



# Vittoria Assicurazioni

SOCIETÀ PER AZIONI  
REGISTERED OFFICES VIA IGNAZIO GARDELLA 2 - 20149 MILAN - ITALY  
SHARE CAPITAL EURO 67,378,924 FULLY PAYD-UP  
FISCAL CODE AND MILAN COMPANIES REGISTER  
NO. 01329510158 - R.E.A. NO. 54871  
COMPANY REGISTERED TO REGISTER OF INSURANCE AND REINSURANCE COMPANIES  
SECTION I NO.1.00014  
COMPANY BEING PART OF VITTORIA ASSICURAZIONI GROUP REGISTERED TO THE REGISTER  
OF INSURANCE GROUP NO.008  
SUBJECT TO THE DIRECTION AND COORDINATION EXERCISED BY THE PARENT COMPANY Yafa S.P.A.

## Report on corporate governance and ownership structures FY 2017

Pursuant to Article 123–bis of the Consolidated Financial Act

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

FY 2017 Report  
Approved by the Board of Directors on 15 March 2018

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



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## GLOSSARY

### **Code/Corporate Governance Code:**

The Corporate Governance Code of listed companies approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

### **Civil Code:**

The Italian Civil Code

### **Private Insurance Code**

Italian Legislative Decree no. 209 of 07 September 2005.

### **Board:**

The Board of Directors of Vittoria Assicurazioni S.p.A.

### **Issuer:**

Vittoria Assicurazioni S.p.A.

### **Financial year:**

The financial year that ended on 31 December 2017

### **CONSOB Issuers Regulation:**

The Regulation issued by CONSOB with Resolution No. 11971 of 1999 (as subsequently amended) on issuers.

### **CONSOB Markets Regulation:**

The Regulation issued by CONSOB with Resolution No. 16191 of 2007 (as subsequently amended) on Markets.

### **CONSOB Related Party Regulation:**

The Regulation issued by CONSOB with Resolution No. 17221 of 12 March 2010 (as amended) on transactions with related party.

### **Report:**

This report on corporate governance and ownership structures that companies are required to prepare pursuant to Article 123-bis of the TUF.

### **Consolidated Law on Finance/TUF:**

Italian Legislative Decree 58 of 24 February 1998.

### **Market Abuse Regulation/MAR**

Regulation (EU) no. 596/2014 of the European Parliament and the Council of 16 April 2014

### **Ivass (formerly ISVAP)**

Italian Insurance Regulator

## EXECUTIVE SUMMARY

### HIGHLIGHTS

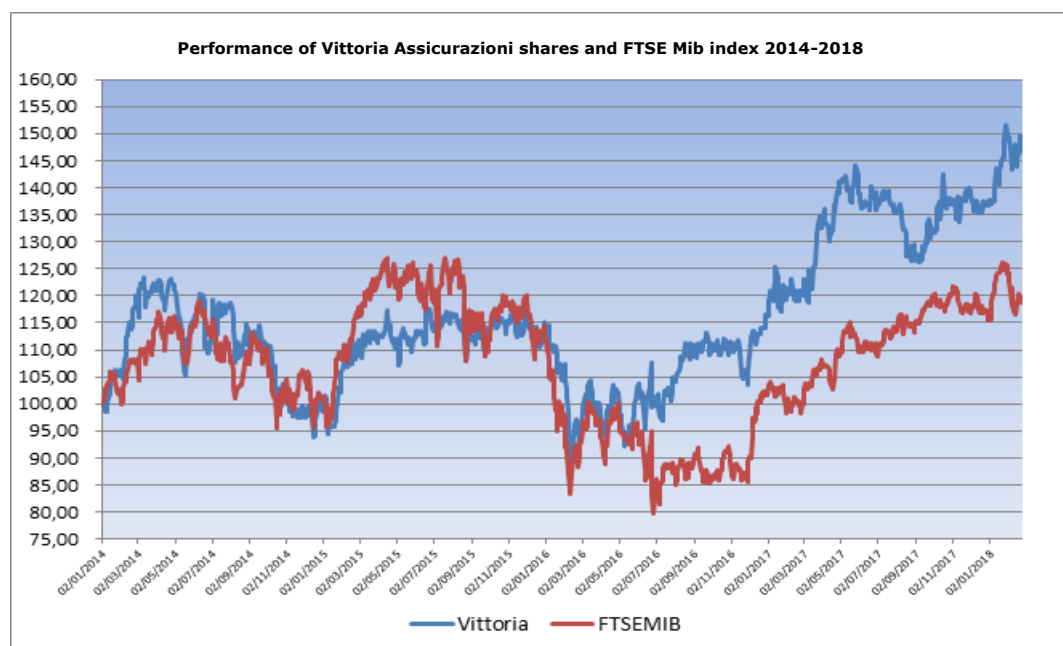
€/million				
Main Key Performance Indicators (Statutory Financial Statements)				
	31/12/2015	31/12/2016	31/12/2017	Δ 2017 - 2016
<b>Non Life business</b>				
Gross Premiums written - direct Non Life business	1.069,1	1.081,1	1.148,1	6,2%
Non Life business technical balance (before transferral of technical profits from investments)	119,6	116,7	112,1	(3,9)%
Net Income Non Life business	66,1	138,5	75,0	(45,8)%
(1) - Loss Ratio (retained)	63,9%	64,6%	65,1%	0,5
(2) - Combined Ratio (retained)	89,1%	89,4%	90,0%	0,6
(3) - Expense Ratio (retained)	24,8%	24,7%	24,5%	(0,2)
<b>Life business</b>				
Gross Premiums written - direct Life business	218,3	189,5	191,1	0,9%
Life business technical balance	0,6	(0,5)	2,2	n.s.
Net Income Life business	0,2	1,0	3,4	n.s.
Total Agencies	413	430	444	14
Average of employees	527	536	540	4
Shareholders' equity	539,2	665,2	729,5	9,7%
ROE	12,9%	23,2%	11,2%	(12,0)

