Model and Standard Approach) and with a gradual extension to the full perimeter of the Group.

Lastly, the Risk Management Function is in charge of assessing the impact of operating risk deriving from catastrophic events as specified in the Business Continuity Policy and for these objectives it co-operates with the function in charge of the Business Continuity Plan.

### **Compliance**

The Compliance Function is in charge of evaluating, with a risk-based approach, the adequacy of procedures, processes, policies, and internal organisation to prevent the risk of non-compliance, i.e. the risk of incurring judicial or administrative sanctions, significant financial losses or reputational damage as a result of violations of mandatory rules (laws, regulations, rulings of Supervisory Authorities) and self-regulation (e.g. by-laws, ethics codes, self-governance codes, internal policies and corporate communications).

This risk is found at all levels of the organisation; accordingly its correct management is a major topic and deeply connected with day-to-day transactions, with particular reference to relations with clients. Specifically, its main feature is the considerable pervasiveness in business activities and the involvement of several organizational structures.

The Compliance Function operates through:

- the continuous identification of the applicable rules and the evaluation of their impact on business processes and procedures;
- assessing the adequacy and effectiveness of the measures adopted by the Company to prevent compliance risk, and recommending the implementation of organizational and procedural changes aimed at ensuring such risk is effectively monitored;
- the evaluation of the effectiveness of organisational adjustments (structures, processes and procedures) as a result of the suggested changes;
- arranging information flows aimed at corporate bodies and the structures involved.

To this end, the methodology used provides for different types of activities that can be broken down into:

- *ex-ante* activities, with the aim of assessing compliance with the regulations that apply to new products/projects/processes, i.e. the company's organization, with regard to the introduction of new

legal provisions. Of particular importance in this activity are the stages of "analysis", "risk assessment" and "identification of adjustments";

- ex-post activities, which more specifically relate to the monitoring phase or the assessment of the state of conformity of the business processes with respect to the standards, which is reached through the evaluation of existing facilities and the state of implementation of planned actions.

### **Financial Reporting Officer**

The Financial Reporting Officer is entrusted with the task of contributing to the proper management of the Company, arranging, in a strategic area such as that of correct financial information, appropriate organisational measures to ensure the achievement of this objective.

The Financial Reporting Officer of the Company is Mr. Maurizio Castellina, manager of the Administration, Management Control and Operations Department, appointed to his office by the Board of Directors at the meeting of 15 January 2014.

Pursuant to the provisions of the By-Laws, the Board appointed him after obtaining the favourable opinion of the Board of Statutory Auditors and verifying that he possessed the professional requisites established by the By-Laws which state that the Manager in charge of financial reporting should be an individual *“with adequate professionalism that has carried out management activities in the administrative/accounting or financial or management control or internal audit sector of a company whose financial instruments are listed in a regulated market or one that carries out banking, insurance or financial activities or, in any case, a large corporation.”*

The Financial Reporting Officer has an independent staff structure and can request the support of any other structure of the Company and its subsidiaries; in particular, the Audit, Compliance and Organisation functions, in cooperation with the supervisory bodies (Supervisory Board and Board of Statutory Auditors) and with the Control and Risk Committee. In addition, he may request the support of the Auditing Company contracted to exchange information on the administrative and accounting control system. Twice a year, the Financial Reporting Officer meets the Board of Statutory Auditors to share the results of the monitoring of the control system.

The Financial Reporting Officer may also intervene in regard to companies that give a significant contribution to the consolidated annual accounts, setting - subject to the independence and prerogatives of those companies - guidelines on approach and method for all functions that could significantly affect the administrative and accounting processes relevant to the statements and certificates that must be issued.

The Financial Reporting Officer attends, as a guest, the meetings of the Board of Directors that approve the individual and consolidated financial statements and other regular accounting reports.

### **Auditing company**

The Company has engaged PricewaterhouseCoopers S.p.A. as independent auditors. This audits both the separate and consolidated financial statements, as well as for the limited audit review of the summary six-month consolidated financial statements. The aforesaid engagement was conferred, for the 2013-2021 period, by resolution passed at the Shareholders' Meeting of 30 July 2013.

### **8.3 Main features of the existing internal control and risk management systems with regard to the**

### **financial reporting process, including consolidated accounts**

Pursuant to the provisions introduced by the Law on Savings in TUF – Section V – bis “Financial Information”, UnipolSai has implemented a control model to support the Financial Reporting Officer in verifying the adequacy and effective application of the administrative procedures regulating accounting and financial information.

The "financial reporting risk model" adopted is based on a process defined pursuant to the following reference framework, generally recognized and accepted internationally:

- I. CoSo Framework (Internal Control – Integrated Framework issued by the *Committee of Sponsoring Organizations of the Tradedway Commission*), widely recognized as the standard of reference for the implementation and evaluation of internal control systems;
- II. COBIT (*Control Objective for IT and Related Technology*), outline of best practices developed by ISACA (*Information Systems Audit and Control Association*) and ITGI (*IT Governance Institute*) which is the standard benchmark for IT Governance.

Specifically, as regards the elements of internal control on financial information set out in the CoSo Report, the Company has adopted the following guidelines:

- control environment: it reflects the attention paid by Top Management to the importance of the internal control culture in the company’s organization and is monitored through control assessments and related documentation at Group level (Entity Level Control);
- risk assessment: risk analysis methods at the process level have been defined and implemented, through a preliminary Top-Down analysis, both qualitative and quantitative, which leads to the definition of the relevant processes (Scoping). For these processes, an identification and analytical assessment is then carried out of the risks of failure to achieve control objectives, in respect of reliability, accuracy, reliability and timeliness of the financial reporting;
- control activities: the activities for proper management and mitigation of risks described earlier have been identified, documented and evaluated;
- information and communication: a process of assessment of the proper management of information flows between the different functions of the Company and the Top Management has been implemented in order to ensure that all parties belonging to the structure execute properly the tasks attributed to them. This evaluation is formalised within the analysis of the components “Control Environment” and “Control Activities”;
- monitoring: the Company has implemented a process to regularly monitor the reliability of the Internal Control System over time.

