

Vittoria Assicurazioni

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

Remuneration Report FY 2016

pursuant to Article 123–ter of the Consolidated Law on Finance and to
ISVAP Regulation no. 39

Vittoria Assicurazioni S.p.A.
www.vittoriaassicurazioni.com

FY 2016 Report

Approved by the Board of Directors on 15 March 2017



Remuneration Report

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Remuneration Report

Section One: Remuneration Policy

Foreword

This Report has been approved by the Board of Directors, pursuant to Article 123-ter of Italian Legislative Decree 58/1998 (Consolidated Law on Finance) and ISVAP 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, this report outlines:

- the general guidelines of the remuneration policies that Vittoria Assicurazioni S.p.A. intends to adopt for the Financial Year 2017;
- 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 oriented to sound and prudent management of risk and in line with the strategic objectives of the company's ongoing balanced growth, profitability and prominent position in the domestic insurance market over the long term.

The primary objective of the remuneration policy implemented by Vittoria Assicurazioni S.p.A. is to ensure an adequate remuneration to attract, motivate and retain resources with the professional qualities required to successfully pursue the Company's and the Group's goals, which mainly strive to achieve continual excellent results in the attainment of its corporate purpose, and as a result, to create value for shareholders and safeguard company assets over the long term.

The Company's remuneration policy does not provide for incentives aimed at risk-taking that could conflict with the above objectives.

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 skills and the reference market, in accordance with fairness principles.

For completeness, this report regulates the principles applied to the remuneration of all staff of Vittoria Assicurazioni: Senior Management, other Managers and non-management personnel, and therefore it is not limited to provisions under Ivass Regulation. In particular, it provides for a variable component of the remuneration to all executives, even though they are not relevant parties under Ivass Regulation.

The Board of Director proposes to confirm, for 2017 as well, the guidelines that oriented remuneration policies in the previous years, by providing a more detailed description of the methods used for the variable remuneration.

2. Definitions

Senior Management: all Senior Managers with strategic responsibilities. In Vittoria Assicurazioni S.p.A., this category includes the roles of Managing Director, General Manager, Co-General Manager, Deputy General Manager and Central Manager.

These roles, identified as "risk takers" pursuant to Ivass Letter to the Market of 9 April 2013, participate in the discussion of the key decisions for the Company, which are submitted to the Board of Directors, and ensure the implementation of the guidelines through the operating functions.

In particular, such roles are held by the heads of the main corporate functions, which oversee the main risks to which the Company is exposed:

- Commercial;
- Technical Area;
- Services (Human Resources, Organization and General Services) and Real-Estate;
- Claims;
- IT;
- Administration, Finance, Planning and Control.

Senior Managers are vested with the highest executive powers, consistent with the system of powers and delegations adopted.

Risk Takers: personnel pursuant to Article 2(1)(f) of ISVAP Regulation no. 39/2011, i.e. "general managers, executives with strategic responsibilities, managers and senior personnel of the internal control functions and the other categories of personnel, whose activity can have a significant impact on the company risk profile."

Managers: all managers other than Senior Managers and not identified as "risk takers" pursuant to Article 2(1)(f) of ISVAP Regulation no. 39/2011.

Control Functions: the Internal Audit, Risk Management and Compliance departments as set forth by ISVAP Regulation no. 20/2008, and Actuarial Function, as set forth by the Solvency II Directive.

Non-Managerial Personnel: personnel not falling into the definition of "risk taker" pursuant to Article 2(1)(f) of ISVAP Regulation no. 39/2011 and belonging to non-managerial staff.

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

Incentive: where provided for, the part of compensation that may be received in case of targets achieved in relation to the specific role or function.

Scorecard: form for assigning performance objectives to be identified within one's purview. Objectives may be individual, departmental or corporate ones.

Performance Units: plans reproducing mechanisms of a Performance Share plan, by using "virtual" shares. These plans establish cash-payments, in case of targets achieved, in the form of "performance units". Each unit is valued according to existing shares, on the basis of the market value.

Gate: a minimum performance threshold that must be met in order to activate the whole incentive plan, the funding pool and its award payout.

Funding pool: total amount allocated for the incentive plan. The size of the pool for the payment of the variable remuneration varies based on the performance of expected economic outcomes, financial sustainability, adequate levels of capitalization, liquidity and profitability adjusted by the risk.

Differal: payment of the variable remuneration component on a multi-year basis, in order to take into account the trend of the risks incurred by the Company over time and the achievement of the performance targets.

Vesting period: provisions relating to accrual procedures and schedule of the financial instrument. It is defined as the time range between the date of assignment of the right to participate in the plan and the date on which it may be exercised.

RAL (or fixed remuneration component): the gross annual fixed component of remuneration for Company employees.

CCNL: Labour National Collective Agreement. Collective agreements applied to employees of Vittoria Assicurazioni SpA are: a) the National Collective Agreement for the Insurance Sector, governing relations between insurance companies and non-executive employees, b) the National Regulatory and Financial Agreement for insurance company executives.

Malus: provision for the right to withhold the whole or any part of the variable remuneration component in the event of deterioration in company's assets, profitability, and financial position or in case of reputational harm, due to the behaviour of individuals, whether or not there is wilful or gross negligence.

Clawback: provision for the right, for the Company, to repay sums already paid in the event of deterioration of company's assets, profitability, and financial position, or in case of reputational harm, due to the behaviour of individuals, whether or not there is wilful or gross negligence .

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

Starting from 2012, as required by ISVAP Regulation no. 39/2011, the Company's remuneration policy is determined by the Board of Directors with the support of the Appointment and Remuneration Committee and of the Managing Director or, in his absence, of the General Manager, with the involvement of the Risk Management Function, the Department of Services and Real-Estate headed by the Deputy General Manager, and the Human Resources Department. The latter is particularly involved in determining staff requirement objectives, as well as methods and criteria for evaluating human resources.

The Remuneration Policy is reviewed annually and 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 no. 39 of 2011, a key role in the determination of guidelines for remuneration policies is assigned to the Appointment and Remuneration Committee, established within the Board of Directors.

The role of the Appointment and 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 avail itself of independent experts for the definition of its remuneration policies.

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

- the Shareholders' Meeting;
- the Board of Directors;
- the Appointment and Remuneration Committee (hereafter also the "Committee");
- the Managing Director;
- the Board of Statutory Auditors;
- the Department of Services and Real-Estate headed by the Deputy General Manager;
- the Human Resources Department;
- the Department of Administration, Finance, Planning and Control, headed by the Central Manager;
- the Control Functions (Internal Audit, Compliance, Risk Management, Actuarial Function).

Shareholders' Meeting

As prescribed by current regulations and by the By-Laws, the Shareholders' Meeting, with regard to remuneration matters:

- annually approves the remuneration policies submitted 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, upon proposal of the Board of Directors.

Board of Directors

As prescribed by current regulations and by the By-Laws, the Board of Directors, with the support of the Appointment 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 and 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 Law on Finance and of ISVAP Regulation no. 39.

Board of Statutory Auditors

The Board of Statutory Auditors provides opinions required by applicable legislation on the proposals of remuneration for Directors vested with particular roles under Article 2389(3) of the Italian Civil Code.

Appointment and Remuneration Committee

Under Article 14 of the By-Laws, the Board of Directors has established the Appointment and Remuneration Committee within its ranks.