(1) Loss Ratio - retained business: is the ratio of current year claims to current year earned premiums;

(2) Combined Ratio - retained business: is the ratio of (current year claims + operating costs + intangible assets amortization + technical charges) to current year earned premiums;

(3) Expense Ratio -- retained business: is the ratio of (operating costs + intangible assets amortization + net technical charges) to current year gross premiums written;

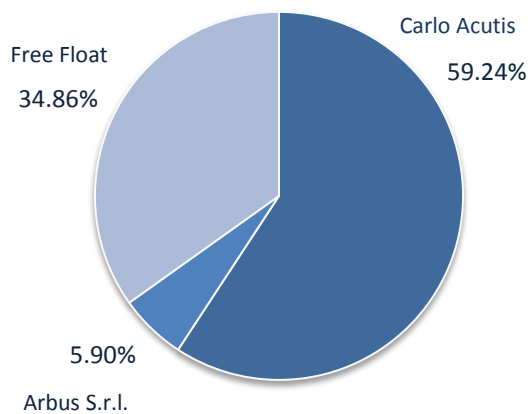
### SHARE PERFORMANCE 2014 – 2017



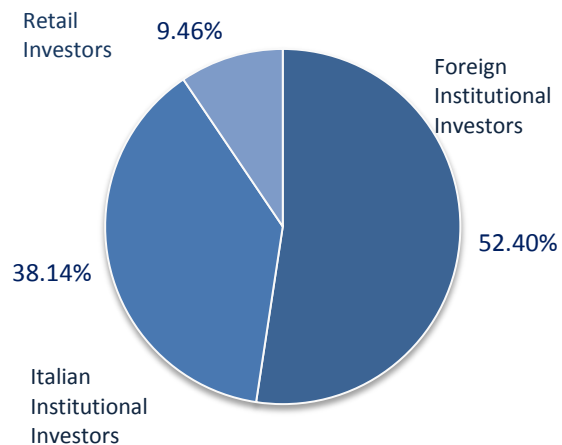
## OWNERSHIP

As at 31 December 2017

### Composition of ownership



### Type of investors in the free float

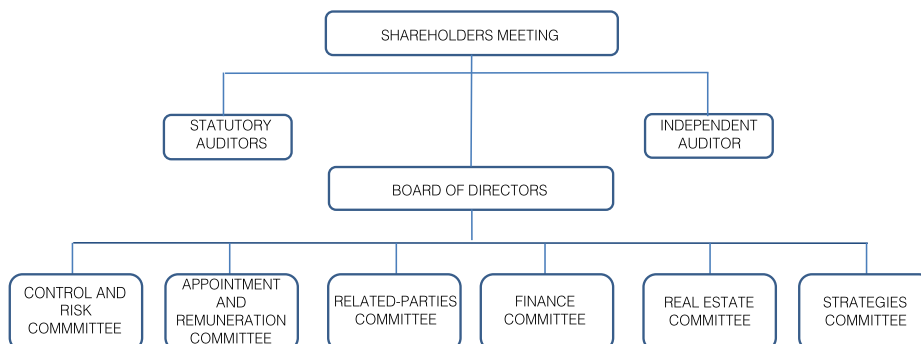


### Other features of ownership

	Yes/No	% of share capital
Shareholders agreement	No	
Increased	No	
Top Management's shareholding	Yes	Not material
Shareholding threshold to submit a list	Yes	2.5%
Italian institutional investor's shareholding	Yes	13.30%
Foreign institutional investor's shareholding	Yes	18.27%



## GOVERNANCE STRUCTURE



## COMPOSITION OF THE BOARD OF DIRECTORS

### Structure of the Board of Directors

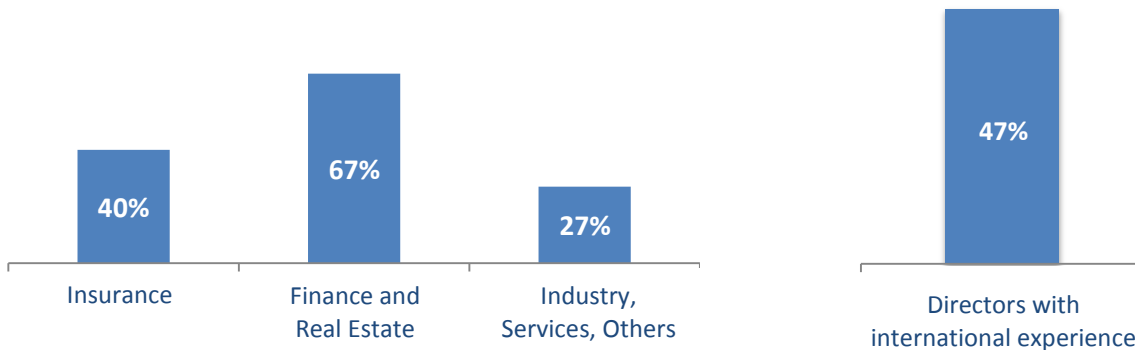
		Exec.	Indep. TUF	Indep. Code	Control and Risk	Appoint. Remuner	Related Parties	Finance	Real Estate	Strateg.
ACUTIS Carlo	Emeritus Chairman	M						X	X	X
ACUTIS Andrea	Chairman	M						P	P	P
GUARENA Roberto	Vice Chairman	M	X							
CALDARELLI Cesare	Manging Director	X	M					X	X	X
ACUTIS BISCARETTI di RUFFIA Adriana	Director	M						X	X	
BRIGNONE Marco	Director	M	X	X			X			
COSTA Giorgio	Director	M	X					X	X	
GUERRA SERAGNOLI Lorenza	Director	M	X	X						
MARSIAJ Giorgio	Director	M	X	X						
MASSARI Maria Antonella	Director	m	X	X	X	P				
MORENA Marzia	Director	M	X	X					X	
PAVERI FONTANA Luca	Director	M						X	X	X
SPADAFORA Giuseppe	Director	M	X	X	P	X	X	X	X	X
URBAN Roberta	Director	M	X	X	X	X	P			X