In line with the guidelines described above, the risk management and internal control process on financial information comprises the following stages:

Stage 1 – Definition of the perimeter of analysis: this activity is carried out every year, after the approval of the financial statements, and is articulated as follows:

- identification of significant companies: the selection is performed on the basis of both quantitative criteria (percentage contribution by the individual company to consolidated assets and consolidated

profit) and qualitative criteria, based on the risk profile of the single companies;

- identification of significant items/accounts: for the companies identified, the identification of related items and accounts is performed by defining materiality thresholds;
- matching significant items/accounts with processes: for significant accounts, through the identification of classes of supply transactions, an array of matching accounts – processes is prepared. This array is the tool through which the processes that later will be analysed are identified.

Stage 2 – Evaluation of the Control Environment: annually, the documentation is updated for group-wide and company controls (*Entity Level Control-ELC*) and the assessment of the level of achievement of the control objectives is performed. This analysis makes it possible to:

- verify the adequacy of the control model dimensions not covered directly through the process-level analysis, internal corporate information/communications, monitoring and processes of risk assessment;
- draw a picture of the business context in which the Internal Control System functions operate, thus obtaining useful information to direct the subsequent stages of risk analysis/controls and tests in the context of the processes;
- obtain an immediate picture of the monitoring level of the controls and internal regulations of the companies of the Unipol Group, to support the statements of the Manager in charge of financial reporting and the Chief Executive Officer;

Stage 3 – Assessment of risks and the design of controls at process level: regularly, in the case of revisions of the processes by the business structures as a result of organisational changes, the documentation of risks and controls related to the financial reporting process is updated. This documentation is implemented through the provision, for each process identified as relevant in Stage 1 "Definition of the scope of analysis", of the Risk and Control Arrays (*Risk & Control Analysis-RCA*). Specifically the Risk & Control Analysis is structured as follows:

- definition of the risks through the identification and description of the type of risk;
- identification of the control objectives associated with risk and indication of the financial assertion of the accounts affected;
- assessment of the control through:
  - the description of the control activities under the control objective and the risk factor identified.
  - Identifying the type of control;
  - the evaluation of the adequacy and effectiveness of the audit activities, in terms of risk mitigation, on the basis of the evidence collected;
  - the assessment/presentation of the evidence of the control;
  - an overall judgement by the correlation between the effectiveness of the control and the presence of the relevant check evidence;

- the areas for improvement identified on the control in respect of improvements in control design and/or its documentation.

Stage 4 – Verification of the actual application of controls at the process level: this stage, carried out twice a year, with the annual and six-month abbreviated consolidated annual accounts, is designed to monitor the effectiveness of the internal control system, and therefore assess its reliability.

The test of the effectiveness of the controls consists in verifying the effective execution of all manual "key controls", by the structure involved, as well as the ways in which controls are carried out by the organisational units involved.

In the test stage, the following activities are carried out:

- definition of the test sample for the key controls identified;
- performance of the tests according to three procedures, namely observation, analysis of evidence and re-execution of the control activity;
- assigning a relative weight to the issues identified and their evaluation.

The number of the selected sample takes into account the nature of the controls to be tested or types of controls (manual or automated) and frequency.

At the end of the testing stage, after the evaluation and formalisation of the level of reliability found, further corrective measures can be identified to improve the effectiveness of the control system.

Stage 5 – Claims release process under Art. 154-bis of TUF: prior to the release of the statements attached to the yearly financial statements and the separate six-month report, the yearly consolidated financial statements and the summary six-month consolidated financial statements of the Company, a Report on the Internal Control Systems is drawn up pursuant to the Law on Savings, that highlights, in depth, the features of the internal control system implemented and the findings of the verification and monitoring activities performed. The Financial Reporting Officer sends the Report to the Chairman, the Chief Executive Officer, the Chairman of the Board of Statutory Auditors, the Chairman of the Control and Risk Committee, the Audit Manager and, for information, to the Auditing Company.

The Board of Directors, at its meeting of 10 March 2016, examined the contents of the report prepared with reference to data at 31 December 2015.

On the basis of this report and the data verification activities carried out by the administrative structures, the Chief Executive Officer and the Financial Reporting Officer prepare the statements required by Art. 154-bis of TUF.

In the case of statements concerning communications to the market with material accounting data, the Financial Reporting Officer, after verification, issues a statement of the alignment of the data to the results of the accounting books and records.

#### **8.4 Organisational, Management and Control Model**

On 6 August 2014, the Board of Directors, upon proposal by the Supervisory Body, firstly approved the revised and updated version of the Organization, Management and Control Model ("Model" or "MOG"), adopted pursuant to Art.6, Par.1:a of Legislative Decree No. 231/2001, "Rules on the administrative

liability of legal persons, companies and associations with or without legal status, pursuant to Art. 11 of Act No. 300 of 29 September 2000” (“Decree 231/2001”).

The adoption by UnipolSai of a new Model is part of a broader project aimed at aligning and standardising company procedures and regulations within the Unipol Group. This project was launched after the integration of the former Fondiaria-SAI Group and represents the preliminary step of the revision of the Models previously adopted by the other companies of the Unipol Group, for the aforementioned purposes of alignment and uniformity and according to the same methodological approaches.

Following a detailed analysis of company processes and operations, UnipolSai has identified the risk areas of its MOG that can be traced back to the following categories of offences, relevant pursuant to Decree 231/2001:

1. offences against the Public Administration;
2. corporate offences;
3. offences and misdemeanours of abuse of information, market manipulation and market rigging;
4. receiving stolen goods and money laundering and offences for the purposes of terrorism or subversion of the democratic order;
5. computer crime and unlawful use of data;
6. crimes of manslaughter and serious personal injury resulting from violations of the Health & Safety workplace regulations;
7. crimes of money counterfeiting;
8. organised crime and cross-border offences;
9. environmental offences;
10. crimes against industry and trade;
11. infringement of copyrights;
12. employment of third-country citizens without the required work permits;
13. incitement not to testify or to provide false statements to legal authorities.

The General Part of the Model can be found in the Corporate Governance section of the Company’s Website.

UnipolSai has also established the Supervisory Board (“Organismo of Vigilanza” or “ODV”) pursuant to Art. 6, Par. 1: b of Decree 231/2001. Art. 5.1 of the current MOG, as amended by the Board of Directors on 5 November 2015, provides for ODV to have five members: (i) the three members of the Control and Risk Committee, non-executive and independent Directors (ii) another two members, chosen among external professionals with adequate competences and professionalism or by Top Managers, in charge of the Audit and/or Compliance Function. This composition was believed to be the most efficient and appropriate for the performance of the tasks that Decree 231/2001 assigns to that body.