As of 31 December 2016, the Appointments and Remuneration Committee consists of the following members:

Lodovico PASSERIN d'ENTREVES	Independent non-executive Chairman
Luca Paveri FONTANA	Non-executive
Maria Antonella MASSARI	Independent non-executive
Giuseppe SPADAFORA	Independent non-executive

As 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 executives with strategic responsibilities.

In particular:

- (a) making proposals or expressing opinions to the Board of Directors for the remuneration of executive Directors, the Managing Director, Directors holding specific offices, as well as for the definition of performance objectives related to the variable remuneration component;
 - (b) making proposals to the Board, on the advice of 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;
 - (c) defining, by internal Regulations, the criteria and dimensions of the variable component 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, while monitoring the actual attainment of performance targets;
 - verifying the proportionality of the remuneration of executive directors to each other and to the personnel;
 - periodically evaluating the adequacy, overall consistency and concrete enforcement of the remuneration policy, relying, for executives with strategic responsibilities, on the information provided by the Managing Director, formulating proposals on this matter to the Board.

Managing Director

The Managing Director, as responsible for the Company's management, shall carry out the following tasks pertaining to the remuneration policy, with the concurrence of the Appointment and Remuneration Committee for matters under its purview and through the Department of Services and Real-Estate headed by the Deputy General Manager for implementation purposes:

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

Department of Services and Real-Estate – Human Resources Department

The Department of Services and Real-Estate headed by the Deputy General Manager supports the Managing Director in defining the objectives of personnel requirements, the assessment methods and criteria, professional and economic development of human resources, in line with the strategic and operational objectives of the Company.

In particular, as for remuneration, the Department of Services and Real-Estate, through the Human Resources Department, has the following duties:

- implementing and managing programs of evaluation, professional development and career 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 the method to assign and verify the Staff's individual, departmental and corporate targets in terms of quality and quantity.

Department of Administration, Finance, Planning and Control

The Department of Administration, Finance, Planning and Control, headed by the Central Manager, is involved in the process of identification of performance indicators and related target values.

It is also involved in checking the attainment of assigned targets, by communicating and certifying the identified indicators to the Human Resources Department.

Control Functions

The Remuneration Policy adopted by the Company is audited once a year by the Control Functions, in compliance with the principles of independence:

- the Internal Audit Department audits the proper application of policies established by the Board and their adherence to the Board's guidelines;
- the Compliance Department ensures that the policies comply with regulations applicable to the Company and reports any legal and reputational risks resulting from an incorrect implementation of regulations to Senior Management;
- the Risk Management Department is involved in the identification of risk takers and risk indicators in the definition of performance targets, and evaluates the overall consistency of the remuneration policies with the risk appetite defined by the Board of Directors.

Control Functions carry out above checks within the scope of their duties, and report the results of the audits performed to the Board of Directors, through the relevant 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(2) of ISVAP Regulation no. 39, is enclosed herewith.

4. Identification of Risk Takers

Risk Takers are identified pursuant to Article 2(1)(f) of ISVAP Regulation no. 39/2011, i.e. "managing directors, executives with strategic responsibilities, managers and senior personnel of the control functions and the other categories of personnel, whose activity can have a significant impact on the company risk profile."

The Company performs an overall mapping of risks, identifying the most significant risks to which the Group is exposed, i.e. those risks whose consequences may undermine its solvency or represent a serious obstacle to the achievement of predetermined objectives.

Risk categories that are included in the Solvency Capital Requirement calculation, as defined in the Standard Formula framework of Solvency II, and that were considered to identify the Risk Takers are:

- Underwriting Risk (Life & Non Life);
- Market Risk;

- Credit Risk;
- Operational Risk.

The process to identify the Risk Takers provided for the following steps:

- identification of risks, to which the Company is exposed, by the Head of the Risk Management Function;
- shared evaluation by Human Resources Department and the Head of the Risk Management Function of categories of personnel that, by delegations and powers, may affect the risks to which the Company is exposed, and identification of the related impact level;
- verification of organizational weight and total remuneration of the personnel involved;
- identification of the perimeter;
- certification of control functions and final validation by the Control and Risk Committee;
- sharing with the Appointment and Remuneration Committee within the process of definition and drafting of the remuneration policy;
- approval by the Board of Directors within the process of approval of the remuneration policy.

For the financial year 2017, following Risk Takers were identified:

- the Managing Director;
- the Co-General Manager (Life, Commercial and Marketing);
- the Deputy General Manager (Non-Life);
- the Deputy General Manager (Services and Real-Estate);
- the Central Manager (Administration, Finance, Planning and Control);
- the Central Manager (Claims);
- the Central Manager (Commercial Department);
- the Central Manager (IT Systems);
- the Head of Finance Division;
- the Head of Actuarial Technical Analysis;
- the Head of Life Division;
- the Head of Motor Underwriting Division;
- the Head of Non-Motor Underwriting Division;
- the Head of Real-Estate;
- the Head of Internal Audit;
- the Head of Risk Management and Actuarial Function;
- the Head of Compliance and Anti-Money Laundering;

For a total of 17 people.

5. Remuneration of the Board of Directors

As for the remuneration of the Board of Directors, Article 15 of the By-Laws requires that:

- 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 Chairmen, Deputy Chairmen and Managing Directors, as well as any Directors with specific duties shall be determined by the Board of Directors after consulting the Board of Statutory Auditors.

The allocation of compensation, established by the Shareholders' Meeting, to Directors shall be approved by the Board based on the proposal of the Appointment and 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 for the performance of 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 Appointment and Remuneration Committee, the Board shall also establish fixed remuneration for the Chairmen, Deputy Chairmen and Managing Director on the basis of the position held and according to parameters used in the reference market.

No remuneration tied to the Company's operating results is provided for the Chairmen, Vice Chairmen and non-executive Directors holding no corporate offices.

Non-executive Directors holding no corporate offices are not entitled to non-monetary benefits. The Managing Director, in addition to the aforesaid fixed compensation, shall receive variable remuneration, determined on the basis of the achievement of predetermined targets, according to terms and conditions under Paragraph 7 below.

For Chairmen, Vice Chairmen and Managing Directors, as required for the Executives with strategic responsibilities (Senior Management), non-monetary benefits, including insurance coverage similar to those envisaged for Company Managers and a mixed-use company car, are provided for. The possibility to use the Company's guest houses is also provided for.

Directors shall be provided with the insurance coverage for civil liability (D&O Policy) described in Paragraph 13 below.

6. Remuneration of the Board of Statutory Auditors

The remuneration of the Board of Statutory Auditors is established, in accordance with the law and the By-Laws, 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 Paragraph 13 below.

7. Remuneration of Managing Director, Senior Managers and staff identified as "Risk Takers"

7.1 Remuneration Structure

The Board of Directors believes that a proper remuneration policy for the Managing Director, Senior Managers and personnel "whose activity may have a significant impact on the undertaking's risk profile" (so-called "risk-takers"), should be based, consistently with the Company's history, on the following principles:

- ensuring the sound, prudent management of the Company in order to pursue strategic objectives such as the 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, the size and the operations of the Group;

- determining management compensation in such a way as to ensure that the fixed component of compensation is, in all cases, sufficient to remunerate the service performed regardless of the achievement of objectives that entitle the individual to receive a variable remuneration portion 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;
- not giving too much 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 a medium-long term period.