M/m: majority/minority

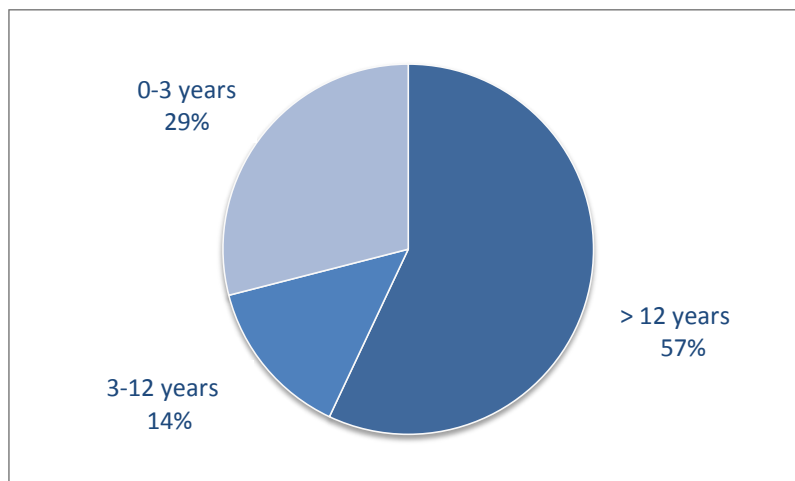
P: Chairman of the Committee

### Professional background of Directors

All Directors have managerial or teaching experience in the fields of insurance, finance and real estate, industry, services and other sectors



### Board of Directors Membership



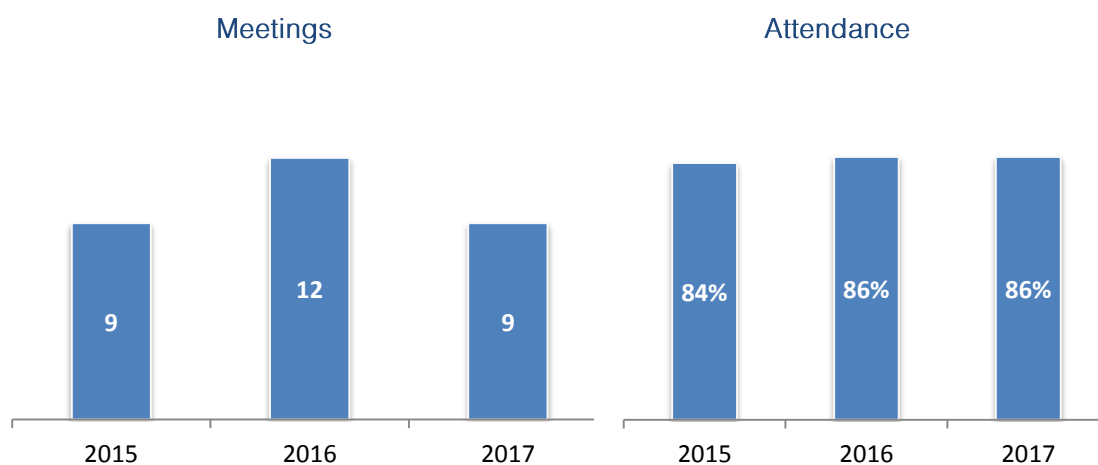
### Evolution from the previous Board

	Previous Board	Current Board
Number of Directors	16	14
Directors designated by minority	1	1
Percentage of female Directors	25%	36%
Percentage of Independent Directors as per TUF	63%	64%
Percentage of Independent Directors as per Code	63%	50%
Average age of Directors	63	63
Status of the Chairman	Non executive	Non executive
Appointment of the <i>Lead Independent Director</i>	Yes	Yes

## FUNCTIONING OF THE BOARD OF DIRECTORS

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### Numbers of Board meetings and attendance rate



### Numbers of Committees meetings and attendance rate

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	Number of meetings	Attendance rate	Independent members (%)
Appointment and Remuneration Committee	6	92%	100%
Control and Risk Committee	8	92%	100%
Related Parties Committee	2	100%	100%
Strategies Committee	2	92%	33%
Finance Committee	8	83%	14%
Real Estate Committee	4	92%	25%

## Position held in other Companies

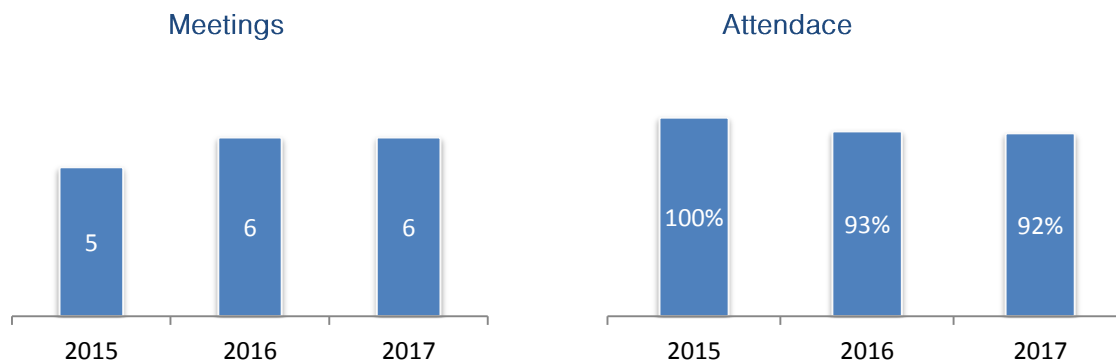
	Group Companies	Other Listed Companies	Banking / Financial	Companies of significant size
ACUTIS Carlo	1	0	1	2
ACUTIS Andrea	2	0	0	0
GUARENA Roberto	0	0	0	0
ACUTIS BISCARETTI di RUFFIA Adriana	4	0	1	3
BRIGNONE Marco	0	0	0	0
CALDARELLI Cesare	0	0	0	0
COSTA Giorgio	0	0	0	0
GUERRA SERAGNOLI Lorenza	0	0	0	0
MARSIAJ Giorgio	0	0	0	0
MASSARI Maria Antonella	0	0	0	0
MORENA Marzia	0	0	0	0
PAVERI FONTANA Luca	0	0	2	0
SPADAFORA Giuseppe	0	0	2	0
URBAN Roberta	0	0	0	0