The current Body was appointed by the Board of Directors at the meeting held on 13 November 2012. The current composition keeps into account the later changes that have taken place in the Board and the

succession in the corporate offices.

The term of office of ODV is the same as for the Board of Directors.

The composition of the Body is shown in the Table below.

Members	Office held	Member in office since	Member in office until	Independent	%
					Holding
					4.
Massimo Masotti	1 Chairman	08/05/2013		X	100%
Andrea Alessandri	2. Member	13/11/2012			100%
<b>SUPERVISORY BODY</b> Vittorio Corsano	3. Member	15/05/2014			100%
Maria Lillà Montagnani	1 Member	08/05/2013		X	0%
Nicla Picchi	1 Member	13/11/2012		X	100%

(1) Members of the Control and Risk Committee

(2) Manager of the Audit function

(3) Manager of the Compliance function

(4) The percentage was calculated on the basis of the number of meetings attended by the individual member of the ODV, compared with the total numbers of meetings held during the period or during the duration of office.

In the context of its supervision and control activities, the ODV, during 2015, has continued to:

- verify the effectiveness and implementation of the control procedures envisaged by the current Model;
- conduct business activity surveys for the purposes of updating the mapping of sensitive activities;
- collect, process and store relevant information in order to comply with the Model, and update the list of information to be transmitted or remain available to the Body;
- carry out verifications aimed at specific transactions or deeds entered into by the Company, especially as regards sensitive activities;
- coordinate with other functions for the best monitoring of activities in connection with the procedures laid down in the Model;
- activate and carry out internal investigations, cooperating each time with the functions involved to acquire additional study elements.

The Body, in order to ensure appropriate information flows to the Board of Directors, has also set up an adequate system to report to the Board itself, containing the results of the initiatives made by the Audit Function on the processes having an impact pursuant to Decree 231/2001, the planning of activities for the year of the Audit Function and any information on issues of common interest.

## **9. INTERCOMPANY AND RELATED-PARTY TRANSACTIONS AND DIRECTORS' INTERESTS**

The Related Party Procedure first adopted by the Board of Directors of the Company on 30 November 2010, pursuant to CONSOB Regulation No. 17221 of 12 March 2010 and subsequent amendments (the "Regulations"), and amended on 23 December 2011, was fully revised on 15 May 2014 in the context of the wider process of standardisation and alignment of procedures and rules within the Unipol Group resulting from the integration of the former Fondiaria-SAI Group.

On 6 August 2015, the Board of Directors of the Company resolved to modify, after receiving the favourable opinion of the Related Party Transactions Committee, the Related Party Procedure, (i) to extend, on a voluntary basis, the scope of application to the company Immobiliare Grande Distribuzione Company of Investimento Immobiliare Quotata S.p.A. ("IGD"), keeping into account a partnership agreement between UGF, UnipolSai and IGD pertaining to a specific initiative in the real estate and diversified sector, as well as (ii) to simplify the Related Party Transactions procedure implemented by subsidiaries.

The updated Related Party Procedure came into force on 6 August 2015 and can be found in the Corporate Governance section of the Company's Website.

The Related-Party Procedure aims at defining the rules, methods and principles needed to ensure the transparency as well as substantive and procedural fairness of transactions with the Related Parties of the Company, either directly or through subsidiaries ("Transactions with Related Parties" or "Transactions"). Specifically, the Related-Party Procedure:

- identifies the scope of application of the regulatory framework, identifying the recipients as the Related Parties of the Company, whether direct or indirect, to be identified on the basis of the criteria set out in the Regulations, also extending the definition of Related Party to additional subjects, not included among those specified in the list contained in IAS 24;
- identifies the methods to prepare and update the Register of Related Parties, the tool that provides support to all the business structures of the Company and its subsidiaries, for a correct and prompt identification of Related-Party Transactions deemed relevant for the Procedure in question;
- identifies the scope of application of the regulatory framework, identifying types of "Exempt" transactions to which the regulations, whether procedural or information-related, do not apply, either wholly or in part;
- identifies the examination and decision-making process applied to transactions and identifies the rules to follow where the Company approves the transactions entered into by its subsidiaries, as well as the information flows aimed at guaranteeing the transparency of transactions and compliance with the aforesaid procedural rules;
- pursuant to the Regulations, provides for the approval of Related-Party Transactions to be conditional to the reasoned opinion of the Related-Party Transactions Committee, as described earlier on, that such transactions is in the Company's interest and that the related terms and conditions are correct and represent good value for money.

The rules for the Transactions are articulated differently, both in terms of procedures and transparency, according to the value of such transactions, with a distinction between (i) "Transactions of Greater Importance", identified by transposing, without modification, the thresholds specified in the Regulation and to which more stringent rules apply, and (ii) "Transactions of Lesser Importance", subject to less strict rules.

The approval of the Transactions of Greater Importance pertains to the Board after a favourable reasoned opinion of the Related Party Transactions Committee. The Related Party Procedure also regulates the case in which this Committee expresses itself against the Transaction.

As regards the identification of Transactions of Lesser Importance, the Procedure establishes specific relevance thresholds; as regards the approval process, in the case of a negative opinion of the Committee for Related-Party Transactions, the power to make a decision pertains to the Board of Directors, whereas, in the case of a favourable opinion, the decision is made by the competent Corporate Function on the basis of the powers mandated to this.

With regard to Transactions carried out by the Subsidiaries, taking into account the presence of two listed companies in the participatory chain of the Unipol Group, each of which must comply with these rules, to avoid wherever possible the duplication of procedures, the operation of the subsidiaries of, respectively, UGF and UnipolSai has been regulated in a coordinated manner.

The Related Party Procedure defines replacement mechanisms (equivalent devices) in the event that one or more members of the Committee is related, by stipulating that, in the case of a relationship of all members, the opinion to be given by it will be expressed by the Board of Statutory Auditors, or, if the relevant provisions cannot be applied, by an independent expert appointed by the Board of Directors.

As regards the identification of the subjects to be considered as "related parties", by letter dated 13 December 2012, ISVAP requested - until a new order is issued by the Authority- that the Company's procedures adopted to implement the legal regulation currently governing intra-group transactions and Related-Party transactions be extended to any transaction carried out with subjects (physical and legal persons) qualifying as related parties at 19 July 2012, the date when UGF acquired control of Premafin, hence indirectly of FONDIARIA-SAI (now UnipolSai). Therefore, these subjects are currently included in the list of the so-called "former related parties".