The remuneration of the Managing Director, Senior Managers and personnel falling into the category of “Risk Takers”, given their position and role, is made up of a fixed component and a variable component linked to the attainment of business targets, by directly tying incentives to objectives relating to the Company, to their department, as well as individual objectives, in terms of quality and quantity.

7.2 Fixed Remuneration

The weighting of the fixed remuneration must be such as to attract and retain resources, as well as to reward the role properly, insofar as the variable component is not paid due to failed achievement of individual, departmental or corporate objectives, thereby discouraging behaviours that are not proportional to the degree of risk undertaken by the Company.

The fixed remuneration of the Managing Director is resolved, on an overall annual basis for the entire term of office, by the Board of Directors, upon proposal of the Appointment and Remuneration Committee.

The fixed remuneration of the Co-General Manager and Deputy General Managers is resolved by the Board of Directors, upon proposal of the Appointment and Remuneration Committee, on the basis the indications given by the Managing Director.

For all other categories of staff falling into the category of “risk taker”, the fixed remuneration is proportional to the role held and the responsibilities assigned, also considering the experience and skills required, as well as the quality of contribution in the attainment of business results.

7.3 Variable Remuneration

The variable remuneration is tied to the achievement of business objectives with a direct link between incentives and objectives of the Company, the department and, not least, the individual objectives, in terms of quality and quantity.

The weighting of the variable remuneration component differs based on the possibility to directly affect the outcomes of the Company and the impact that the individual role has on the business.

The variable remuneration is made up of two parts:

- A short-term incentive (“STI”), acknowledged by a monetary bonus payout and subject to the achievement of qualitative and quantitative performance indicators contained in an individual scorecard, and
- A long-term incentive (“LTI”), acknowledged by the assignment of financial instruments, such as Performance Units, solely provided for the Managing Director, the Co-General Manager and the Deputy General Managers.

The variable remuneration component is set as a percentage of the fixed remuneration:

- for the short-term variable component:

- A. not exceeding 100% of the fixed component for the Managing Director;
 - B. non exceeding 100% of the fixed component for the Co-General Manager and Deputy General Managers;
 - C. not exceeding 40% of the fixed component for the Central Managers;
 - D. not exceeding 35% of the fixed component for the other Risk Takers and Managers, including the Heads of the Control Functions.
- for the long-term variable component:
 - A. not exceeding 36,000 Performance Units (for the entire assessment period) for the Managing Director;
 - B. non exceeding 11,000 Performance Units (for the entire assessment period) for the Co-General Manager as well as for the Deputy General Managers.

The value of the Performance Units is described in the Paragraph 7.5 below.

The gross annual remuneration used to calculate the percentage of the fixed compensation due for the short-term variable component is the one as at 1 April of the year on which the plan is started.

In line with the European regulation (Solvency II), the Company requires the staff not to make use of personal hedging or insurance strategies that may alter or undermine the risk alignment effects embedded in the variable remuneration mechanisms.

The Managing Director, after consulting the Appointments and Remuneration Committee, can identify corporate figures for which, depending on the role and tasks attributed, it may be appropriate providing for the integration of the employment contract with inclusion of non-competition agreements or with "input bonus payment" at the beginning of employment, with maximum percentage of the fixed component consistent with its category.

7.4 Short-Term Incentive Plan

The Short-Term Incentive Plan aims at linking incentives to the performance of the individual recipients and the Company as a whole, by:

- defining an overall budget (Funding pool) for bonus payment to above population (and the other managers of the Company not identified as Risk takers) linked to outcomes of the Company providing a maximum cap for possible bonuses;
- identifying a minimum threshold of Company result (Gate), below which, regardless of the results of the individuals, no bonus will be paid;
- evaluating each performance achieved by the individual participants to the incentive plan compared to the objectives assigned in the scorecards.

Possible scorecard objectives include, but are not limited to:

- COMPANY OBJECTIVES
 - a. Technical Result;
 - b. Solvency II ratio.
- DEPARTMENT OBJECTIVES
 - a. expenses ratio;
 - b. motor business loss ratio;
 - c. non-motor business loss ratio;
 - d. number of complaints;
 - e. number of penalties.
- INDIVIDUAL OBJECTIVES
 - a. project activities;
 - b. compliance with rules and regulations;
 - c. customer management efficiency.

Access Gate for the short-term variable incentive plan and definition of funding pool

Within the multi-year business plan of the Company, accrual of the short-term variable component is subject to the attainment of a pre-set minimum level of performance whilst maintaining the level of risk taken by the Company below a tolerable threshold. With reference to financial year 2017, the access gate for the short-term incentive plan is defined by the interaction of two indicators: the overall Technical Result (Life & Non-Life) compared to the value set forth in the annual budget, approved by the Board of Directors, and the Solvency II ratio aligned with the Risk Appetite Framework.

If the Gate is achieved, the overall maximum amount of the variable remuneration is 4% of above technical result provided for in the annual budget, with percentage modulation to be paid based on achievement and Solvency II ratio.

Based on the 2017 budget approved by the Board of Directors, the percentage of 2017 total Technical result destined for the payment of the variable component is determined according to this table:

Technical Result Budget FY 2017: **Euro 95 million**

Funding Pool for Short-Term Variable Component			
Actual technical result vs budget	SII ratio < 140%	SII ratio >= 140%	Funding Pool M€
>= 70% (€66.5 ml)	0%	2.50%	1.663
>= 80% (€76.0 ml)	0%	3.00%	2.280
>= 90% (€85.5 ml)	0%	3.50%	2.993
>= 100% (€95.0 ml)	0%	4.00%	3.800

Table 1: synthetic chart of levels of Funding pool in relation to the achievement of adequate levels of performance and financial solidity.

Short-Term Variable Component (% of RAL)				
	SII ratio < 140%		SII ratio >= 140%	
Actual technical result vs budget	All	MD, CGM, DGM	CM	Other Risk Takers and Managers
>= 70% (€66.5 ml)	0%	50%	20%	18%
>= 80% (€76.0 ml)	0%	60%	26%	22%
>= 90% (€85.5 ml)	0%	80%	32%	28%
>= 100% (€95.0 ml)	0%	100%	40%	35%

Table 2: synthetic chart of the variable component for Risk Takers in relation to the achievement of adequate levels of performance and financial solidity.

The maximum amount destined for the payment of the short-term variable component is Euro 3.800 million. The Board of Directors, upon proposal of the Appointment and Remuneration Committee, approves the breakdown of the overall amount destined for the payment of the short-term variable component. This maximum amount includes also short-term variable components for managers that are not identified as risk takers (see Paragraph 9.4).

For any Managers recruited or appointed during the year, the Managing Director identifies the variable remuneration on a pro rata temporis basis, within the Funding Pool defined.

Payment of Short-Term Incentive Plan

If access gate is exceeded, and objectives assigned are achieved, a bonus is provided in cash and is spread out over three years, based on the following criteria:

- 50% of the bonus is paid after approval of the financial statements for the reference year by the Shareholders' Meeting, within May;
- 50% is differed, and 20% is paid in the second year, 15% in the third year, and the remaining 15% in the fourth year after the year of assessment.

The variable remuneration components are subject to the Malus and Clawback Clauses described in the Paragraph 10.

7.5. Long-Term Incentive Plan

The Long-term Incentive Plan is a multi-year pay system, based on the achievement of risk-adjusted corporate performance objectives, destined for the Managing Director, the Co-General Manager and the Deputy General Managers. Payments are made by means of financial instruments.