## Board Evaluation process

Execution of the Board Evaluation process	Yes
Evaluator	Appointment and Remuneration Committee
Evaluation methods	Anonymous questionnaire to Directors

## REMUNERATION

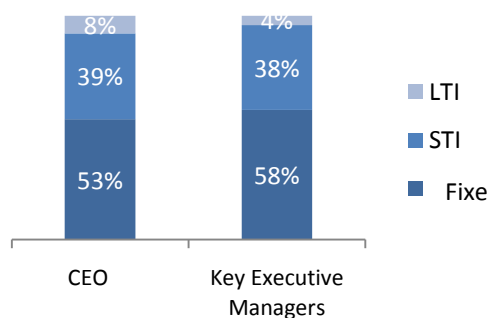
Numbers of Appointment and Remuneration Committee meetings and attendance rate



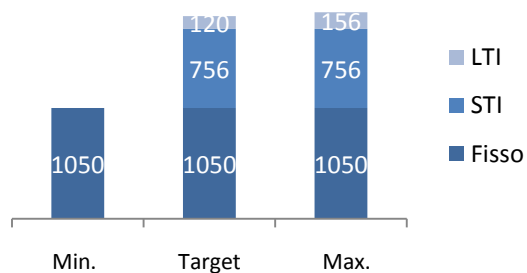
### Part I – Remuneration Policy submitted to AGM 2018

Short period incentive system (STI)		Long period incentive system (STI) (LTI)	
	NO	YES	
Short period incentive system		X	Long period incentive system
Bonus cap		X	LTI vehicles
			<i>Cash</i>
			<i>Performance Unit</i>
<b>STI Parametres for the CEO</b>	<b>Weight</b>		<b>LTI Parametres for the CEO</b>
RTO – Ordinary Technical Result linked to Solvency II Ratio		100%	Average ROE linked to Solvency II Ratio
			100%

### Theoretical Pay mix for the CEO and the strategic Executives



### Remuneration for the CEO based on the achievement of Objectives



#### Other elements of the remuneration policy

Does the Company use a peer group?	NO
<i>Una Tantum</i> to CEO and Strategic Executives	NO

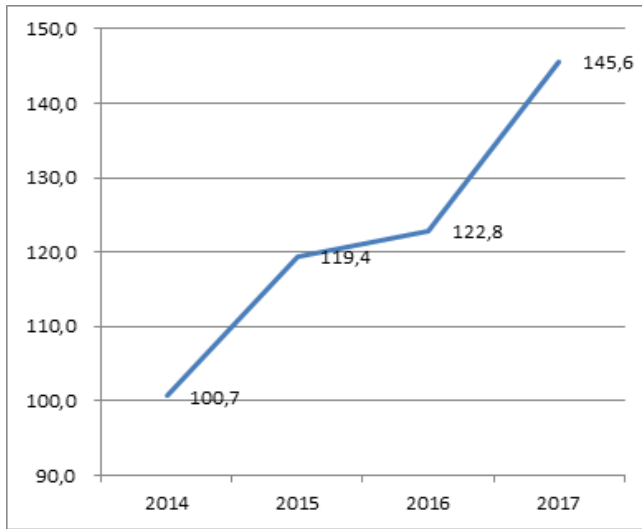
#### Indemnities and Non-competition agreements

Early termination	NO
End of office indemnity	NO
Non-competition agreements	NO

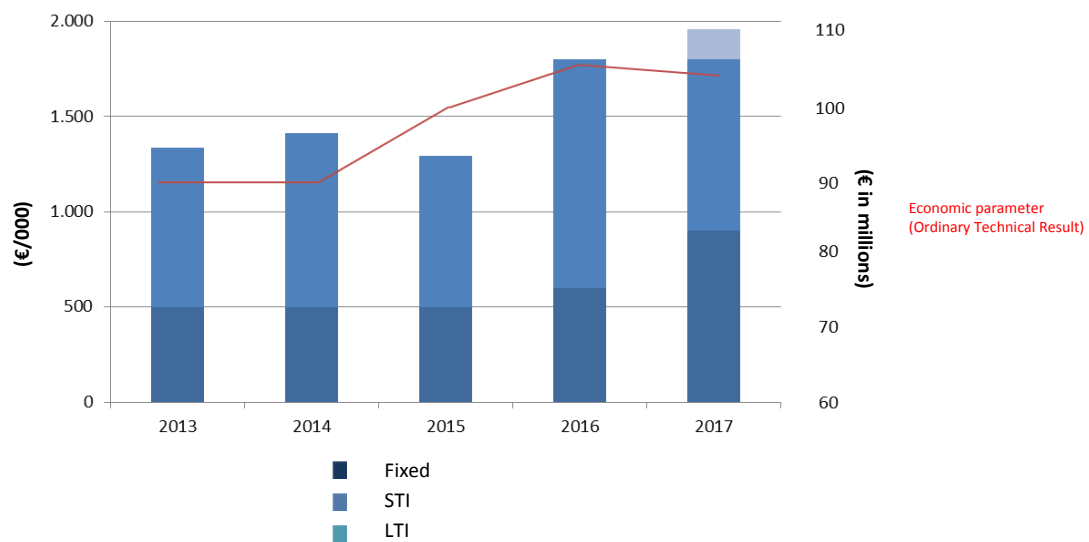
#### Part II – Achievement of the objectives and pay out CEO short term objective achievement