Finally, on 11 February 2016, the Board of Directors of UnipolSai also approved the 2016 "Guidelines for intra-group transactions", pursuant to ISVAP Regulation No. 25 of 27 May 2008 ("ISVAP Regulation"), which requires insurance companies to pass, every year (by February), a resolution to set the general guidelines for intra-group transactions and explains how these transactions should be carried out in the year in question.

These Guidelines identify the types of transactions and the intra-group parties considered relevant by ISVAP Regulation; specifically:

- they are articulated in according to the different types and features of intra-group transactions;
- they specify, in details, the criteria to verify the reasonableness of the price of the different types of transactions envisaged;
- they contain operational thresholds that are in line with the features of the different categories of transactions and counterparties;

- they identify transactions that require prior disclosure to IVASS based on relevance parameters predetermined by the same ISVAP Regulation, defining also, for such transactions, specific concentration thresholds by counterparty;
- they regulate the management of the transactions referred to above and those that cause the operational limits set for the year to be exceeded.

## **10. INTERNAL DEALING**

The Company has adopted a procedure for the disclosure of transactions concerning its shares or other financial instruments linked to them (the "Internal Dealing Procedure").

The current Internal Dealing Procedure was approved by the Board of Directors, most recently, at the Board meeting of 13 February 2014 to align its content with those adopted by the Parent UGF. The Procedure can be examined in the Governance section of the Company's Website.

The Internal Dealing Procedure defines the rules to be followed by the relevant bodies of UnipolSai to fulfil the requirements on disclosure, to CONSOB and the market, of the purchase, sale, subscription or exchange of UnipolSai shares, or financial instruments related to such shares carried out by the aforementioned parties also through third parties, implementing the provisions of Par. 7, Art. 114 of TUF and Art. 152-sexies and et seq. of the Issuers' Regulation. It guarantees adequate transparency and standardisation of information on transactions carried out by parties (the so-called "Relevant Parties", as defined and identified therein) that actively take part in decision-making processes or who have, in any case, considerable knowledge of the company's strategies, considering the functions performed within the Company or one of its Main Subsidiaries (as defined and identified therein), or the fact that they are shareholders with either a significant or a controlling stake in UnipolSai.

The Internal Dealing Procedure – which aims to block the possession by the relevant parties of privileged information and its possible misuse (a case that constitutes the offence called insider trading) – thus represents a tool for the pursuit of adequate informational transparency to investors about the possible evolution and future prospects of the Company and its group.

The system of rules laid down by the Internal Dealing Procedure includes, inter alia:

- (i) the criteria for the identification of the Managers of the Company, who are qualified by the latter as "Relevant Parties" and, accordingly, required to carry out the communication provided for by Art. 114, Par. 7 of TUF; these are the Managers who, in the exercise of their functions, have regular access to privileged information and have the power to take management decisions that can affect the evolution and future prospects of the Company;
- (ii) the procedures for the implementation, by the Relevant Parties, of communication to CONSOB and the Company of the major transactions, pursuant to the provisions of Art. 152-octies, Par. 1 and 2, of the Issuers' Regulation;
- (iii) the regulation of conditions for the provision by the Relevant Parties referred to under (c. 1), (c. 2) and (c. 3) of Art. 152-sexies of the Issuers' Regulation (the members of the administrative and control bodies who perform functions of direction and the executives identified as Relevant Parties of the Company and its Main Subsidiaries) of an appropriate task for the Company for the latter to

carry out, on their behalf, communications to CONSOB of the relevant transactions carried out by them pursuant to the provisions of Par. 6, Art. 152-octies, of the Issuers' Regulation.

The Internal Dealing Procedure, in order to ensure conditions which would enable the Company to carry out with timeliness and correctness the information obligations as mentioned above, provides, by way of derogation from the above provisions, that the Relevant Parties who have entrusted the task referred to in point (iii) above must undertake to communicate to the appropriate unit of the Company all relevant transactions, of any amount, even less than the amount required by the relevant standards, carried out by themselves or by persons closely related to them, within 3 open market days from the date of their performance.

To avoid potential conflict of interest and safeguard the Company and the Group, the Relevant Subjects are prohibited from trading in financial instruments issued by UnipolSai and its Subsidiaries listed in the 7 days preceding the meetings of the Boards of Directors of the Company or its Main Subsidiaries called to examine and approve the accounting figures, the budgets and forecasts (the so-called blocking period).

Finally, the Internal Dealing Procedure provides that, the Parent Company being, in its turn, a listed issuer, any communication to the market, as well as any compliance with the requirements set out in the same Procedure, will be subject to coordination between UGF and UnipolSai itself, so as to avoid duplication of activity every time compliance and communication activities concern Parties that can be classified as Relevant for both UGF and UnipolSai.

## **11. PROCESSING OF PRIVILEGED INFORMATION**

On 6 August 2014, the Board of Directors of the Company approved the "Procedure for the management and communication of privileged information" of UnipolSai, specifying the methods for keeping and updating the register of the people that have access, either permanently or occasionally, to relevant information of the Company or third parties, as well as the methods to disclose the same privileged information to the public.

This Procedure was amended – compared to that previously approved by the management body of FONDIARIA-SAI – in order to harmonise the principles and logics underlying the rules that regulate the management and communication of privileged information within the Unipol Group.

The Procedure in question regulates the following processes:

- (i) "Management of Privileged Information", by defining:
  - criteria, roles and liabilities to identify Privileged Information;
  - procedures for the management and maintenance of the register of persons who, for reasons of work or profession or the functions discharged, can have access, on a permanent or occasional basis, to Privileged Information (the "Register");
  - measures to ensure Privileged Information can be traced;
  - internal circulation conditions for Privileged Information and rules on protection of privacy;
- (ii) "Disclosure of Privileged Information", by defining the methods, roles and liabilities associated with:
  - the disclosure of Privileged Information;

- the disclosure of accounting statements and forecasts;
  - relations with the financial community and the media;
- (iii) the rules of conduct for Subsidiaries, implementing the decisions taken by the Company, aimed at ensuring the fulfilment of the disclosure requirements of the Company.

