

# Vittoria Assicurazioni

REGISTERED OFFICE: VIA IGNAZIO GARDELLA 2 - 20149 MILANO  
SHARE CAPITAL EURO 67.378.924 FULLY PAID  
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PARENT COMPANY OF THE VITTORIA ASSICURAZIONI INSURANCE GROUP  
ENTERED AT NUMBER 008 IN THE REGISTER OF INSURANCE GROUPS

(Translation from the Italian original which remains the definitive version)

## Remuneration Report FY 2014

pursuant to Article 123-ter Italian Financial Act and  
to ISVAP Regulation n. 39

[Vittoria Assicurazioni S.p.A.](http://www.vittoriaassicurazioni.com)  
[www.vittoriaassicurazioni.com](http://www.vittoriaassicurazioni.com)

Approved by the Board of Directors on 10 March 2015





## REMUNERATION REPORT

### Index

<b>Section One</b>	<b>1</b>
<b>Foreword</b>	<b>1</b>
1. Aims pursued through the remuneration policy	1
2. Definitions	2
3. Persons involved in the decision-making processes for remuneration policies	2
4. Remuneration of the Board of Directors	5
5. Remuneration of the Board of Statutory Auditors	6
6. Remuneration of the Managing Director, of Senior Managers and of other Managers	6
6.1. Remuneration structure	6
6.2. Reference parameters for the variable component	7
6.3. Payment of variable component	8
7. Remuneration of managers of internal control areas	9
8. Non-monetary Benefits of Senior Management and of Managers	10
9. Indemnity at the expiration or termination of the employment	10
10. D&O Policy	10
11. Remuneration of other individuals with a potential conflict of interest, intermediaries and outsourced service providers	10
12. Staff remuneration	11
13. Companies of the Vittoria Assicurazioni Group	13
<b>SECTION TWO</b>	<b>15</b>
<b>Part One</b>	<b>15</b>
1. Non-executive Directors	16
2. Chairman, Deputy Chairmen and Managing Director	16
3. Statutory Auditors	16
4. General Manager and Managers with strategic responsibilities	17
<b>Parto Two</b>	<b>18</b>
Table 1: Compensation paid to members of administrative and control bodies, the General Manager and other managers with strategic responsibilities.	19
Table 2: Monetary incentive plans for members of the Board, the General Manager and managers with strategic responsibilities.	24
Table 3: Shareholdings held by members of the Board of Directors and of the Board of Statutory Auditors, by the General Manager and by managers with strategic responsibilities.	25
<b>Internal Audit and Compliance Functions' Report on the Implementation of Compensation Policies</b>	<b>26</b>



## Remuneration Report

# Section One

### Foreword

This Report has been approved by the Board of Directors, pursuant to art. 123-ter of Italian Legislative Decree 58/1998 (Italian Finance Act) and ISVAP (now IVASS – the Italian insurance supervisory body) Regulation no. 39.

The guidelines of the remuneration policy were thus set out consistently with the principles of sound and prudent risk management and in line with the company's long term strategic objectives, profitability and balance.

In compliance with the aforementioned regulatory provisions, in this report shall discuss:

- the general guidelines of the remuneration policies that Vittoria Assicurazioni S.p.A. intends to adopt for the financial year 2015;
- the role and duties of various participants in decision-making processes that lead to the determination of remuneration policies;
- the principles and criteria to be used to coordinate the determination of remuneration for executive directors and other individuals in senior positions at the Company;
- the parameters and criteria to be used to determine any variable part of remuneration, when provided.

### 1. Aims pursued through the remuneration policy

Vittoria Assicurazioni S.p.A. has always had a remuneration policy aimed at the sound, prudent management of risk that is in keeping with the strategic objectives of the company's on-going, balanced growth, profitability and prominent position in the domestic insurance market over the long term.

The primary objective of the compensation policy implemented by Vittoria Assicurazioni S.p.A. is to ensure remuneration that is sufficient to recruit, motivate and retain resources with the professional qualities required to successfully pursue the goals of the Company and Group, which mainly consist of aiming to achieve continual excellent results in the achievement of its corporate purpose, and as a result, to create value for shareholders and safeguard company assets over the long term.

In general, the Company's remuneration policy does not provide for incentives aimed at assuming risks that could conflict with the above objectives.

To date, Vittoria Assicurazioni has decided not to adopt remuneration policies and plans for executive directors and senior management, and of all staff in general, that provide incentives or compensation using the Company's stocks or other financial instruments, or profit-sharing schemes.

For both senior positions and all staff, the determination of remuneration is based on responsibilities assigned to the individual concerned, the position held, the individual's capabilities and the reference market according to fairness principles.

The Board of Director proposes to confirm, for 2015 as well, the guidelines that oriented remuneration policies the previous year.

## 2. Definitions

**Senior Management:** the set of Senior Managers with strategic responsibilities. In Vittoria Assicurazioni this category includes the roles of of General Manager, Co-General Manager and Central Manager.

**Managers:** all managers other than Senior Managers.

**Internal control areas:** the Internal Audit, Risk Management and Compliance departments as indicated in ISVAP Regulation no. 20/2008.

**Variable component:** the remuneration component recognised on the basis of the achievement of predetermined objectives.

**Bonus:** when provided, the part of compensation that may be received as a result of achieving predetermined objectives.

**RAL:** *retribuzione annua lorda*, gross annual compensation, i.e. the fixed gross annual component of remuneration for those who have an employment relationship with the Company.

**CCNL:** *contratto collettivo nazionale*, National Collective Labour Agreement. Collective agreements apply to employees of Vittoria Assicurazioni SpA are: a) the National Collective Labour (Negotiable) Insurance, which regulates the relationship between insurance companies and non-managerial employees, b) National Contract Regulatory and Economic for Managers of Insurance Companies.

## 3. Persons involved in the decision-making processes for remuneration policies

As required by ISVAP Regulation no. 39/2011, starting in 2012 the Company's remuneration policy is to be determined by the Board of Directors with the support of the Appointments & Remuneration Committee and of the Managing Director, with the involvement of the Internal Control Departments and the Organization, Human Resources and General Services Department. The latter is particularly involved in determining staff requirement objectives and methods and criteria for evaluating human resources.

The Remuneration Policy is reviewed annually and it is approved by the Board of Directors which, in turn, submits it to the Shareholders' Meeting for approval.

All decision-making processes are formalised, clear and transparent and they are structured to avoid potential conflicts of interest between the Company and the individuals subject to remuneration policies.

In accordance with the principles of the Corporate Governance Code of Listed Companies adopted by Vittoria Assicurazioni S.p.A. and the provisions of ISVAP Regulation 39 of 2011, a key role in the determination of guidelines for remuneration policies is assigned to the Appointments & Remuneration Committee, established within the Board of Directors.

The role of the Appointments & Remuneration Committee is even more significant in the decision-making process that leads to the determination of compensation policy for Directors and Senior Management, i.e. those senior managers who have responsibility for the processes that could affect the Company's development or outlook.

The Company does not employ independent experts for the definition of its remuneration policies.