Access Gate for long-term variable remuneration

Within the multi-year business plan of the Company, accrual of the long-term variable remuneration component of the Managing Director, Co-General Manager and Deputy General Managers is subject to the achievement of a predetermined minimum level of performance whilst maintaining an appropriate financial solidity. With reference to the three year period 2017-2019 (Vesting Period), the actual maximum percentage of long-term variable remuneration to be assigned to the personnel concerned varies according to the achievement of a ROE average value calculated over the three-year performance period of the plan, approved by the Board of Directors, when an adequate level of Solvency II ratio aligned with the Risk Appetite Framework is reached.

If the Gate is achieved, the overall maximum amount of the long-term variable remuneration is Euro 884,000, with amount modulation based on the achievement of the average ROE and SII ratio indicators, as outlined in Table 3.

The maximum weight of the long-term variable remuneration, for each participant, does not exceed 53% of the gross annual remuneration at 1st April 2017, year on which the plan is started.

Long-Term Variable Component (number of units)			
	SII ratio as at 31.12.2019 < SII ratio target (RAF)	SII ratio as at 31.12.2019 >= SII ratio target (RAF)	
Average ROE 2017 – 2019	All	MD	CGM, DGM
>= 8.0%	0	18,000	5,500
>= 8.5%	0	27,000	8,500
>= 9.0%	0	36,000	11,000

Table 3: synthetic chart of long-term variable component in relation to achievement of adequate levels of performance and financial solidity.

Payment of Long-Term Variable Remuneration

Long-term remuneration of the Managing Director, Co-General Manager and Deputy General Managers is paid in the form of financial instruments, Performance Units, in order to link incentives to the long-term value-creation and check continuous corporate results.

The Performance Units Plan provides for the assignment – subject to the achievement of predetermined objectives and related accrual of rights – of the bonus at the end of the next three-year period following the approval of the financial statements by the Shareholders' Meeting.

The value of the Performance Units is indexed by the value of the Company's ordinary share, its value being set at the launch of the plan. Any change in the share price will result in a proportional change in the units.

The Initial Value (IV) is set by the average daily stock price of the Company share in December 2016, that equals to Euro 9.856.

The Final Value (FV) is set by the average daily stock price of the Company share in December 2019.

The value of the long-term variable component vested equals to the number of units assigned multiplied by the Final Value (FV), with limitations under Table 4:

Final Value Formula	
FV/IV	FV=
<0.9	0
0.9 - 1.3	FV
> 1.3	1.3 IV

Table 4: synthetic chart of the calculations in relation to final payout of the long-term variable component

The Performance Units are subject, after assignment, to a first one-year deferral period for the purposes of retention and alignment to the results, with the entire bonus paid in the further following financial year (2021).

To ensure that Executive Directors and strategic executives' interests are aligned with the shareholders' interests, the plan requires recipients to re-invest a share of 10% of the bonus accrued in Vittoria Assicurazioni S.p.A. shares:

- Up to the end of the term of office in case of the Managing Director;
- For a maximum of three years in case of executives with strategic responsibilities.

The variable remuneration components are subject to the Malus and Clawback Clauses described in the Paragraph 10.

For more details, please refer to the Information Document relating to the plan deposited at the registered office of the Company, on the Company website www.vittoriaaassicurazioni.com, on the storage mechanism "eMarket Storage" (www.emarketstorage.com), as well as at Borsa Italiana S.p.A.

8. Remuneration of the Heads of Control Functions

For the heads of the Control Functions, there is no variable remuneration, i.e. the component of compensation provided on the basis of results achieved by the Company. However, as permitted by Article 20(2) of ISVAP Regulation no. 39/2011, without prejudice to the principle of

a higher incidence of the fixed component on the variable remuneration component, it is deemed fair and appropriate to provide that the managers of the control functions are beneficiaries of bonuses linked to the achievement of defined objectives based on the specific activities of each function and connected to the effectiveness and quality of the control action, with the exclusion of any economic and financial performance indicator, which is a potential source of conflicts of interest, notwithstanding the achievement of the access gates to the short-term variable incentive plan. The bonuses are defined as 35% of the fixed component.

The Control and Risk Committee is in charge of the assessment of the achievement of the objectives, as it assists the Board of Directors in carrying out duties related to the internal control system. In particular, it assesses the adequacy, efficiency and effective operation of the internal control system. To this end, the heads of the control functions 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 Internal Audit is determined by the Board of Directors.

9. Remuneration of Managers (not identified as Risk takers)

9.1 Remuneration Structure

In line with above provisions for top management and, in general with conditions already outlined for the population falling into the category of the so-called “risk takers”, the remuneration policy is based, consistently with the Company’s history, on the following principles:

- ensuring the sound, prudent management of the Company in order to pursue strategic objectives such as the 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, the size and the operations of the Group;
- determining management compensation in such a way as to ensure that the fixed component of compensation is, in all cases, sufficient to remunerate the service performed regardless of the achievement of objectives that entitle the individual to receive a variable remuneration portion as calculated below, ensuring a proper balance between the fixed and variable components;
- not giving too much 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 a medium-long term period.

9.2 Fixed Remuneration

The fixed remuneration of Managers is determined upon recruitment or promotion and can be periodically reviews in consideration of the personal or function performance, of new responsibilities or the trend of the insurance remuneration market related to the position held by the individual.

The weighting of the fixed remuneration must be such as to attract and retain resources, as well as to reward the role properly, insofar as the variable component is not paid due to failed achievement of individual, departmental or corporate objectives, thereby discouraging behaviours that are not proportional to the degree of risk undertaken by the Company.

9.3 Variable Remuneration

The variable remuneration is tied to the achievement of business objectives with a direct link between incentives and objectives of the Company, the department and, not least, the individual objectives, in terms of quality and quantity.

Specifically, a variable remuneration remuneration is acknowledged by monetary bonus payout that is connected to the achievement of qualitative and quantitative performance objectives contained in an individual scorecard that is subject, on an annual basis, to the Managing Director for approval.

The variable component can reach a maximum percentage of 35% of the fixed component.

In line with the European regulation (Solvency II), the Company requires the staff not to make use of personal hedging or insurance strategies that may alter or undermine the risk alignment effects embedded in the variable remuneration mechanisms.

The Managing Director, after consulting the Appointments and Remuneration Committee, can identify corporate figures for which, depending on the role and tasks attributed, it may be appropriate providing for the integration of the employment contract with inclusion of non-competition agreements or with "input bonus payment" at the beginning of employment, with maximum percentage of the fixed component consistent with its category.

9.4 Short-term Incentive Plan

The Short-term Incentive Plan aims at linking incentives to the performance of the individual recipients and the Company as a whole, by:

- defining an overall budget for the bonus payment to executive population identified as Risk Taker and not identified as Risk Taker, linked to outcomes of the Company providing a maximum cap for possible bonuses;
- identifying a minimum threshold of Company result, under which, regardless of the results of the individuals, no bonus payout is provided for;
- evaluating each performance achieved by the individual participants to the incentive plan compared to the objectives.