Given that, pursuant to Art. 115 bis of TUF, not only listed issuers, but also any subjects controlled by these, as well as anyone acting in their name or on their behalf are required to have such Register and keep it updated, on the assumption that not all Subsidiaries can, in performing their ordinary activity, generate events or sets of circumstances that can directly affect the price of the listed securities of the parent company, it was decided – also taking account of best practices – that the obligation to keep the aforesaid register should only apply to relevant subsidiaries, i.e. those identified as such by reference to qualitative and quantitative criteria. All the other companies controlled by UnipolSai are, in any case, required to ensure compliance with the Procedure hence with the rules relating to the entries in the Register if the Privileged Information is generated in-house.

In line with best practices, in order to pursue as a priority the protective purposes of the legislation in question, the Procedure regards the information, even in its early stages, as "potentially privileged".

## **12. BOARD OF STATUTORY AUDITORS**

With the Shareholders' Meeting of 17 June 2015, the mandate of the Board of Statutory Auditors appointed by the Meeting of FONDIARIA-SAI of 24 April 2012 has expired. Said Meeting has appointed the new Board of Statutory Auditors.

### Board of Statutory Auditors in office until 16 June 2015

Number of meetings held during the Year: 10.

Average length of meetings: 2 hours and 20 minutes.

Average participation: 97%.

Average attendance by the Board of Statutory Auditors to the meetings of the Control and Risk Committee: at least one member of the Board of Statutory Auditors attended, in 100% of the cases, the meetings of the Control and Risk Committee.

### Board of Statutory Auditors in office since 17 June 2015

Number of meetings held during the year: 8

Average length of meetings: 2 hours

Average participation: 100%

Number of meetings already held in 2016: 3

Average attendance by the Board of Statutory Auditors to the meetings of the Control and Risk Committee: at least one member of the Board of Statutory Auditors attended, in 100% of the cases, the meetings of the Control and Risk Committee.

## **12.1 Role and Responsibilities**

Under Legislative Decree No. 39 of 27 January 2010, on the statutory audits of consolidated financial statements (that, as is known, has made substantial changes to the rules governing the supervisory functions falling under the responsibility of the control body of public interest entities), besides supervising compliance with legal provisions, By-Laws and principles of sound management, the Board of Statutory Auditors is also responsible for monitoring:

- the adequacy and the specific operation of the organisational, administrative and accounting procedures;
- the financial reporting process;
- the effectiveness of the system of internal control, internal audit and risk management;
- the statutory audit of the financial statements and the presentation to the Shareholders' Meeting of the proposals made with regard to the engagement of the independent auditors;
- the independence of the independent auditors, especially with regard to the provision of non-audit services to the Company.

## **12.2 Appointment**

Pursuant to the Law and the By-Laws, the Board of Statutory Auditors is appointed on the basis of lists submitted by the Shareholders who are entitled to vote at the related Shareholders' Meetings at the time of their presentation.

The lists are divided in two sections, one for the candidates for the office of Standing Auditor, the other for the candidates for the office of Alternate Auditor. They must contain a number of candidates not exceeding the number of members to be elected (max. three names in each section) to be listed in sequential order. The lists must be filed with the registered office of the Company within 25 days before the date of the Shareholders' Meeting convened to resolve upon the appointment of the members of the Board of Statutory Auditors.

Each list that, considering both sections, contains a number of candidates equal to or greater than three must ensure compliance with the gender proportion laid down by the laws and regulations in force (mandatory legislative provisions introduced by Act No. 120 of 12 July 2011, Art. 147-ter, Par. 1-ter, and Art.148, Par. 1-bis, of TUF and CONSOB Resolution No. 18098 and Art. 144-undecies of the Issuers' Regulation concerning equal access to administrative and supervision bodies of companies listed on regulated markets).

A candidate can appear on only one list, on pain of ineligibility.

The lists can be submitted by entitled Shareholders who, alone or together with other Shareholders, own the stake specified by the law and other regulations in force governing the appointment of the members of the management and control bodies of the companies: at the date of this Report, said stake, set most recently by CONSOB, with Resolution No. 19499 of 28 January 2016, is equal to 1% of ordinary share capital.

Those submitting a "minority list" are also recipients of the recommendations made by CONSOB in its document DEM/9017893 of 26 February 2009.

The lists are accompanied by full information on the personal and professional characteristics of the candidates, a statement of the absence of causes of ineligibility and incompatibility, as well as the satisfaction of the requirements for the holding of positions, including compliance with the limits to the number of positions established by the Regulations.

The lists, accompanied by information on the characteristics of the candidates, are published in a timely manner on the Company's Website.

The election of the Auditors takes place as follows:

1. from the list which has obtained the largest number of Shareholders' votes, two full members and one deputy member are taken on the basis of the progressive order in which they are listed in the list sections;
2. the remaining Standing Auditor and the remaining Alternate Auditor are taken from the list that came second in terms of votes and that is not linked, not even indirectly, to those who submitted or voted the list that obtained the highest number of votes. In the case of a tie vote between two or more lists, a ballot will be held between such lists, the candidates elected being from the list that obtains the relative majority of the votes.

The Board of Statutory Auditors will be chaired by the Standing Auditor elected from the list that ranked second in terms of votes.

If a Statutory Auditor must be replaced, the replacement is the Alternate Auditor from the same list. Failing this, in the event that the minority Statutory Auditor terminates his office, the candidate immediately following the outgoing one in the same list will take over or else, the first candidate of the list ranking third in terms of votes; the replacement must guarantee compliance with the balance of genders prescribed by the law and other regulations in force.

As regards the provisions of Art. 36 of Law Decree No. 201 of 6 December 2011 (converted into Act No. 214 of 22 December 2011), which provides for the prohibition from accepting or exercising offices between companies and groups of competing companies operating in the credit, insurance and financial markets, the Company verifies the existence of potential cases of incompatibility of its Standing Auditors, taking account of the fact that UnipolSai controls companies operating in the credit, insurance and financial markets.

### **12.3 Composition and operation**

The Shareholders' Meeting of 17 June 2015 appointed, on the basis of the two lists presented by the Shareholders – of which one jointly presented by the majority shareholder UGF and the other, jointly, by some asset management companies and institutional investors holding a total of 0.525% of the ordinary share capital of the Company – the Board of Statutory Auditors currently in office, comprising three Standing Auditors and three Alternate Auditors, conferring upon the same a three-year mandate and, therefore, until the Shareholders' Meeting called to approve the 2017 financial statements.