The bodies and persons involved in the decision-making processes and in the evaluation of the remuneration and compensation policies implemented by Vittoria Assicurazioni S.p.A. are:

- the Shareholders' Meeting;
- the Board of Directors;
- the Appointments & Remuneration Committee (hereafter also the "Committee");
- the Managing Director;
- the Board of Statutory Auditors;
- the Organization, Human Resources and General Services Department
- the internal control departments (Internal Audit, Compliance, Risk Management)

### Shareholders' Meeting

As prescribed by current regulations and by the Articles of Association, the Shareholders' Meeting, with regard to remuneration matters:

- annually approves the remuneration policies submitted to it by the Board of Directors;
- sets the total gross annual compensation for the Board of Directors and for the Board of Statutory Auditors;
- is responsible for deciding on any compensation plans based on financial instruments, at the proposal of the Board of Directors.

### Board of Directors

As prescribed by current regulations and by the Articles of Association, the Board of Directors, with the support of the Appointments and Remuneration Committee:

- defines the Remuneration Policy for Executive Directors, Senior Management and Managers;
- approves the method for dividing the total compensation set by the Shareholders' Meeting for the Board of Directors;
- determines the remuneration of Directors holding special office, on the basis of the proposals of the Appointment & Remuneration Committee and after receiving the opinion of the Board of Statutory Auditors;
- annually submits to the Shareholders' Meeting the Report on Remuneration Policies prepared in accordance with Article 123-ter of the Consolidated Finance Act and of ISVAP Regulation 39.

### Appointments and Remuneration Committee

Under Article 14 of the Articles of Association, the Board of Directors has established the Appointments & Remuneration Committee within its ranks.

As of 31 December 2014, the Appointments and Remuneration Committee consists of the following members:

Lodovico PASSERIN d'ENTREVES	Independent non-executive Chairman
Luca Paveri FONTANA	non-executive member
Francesco BAGGI SISINI	Independent non-executive member

At the date of this Report there were no changes in the composition of the Committee.

With regard to remuneration matters, the Committee has the following functions:

- Submitting proposals to the Board of Directors with regard to the definition of the policy for the remuneration of directors and senior managers with strategic responsibilities. In particular:

- (a) Making proposals or expressing opinions to the Board of Directors for the remuneration of executive directors and of Directors holding specific offices;
  - (b) Making proposals to the Board, as indicated by the Managing Director, for setting the remuneration of the senior management of the Company in such a way as to attract and motivate high-calibre people, and the remuneration of the heads of the internal control departments;
  - (c) Defining, by internal Regulations, the criteria and dimensions of the variable components of the remuneration of the Managing Director, Senior Management and Managers;
  - (d) assisting the Managing Director in developing proposals for the remuneration of the Directors, the Chairman, the Managing Director and the General Manager of subsidiaries.
- Verifying the enforcement of the Board of Directors' decisions on remuneration, monitoring also the actual attainment of performance targets.
  - Periodically evaluating the adequacy, overall consistency and concrete enforcement of the remuneration policy, relying, for senior managers with strategic responsibilities, on the information provided by the Managing Director, formulating proposals on this matter.

### **Managing Director**

The Managing Director, responsible for the Company's management, shall carry out the following tasks pertaining to the remuneration policy, with the concurrence of the Appointments & Remuneration Committee for matters under its purview and through the Organization, Human Resources and General Services Department for implementation purposes:

- definition of personnel policies;
- operational definition, consistently with the Remuneration Policy described herein, of the incentives relating to the variable part of compensation.

### **Board of Statutory Auditors**

The Board of Statutory Auditors formulates the opinions required by current regulations on the proposed remuneration of Executive Directors.

### **Organization, Human Resources and General Services Department**

The Organization, Human Resources and General Services Department, which organisationally reports to the Managing Director, supports the Managing Director for the definition of the objectives of personnel requirements, methods, the criteria for evaluation, professional development and economic development of human resources, in line with the strategic and operational objectives of the Company.

In particular, with regard to remuneration, the department has the following duties:

- implementing and managing evaluation, professional development and career programmes and Staff rewards/incentives, in agreement with the Managing Director;
- submitting to the Managing Director the proposal for the Company's overall compensation plan;
- developing and defining, together with the individual involved department heads, the method to assign and verify the Staff's individual, departmental and corporate qualitative and quantitative targets.



## Control departments

The Remuneration Policy adopted by the Company is audited once a year by the internal control departments:

- the Internal Audit Department audits the proper application of policies established by the Board and their correspondence to the Board's guidelines;
- the Compliance Department ensures that the policies comply with regulations applicable to the Company and reports any legal and reputation risks resulting from an incorrect implementation of regulations to Senior Management;
- the Risk Management Department monitors the consistency of the quantitative parameters specified in the multi-year plan for variable compensation with operating risks.

Internal control departments carry out the above controls within the scope of their duties, and report the results of the audits they performed to the Board of Directors, through the appropriate bodies and Committees.

The joint report by the heads of Internal Audit and Compliance pertaining to the audits under their respective responsibilities, carried out on the implementation of remuneration policies, prepared in accordance with Article 23, Paragraph 2 of ISVAP Regulation 39, is enclosed herewith.

## 4. Remuneration of the Board of Directors

Concerning the remuneration of the Board of Directors, Article 15 of the Articles of Association prescribes the following:

- Compensation of the Board of Directors shall be established by the shareholders' meeting, and the Board shall determine how it will be divided among its members;
- The remuneration of the Chairman, Deputy Chairmen and Managing Directors and any Directors with specific duties shall be determined by the Board of Directors after consulting the Board of Statutory Auditors.

The division of Directors' compensation established by the shareholders' meeting shall be approved by the Board based on the proposal of the Appointments & Remuneration Committee in accordance with the following criteria:

- fixed compensation of the same amount for all directors;
- additional compensation established as a fixed amount for directors who participate in committees established within the Board;
- other compensation established as a fixed amount for directors to whom the Board has assigned special duties, determined on the basis of the effort expected to be required to carry out such duties.

Directors are entitled to the reimbursement of the expenses incurred in the performance of their duties.

No attendance fees shall be paid for participating in Board meetings.

Based on the proposal of the Appointments & Remuneration Committee, the Board shall also establish fixed remuneration for the Chairman, Deputy Chairmen and Managing Director on the basis of the position held and parameters used in the reference market.

No remuneration tied to the company's operating results or non-monetary benefits are provided for the Chairman and non-executive Directors.

The executive Deputy Chairmen, Mr. Carlo Acutis and Mr. Andrea Acutis, do not benefit from incentive-based remuneration because the Acutis family is the Company's controlling

shareholder, whilst discretionary use of the company car is allowed. The Vice President Mr. Andrea Acutis is a manager of the Company and, as such, receives remuneration consists of a fixed part and a variable part, as described in chapter 6.

The Managing Director, in addition to the aforesaid fixed compensation, shall receive variable remuneration, determined on the basis of the achievement of predetermined targets, within the terms and at the conditions described in Chapter 6 below, and shall be entitled, as non-monetary benefits, to insurance coverage similar to those prescribed by the National Collective Labour Agreement for Company Managers, as well as discretionary use of a company car.

In line with the general policy adopted by the Company, no stock option plans or profit-sharing schemes are contemplated.