Access Gate for the short-term variable incentive plan and definition of funding pool

Within the multi-year business plan of the Company, accrual of the short-term variable component is subject to the attainment of a pre-set minimum level of performance whilst maintaining the level of risk taken by the Company under a tolerable threshold. With reference to financial year 2017, the access gate for the short-term incentive plan (as described in Paragraph 7.4 above) is defined by the interaction of two indicators: the overall Technical Result (Life & Non-Life) compared to the value set forth in the annual budget, approved by the Board of Directors, and the Solvency II ratio aligned with the Risk Appetite Framework.

If the Gate is achieved, the overall maximum amount of the variable remuneration is 4% of above technical result provided for in the annual budget, with percentage modulation to be paid based on achievement and Solvency II ratio.

Based on the 2017 budget approved by the Board of Directors, the percentage of 2017 total technical result destined for the payment of the variable component is determined based on Table 1 and 2 under Paragraph 7.4.

The maximum amount destined for the payment of the short-term variable component is Euro 3.800 million. The Board of Directors, upon proposal of the Appointment and Remuneration Committee, approves the breakdown of the overall amount destined for the payment of the short-term variable component. This maximum amount includes also short-term variable components for managers that are not identified as risk takers (see Paragraph 7.4).

For any Managers recruited or appointed during the year, the Managing Director identifies the variable remuneration on a pro rata temporis basis, within the Funding Pool defined.

Payment of Short-Term Incentive Plan

If access gate is exceeded, and objectives assigned are achieved, a bonus is provided in cash and is spread out over three years, based on the following criteria:

- 50% of the bonus is paid after approval of the financial statements for the reference year by the Shareholders' Meeting, within May;
- 50% is deferred, and 20% is paid in the second year, 15% in the third year, and the remaining 15% in the fourth year after the year of assessment.

The variable remuneration components are subject to the Malus and Clawback Clauses described in the Paragraph 10.

10. Malus and Clawback Clauses

In order to define a remuneration policy that complies with regulatory provisions, the Board, upon proposal of the Appointment and Remuneration Committee, intends to propose the adoption of rules providing for non-payment of partial or total variable remuneration component if following conditions apply:

- a) non-achievement of pre-set Gate objectives within the individual financial year and within the medium-term plan;
- b) significant deterioration in the Company's assets or financial position, providing for the possibility to review a part of the variable remuneration;
- c) payment of the deferred part is subject to the achievement, in the financial year preceding the payout year, of a distributable profit and an adequate level of financial solidity (SII ratio higher or equal to SII ratio target - RAF).

In the event of wilful misconduct or gross negligence, whereby it should be later found that results were unsustainable or even not really achieved, or in case of significant deterioration of the risk profile, partial or total variable component shall be paid back, without prejudice to any another action. The Board of Directors, upon proposal of the Appointment and Remuneration Committee, shall check and assess whether the conditions under the clawback clause exist.

It is understood that for employees who terminate their work relationship for retirement or for reasons beyond their control (including cases of temporary inability and death), payment of the accrued and allocated variable component will be made (except as provided in the previous paragraph).

If employees resign voluntarily, the variable component accrued but not yet recognized is not paid, subject to an assessment of the specific reasons that led to an interruption in the employment relationship, and also taking into account the duration of the relationship and the achievement of pre-established objectives.

In all other cases of resolution of the employment relationship or termination of the term of office, assessment is to be performed by the Appointment and Remuneration Committee.

The Appointment and Remuneration Committee is involved in the decision-making process and expresses its opinion on the evaluation of the other cases of resolution of the employment relationship or termination of the term of office, the cases of non-payment of total or partial variable component for the reasons under above a) and b), if any variable part is to be paid back, and in case of voluntarily resignation by the corporate top managers.

11. Non-Monetary Benefits of Senior Management and 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.

In accordance with the market practice, the Company's Managers are recipients of an integration of social security contributions and non-monetary benefits linked to additional insurance coverage in case of death from any cause, critical illness, and long-term care.

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 a mixed use company car.

Managers with specific powers shall be provided with the insurance coverage for civil liability (D&O Policy) described in Paragraph 13 below.

12. Indemnity at the Expiration or Termination of the Employment Relationship

Currently, even with regard to Directors, Senior Management and executives with strategic responsibilities there are no:

- 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 (additional to the labour national collective agreement):
- agreements for non-competition obligations.

13. D&O Policy

Following the authorisation by the Shareholders' Meeting of April 24, 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 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 Officer, Managers with specific powers in relation to acts carried out in relation to the offices held, the delegations received, the duties assigned, within the limits of their powers and in compliance with laws, provisions, regulations and also with the procedures adopted by the Company. Coverage shall only be valid if perpetrators of the violations have acted without intent.

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

Vittoria Assicurazioni S.p.A. operates throughout Italy with a traditional distribution network consisting of over 429 contract agencies at 31 December 2016 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 reaching a proper balanced

underwriting in order to achieve sufficient profits over the medium and long term, and growth in the portfolio's value.

Outsourcing activities, including those deemed significant and essential, is governed by a special policy issued pursuant to ISVAP Regulation no. 20/2008, subject to an annual review, as well as to an implementing organizational disposition.

When significant and essential activities are outsourced, and in all cases when payments are higher the amounts specified in aforementioned procedure, in addition to the selection criteria that apply to all suppliers, suppliers must, in all cases, satisfy the requirements of professionalism, integrity and economic capacity as detailed in the procedure.

15. Remuneration of (Non-Management) Personnel

As at 31 December 2016, the total number of Vittoria Assicurazioni employees was 542, spread out among the registered offices in Milan and the other operating units throughout Italy.

Staff could be broken down as follows: 371 office workers up to CCNL level 6; 145 middle managers; 25 senior managers.

In addition to the full application of the schedule parameters and benefits under the National Collective Labour Agreement concluded between ANIA and the industry unions and under the Company-level Supplemental Agreement (CIA) concluded 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 Department – HR Development, 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 primarily based on merit, evaluated in accordance with Senior Management.

Each year, all unit/office heads are involved in an assessment process for staff performance, initiated and handled by HR Development: the process provides that a performance assessment form is filled in for each employee and is shared between the Manager and the employee.

The assessment is 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 HR Development.

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

- *una tantum* payment, mainly based on an exceptional performance level (they are not calculated according to economic parameters tied to company profitability 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 growth of the resource.

In order to enable the non-management personnel to achieve the objectives of the Company, and to align and drive the individual behaviour towards corporate objectives, incentive systems have been structured so that resources may access a variable compensation.

All incentive systems adopted by the Company provide for the achievement of a common formalized Company's objective which is the same one used to determine the variable part of the remuneration of the Managing Director, the Senior Managers and other Managers: the overall technical result (Life and Non-Life), along with an adequate Solvency II ratio (gate requirement – Paragraph 7.4).

It is expected that there is no entitlement to the variable compensation when the value of Solvency II ratio is lower than the threshold value of 140% or the final technical result is less than 70% of the technical result value as set forth in the annual budget (gate requirement – Paragraph 7.4).

But the access gate to the incentive system is considered achieved, being entitled to the variable remuneration component linked to the attainment of the objectives assigned, when the value of Solvency II ratio is higher or equal to the threshold value of 140% along with a final technical result that is equal to or higher than 70% of the technical result value as set forth in the annual budget (gate requirement – Paragraph 7.4).

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 Heads of the claims network, for Claims Liquidators, i.e., those involved in the settlement of motor and non-motor business claims in operating units (Claims Inspectorates) throughout Italy (108 employees), and for Commercial Supervisors (Life and Non-Life Business), their Area Coordinators and for Technical Supervisors (37 employees as a whole) 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 Actuarial Technical Analysis Department and the Human Resources Department – HR Development, and is aimed at achieving objectives that are particularly significant for the Company.