Ordinary Technical Result	€ 103.2 millions
Solvency II ratio	> 150%

Return on shareholders (for every € 100 invested in 2014)

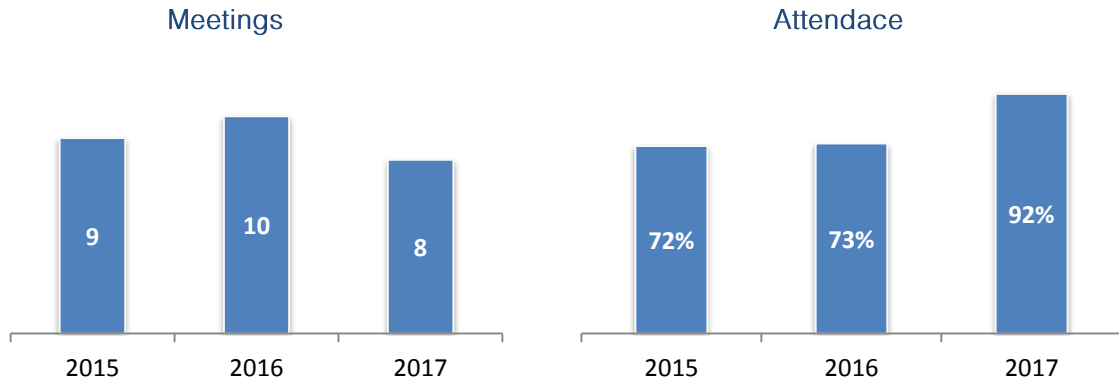


Alignment Total Compensation of the CEO (left axis) and Performance (right axis)



## INTERNAL CONTROL SYSTEM

### Numbers of Control and Risk Committee meetings and attendance rate

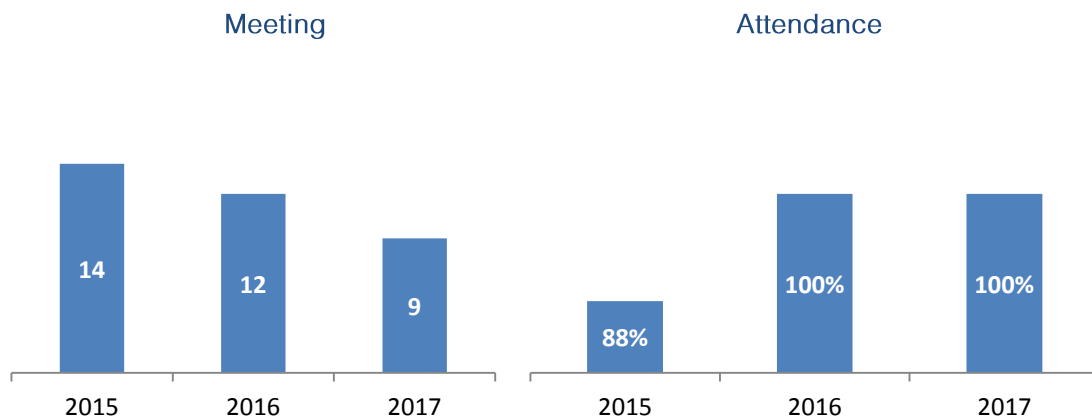


### Composition of Audit Board

Auditors	Position	Indipendence	Further Memerships (*)
Giuseppe Cerati	Chairman	X	1
Giovanni Maritano	Effective	X	
Francesca Sangiani	Effective	X	
Monica Mannino	Substitute	X	
Maria Filomena Trotta	Substitute	X	