Directors shall be provided with the insurance coverage for civil liability (D&O Policy) described in Chapter 10 below.

## **5. Remuneration of the Board of Statutory Auditors**

The remuneration of the Board of Statutory Auditors is established, in accordance with the law and with the Articles of Association, by the Shareholders' Meeting upon appointment. No variable remuneration is contemplated for Statutory Auditors.

Statutory Auditors are entitled to the reimbursement of the expenses incurred in the performance of their duties.

Statutory Auditors shall be provided with the insurance coverage for civil liability (D&O Policy) described in Chapter 10 below.

## **6. Remuneration of the Managing Director, of Senior Managers and of other Managers**

### **6.1 Remuneration structure**

The remuneration of the Managing Director, Senior Management and other Managers, based on their position and role, is partly related to Company results. This performance-related remuneration is paid according to the achievement of pre-established objectives.

In line with the general policy adopted by the Company, no stock option plans or profit-sharing schemes are contemplated.

The Board of Directors believes that a proper remuneration policy for the Managing Director and Managers should be based on the following principles in keeping with the Company's history:

- ensuring the sound, prudent management of the Company in order to pursue strategic objectives such as continuing growth of the Company's value over time and a long-term return on shareholders' investment;
- ensuring a proper balance of exposure to risks based on the Company's characteristics, its position in the insurance market, its size and the operations of the Vittoria Group;
- determining management compensation to ensure that the fixed component of compensation is, in all cases, sufficient to remunerate service regardless of the achievement of objectives that entitle the individual to receive a variable portion of compensation as calculated below, ensuring a proper balance between the fixed and variable components;

- specifying that a portion of Senior Management compensation is variable and calculated using predetermined objective parameters that are linked to economic and quality criteria;
- excluding, with respect to non-monetary benefits, the use of share-based incentive plans (stock options) or other financial instruments;
- not giving special emphasis on short-term results in the determination of the targets, given the peculiar nature of the insurance business, which must consider both stability and growth over the medium-long term,

Variable remuneration is based on an appropriate mix of quantitative criteria that are closely tied to the Company's operating performance, but also qualitative and behavioural criteria, which are more closely related to reputational and compliance risks, and on a mix of objectives that are the same for all individuals involved, and objectives that are more closely tied to the results of individual departments.

The variable component of the remuneration of the Managing Director, Senior Management and other Managers, which is predetermined by the Board of Directors based on the proposal of the Appointments & Remuneration Committee, remunerates the performance of recipients on an annual basis as a part of a medium-term plan.

As a result, the remuneration of the Managing Director, Senior Management and the other Managers is structured as follows:

- a fixed component: for the Managing Director, the fixed component is set throughout the term in office, at the proposal of the Appointments & Remuneration Committee, by the Board of Directors as a total annual amount. For Senior Managers, it is set by the Board of Directors as a total annual amount, at the proposal of the Appointments and Remuneration Committee. For Managers, it is set at the time of hiring or promotion and it may be revised periodically to take into account personal or department performance, at the time of the assignment of new responsibilities or of the performance of the insurance compensation market with respect to the individual's position;
- a variable component: it is expressed as a predetermined percentage for the fixed component with amounts rising in relation to the position and responsibilities covered.

Particularly, the variable component is equal to a pre-established percentage of fixed compensation, as follows:

- for the Managing Director, General Manager and Co-General Manager, not to exceed 200% of the fixed component.
- for Central Managers, not to exceed 60% of the fixed component.
- for the other Managers, not to exceed 40% of the fixed component.

The Board of Directors, at the proposal of the Appointments and Remuneration Committee, approves the allocation of the total amount intended for variable remuneration, determined as described in Paragraph 6.2. below, between the Managing Director, the Senior Management and the other Managers, within the terms prescribed by the internal Regulations approved by the Appointment and Remuneration Committee.

## **6.2. Reference parameters for the variable component**

Under the company's multi-year development and business plan, the variable portion of remuneration of the Managing Director, Senior Management and other Managers is accrued on the basis of the achievement of the total ordinary technical result (Life and Non-Life business) specified by the annual budget plan, approved by the Board of Directors.

In particular, the maximum amount of the of the variable compensation related to the FY 2015 is set at 4% of the technical result as set forth in the annual budget plan, with modulation of the percentage of the amount to be paid based on achievement of the result.

For FY 2015, according to the annual budget plan approved by the Board of Directors, the percentage of the amount of the technical balance allocated for the payment of the variable component is determined on the basis of the following table:

Ordinary Technical Result (OTR) Budget FY 2015: Euro 99.2 million

Actual result achieved: ≥ 50% (49.600 million)	Variable = 2.75% of the OTR achieved
Actual result achieved: ≥ 60% (59.520 million)	Variable = 3.00% of the OTR achieved
Actual result achieved: ≥ 70% (69.440 million)	Variable = 3.25% of the OTR achieved
Actual result achieved: ≥ 80% (79.360 million)	Variable = 3.50% of the OTR achieved
Actual result achieved: ≥ 90% (89.280 million)	Variable = 3.75% of the OTR achieved
Actual result achieved: ≥ 100% (99.200 million)	Variable = 4.00% of OTR as per budget

Therefore, the maximum amount to be allocated to pay the variable component of the Managing Director, of Senior Management and of the other Managers shall be Euro 3.968 million.

### 6.3. Payment of variable component

The variable portion of compensation of the Managing Director, General Manager and Co-General Manager is not paid in the year of accrual, but is spread out over three years based on the following criteria:

- 60% of the variable portion is paid after the approval of the financial statements for the reference year by the shareholders' meeting;
- the remaining 40% is set aside, and 20% is paid in the second year, and the remaining 20% in the third year after the approval of the financial statements.

The variable portion of compensation of Central Managers is not paid in full in the year of accrual but over a two-year period based on the following criteria:

- 80% of the variable portion is paid after the approval of the financial statements for the reference year by the shareholders' meeting;
- the remaining 20% is paid the following year, after approval of the financial statements.

In order to determine from the outset a remuneration policy for Senior Management that complies with regulatory provisions, the Board, on the basis of a proposal of the Appointments & Remuneration Committee, intends to propose the adoption of rules that specify that all or a part of the variable portion of compensation will not be paid if the following conditions are satisfied:

- a) failure to achieve the pre-established objectives under the medium-term plan;
- b) a significant deterioration in the Company's capital and financial position; in this case, it would be possible to review the determination of a portion of variable compensation;
- c) there is a finding of intentional or grossly negligent behaviour leading to results that turn out to be temporary or, in fact, not actually achieved.

With regard to sub-paragraph a), there is a provision that there will be no right to obtain the variable portion when the amount of the final ordinary technical result is less than 50% of the amount of the ordinary technical result projected in the budget.

On the other hand, the result is deemed to be achieved, and the right to obtain the variable component of compensation accrues, when the amount of the final ordinary technical result is equal to or greater than 50% of the amount of the ordinary technical result projected in the budget as indicated in the table in item 6.2 above.

For the Managing Director and for other individuals in senior positions (General Manager, Co-General Manager and Central Managers) who leave their position or work relationship at the end of their term, pension or for reasons beyond their control, payment of the accrued and allocated variable component will be made.