The objectives, which are mainly quantitative and defined based on the specific activities of each function, but can also take into account quality parameters, are identified through a decision-making process involving the following organizational units:

- Human Resources Department – HR Development;
- Central Department of Administration, Finance, Planning and Control – Actuarial Technical Analysis;
- Central Claims Department – Claims Inspectorates;
- Central Commercial Department – Commercial Supervisory Network;
- Non-Life Deputy General Management – Non-Motor Undertaking Division.

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. Limits range from a minimum 8% to a maximum 30% of the RAL (fixed gross remuneration).

Within an increasingly objective-focused resources approach with the aim of providing more transparent and shared the objectives assigned, during 2013 the Company started to design and plan the introduction of an incentive system that, after an initial test phase carried out during 2014, has been gradually extended to other business functions.

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

The incentive system, which in 2016 involved about 300 resources and that in 2017 plans to involve up to a total of 335 resources, provides for the assignment of one or more group objectives (related to the attainment of one or more objectives assigned to the unit the resource belongs to) and of one or more individual goals (related to the attainment of one or more personal objectives assigned to each individual).

A maximum incentive limit is set for each of these objectives. Limits range from a minimum range of 3% to a maximum 20% of the RAL (fixed gross remuneration).

The variable amount is paid to all participants in the incentive system in the calendar year subsequent to the reference year, within May, if they are included in the staff upon payment.

It is understood that for employees who terminate their work relationship for retirement or for reasons beyond their control (including cases of temporary inability and death), payment of the accrued and allocated variable component will be made.

If employees resign voluntarily, 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.

16. Companies of Vittoria Assicurazioni Group

The Board of Directors empowers the Managing Director to ensure the overall consistency of the Group's remuneration policies in order to ensure compliance with the principles set forth herein for all Group companies, as well as to verify their correct application.

The Appointment and Remuneration Committee assists the Managing Director in developing proposals for the remuneration of Directors, the Chairman, the Managing Director and the General Manager of the subsidiary companies.

Section Two: Implementation of the Remuneration Policy in the year 2016

Part I

This section details compensation paid during the FY 2016 to Directors, Statutory Auditors and the General Manager and, in a combined form, to Executives 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 associated companies.

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

1. Non-Executive Directors

The Ordinary Shareholders' Meeting of 27 April 2016 which appointed the Board of Directors in office for the 2016, 2017 and 2018 financial years, set the Board's total gross remuneration at € 1,100,000 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 By-Laws, this amount does not include compensation for Directors with specific duties.

The Board of Directors, in the meeting held on 11 May 2016, upon proposal of the Appointment and Remuneration Committee, therefore resolved to divide the amount specified by the Shareholders' Meeting as follows:

- € 30,000 for each Director, for a total amount of € 450,000;
- € 10,000 for the Chairman of the Appointment and Remuneration Committee and € 7,000 for the other three members, for a total amount of € 31,000;
- € 25,000 for the Chairman of the Control and Risk Committee and € 15,000 for the other two members of the same Committee, for a total amount of € 55,000;
- € 7,000 for each member of Related-Party Committee, for a total amount of € 21,000;
- € 7,000 for each member that does not hold corporate offices of the Finance Committee, for a total amount of € 28,000;
- € 7,000 for each member that does not hold corporate offices of the Real Estate Committee, for a total amount of € 35,000;
- € 7,000 for each member that does not hold corporate offices of the Strategies Committee, for a total amount of € 14,000;
- € 150,000 for Mr. Luca Paveri Fontana in relation to the task assigned on the Finance Committee;
- € 220,000 and the company car use to Mrs. Adriana Acutis Biscaretti di Ruffia in relation to duties assigned on the Finance Committee and Real Estate Committee;
- € 10,000 to Mrs. Giuseppe Spadafora in relation to the task of coordinating the information flows between the Control and Risk Committee and the Finance Committee.

Therefore, a sum of € 86,000 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 that do not hold corporate offices.

2. Directors with Specific Duties

In accordance with Article 15 of the By-Law, the Board of Directors, upon proposal of the Appointment 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:

- € 80,000 to the Chairman Emeritus;
- € 700,000 to the Chairman;
- € 900,000 to the Deputy Chairman (compensation established only till April 2017).

The Chairman Emeritus Mr. Carlo Acutis, the Chairman Andrea Acutis, the Deputy Chairman Roberto Guarena do not benefit from an incentive-based remuneration tied to their office.

As senior manager of the Company till 13 May 2016, Chairman Andrea Acutis received remuneration tied to the employment contract, consisting of a fixed part. In 2016, on the basis of the results achieved in 2015, Chairman Acutis received a variable compensation of € 100,000.

In addition to the fixed compensation, Mr. Roberto Guarena, who held the office of Managing Director till 27 April 2016, received in 2016 an additional amount of variable compensation of € 793,600. This was calculated on the basis of the remuneration program approved by the Shareholders' Meeting of 24 April 2015 for the results achieved in 2015. Mr. Roberto Guarena, in consideration of the termination of the term of office, received the whole variable remuneration accrued in previous years and deferred, for a total amount of Euro 534,348.

For Directors with specific duties (Chairman Emeritus, Chairman and Deputy Chairman), as required for the General Manager and the Executives with Strategic Responsibilities (Senior Management), non-monetary benefits, including the mixed-use company car and insurance policies, are provided for. The possibility to use the Company's guest houses is also provided for.

3. Statutory Auditors

The Ordinary Shareholders' Meeting held on 27 April 2016, which appointed the Board of Statutory Auditors for 2016, 2017 and 2018, set the Board's gross annual compensation as follows: € 90,000 for the Chairman of the Board of Statutory Auditors and € 60,000 for each Standing Statutory Auditor, and the refund of the 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 associated companies.

4. General Manager and Executives with Strategic Responsibilities (Senior Management)

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

In particular, fringe benefits include a mixed use 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 2016 an additional amount of variable compensation of € 753,920 was assigned. This was calculated on the basis of the remuneration program approved by the shareholders' meeting of 24 April 2015 for the results achieved in 2015, and is comprised as follows: € 452,352 paid during 2016; € 150,784 to be paid in 2017 and € 150,784 to be paid in 2018.

Within the maximum amount set in the incentive compensation plan for the year 2015, during the 2016 all Executives with Strategic Responsibilities has been granted a total variable compensation of € 1,110,136.

The only Executive with strategic responsibilities, who had accrued compensation in the previous years and still deferred, given the termination of the employment relationship for retirement, received the whole variable remuneration accrued for a total of € 728,136 (this amount is included in the overall variable compensation of € 1,110,136 under previous paragraph).

The Board of Directors, during its meeting of 15 March 2017, having noticed the achievement of the targets set for the FY 2016, has also granted the General Manager and the Executives 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 27 April 2016. The relevant amounts will be paid on or before May 2017 and are shown in Table no. 2 of Part II of this Section Two.

Part II

The report outlines the compensation related to FY 2016 for Directors, Statutory Auditors and the General Manager, as well as combined compensation paid to Executives with strategic responsibilities, using the schedules specified in Schedule 7-bis by Annex 3 of the Issuers Regulation, in addition to investments in the companies owned by the same individuals as specified in Schedule 7-ter of the aforementioned Annex 3.