From the majority list, which received the majority of votes, two Standing Auditors, Mr Giuseppe Angiolini and Ms Silvia Bocci, and two Alternate Auditors, Mr Domenico Livio Trombone and Ms Luciana Ravicini, were selected; while from the minority list the Chairman of the Board of Statutory Auditors, Mr Paolo Fumagalli, and an Alternate Auditor, Ms Donatella Busso, were selected.

After its appointment, pursuant to current provisions, the Board of Directors has carried out the formal assessment of possession of the requirements of eligibility for office by the new Auditors, including those specified in Art. 148, Par. 3, of TUF. This assessment has confirmed that all members of the Board of Statutory Auditors meet the requirements of eligibility for office.

The Board of Statutory Auditors has then carried out, at its meeting of 25 June 2015, the assessment of the independence of its members, also according to the criteria set by the Code, confirming the possession of the requirements by its members.

The Board of Statutory Auditors previously included Mr Giuseppe Angiolini (Chairman), Mr Sergio Lamonica and Mr Giorgio Loli (Standing Auditors) as well as the Alternate Auditors Mr Domenico Livio Trombone, Mr Giovanni Rizzardi and Ms Maria Luisa Mosconi, who had however presented her resignation on 5 May 2015.

The Board of Statutory Auditors, at the meeting of 12 May 2015, had verified that its members met the independence requirements set by the Code of Conduct for Directors and found its composition to be adequate and the above requirements to be met by its members.

Moreover, the Board of Directors at the meeting held on 7 May 2015 verified that the members of the Board of Statutory Auditors met the independence requirements set in Par. 3, Art. 148 of TUF, pursuant to the provisions of Art. 144-novies of the Issuers' Regulation, with subsequent amendments by CONSOB Resolution No. 17326 of 13 May 2010.

The composition of the Committee is detailed in the enclosed Table No. 3.

With reference to the CV of the full members of the Body, said documentation can be found on the Company's Website.

All Auditors meet the requirements set by the current provisions of laws and By-Laws. All members of the Board of Statutory Auditors are entered in the register of auditors and auditing companies with the exception of the Alternate Auditor Donatella Busso.

The current By-Laws do not set any limits to the holding of other corporate positions besides those provided for by Art. 144- *terdecies* of the Issuers' Regulation.

The Board of Statutory Auditors meets at least every 90 days.

The Auditors who, on their own behalf or through third parties, have an interest in a specific transaction of the Company must inform promptly and thoroughly the other Auditors and the Chairman of the Board of Directors of the nature, terms, origin and scope of that interest. During 2015 no situations have occurred in relation to which the members of the Supervisory Board have had to make such statements.

Auditors have attended the meetings of the Board of Directors, held in 2015, with an average attendance equal to:

- 92% for the Board of Statutory Auditors in office until 16 June 2015;
- 100% for the Board of Statutory Auditors in office since 17 June 2015.

The Board of Statutory Auditors has supervised the independence of the Independent Statutory Auditors, especially as regards non-audit services rendered to the Company and its Subsidiaries by the same Independent Statutory Auditors and the entities belonging to the same network.

The Board has not made use of its power to request the Audit Function to carry out verifications on specific operating areas or company operations, as it believed that the control activity performed on the activities carried out and the outcome of the controls carried out, also through exchanges and interviews with the aforementioned Audit Functions – by the Board, as part of its supervisory duties – to be satisfactory.

As a rule, in 2015 the Board of Statutory Auditors has been invited to attend the meetings of the Control and Risk Committee, obtaining adequate information to coordinate the activities of the Board with those carried out by the aforesaid Committee.

### **13. RELATIONSHIPS WITH THE SHAREHOLDERS**

By tradition, the Company pays particular attention to the relationships with its shareholders, maintaining a constant dialogue with the market, pursuant to the law and other regulations governing the matter, ensuring at the same time that any press release, financial and corporate documentation or presentations made to the financial community are readily available in the Investor Relations and Governance sections of its Website; all of this to provide the Shareholders and the market with adequate and comprehensible information.

In 2015 relations with investors – held, consequently to the Group's configuration, jointly with Unipol Gruppo Finanziario – were essentially in line with the previous year (when investors' interest for the Group's financial instruments had increased considerably after the establishment of UnipolSai) in terms of number of meetings held (in person and via conference calls) with institutional investors and brokers, road shows and conferences, thus confirming a clear rise compared to the years preceding the acquisition of the former Premafin/Fondiarria-SAI group.

229 meetings and/or conference calls with analysts and investors were held in total, during which 319 companies were met. Most of the investors met are based in the United Kingdom (46%), 15% in the United States, 14% in Italy, 22% in other European countries (such as, for example, France and Germany) and 3% in the rest of the world. 7 public conferences were also attended and 18 road shows were organised (5 in Italy, 3 in the United Kingdom, 2 in the United States and 8 in other European countries), with the help of specialised brokers. 391 people were met in total.

19 meetings were also held with financial analysts who cover the Group's securities, while informal contacts are held and information exchanged with these analysts almost daily.

As regards the relationships with the media, the Company also facilitates the attendance of journalists and qualified experts at Shareholders' Meetings.

Relations with investors and financial analysts are managed by the officer in charge of Investor Relations, Mr Adriano Donati, within the Strategic Planning, Investor Relations and M&A Department; (Tel +39 051 5077933 – e-mail: [investor.relations@unipolsai.it](mailto:investor.relations@unipolsai.it) or on the Company website in the "Investor Relations" section under the heading "Contacts").