If these individuals resign voluntarily, the deferred portion of the variable component is not paid, subject to an assessment of the specific reasons that led to an interruption in the relationship, and also taking into account the duration of the relationship and the achievement of pre-established objectives.

The Appointments and Remuneration Committee is involved in the decision-making process and expresses its opinion in the assessment of cases concerning the non-payment of all or a part of the variable portion for the reasons stated in sub-paragraphs a) and b), with respect to any return of the portion already paid in the case of sub-paragraph c), and in the case of voluntary resignations.

In addition, based on the proposal of the Appointments & Remuneration Committee, the Board also authorises the Managing Director to identify any company individuals for whom, as a function of their position and duties, it would be appropriate to amend the employment contract tying them to the Company with the inclusion of non-compete agreements.

The Managing Director will oversee the application of the provisions of this paragraph taking care to involve all departments concerned.

## **7. Remuneration of managers of internal control areas**

For heads of internal control areas, there is no variable remuneration, meaning the component of compensation provided on the basis of results achieved by the Company. However, for these department heads, based on the option specified in Article 20, paragraph 2 of ISVAP Regulation 39/2011, and subject to the principle that the fixed component must represent a greater percentage than the variable component of compensation, we believe it is accurate and appropriate to ensure that the above department heads receive annual bonuses tied to objectives that are mainly qualitative, the assessment of which is assigned to the Appointments and Remuneration Committee after receiving the opinion of the Control and Risk Committee, which is made up of independent Directors.

The Control Committee assists the Board of Directors in carrying out duties related to the internal control system, and in particular, it assesses the adequacy, efficiency and actual operation of the internal control system. For this purpose, the heads of the control departments report the results of their activity to the Control and Risk Committee, to which they submit the annual work plans of their respective departments, the periodic reports on the activity carried out and an annual report on the effectiveness and efficiency of the internal control system, for review and approval.

The fixed compensation of the Head of the Internal Audit Department is determined by the Board of Directors.

## 8. Non-monetary Benefits of Senior Management and of Managers

As provided by national industry collective agreements, the company's Managers are the recipients of non-monetary benefits, mainly consisting of complementary pension funds and health care extended to their families, with guarantees in case of permanent disabilities, of death and total permanent invalidity due to injury or occupational and non-occupational illness and in case of partial permanent invalidity due to injury or illness.

Managers, like all Company employees, benefit from more favourable contractual conditions for the stipulation of insurance products and from preferential access to home loans/mortgages.

All Managers are allowed to use a company car at their discretion.

Managers with specific powers shall be provided with the insurance coverage for civil liability (D&O Policy) described in Chapter 10 below.

## 9. Indemnity at the expiration or termination of the employment

The Company's general policy, with reference also to the Directors, General Managers and other Managers with strategic responsibilities, does not contemplate:

- agreements entitling to indemnity upon early termination of the employment, or to the execution of consulting agreements for a period following the termination of the relationship;
- agreements calling for the allocation or maintenance of non-monetary benefits after the termination of the position, or compensation for non-competition obligations.

For all Managers of the Company, thus also including Senior Management, in case of early termination of the employment, the compensation that may be paid to the individual in question, in accordance with current regulations and contractual provisions, shall be equal to the amount provided by way of notice by applicable regulatory and National Collective Labour Agreement provisions.

## 10. D&O Policy

Following the authorisation by the Shareholders' Meeting of 24 April 2009, the Company annually renews a D&O insurance policy with standard insurance market terms and conditions, adequate for the performance of the Company's and of the Group's business.

The purpose of the coverage is to hold harmless from losses the members of the Board of Directors, of the Board of Statutory Auditors, the Financial Reporting Manager, Managers with specific powers in relation to acts carried out in the performance of the duties of their offices, of the powers vested in them, of their respective tasks, within the limits of their powers and in compliance with laws, provisions, regulations and also with the procedures adopted by our Company. Coverage shall only be valid if the persons who committed the violations did so without any malice.

## 11. Remuneration of other individuals with a potential conflict of interest, intermediaries and outsourced service providers

At Vittoria Assicurazioni S.p.A., the appointed actuaries have no employment relationship with the Company.

The remuneration of appointed actuaries, which is based on the position concerned in relation to market parameters and assessed by the Managing Director, is not commensurate with or tied to results achieved by the Company, but only to the duties required by the position assigned.

Vittoria Assicurazioni S.p.A. operates throughout Italy with a traditional distribution network consisting of over 400 contract agencies at 31 December 2014 whose remuneration is based on fees that are typical for the insurance market, and that are pre-established by the Company and broken down by individual branches and by type of risks incurred.

Any commission specified by annual incentive plans are established for the achievement of pre-established objectives which are always aimed at achieving a proper balanced underwriting in order to achieve sufficient profits over the medium and long term, and growth in the portfolio's value.

Outsourcing significant and essential activities is governed by a special internal procedure that, among other things, calls for precise criteria for the selection of suppliers.

When significant and essential activities are outsourced, and in all cases when consideration is greater than the amounts specified in the procedure, in addition to the selection criteria that apply to all suppliers, suppliers must, in all cases, satisfy the requirements of professionalism, honesty and economic capacity as detailed in the procedure.

## 12. Staff remuneration

At 31 December 2014, Vittoria Assicurazioni had 523 employees spread out among the registered offices in Milan and the other operating units throughout Italy.

Staff could be broken down as follows: 352 office workers up to level 6 of the National Collective Labour Agreement; 147 supervisors; 24 managers.

In addition to the full application of the schedule parameters and benefits stipulated by the National Collective Labour Agreement entered into between ANIA and the industry unions and by the Company's Supplemental Contract (CIA) entered into with the Company's union representatives, the compensation of all employees is reviewed annually on the basis of a remuneration policy managed by the Human Resources Development Department, which is based on the following objectives by order of priority:

- retaining resources deemed to be critical (in terms of position held and experience) and recruiting those necessary to ensure adequate support for the company's continuing growth;
- keeping turnover to ordinary levels;
- providing a compensation policy based largely on merit, evaluated in accordance with Senior Management.

Each year, all unit/office heads receive the performance evaluation form from the Human Resources Development Department which must be completed for each employee.

The form calls for an evaluation largely based on the objectives, activities, knowledge and specific professional expertise required for the employee's operating area. Once the form has been approved and signed by the employee being evaluated, by his/her supervisor and by the head of the relevant department, it is forwarded to the Human Resources Development Department.

The economic measures foreseen by the Company's policies, take into account the process of performance evaluation as well as the market position (external and internal to the Company), and assess the, the critical nature of the resource's position and difficulty in recruiting a replacement.

The economic measures could be:

- one-time individual measures, which are based on an exceptional performance level (they are not calculated according to economic parameters tied to company income criteria);
- promotions, which are provided where the contractual status of the resource is not correct with respect to the role played by the same;
- Salary increases *ad personam*, which are wage adjustments related to fairness criteria (internal and external to the Company) and which take account of professional maturity of the resource.

In order to orient more and more the workforce to achieve the objectives of the Company, and to align and direct the individual behavior towards corporate objectives, incentive systems were adopted that allow resources to access a variable pay.