In this regard, it should be noted that:

- In the table 1 entitled “**Compensation paid to members of administrative and control bodies, the General Manager and other Executives with strategic responsibilities**” (Table 1 of Schedule 7-bis, Annex 3 of the Issuers 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 Issuers 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 Executives with strategic responsibilities**” (Table 3-bis of Schedule 7-bis, Annex 3 of the Issuers Regulation) reports bonuses accrued according to the remuneration policies approved in 2014, 2015 and 2016.

Table 1

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

Name and surname	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in Committee	Variable compensation in non equity: bonuses and other incentives	Non-monetary benefits	Other compensation	Total	Compensation for end of office or termination of employment
	Chairman	27/04/2016	FY 2018							
		31/12/2016								
	Vice Chairman	01/01/2016								
		27/04/2016								
Andrea Acutis	Fees from Vittoria Assicurazioni			Board membership	28,388 Strategies	0				
				Chairman	474,317 Finance	0				
				Vice Chairman	12,896 Real Estate	0				
				Employees	110,834	100,000	20,474		746,909	
	Fees from subsidiary and associates				1,000				1,000	
	total				627,435	100,000	20,474		747,909	
	Chairman	27/04/2016	FY 2018							
	Emeritus	31/12/2016								
	Vice Chairman	01/01/2016								
		27/04/2016								
Carlo Acutis	Fees from Vittoria Assicurazioni			Board membership	28,388 Strategies	0				
				Chairman Emeritus	54,208 Finance	0				
				Vice Chairman	12,896 Real Estate	0			95,492	
	Fees from subsidiary and associates								0	
	total				95,492				95,492	
	Vice Chairman	27/04/2016	FY 2018							
		31/12/2016								
	Managing Director	01/01/2016								
		27/04/2016					1,327,948		1,327,948	
Roberto Guarena	Fees from Vittoria Assicurazioni			Board membership	28,388 Strategies	0				
				Vice Chairman	609,836 Finance	0				
				Managing Director	161,202 Real Estate	0			799,426	
	Fees from subsidiary and associates									
	total				799,426		1,327,948		2,127,374	

Table 1

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

Name and surname	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in Committee	Variable compensation in non equity: bonuses and other incentives	Non-monetary benefits	Other compensation	Total	Compensation for end of office or termination of employment
Cesare Caldarelli	Director	27/04/2016 31/12/2016	FY 2018							
	General Manager	01/01/2016 31/12/2016								
	Fees from Vittoria Assicurazioni			Board membership Employees	20,328 Strategies 528,571 Finance Real Estate	0 0 0	698,676 32,912		1,280,487	
	Fees from subsidiary and associates									
	total				548,899	698,676	32,912		1,280,487	
Giorgio Costa	Director	27/04/2016 31/12/2016	FY 2018							
	Chairman	01/01/2016 27/04/2016								
	Fees from Vittoria Assicurazioni			Board membership Chairman	28,388 Finance 25,792 Real Estate 6,000	6,355 6,355			66,891	
	Fees from subsidiary and associates								6,000	
	total				60,180	12,710			72,891	
Adriana Acutis Biscaretti di Ruffia	Director	01/01/2016 31/12/2016	FY 2018							
	Fees from Vittoria Assicurazioni			Board membership Duty assigned	28,388 Finance 168,415 Real Estate 15,000	6,355 6,355			209,514	
	Fees from subsidiary and associates								15,000	
	total				211,803	12,710			224,514	
Marco Brignone	Director	01/01/2016 31/12/2016	FY 2018							
	Fees from Vittoria Assicurazioni			Board membership	28,388 Related Parties	7,161			35,549	
	Fees from subsidiary and associates								0	
	total				28,388	7,161			35,549	

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Name and surname	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in Committee	Variable compensation in non equity: bonuses and other incentives	Non-monetary benefits	Other compensation	Total	Compensation for end of office or termination of employment
Lorenza Guerra Seràgnoli	Director	01/01/2016 31/12/2016	FY 2018							
	Fees from Vittoria Assicurazioni			Board membership	28,388				28,388	
	Fees from subsidiary and associates									
	total				28,388				28,388	
Giorgio Marsiaj	Director	01/01/2016 31/12/2016	FY 2018							
	Fees from Vittoria Assicurazioni			Board membership	28,388				28,388	
	Fees from subsidiary and associates									
	total				28,388				28,388	
Maria Antonella Massari	Director	27/04/2016 31/12/2016	FY 2018							
	Fees from Vittoria Assicurazioni			Board membership	20,328	Appointment-Remuneration	4,743		25,071	
	Fees from subsidiary and associates									
	total				20,328	4,743			25,071	
Marzia Morena	Director	27/04/2016 31/12/2016	FY 2018							
	Fees from Vittoria Assicurazioni			Board membership	20,328	Real Estate	4,743		25,071	
	Compensi da controllate e collegate									
	totale				20,328	4,743			25,071	
Lodovico Passerin d'Enrèves	Director	01/01/2016 31/12/2016	FY 2018							
	Fees from Vittoria Assicurazioni			Board membership	28,388	Appointment-Remuneration	8,388		36,776	
	Fees from subsidiary and associates									
	total				28,388	8,388			36,776	

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

Name and surname	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in Committee	Variable compensation in non equity: bonuses and other incentives	Non-monetary benefits	Other compensation	Total	Compensation for end of office or termination of employment
Luca Paveri Fontana	Director	01/01/2016 31/12/2016	FY 2018	Board membership Duty assigned	28,388 Risk & Control 143,552 Finance Real Estate	15,000 6,355 6,355 6,355			206,005	
	Fees from subsidiary and associates				143,000				143,000	
	total				314,940	34,066			349,005	
Giuseppe Spadafora	Director	01/01/2016 31/12/2016	FY 2018	Board membership Duty assigned	28,388 Risk & Control 6,776 Appointment-Remuneration Related Parties Strategies Finance Real Estate	25,000 4,743 7,161 4,743 6,355 4,743			87,910	
	Fees from subsidiary and associates				2,770				87,910	
	total				37,934	52,746			87,910	
Roberta Urban	Director	27/04/2016 31/12/2016	FY 2018	Board membership	20,328 Risk & Control Related Parties Strategies	10,164 4,743 4,743			39,978	
	Fees from subsidiary and associates				20,328	19,650			39,978	
	total				20,328	19,650			39,978	

Table 1

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

Name and surname	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in Committee	Variable compensation in non equity: bonuses and other incentives	Non-monetary benefits	Other compensation	Total	Compensation for end of office or termination of employment
Francesco Baggi Sisini	Director	01/01/2016 27/04/2016								
	Fees from Vittoria Assicurazioni		Board membership	8,060	Appointment-Remuneration Real Estate	1,612			11,284	
	Fees from subsidiary and associates total			8,060		3,224			11,284	
Fulvia Ferragamo Visconti	Director	01/01/2016 27/04/2016								
	Fees from Vittoria Assicurazioni		Board membership	8,060					8,060	
	Fees from subsidiary and associates total			8,060					8,060	
Bened Gierl	Director	01/01/2016 27/04/2016								
	Fees from Vittoria Assicurazioni		Board membership	8,060					8,060	
	Fees from subsidiary and associates total			8,060					8,060	
Pietro Carlo Marsani	Director	01/01/2016 27/04/2016								
	Fees from Vittoria Assicurazioni		Board membership	8,060	Risk & Control Related Parties	6,448			16,926	
	Fees from subsidiary and associates total			8,060		8,866			16,926	
Anna Strazera	Director	01/01/2016 27/04/2016								
	Fees from Vittoria Assicurazioni		Board membership	8,060	Risk & Control Related Parties	4,836			14,508	
	Fees from subsidiary and associates total			8,060		6,448			14,508	