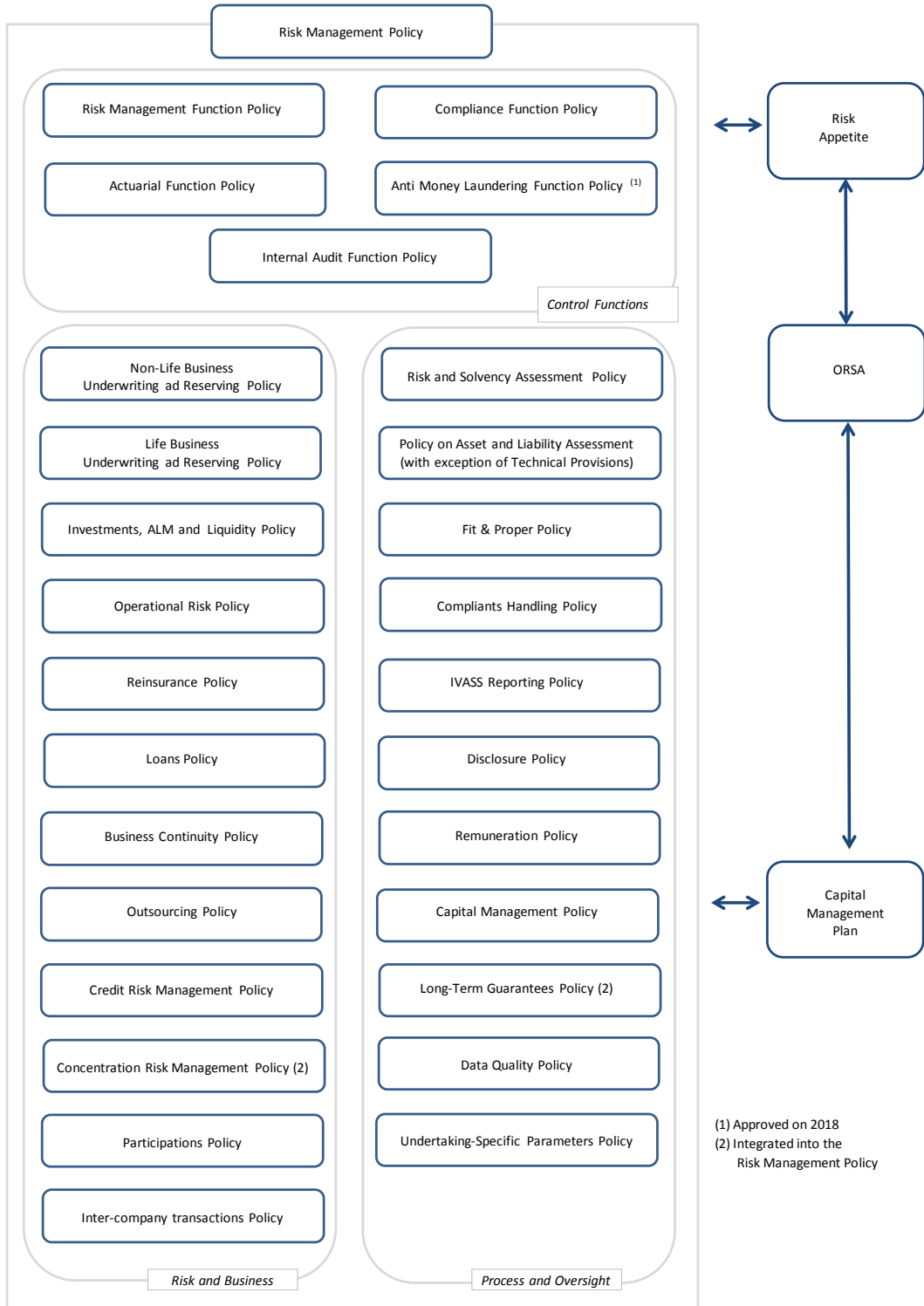
(\*) relevant membership according to art. 148-bis of the Italian Financial Act

### Number of meeting of the audit board





# Guidelines of the internal control and risk management system



## 1. PROFILE OF VITTORIA ASSICURAZIONI

Vittoria Assicurazioni is an independent company founded in Milan in 1921. Listed on the Milan Stock Exchange since 1988, in November 2011 the Company joined the STAR Segment of the MTA, the electronic stock market managed by Borsa Italiana S.p.A.

The Company operates in all insurance segments on the whole national territory through an extensive business network with about 450 contracting agencies.

Vittoria Assicurazioni is primarily an insurance company for families and SMEs, with a particular focus on innovative solutions and quality service.

Vittoria Assicurazioni S.p.A. is part of the namesake Insurance Group enrolled on the Register of Insurance Group under no. 008 held by the Italian Insurance Regulator (hereinafter IVASS) and, since June 2017, is subject to the management and coordination of Yafa S.p.A., as ultimate Italian parent undertaking. As better described below, the areas subject to management and coordination of the Parent Company Yafa S.p.A. are specified in a dedicated Group Regulation.

Vittoria Assicurazioni management and control system is based on the traditional pattern, which entails complete segregation between administrative functions, handled by the Board of Directors, and control functions, handled by a Board of Statutory Auditors. Both boards are appointed by the Shareholders. The audit is performed by an independent auditing company.

The Company has prepared, with reference to FY 2017, its first non-financial statement (i.e. Sustainability Report) which is aimed at outlining the conduct of Vittoria Assicurazioni with reference to environmental, social, employee issues, as well as issues relating to respect for human rights, fight against active and passive corruption.

## 2. INFORMATION PURSUANT TO ARTICLE 123-BIS (1) OF THE TUF AND ARTICLE 2497 OF THE CIVIL CODE AS OF 31/12/2016

### Share capital structure [Article 123-bis(1)(a) TUF]

As of 31 December 2017, the share capital of Vittoria Assicurazioni is equal to Euro 67,378,924, divided into 67,378,924 ordinary shares with a par value of Euro 1.00 each, centralized at Monte Titoli S.p.A.

The ordinary shares of Vittoria Assicurazioni are listed on the STAR Segment of the MTA, operated by Borsa Italiana S.p.A., and they grant shareholders the property and administrative rights envisaged by the law and the By-Laws.

Each share is entitled to one vote in ordinary and extraordinary shareholders' meetings.

STRUCTURE OF SHARE CAPITAL				
	Shares	% of Share Capital	Listing	Rights and Obligations
Ordinary Shares	67,378,924	100%	MTA/STAR Segment (high-requirement securities segment)	1 vote per share Rights provided by law and By-Laws

No financial instruments giving the right to subscribe for newly issued shares were issued.

### Restrictions on the transfer of securities [Article 123-bis(1)(b) TUF]

There are no statutory or legal restrictions on the transfer of Vittoria Assicurazione shares, which, for instance, limit ownership of securities or require the approval of the Company or other holders of the securities.

### Significant Holdings [Article 123-bis(1)(c) TUF]

As of 31 December 2017, the shareholders who, either directly or indirectly, hold more than 3% of the capital, according to the communications received pursuant to Article 120 of the TUF, the records contained in the Shareholders' register and other information available, are:

Declarer	Direct shareholder	% share of ordinary capital	% share of voting capital
Carlo Acutis	Vittoria Capital S.p.A.	51,15%	51,15%
	Yafa Holding S.p.A.	8,09%	8,09%
Francesco Baggi Sisini	Arbus S.r.l.	5,90%	5,90%

### Securities with special control rights [Article 123-bis(1)(d) TUF]

No securities were issued that confer special rights of control on the Company. The By-Laws do not provide for shares with multiple votes or increased votes.