All incentive systems adopted by the Company provide for the achievement of a common formalized Company's objective which, if not achieved, does not allow to access to the same incentive system.

Three areas that are particularly sensitive to variable compensation have been identified among employees: the commercial area, the claims area and the technical area.

As a result, an incentive system has been established for the Head of the claims network, for Claims Supervisors, i.e., those involved in the settlement of liability Automobile and Non-Marine Branch claims in operating units (Claims Inspectorates) throughout Italy (approximately 104 employees), and for Commercial Supervisors (Damages and Life Branches) and for their Area Coordinators and Technical Supervisors (approximately 37 employees in all) who work closely with the distribution network made up of agencies. These incentives are formalised and accepted at the beginning of each calendar year.

The incentive system is approved by the line departments where the resources are employed and by the Human Resources Department, with the aim of achieving objectives that are particularly significant for the Company.

The objectives, which are mainly quantitative but can also take into account quality parameters, are identified through a decision-making process involving the following areas:

- Human Resources Development Department;
- Motor and Non-Marine Business claims Department;
- Commercial Department
- Underwriting Non-marine business

The technical/qualitative criteria/parameters used are formalised at the start of each calendar year. Maximum incentive limits are set for each of these parameters, and an overall maximum limit is also set, based on the employee's title and responsibilities, for the incentive that may be paid. The variable amount is paid in the calendar year following the reference year, depending on the level of achievement of objectives.

In the logic of focusing more and more the employees on achieving objectives and to the aim of improving transparency and sharing the objectives assigned, during 2013 the Company started to design and plan the introduction of a system of incentives that, after an initial test phase carried out during 2014, will be gradually extended to other business functions.

The quantitative criteria/parameters used (or qualitative where it is not possible to identify quantitative ones) are defined at the beginning of each calendar year, shared with the line departments the resources belong to and with the Human Resource Department, with the goal of achieving objectives that are particularly significant for the company.

The incentive system, which in 2014 involved about 95 resources and that in the course of 2015 plans to involve up to a total of 200 resources, provides for assignment a group objective (connected to reaching an objective assigned to the unit the resource belongs to) and of one



or more individual goals (connected to reaching a personal objective assigned to each individual).

A maximum incentive limit is set for each of these objectives.

The variable amount is paid in the calendar year subsequent to the reference year.

### **13. Companies of the Vittoria Assicurazioni Group**

The Board of Directors has assigned the Managing Director the duty of ensuring the overall consistency of the Group's remuneration policies in order to ensure compliance with the principles set forth in this document for all Group companies and to ensure their correct application.

Remuneration of the Subsidiaries' Corporate Bodies is approved by the Appointments and Remuneration Committee at the proposal of the Managing Director.



## Section Two

### Part One

This section details compensation paid during the FY 2014 to Directors, Statutory Auditors and the General Manager and, in a combined form, to managers with strategic responsibilities (the Co-General Manager and Central Managers, collectively referred to as Senior Management) by Vittoria Assicurazioni S.p.A. and subsidiaries and associate companies.

This compensation is reported in the second part of this section in table form using the schedules required in Annex 3 of the Issuer Regulation.

### Non-executive Directors

The Ordinary Shareholders' Meeting of 19 April 2013, which appointed the Board of Directors in office for the 2013, 2014 and 2015 financial years, set the Board's total gross remuneration at € 800,000 for each financial year, in order to remunerate the Directors for their participation in the Committees and for the specific tasks assigned within these Committees. As provided by Article 15 of the Articles of Association, this amount does not include compensation for Directors with specific duties.

The Board of Directors, upon meeting at the end of the aforesaid Shareholders' Meeting, therefore resolved to divide the amount specified by the Shareholders' Meeting as follows:

- € 25,000 for each Director, for a total amount of € 400,000;
- € 5,000 for each member of the Appointments and Remuneration Committee, for a total amount of € 15,000;
- € 25,000 for the Chairman of the Internal Control Committee and € 15,000 for the other two members of the same Committee, for a total amount of € 55,000;
- € 7,500 for each member of Committee for the Evaluation of Transactions with Related Parties, for a total amount of € 22,500;
- € 5,000 for each non-executive member of the Finance Committee, for a total amount of € 15,000;
- € 5,000 for each non-executive member of the Real Estate Committee, for a total amount of € 25,000;
- € 130,000 for Mr. Luca Paveri Fontana in relation to the special duties assigned on the Finance Committee for the supervision of foreign investee companies and investments in the private equity sector;
- € 60,000 to Ms. Adriana Acutis Biscaretti di Ruffia in relation to duties assigned on the Finance Committee and Real Estate Committee for the supervision of foreign investee companies and foreign real estate companies.

Therefore, a sum of € 77,500 was left over from the total amount set by the Shareholders' Meeting, for future allocation by the Board.

Directors are entitled to the reimbursement of expenses incurred in the exercise of their duties. No lump-sum reimbursements or attendance fees are provided for attending meetings of the Board or of the Committees.

Neither incentive-based remuneration systems, nor fringe benefits are contemplated for non-executive Directors.

## Chairman, Deputy Chairmen and Managing Director

In accordance with Article 15 of the Articles of Association, the Board of Directors, at the proposal of the Appointments and Remuneration Committee and with a favourable opinion from the Board of Statutory Auditors, resolved upon the following gross annual remuneration for Directors with specific duties:

- € 50,000 to the Honorary Chairman
- € 80,000 to the Chairman
- € 40,000 to each Deputy Chairman
- € 500,000 to the Managing Director.

The Chairman Mr. Giorgio Roberto Costa and the executive Deputy Chairmen Messrs. Carlo Acutis and Andrea Acutis do not benefit from an incentive-based remuneration tied to their office.

As a manager of the Company, Vice Chairman Andrea Acutis receives remuneration tied to the employment contract, consisting of a fixed part and a variable. In 2014, on the basis of the results achieved in 2013, Mr. Acutis received a variable compensation of € 45,000.

In addition to the fixed compensation of the Managing Director, Roberto Guarena, in 2014 an additional amount of variable compensation of € 834,300 was assigned. This was calculated on the basis of the remuneration program approved by the Shareholders' Meeting of 19th April 2013, for the results achieved in 2013, and is to be distributed as follows: € 508,580 paid in 2014; € 166,860 to be paid in 2015 and € 166,860 to be paid in 2016.

The Board of Directors, during its meeting of March 10, 2015, having noticed the achievement of the targets set for the F/Y 2014, has also granted the Managing Director and the Vice Chairman Andrea Acutis (the latter being also manager of the Company) the right to the variable remuneration provided for by the incentive compensation plan described in the Report on Remuneration Policies approved by the Shareholders' Meeting held on 29th April 2014. The relevant amounts will be paid on or before May 2014 and are shown in Table n. 2 of Part II of this Section Two.

## Statutory Auditors

The Ordinary Shareholders' Meeting held on 19th April 2013, which appointed the Board of Statutory Auditors for 2013, 2014 and 2015, set the Board's gross annual compensation as follows: € 75,000 for the Chairman of the Board of Statutory Auditors and € 50,000 for each Standing Statutory Auditor, in addition to expenses incurred.