Table 1

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

Name and surname	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in Committee	Variable compensation in non equity: bonuses and other incentives	Non-monetary benefits	Other compensation	Total	Compensation for end of office or termination of employment
Luigi Guatri	Onorary Chairman	01/01/2016 27/04/2016								
	Fees from Vittoria Assicurazioni			Office	16,120				16,120	
	Fees from subsidiary and associates									
	total				16,120				16,120	
Giuseppe Cerati	Chairman of Statutory Auditors	27/04/2016 31/12/2016	FY 2018							
	Fees from Vittoria Assicurazioni			Office	60,984				60,984	
	Fees from subsidiary and associates									
	total				60,984				60,984	
Giovanni Maritano	Statutory Auditor	01/01/2016 31/12/2016	FY 2018							
	Fees from Vittoria Assicurazioni			Office	56,775	11,000			67,775	
	Fees from subsidiary and associates				47,740	20,000			67,740	
	total				104,515	31,000			135,515	
Francesca Sangjani	Statutory Auditor	01/01/2016 31/12/2016	FY 2018							
	Fees from Vittoria Assicurazioni			Office	56,775				56,775	
	Fees from subsidiary and associates								0	
	total				56,775				56,775	
Alberto Giussani	Chairman of Statutory Auditors	01/01/2016 27/04/2016								
	Fees from Vittoria Assicurazioni			Office	24,180				24,180	
	Fees from subsidiary and associates									
	total				24,180				24,180	
n. 8 managers with strategic responsibilities	Fees from Vittoria Assicurazioni			Employees	1,916,164	1,110,136	164,249		3,190,549	
	Fees from subsidiary and associates				20,200				20,200	
	total				1,936,364	1,110,136	164,249		3,210,749	

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) Plan	(2) Bonus vested in 2016			(3) Bonus of previous years			(4) Other bonus
			(A) Payable in 2017	(B) Deferred	(C) Period of deferment	(A) no more payable	(B) Payable	(C) Deferred	
Cesare Caldarelli	General Manager								
Vittoria Assicurazioni	incentive plan	27 April 2016	600,000						
				300,000	FY 2018				
		24 April 2015		300,000	FY 2019				
		29 April 2014					150,784	150,784	
							146,160		
(III) Total			600,000	600,000			296,944	150,784	
n. 8 managers with strategic responsibilities									
Vittoria Assicurazioni	incentive plan	27 April 2016	205,000						
				102,500	FY 2018				
		24 April 2015		102,500	FY 2019				
(III) Total			205,000	205,000			52,000	0	

Table 3

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

Name	Office	Vittoria Assicurazioni shares	Number of shares held at the end of FY 2015	Number of shares purchased	Number of shares sold	Number of shares held at the end of FY 2016
Acutis Carlo	Chairman Emeritus	through controlled companies	38,864,400	701,342	0	39,565,742
Acutis Andrea	Chairman	directly	117,730	0	0	117,730
Guarena Roberto	Vice Chairman	directly/through family	50,000	0	0	50,000
Acutis Biscaretti di Ruffia Adriana	Director	directly	64,750	0	0	64,750
Brignone Marco	Director	directly	20,000	0	0	20,000
Caldarelli Cesare	Director	through family	11,500	0	0	11,500
Costa Giorgio	Director	directly	50,000	0	2,000	48,000
Marsiaj Giorgio	Director	directly	344,644	0	0	344,644
Paveri Fontana Luca	Director	directly	69,000	0	0	69,000
Baggi Sisini Francesco (*)	Director	through controlled companies	3,850,000	28,000	0	3,878,000

(*) as at 27/04/2016, expiry date of the office

Shareholdings held by managers with strategic responsibilities

Number of Managers	Vittoria Assicurazioni shares	Number of shares held at the end of FY 2015	Number of shares purchased	Number of shares sold	Number of shares held at the end of FY 2016
8 managers with strategic responsibilities	directly/through family	102,000	7,500	2,500	107,000

Section Three: Report by Internal Audit and Compliance

Foreword: Regulatory Framework

The remuneration policy shall be adopted by Vittoria Assicurazioni in accordance with regulations applicable to the same and, in particular, according to ISVAP regulation no. 39/2011 and Solvency II regulations. The Company must also take into consideration the principles and application criteria of the Corporate Governance Code for listed companies approved by the Committee for Corporate Governance and promoted by the Italian Stock Exchange, ABI, Ania, Assogestioni, Assonime and Confindustria to which the Company adheres.

The Company's remuneration policies are described in the report approved by the Board of Directors in accordance with ISVAP regulation no. 39/2011 and art. 123-ter of Legislative Decree no. 58/1998 (Consolidated Finance - TUF).

Article 23 of ISVAP Regulation no. 39/2011 establishes that implementation of remuneration policies must also be subject to an annual audit of internal control departments.

In particular:

- the Internal Audit Department audits the proper application of remuneration policies on the basis of guidelines set by the Board of Directors;
- the Compliance Department ensures that remuneration policies are consistent with the requirements of ISVAP Regulation no. 39/2011, the Articles of Association and other codes applicable to the company or with which it complies in order to prevent and contain legal and reputational risks.

Compliance Control

The Compliance Department examined ex ante the new text of the Remuneration Report to be submitted to the Board of Directors and then the Shareholders' Meeting scheduled for April 28, 2017, in order to ensure that remuneration policies are consistent with regulatory requirements, on the basis of an evaluation method which provides, according to the typical operating modes of the compliance process, the use of a rating scale of four levels of compliance and the association of a score for each of the following levels: "not assessable", "non-compliant", "partially compliant" and "compliant."

Conclusions

The changes applied to the remuneration policy compared to the policy adopted in previous years, implied a review of the underlying logics of the incentive system, and included:

- clarification of criteria for identifying risk takers;
- refining of parameters used to determine the variable component, whose interaction constitutes both the access gate and the criterion to define the overall amount destined for the payment of the variable portion; in particular, in accordance with the Solvency II regulations, the achievement of a minimum level of Solvency II Ratio

aligned with the Risk Appetite Framework has been introduced as condition to access the system;

- the introduction of a long-term incentive plan intended to apical figures;
- explications of the hypothesis of non-payment or repayment of the variable component, introducing the malus and clawback conditions;
- better presentation of criteria aimed at determining the bonuses for the heads of the control functions.

As a result of the evaluations performed, the Compliance Department shall assess the compliance of the remuneration policy with the relevant regulations.

Application Control

As for the correct application of the remuneration policies for the year 2015 relating to the individual positions classified as risk takers, the activity performed allowed to certify:

- the existence of quantitative criteria that determined the maximum amount to be paid for the different categories of risk takers;
- the correct counting of the amount due to each category of risk takers;
- the correct calculation of the amount of variable component for the Managing Director, General Manager and Co-General Manager;
- the correct ratio between fixed and variable component indicated by the Board of Directors and the correct payout for the risk takers on a sample basis;
- the existence of action plans to improve the internal control system (that are being implemented).