### Employee Shareholding: mechanism for exercising voting rights [Article 123-bis(1)(e) TUF]

There are no employee shareholding schemes.

### **Restrictions on voting rights [Article 123-bis(1)(f) TUF]**

There are no restrictions on voting rights, or systems whereby, with company's cooperation, the financial rights attached to securities are separated from the holding of securities.

### **Agreements between shareholders [Article 123-bis(1)(g) TUF]**

There is currently a shareholders' agreement in place between the company Yafa Holding S.p.A. and the German company Münchener Rückversicherungs Gesellschaft Aktiengesellschaft - whose extract was published on 24 November 2017 - which entails a total of 44,744,000 ordinary shares in Vittoria Capital S.p.A. equal to 94% of share capital, a company that, in turn, holds 51.15% of Vittoria Assicurazioni. In particular, the agreement provides for a mutual pre-emptive right between the parties as well as co-sale rights. In case of dissolution or liquidation of Vittoria Capital S.p.A. all rights and obligations contained in the agreement are applied to 35% of Vittoria Assicurazioni shares.

### **Change of control clauses [Article 123-bis(1)(h) TUF] and By-Laws provisions on tender offers [Articles 104(1-ter) and 104-bis(1)]**

Vittoria Assicurazioni and its subsidiaries have not made material agreements that become enforceable, are modified or are extinguished in the event of a change of control of the contracting company.

As for public tender offers, the By-Laws of Vittoria Assicurazioni do not provide derogations from the provisions on passivity rule set out in Article 104(1) and (2) of the TUF, and do not require the application of the rules of "breakthrough" laid down by the Article 104-bis(2) and (3) of the TUF.

### **Indemnities for directors [Article 123-bis(1)(i) TUF]**

There are no agreements between the Company and the directors that provide indemnities in the event of resignation or dismissal without cause or if the relationship is terminated following a public tender offer.

### **Rules for the appointment and replacement of directors and amendments to the By-Laws [Article 123-bis(1)(l) TUF]**

The By-Laws provisions governing the appointment and replacement of directors are set out in section 4.1. hereof.

Amendments to the By-Laws are approved by the Extraordinary General Meeting, pursuant to law. Pursuant to Article 2365 of the Italian Civil Code, Article 14 of the By-Laws authorises the Board of Directors to resolve, except as prohibited by law, on any reductions in share capital upon withdrawal, amendments to the By-Laws in accordance with statutory provisions, relocation of the registered office within national territory, and merger resolutions in the cases envisaged in Sections 2505 and 2505-bis of the Italian Civil Code, including in the case of demergers, where these provisions apply.

### **Delegated powers regarding share capital increases and authorisations for the purchase of own shares [Article 123-bis(1)(m) TUF]**

The Board of Directors has not received authorization to increase share capital pursuant to Article 2443 of the Italian Civil Code, and it does not have the power to issue security-related financial instruments.

The General Shareholders' Meeting did not pass resolutions on the authorization to purchase own shares in accordance with Articles 2357 et seq. of the Italian Civil Code.

## Management and coordination (Article 2497 et seq. of the Civil Code)

Vittoria Assicurazioni S.p.A. is subject to management and coordination by the Parent Company Yafa S.p.A. On 24 May 2017, IVASS enrolled Yafa S.p.A. as Parent Company of Vittoria Assicurazioni Group, entered on the Register of the Private Insurance Companies under no. 008. The registration is the final act of a process of alignment to the new provisions of the Private Insurance Code as amended in the transposition of Directive 2009/138 / EC (Solvency II) and IVASS implementing regulation no. 22 of 1 June 2016, which identify the parent company of an insurance group in the ultimate Italian parent undertaking.

In accordance with above regulatory provisions, on 29 June 2017, the Board of Directors of Vittoria Assicurazioni acknowledged that the company is now subject to the management and coordination of the Parent Company, Yafa S.p.A.

Areas subject to the management and coordination of the Parent Company Yafa S.p.A. are identified in the Group Regulation governing the obligations of the subsidiaries with reference to the activities necessary for the Parent Company to implement the tasks envisaged by the current regulation on the group solvency, control of the intra-group transactions and management of the risk concentration.

Moreover, the Group Regulation has the purpose of not affecting the tasks and responsibilities of the Board of Directors of Vittoria Assicurazioni with reference to the strategic guidance within its purview, in particular for the decisions on the business strategies, in compliance with the guidelines provided by the Parent Company.

The Group Regulation provides for the differentiated management of the application areas of the intra-group coordination, delegating to Vittoria Assicurazioni the management and coordination of its subsidiaries and all its risk control and management measures, currently implemented according to IVASS regulation, while Yafa is responsible for managing and directly coordinating the other subsidiaries.

So, based on the Group Regulation:

- the Parent Company Yafa S.p.A. is responsible for defining the Group governance, in line with provisions under the Private Insurance Code and related implementing provisions set forth by IVASS, as well as the internal control and risk management system at Group level, with particular respect to the procedures relating to the verification of the Group solvency and management and monitoring of the intra-group transactions and risk concentration.
- Vittoria Assicurazioni S.p.A. is responsible for defining and implementing the strategic guidelines in the insurance sector, in accordance with the policy orientation set forth in the Group plans; furthermore, by virtue of the delegated power conferred by the parent company Yafa S.p.A., it is responsible for carrying the activity of management and coordination towards its subsidiaries through appropriate internal control and risk management measures, strictly consistent with the system of corporate governance and internal controls defined by Yafa S.p.A. at Group level.

As required by the Regulation, the Parent Company Yafa S.p.A. provides Vittoria Assicurazioni with the guidelines on coordination and governance, as well as mechanisms and operating procedures at Group level, with instructions on Parent Company reporting requirements for all its subsidiaries.