Standing Statutory Auditor Giovanni Maritano received also € 10,000 as compensation for the position in the Company's Supervisory Bodies established pursuant to Italian Legislative Decree 231/2011 and other compensation for positions on Boards of Statutory Auditors and Supervisory Bodies in subsidiaries and associated companies of Vittoria Assicurazioni S.p.A.

There is no provision for lump-sum reimbursements or attendance fees for attending Board and committee meetings.

There are no other economic relationships between Statutory Auditors and Vittoria Assicurazioni S.p.A. or its subsidiaries and associate companies.

## General Manager and Managers with strategic responsibilities

Senior Managers are company employees whose remuneration consists of a fixed component, including individual income, fringe benefits tied to their management position and/or dictated by the National Collective Labour Agreement and the company's supplemental contracts.

In particular, fringe benefits include a company car, supplemental pension and insurance policies, whose amount is indicated in table 1 below in accordance with the taxable income criterion.

In addition to the fixed compensation paid to the General Manager in the form of a salary, in 2014 an additional amount of variable compensation of € 500,580 was assigned. This was calculated on the basis of the remuneration program approved by the shareholders' meeting of 19th April 2013, for the results achieved in 2013, and is comprised as follows: € 300,348 paid during 2014; € 100,116 to be paid in 2015 and € 100,116 to be paid in 2016.

Similarly, within the maximum amount set in the incentive compensation plan for the year 2013, during the 2014 Managers with Strategic Responsibilities has been granted a total variable compensation of € 478,720, divided as follows: € 316,232 paid in 2014, euro 95,744 to be paid in 2015 and euro 66,744 to be paid in 2016.

The Board of Directors, during its meeting of March 10, 2015, having noticed the achievement of the targets set for the F/Y 2014, has also granted the General Manager and the Managers with Strategic Responsibilities the right to the variable remuneration provided for by the incentive compensation plan described in the Report on Remuneration Policies approved by the Shareholders' Meeting held on 29th April 2014. The relevant amounts will be paid on or before May 2015 and are shown in Table n. 2 of Part II of this Section Two.

## Section Two

### Part Two

Compensation related to FY 2014 for Directors, Statutory Auditors and the General Manager is reported, as well as combined compensation paid to managers with strategic responsibilities, using the schedules specified in Schedule 7-*bis* by Annex 3 of the Issuer Regulation, in addition to investments in the companies owned by the same individuals as specified in Schedule 7-*ter* of the aforementioned Annex 3 of the Issuer Regulation.

In this regard, note that:

- In the table 1 entitled “**Compensation paid to members of administrative and control bodies, the General Manager and other managers with strategic responsibilities**” (Table 1 of Schedule 7-*bis*, Annex 3 of the Issuer Regulation), no information is provided concerning compensation paid in the form of profit sharing or equity compensation since these do not apply to the company;
- For the same reason, Tables 2 and 3 of Schedule 7-*bis*, Annex 3 of the Issuer Regulation were not prepared in relation to stock options and incentive plans based on financial instruments other than stock options, which are not applied by the company;
- The table 2 entitled “**Monetary incentive plans for members of the Board, the General Manager and managers with strategic responsibilities**” (Table 3-*bis* of Schedule 7-*bis*, Annex 3 of the Issuer Regulation) reports bonuses accrued according to the remuneration policies approved in 2012, 2013 and 2014.

Table 1

## Compensation paid to members of administrative and control bodies, the General Manager and other managers with strategic responsibilities

Name e surname	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in Committee	Variable compensation non equity: bonuses and other incentives	Non-monetary benefits	Other compensation	Total	Compensation for end of office or termination of employment
Giorgio Costa	Chairman	01/01/2014 31/12/2014	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership Office	25,000 Finance 80,000 Real Estate	5,000 5,000			115,000	
	Fees from subsidiary and associates				6,000				6,000	
	Total				111,000	10,000			121,000	
Andrea Acutis	Vice Chairman	01/01/2014 31/12/2014	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership Office Employees	25,000 40,000 214,286		100,000	10,382	389,668	
	Fees from subsidiary and associates				7,083				7,083	
	Total				286,369		100,000	10,382	396,751	
Carlo Acutis	Vice Chairman	01/01/2014 31/12/2014	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership Office	25,000 40,000				65,000	
	Fees from subsidiary and associates									
	Total				65,000				65,000	
Roberto Guarena	Managing Director	01/01/2014 31/12/2014	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership Office	25,000 500,000		866,592		1,391,592	
	Fees from subsidiary and associates				6,000				6,000	
	Total				531,000		866,592		1,397,592	

Table 1

## Compensation paid to members of administrative and control bodies, the General Manager and other managers with strategic responsibilities

Name e surname	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in Committee	Variable compensation non equity: bonuses and other incentives	Non-monetary benefits	Other compensation	Total	Compensation for end of office or termination of employment
Adriana Acutis Biscaretti di Ruffia	Director	01/01/2014 31/12/2014	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership	25,000 Finance	5,000			95,000	
	Fees from subsidiary and associates			Duty assigned	60,000 Real Estate	5,000			119,000	
	Totale				119,000				214,000	
Francesco Baggi Sisini	Director	01/01/2014 31/12/2014	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership	25,000 Appointment-Remunerati Real Estate	5,000			35,000	
	Fees from subsidiary and associates									
	Totale				25,000	10,000			35,000	
Marco Brignone	Director	01/01/2014 31/12/2014	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership	25,000 Related Parties Transactions	7,500			32,500	
	Fees from subsidiary and associates									
	Totale				25,000	7,500			32,500	
Fulvia Ferragamo Visconti	Director	01/01/2014 31/12/2014	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership	25,000				25,000	
	Fees from subsidiary and associates									
	Totale				25,000				25,000	
Bernd Gierl	Director	01/01/2014 31/12/2014	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership	25,000				25,000	
	Fees from subsidiary and associates									
	Totale				25,000				25,000	



Table 1

## Compensation paid to members of administrative and control bodies, the General Manager and other managers with strategic responsibilities

Name e surname	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in Committee	Variable compensation non equity: bonuses and other incentives	Non-monetary benefits	Other compensation	Total	Compensation on for end of office or termination of employment
	Director	01/01/2014 31/12/2014	FY 2015							
Lorenza Guerra	Fees from Vittoria Assicurazioni			Board membership:	25,000				25,000	
Seragnoli	Fees from subsidiary and associates									
	Total				25,000				25,000	
	Director	01/01/2014 31/12/2014	FY 2015							
Pietro Carlo Marsani	Fees from Vittoria Assicurazioni			Board membership	25,000	Risk & Control			25,000	
	Fees from subsidiary and associates					Related Parties	Trnsactio	7,500	57,500	
	Total				25,000				57,500	
	Director	01/01/2014 31/12/2014	FY 2015							
Giorgio Marsiaj	Fees from Vittoria Assicurazioni			Board membership	25,000				25,000	
	Fees from subsidiary and associates									
	totale				25,000				25,000	
	Director	01/01/2014 31/12/2014	FY 2015							
Lodovico Passerin d'Entrèves	Fees from Vittoria Assicurazioni			Board membership	25,000	Appointment-Remunerati			30,000	
	Fees from subsidiary and associates									
	Total				25,000			5,000	30,000	
	Director	01/01/2014 31/12/2014	FY 2015							
Luca Paveri Fontana	Fees from Vittoria Assicurazioni			Board membership	25,000	Risk & Control			15,000	
	Fees from subsidiary and associates			Duty assigned	130,000	Finance			5,000	
						Real Estate			5,000	
						Appointment-Remunerati			5,000	
	Fees from subsidiary and associates				137,333				185,000	
	Total				292,333				137,333	
									30,000	
									322,333	