Bologna, 10 March 2016

The Board of Directors

## ATTACHMENTS TO THE REPORT

TABLE N. 1 – Board of Directors

Name	Office held	Date of birth	Date of first appointment	In office since (date of last appointment)	In office until	List <sup>(1)</sup> M/m	Exec.	Non-Exec.	Indep. as per Code <sup>(2)</sup>	Indep. as per TUF <sup>(3)</sup>	% BoD <sup>(4)</sup>	Number of BoD meetings attended	Other positions <sup>(5)</sup>
Fabio Cerchiai	Chairman	14/02/1944	30/10/2012	29/04/2013	31/12/2015	M		x			100%	10/10	6
Stefanini Pierluigi	Deputy Chairman	28/06/1953	30/10/2012	29/04/2013	31/12/2015	M	x				100%	10/10	4
Cimbri Carlo	Chief Executive Officer	31/05/1965	30/10/2012	29/04/2013	31/12/2015	M	x				100%	10/10	2
Berardini Francesco	Director	11/07/1947	30/10/2012	29/04/2013	31/12/2015	M		x	(a)		100%	10/10	6
Milva Carletti	Director	12/01/1963	29/04/2013	29/04/2013	31/12/2015	M		x	x	x	90%	9/10	1
Cattabiani Paolo	Director	11/07/1958	20/03/2014	29/04/2013	31/12/2015	(*)		x	(a)		50%	5/10	5
Lorenzo Cottignoli	Director	13/05/1953	29/04/2013	29/04/2013	31/12/2015	M		x	(a)		90%	9/10	5
Dalle Rive Ernesto	Director	02/12/1960	30/10/2012	29/04/2013	31/12/2015	M		x	(a)		80%	8/10	5
Cristina De Benetti	Director	29/04/1966	10/02/2015	10/02/2015	31/12/2015	(**)		x	x	x	100%	9/9	1
Ethel Frasinetti	Director	05/10/1977	30/10/2012	29/04/2013	31/12/2015	M		x	x	x	50%	5/10	0
Giorgio Ghiglieno	Director	12/10/1955	29/04/2013	29/04/2013	31/12/2015	m		x	x	x	100%	10/10	0
Massimo Masotti	Director	07/02/1962	29/04/2013	29/04/2013	31/12/2015	M		x	x	x	90%	9/10	0
Maria Rosaria Maugeri	Director	20/02/1965	29/04/2013	29/04/2013	31/12/2015	M		x	x	x	100%	10/10	1
Maria Lillà Montagnani	Director	03/04/1971	30/10/2012	29/04/2013	31/12/2015	M		x	x	x	100%	10/10	0
Nicla Picchi	Director	12/07/1960	30/10/2012	29/04/2013	31/12/2015	M		x	x	x	80%	8/10	2
Giuseppe Recchi	Director	20/01/1964	13/11/2014	13/11/2014	31/12/2015	(***)		x	x	x	50%	5/10	2
Barbara Tadolini	Director	20/03/1960	29/04/2013	29/04/2013	31/12/2015	M		x	x	x	100%	10/10	1
Francesco Vella	Director	05/02/1958	29/04/2013	29/04/2013	31/12/2015	M		x	x	x	90%	9/10	2
Zucchelli Mario	Director	23/01/1946	29/04/2013	29/04/2013	31/12/2015	M		x	(a)		80%	8/10	4

**Directors whose office ended during the financial period:**

Name	Office held	Date of birth	Date of first appointment	In office since (date of last appointment)	In office until	List <sup>(1)</sup> M/m	Exec.	Non-Exec.	Indep. as per Code <sup>(2)</sup>	Indep. as per TUF <sup>(3)</sup>	% BoD <sup>(4)</sup>	Number of BoD meetings attended	Other positions <sup>(5)</sup>
Maria Antonietta Pasquariello	Director	29/08/1954	29/04/2013	29/04/2013	10/02/2015	M		x	x	x	0%	0/1	--

<sup>(1)</sup> This column indicates whether the member was elected from a list voted with majority (M) or minority (m) votes.

For the Directors who were co-opted by the Board of Directors during the period or subsequently to the end of the period, see the following:

(\* Director co-opted by the Board of Directors on 20/03/2014 and confirmed by the Shareholders' Meeting of 30 April 2014

(\* Director co-opted by the Board of Directors on 10/02/2015 and confirmed by the Shareholders' Meeting of 17 June 2015

(\*\*\*) Director co-opted by the Board of Directors on 13/11/2014 and confirmed by the Shareholders' Meeting of 25 January 2015

<sup>(2)</sup> Indicates whether the Director was identified by the Board of Directors as an independent member of the Board, according to the criteria set forth in the Code of Conduct.

<sup>(3)</sup> Indicates whether the Director meets the requirements of independence established by Art. 148, Par. 3, of TUF.

<sup>(4)</sup> Indicates the attendance, in percentage, of the Director to the meetings of the Board of Directors (in calculating this percentage, the number of meetings attended by the Director is compared with the number of meetings held by the Board during the period or after accepting the assignment).

<sup>(5)</sup> Indicates the total number of offices held in other companies listed in regulated markets (including foreign markets), or in financial, banking and insurance companies or other large companies. The list of these companies, with reference to each Director, is included in Table 2.

<sup>(a)</sup> Director prima facie excluded from any independence assessment – aside from the requirements set forth in the Code – since he/she holds offices in the corporate bodies of the directly controlling Parent Company, Unipol Gruppo Finanziario S.p.A. and/or of the indirectly controlling Parent Company Finsoe S.p.A. (see Paragraph 3.4 Section II).

**TABLE N. 2 – List of relevant offices held by the Directors**

As regards the provisions set forth in the Code of Conduct, following is the evidence of offices held by the Directors in companies listed in regulated markets (including foreign markets) or in financial, banking, insurance companies, or in large companies, as at the date of this report.

The symbol (\*) indicates the companies belonging to the Unipol Group.

Name	Office held in UnipolSai	Offices held in other companies
Fabio Cerchiai	Chairman	Chairman of Arca Assicurazioni S.p.A. (*) Chairman of Arca Vita S.p.A. (*) Chairman SIAT Company Italiana Assicurazioni and Riassicurazioni S.p.A. <sup>(*)</sup> Chairman of Atlantia S.p.A. Chairman of Cerved Information Solutions S.p.A. Chairman of Autostrade per l'Italia S.p.A.
Pierluigi Stefanini	Chairman	Director of Finsoe S.p.A. Chairman Unipol Gruppo Finanziario S.p.A. <sup>(*)</sup> Director of Unipol Banca S.p.A. <sup>(*)</sup> Member of the Supervisory Board of Manutencoop Facility Management S.p.A.
Carlo Cimbri	Chief Executive Officer	Chief Executive Officer and General Manager Unipol Gruppo Finanziario S.p.A. <sup>(*)</sup> Director of Unipol Banca S.p.A. <sup>(*)</sup>
Francesco Berardini	Director	Director of Finsoe S.p.A. Director Unipol Gruppo Finanziario S.p.A. <sup>(*)</sup> Deputy Chairman Coop Consorzio Nord Ovest S.c a r.l. Chairman of Coop Liguria Company Cooperativa of Consumo Deputy Chairman of SIAT Company Italiana Assicurazioni and Riassicurazioni S.p.A. <sup>(*)</sup>
Milva Carletti	Director	Director IGD SIIQ S.p.A.
Paolo Cattabiani	Director	Director of Finsoe S.p.A. Director Centrale Adriatica Soc. Coop. Director Coop Italia Soc. Coop. Chief Executive Officer of Coop Alleanza 3.0 Soc. Coop. Director Unipol Gruppo Finanziario S.p.A. <sup>(*)</sup>
Lorenzo Cottignoli	Director	Director of Finsoe S.p.A. Director C.M.C. of Ravenna Soc. Coop.