Table 1

Compensation paid to members of administrative and control bodies, the General Manager and other managers with strategic responsibilities

Name e surname	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in Committee	Variable compensation non equity: bonuses and other incentives	Non-monetary benefits	Other compensation	Total	Compensation for office or termination of employment
Giuseppe Spadaforè	Director	01/01/2014 31/12/2014	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership	Risk & Control	15,000				
					Related Parties	7,500				47,500
	Fees from subsidiary and associates									
	Total			25,000	22,500				47,500	
Anna Strazzera	Director	01/01/2014 31/12/2014	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership	Real Estate	5,000				
	Fees from subsidiary and associates									
	Total			25,000	5,000				30,000	
Luigi Guatri	Onorary Chairman	01/01/2014 31/12/2014								
	Fees from Vittoria Assicurazioni			Office						
	Fees from subsidiary and associates									
	Total			50,000					50,000	
Cesare Caldarelli	General Manager	01/01/2014 31/12/2014								
	Fees from Vittoria Assicurazioni			Employees		627,696	13,591		1,041,287	
	Fees from subsidiary and associates									
	Total			400,000	400,000	627,696	13,591		1,041,287	

Table 1

## Compensation paid to members of administrative and control bodies, the General Manager and other managers with strategic responsibilities

Name e surname	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in Committee	Variable compensation non equity: bonuses and other incentives	Non-monetary benefits	Other compensation	Total	Compensation on for end of office or termination of employment
Alberto Giussani	Chairman of Statutory Auditors	01/01/2014 31/12/2014	FY 2015							
	Fees from Vittoria Assicurazioni			Office	75,000				75,000	
	Fees from subsidiary and associates totale				75,000				75,000	
Giovanni Maritano	Sindaco Effettivo	01/01/2014 31/12/2014	FY 2015							
	Statutory Auditor			Office	50,000 OdV	10,000			60,000	
	Fees from subsidiary and associates				82,440				82,440	
	Total				132,440				142,440	
Francesca Sangiani	Statutory Auditor	01/01/2014 31/12/2014	FY 2015							
	Fees from Vittoria Assicurazioni			Office	50,000				50,000	
	Fees from subsidiary and associates								0	
	Total				50,000				50,000	
n. 4 managers with strategic responsibilities	Fees from Vittoria Assicurazioni			Employees	950,710				546,232	47,623
	Fees from subsidiary and associates				12,300				12,300	
	Total				963,010				546,232	47,623
									1,544,565	
									12,300	
									1,556,865	

Table 2

## Monetary incentive plans for members of the Board of Directors, the General Manager and managers with strategic responsibilities

Name and surname	Office	(1)		(2)			(3)			(4)
		Plan		(A)	(B)	(C)	(A)	(B)	(C)	Other bonus
Roberto Guarena	Managing Director			Payable in 2015	Deferred	Period of deferment	no more payable	Payable	Deferred	
Vittoria Assicurazioni	incentive plan	29 April 2014		551,232						
					183,744	FY 2016				
		19 April 2013			183,744	FY 2017		166,860	166,860	
		20 Aprile 2012						148,500		
<b>(III) Total</b>				<b>551,232</b>	<b>367,488</b>			<b>315,360</b>	<b>166,860</b>	
Andrea Acutis	Vice Chairman									
Vittoria Assicurazioni	incentive plan	29 April 2014		100,000						
<b>(III) Total</b>										
Cesare Caldarelli	General Manager									
Vittoria Assicurazioni	incentive plan	29 April 2014		438,480						
					146,160	FY 2016				
		19 April 2013			146,160	FY 2017		100,116	100,116	
		20 Aprile 2012						89,100		
<b>(III) Total</b>				<b>438,480</b>	<b>292,320</b>			<b>189,216</b>	<b>100,116</b>	
4 managers with strategic responsibilities										
Vittoria Assicurazioni	incentive plan	29 April 2014		391,088						
					119,696	FY 2016				
		19 April 2013			87,696	FY 2017		95,744	66,744	
		20 Aprile 2012						59,400		
<b>(III) Total</b>				<b>391,088</b>	<b>207,392</b>			<b>155,144</b>		

Table 3

Shareholdings held by members of the Board of Directors, by Statutory Auditors and by the General Manager

Surname and name	Office	Vittoria Assicurazioni shares	Number of shares held at the end of FY 2013	Number of shares purchased	Number of shares sold	Number of shares held at the end of FY 2014
Costa Giorgio	Chairman	directly	50,000	0	0	50,000
Acutis Carlo	Vice Chairman	through controlled companies	38,664,400	0	0	38,664,400
Acutis Andrea	Vice Chairman	directly	117,730	0	0	117,730
Guarena Roberto	Managing Director	directly/through family	26,950	0	0	26,950
Acutis Biscaretti di Ruffia Adriana	Director	directly	64,750	0	0	64,750
Baggi Sisini Francesco	Director	through controlled companies	3,849,000	0	0	3,849,000
Brignone Marco	Director	directly	20,000	0	0	20,000
Marsiaj Giorgio	Director	directly	344,644	0	0	344,644
Paveri Fontana Luca	Director	directly	69,000	0	0	69,000
Caldarelli Cesare	Direttore Generale	through family	11,500	0	0	11,500

Shareholdings held by managers with strategic responsibilities

Number of managers	Vittoria Assicurazioni shares	Number of shares held at the end of FY 2013	Number of shares purchased	Number of shares sold	Number of shares held at the end of FY 2014
4 managers with strategic responsibilities	directly/through family	102,002	2,000	-8,222	95,780

## Internal Audit and Compliance Functions' Report on the Implementation of Compensation Policies

### Preambles: benchmark regulations

On 7 March 2014, the Board of Directors of Vittoria Assicurazioni has approved the Compensation Policy Report that was approved by the Shareholders' Meeting of Vittoria Assicurazioni of 29 April 2014.

The compensation policies were adopted by Vittoria based on the applicable regulations and, in particular:

- the ISVAP Regulation no. 39/2011;
- Article 7 of the Corporate Governance Code promoted by the Italian Stock Exchange;
- Article 123-ter of Italian Legislative Decree no. 58/1998 (Consolidated Finance Act).

In particular, ISVAP Regulation 39/2011, which represents the prime benchmark regulation for an insurance company, establishing that, in determining compensation policies, the nature, dimensions and operative characteristics of the company must be considered, indicated the principles that an insurance company's compensation policy must respect:

- the compensation policies must be in line with healthy and prudent risk management and strategic goals, profitability and long-term company equilibrium.
- they must not be exclusively or predominantly based on the short-term results to avoid creating incentives for excessive risk exposure.

These principles are of particular relevance where there is a variable compensation component, understood as the compensation component assigned based on results obtained by the Company, including bonuses, premiums and other forms of incentives.

Art. 23 of ISVAP Regulation 39/2011 states that the implementation of the compensation policies must be subject to an annual audit of the internal control functions, which are required to report the audit results to the competent bodies to adopt any corrective measures.

In particular:

- the Internal Audit Function verifies the correct application of the compensation policies based on the guidelines defined by the Board of Directors.
- the Compliance Function verifies that the compensation policies are in line with that set forth by the ISVAP Regulation no. 39, the by-laws and other applicable company codes or those that it follows (for example, the Corporate Governance Code enacted by the Italian Stock Exchange) in order to prevent and contain the legal risks and those to its reputation.

Once again, Art. 23 of ISVAP Regulation 39/2011 states that the Board of Directors annually provides adequate information to the Shareholders' Meeting on the application of the compensation policies.

### The Compensation Policy of Vittoria Assicurazioni S.p.A.

Vittoria Assicurazioni, in adopting its own compensation policies, has, first and foremost, identified:

- the general compensation policy guidelines that it agreed to apply for FY 2014;
- the role and tasks of the various actors in the decision-making process that lead to the identification of the compensation policies;

- the principles and criteria that guide the identification of the compensation of the executive directors and other executives at the Company, considered as the primary “risk takers”;
- for some categories of subjects, the parameters that can determine the variable part of the compensation where provided.

Vittoria Assicurazioni has also defined the decision-making roles and processes, specifying, in particular, the tasks of the Board of Directors and the Appointments and Remuneration Committee, establishing, among other things, that:

- the general compensation policy for staff is defined by the Board of Directors with the support of the Appointments and Compensation Committee and the Chief Executive Officer;
- the tasks and roles of the individual decision-making process actors must be defined in detail.

For the compensation of the Chief Executive Officer, the Senior Management and the other Managers, Vittoria Assicurazioni has established, among other things, that:

- this is composed of a fixed and variable component equal to a preset percentage of the fixed compensation;
- the variable part of the remuneration of the Managing Director, Senior Management and other managers is based on the achievement of the ordinary technical results, according to the annual budget plan, approved by the Board of Directors and published;
- the variable part of the Managing Director, General Manager and Co-General Manager’s compensation is not paid in the year in which it is earned but over a three-year period based on the preset criteria; the variable compensation may not be paid if special situations arise or following a significant deterioration in the company’s economic and financial situation.

Finally, Vittoria has identified three areas sensitive to the company’s risk profiles among its staff, the commercial, the claims and the technical areas, providing an incentives system for these figures shared by the functions on which the resources depend and the Human Resource Development Department functions aimed at reaching goals that are particularly significant for the company. The objectives are primarily quantitative; however, they also consider service quality parameters and are formalized for each resource and for each operative unit at the start of each calendar year.

## **Analysis of the audit functions on the compliance of the compensation policies with the regulatory objectives and their correct application**

### **Compliance Audit**

The principles introduced with the benchmark regulation and the primary points on which the compensation policy is based, approved by the Vittoria Shareholders’ Meeting on 29 April 2014 have been reiterated in brief.

The compensation policies approved by Vittoria comply with the general principles set forth by Art. 4 of ISVAP Regulation 39/2011 and Art. 7 of the Corporate Governance Code.

In particular, the compensation policies thusly determined and implemented appear in line with all of the principles set forth by Title III – Section I of ISVAP Regulation 39/2011, which dictates the rules on the compensation of directors, with particular reference to executives, both in terms of balancing the fixed and variable components, setting and measuring results and paying the variable part.

Vittoria Assicurazioni has also adopted a stricter policy for the principles set forth by ISVAP Regulation 39/2011 and Art. 7 of the Corporate Governance Code since it excludes compensation based on financial instruments.

As previously noted, the same principles have been applied, in addition to the executive figures, to:

- 3 Central Manager that, along with the General Manager and the Co-General Manager make up the Senior Management;
- the managers, in charge of the operative structures;
- the managers of the audit functions;
- the staff that receive incentives;
- the insurance brokers and outsourced services/business suppliers.

## Application Audit

The following has been verified jointly by the Internal Audit and Compliance Functions in regard to the correct application of the 2014 remuneration policies:

- the variable portion of the compensation payable to the Managing Director and Senior Management has accrued pursuant to achieving the ordinary technical result as compared to the amount indicated in the Report on the Compensation Policies, presented by the Board of Directors for approval by the Ordinary Shareholders' Meeting of 29 April 2014.
- The technical balance actually reached by Vittoria Assicurazioni SpA in 2014 was Euro 91.101 million for the non-life business and Euro -0.115 million for the life business, totalling Euro 90.986 million.
- The total amount of the variable portion of the compensation of the members of the Senior Management and top executives was calculated not on the value actually achieved, but on the lower value indicated in the annual budget plan, that is 4.5% of Euro 77.350 million.

The valuations relative to the actual payment of the variable portion, as provided in the remuneration policies, shall be made in the second half of 2015.

The following has been verified by the Internal Audit Function in regard to the correct application of the remuneration policies related to FY 2013:

1. With respect to the remuneration of the Directors and the remuneration of the Auditors, the payment is made in accordance with the Shareholders' Meeting Resolution of 19 April 2013.
2. The variable portion of the compensation payable to the Managing Director and Senior Management was calculated in terms of achieving the ordinary technical result as compared to the amount indicated in the Report on the Compensation Policies, presented by the Board of Directors for approval by the Ordinary Shareholders' Meeting of 19 April 2013.  
The technical balance actually reached by Vittoria Assicurazioni in 2013 was Euro 86.7 million for the non-life business and Euro 1.6 million for the life business, totalling Euro 88.3 million.  
The total amount of the variable portion of the compensation of the members of the Senior Management and top executives was calculated not on the value actually achieved, but on the lower value indicated in the "Annual Budget Plan", that is 4.5% of Euro 61.8 million.
3. The variable portion of the compensation of the professional figures of the claims area, technical area and commercial area, these being the claims supervisors, commercial supervisors and technical supervisors:



- is defined through individual letters (which specifically refer to the incentives system), as indicated in the aforementioned report;
  - is correctly calculated and paid pursuant to achieving the quantitative and qualitative parameters set at the beginning of each calendar year, which are evaluated using the individual evaluation forms compiled for each individual employee.
4. Insofar as the compensation of the intermediaries, in particular the distribution network comprised of the contract agencies, the Company:
- issued the “national incentive regulations for 2013” which was distributed to the sales network;
  - assessed, in the second half of 2014, that the objectives were indeed reached, based on the data collected;
  - granted the incentives as applicable, pursuant to the directives issued by the Company.

Finally, we reiterate here that the outsourcing of essential and important activities, which is governed by a specific internal procedure which requires the application of specific criteria to the selection of suppliers, is constantly monitored by the Legal and Compliance Function. It was found to have been carried out in compliance with the internal procedures while the remuneration of the suppliers of outsourced services was found to be in line with the principles set by ISVAP Regulation no. 39/2011.