		Director Assicoop Toscana S.p.A. Chairman and Chief Executive Officer Assicoop Romagna Futura S.r.l. Chairman of Integra Broker S.r.l.
Ernesto Dalle Rive	Director	Director of Finsoe S.p.A. Director Unipol Gruppo Finanziario S.p.A. <sup>(*)</sup> Chairman, Chief Executive Officer and General Manager Nova Coop Soc. Coop. Deputy Chairman Coop Italia Soc. Coop. Deputy Chairman Coop Consorzio Nord Ovest S.c. a r.l.
Cristina De Benetti	Director	Director Autostrade Meridionali S.p.A
Ethel Frasinetti	Director	--
Giorgio Ghiglieno	Director	--
Massimo Masotti	Director	--
Maria Rosaria Maugeri	Director	Director Trenitalia S.p.A.
Maria Lillà Montagnani	Director	--
Nicla Picchi	Director	Director of Sabaf S.p.A. Director of Saipem S.p.A.
Giuseppe Recchi	Director	Chairman of Telecom Italia S.p.A. Director Investindustrial Industrial Advisors Limited
Barbara Tadolini	Director	Statutory Auditor of Luxottica Group S.p.A.
Francesco Vella	Director	Chairman of the Board of Statutory Auditors of Luxottica Group S.p.A. Director of Unipol Banca S.p.A. <sup>(*)</sup>
Mario Zucchelli	Director	Director of Finsoe S.p.A. Director Coop Italia Soc. Coop. Director of Unipol Gruppo Finanziario S.p.A. (*) Director Centrale Adriatica Soc. Coop.

**TABLE N. 3 – Board of Statutory Auditors**

Name	Office held	Date of birth	Date of first appointment	In office since	In office until	M/m List <sup>(1)</sup>	Indep. as per Code	% Shareholders' Meetings <sup>(2)</sup>	% BoD <sup>(3)</sup>	Number of BoD meetings attended	% BOARD OF S.A. <sup>(4)</sup>	Number of Board of S.A. meetings attended	Other positions <sup>(5)</sup>
Paolo Fumagalli	Chairman	24/06/1960	17/06/2015	17/06/2015	31/12/2017	m	x	N.A.	100%	6/6	100%	8/8	8
Giuseppe Angiolini(*)	Standing Auditor	18/06/1939	24/04/2012	17/06/2015	31/12/2017	M	x	N.A.	100%	6/6	100%	8/8	5
Silvia Bocci	Standing Auditor	28/04/1967	17/06/2015	17/06/2015	31/12/2017	M	x	N.A.	100%	6/6	100%	8/8	10

**Standing Auditors whose office ended in 2015:**

Name	Office held	Date of birth	Date of first appointment	In office since	In office until	M/m List <sup>(1)</sup>	Indep. as per Code	% Shareholders' Meetings <sup>(2)</sup>	% BoD <sup>(3)</sup>	Number of BoD meetings attended	% BOARD OF S.A. <sup>(4)</sup>	Number of Board of S.A. meetings attended	Other positions <sup>(5)</sup>
Giuseppe Angiolini	Chairman	18/06/1939	24/04/2012	24/04/2012	31/12/2014	M(*)	x	80%	100%	4/4	100%	10/10	--
Sergio Lamonica	Standing Auditor	04/09/1943	24/04/2012	29/04/2014	31/12/2014	M	x	100%	100%	4/4	90%	9/10	--
Giorgio Loli	Standing Auditor	23/08/1939	24/04/2012	29/04/2012	31/12/2014	M	x	100%	75%	3/4	100%	10/10	--

(\*) Mr Giuseppe Angiolini, formerly chosen as Chairman of the Board of Statutory Auditors, being on the minority list presented to the Shareholders' Meeting of 24 April 2012, was later presented to the Shareholders' Meeting of 17 June 2015 as candidate to the position of Auditor by the majority shareholder UGF.

<sup>(1)</sup> This column indicates whether the member was elected from a list voted with majority (M) or minority (m) votes.

<sup>(2)</sup> Indicates the attendance, in percentage, by the Statutory Auditor to the Shareholders' Meetings (in calculating this percentage, the number of meetings attended by the Statutory Auditor compared with the number of meetings held by the Shareholders, during the year or after accepting the assignment).

- <sup>(3)</sup> Indicates the attendance, in percentage, by the Statutory Auditor to the meetings of the Board of Directors (in calculating this percentage, the number of meetings attended by the Statutory Auditor compared with the number of meetings held by the Board during the year or after accepting the assignment).
- <sup>(4)</sup> Indicates the attendance, in percentage, by the Statutory Auditor to the meetings of the Board of Statutory Auditors (in calculating this percentage, the number of meetings attended by the Statutory Auditor compared with the number of meetings held by the Board during the year or after accepting the assignment).
- <sup>(5)</sup> Indicates the number of positions held as Director or Auditor by the subject concerned in other companies.

All members of the Board of Statutory Auditors meet the requirements of experience and integrity as set forth in the applicable legal and regulatory provisions. As regards the personal and professional characteristics of each Auditor, please see the information posted on the website of the Company, Section Corporate Governance/Corporate Bodies/Board of Statutory Auditors.

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**UnipolSai Assicurazioni S.p.A.**

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Share capital  
€2,031,454,951.73 fully paid-up  
Bologna Register of Companies  
Tax and VAT No. 00818570012  
R.E.A. No. 511469

A company subject  
to management and coordination  
by Unipol Gruppo Finanziario S.p.A.,  
entered in Section I of the Insurance  
and Reinsurance Companies List  
at No. 1.00006  
and a member of the  
Unipol Insurance Group,  
entered in the Register of  
Insurance Groups – No. 046

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