Vittoria Assicurazioni has adopted a system of corporate governance aimed at ensuring compliance with provisions under Article 16 of the Markets Regulation as amended by Consob resolution no. 20249 of 28 December 2017, applicable to listed companies subject to management and coordination of others. In particular, the Board Committees recommended by the Corporate Governance Code are composed exclusively of independent Directors.

### 3. COMPLIANCE [Article 123–bis(2)(a) TUF]

Since 2007, Vittoria Assicurazioni has been adhering to the Corporate Governance Code of listed companies approved by the Corporate Governance Committee and promoted by Borsa Italiana.

The Board of Directors of Vittoria Assicurazioni implemented amendments and supplements made over time to this Code and give reasons to any explicit deviations.

The application criteria that the Board of Vittoria Assicurazioni, after consulting the Appointment and Remuneration Committee, deemed as unnecessary to adopt are:

- Application criterion 3.C.1 letter e): the Board considers that the term of office for a period of more than nine years is not considered obstacle to the independence of the Directors. The same exception is applied when assessing the independence of Statutory Auditors as provided for by application criterion 8.C.1. of the Code.
- Application criterion 5.C.2: the Board of Directors does not deem it necessary to prepare a succession plan for executive directors.

The reasons for not adopting the aforementioned provisions are outlined in the relevant sections below.

The Corporate Governance Code adopted by Vittoria Assicurazioni is available for consultation on the website of the Corporate Governance Committee at

<http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf>

The criteria adopted by Vittoria Assicurazioni to apply the principles and recommendations of the Corporate Governance Code, as summarised in Annex 4 hereof.

Vittoria Assicurazioni and its subsidiaries are not subject to non-Italian laws that influence their corporate governance structure.

## 4. BOARD OF DIRECTORS

The rules governing the appointment and replacement of Vittoria Assicurazioni Directors, as well as their requirements, are based on the primary legislation and regulations applied to listed companies and insurance companies.

### 4.1 Appointment and Replacement [Article 123-bis(1) TUF]

#### Appointment Procedure

The procedure for appointing and replacing directors is regulated by Article 10 of the By-Laws, in accordance with the TUF.

The Company is administered by a Board of Directors consisting of no fewer than 7 and no more than 16 Directors, appointed by the Ordinary General Meeting, whose maximum term of office is three financial years and who may always be re-elected. Prior to electing the Directors, the General Meeting determines the number thereof within the stated limits.

The Directors of Vittoria Assicurazioni must meet the requirements envisaged by current legislation, as described below. Moreover, at least two Directors must satisfy the requirements for independence specified in Article 148(3) of the TUF.

If a Director no longer meets the requirements under the law, he/she shall cease to hold office; furthermore, as in accordance with Article 10 of the By-Laws, if a director no longer meets the independence requirements as per Article 148 (3) of the TUF, he/she may continue in office if at least two Directors in the currently serving Board meet this requirement.

The Board of Directors is appointed on the basis of lists submitted by shareholders in the manner specified below, on which candidates are listed in numerical order.

Lists submitted by shareholders must be lodged at the Company's registered office at least twenty five days prior to the date set for the General Meeting on first call, and are published in other forms as required by current regulation.

Each shareholder, shareholders that are parties to a relevant shareholders' agreement pursuant to Article 122 of the TUF, the parent Company, the subsidiary companies and companies under joint control pursuant to Article 93 of the TUF may not submit or participate in the submission, either directly or through an intermediary or trust company, of more than a single list, and may not vote for different lists. Any support or vote made in violation of this prohibition will not be attributed to any list.

Only shareholders, who individually or together with other submitting shareholders hold voting shares totalling at least 2.5% of the voting capital, are entitled to submit lists.

Ownership of the minimum shareholding for the submission of lists is determined according to the shares registered to the shareholder on the day on which the lists are lodged with the Company.

(i) certification issued by a legally authorised intermediary proving ownership, on the date the list is submitted, of the number of shares required for submission; however, this certification may be provided subsequent to the submission, provided that this is within the deadline set for the publication of the lists pursuant to the laws in force; (ii) a declaration by each candidate accepting his/her nomination and declaring, under his/her own responsibility, that no grounds for ineligibility or incompatibility exist and that he/she meets the requirements prescribed for the related posts; (iii) a curriculum vitae for each candidate, with any indication of the candidate's eligibility for independent status.

Lists with a number of candidates equal to or higher than three must be composed of candidates who belong to both genders, so that at least one third (rounded upwards) of the candidates will belong to the less represented gender.

Any lists submitted without complying with the above provisions shall be regarded as not submitted.

The procedure for electing the Board of Directors is as follows:

- a) The Directors to be elected shall be taken from the list obtaining the highest number of votes, in the sequential order in which they appear on the list, except one;
- b) The remaining Director shall be taken from the list that obtains the second highest number of votes and that is not connected in any way, either directly or indirectly, with the shareholders submitting or voting for the list under previous a). Any lists not obtaining votes amounting to more than half the qualifying percentage for submission of the lists shall be disregarded.

If the candidates elected using the above procedure do not guarantee the appointment of a sufficient number of Directors meeting the requirements for independence set out in Article 148 (3) of the TUF to comply with the legal minimum proportionate to the total number of Directors, the last non-independent candidate elected in sequential order on the list with the highest number of votes is replaced by the first unelected independent candidate in sequential order on the same list, or, failing this, by the first unelected independent candidate in sequential order on the other lists, according to the numbers of votes obtained by each list. This replacement procedure will continue until the Board of Directors comprises a number of members meeting the requirements set out in Article 148(3) of the TUF at least equal to the minimum prescribed in law. If this procedure fails to produce the above result, replacement will take place via General Meeting resolution by relative majority, following the nomination of parties meeting the abovementioned independence requirements.

Furthermore, if candidates elected in the manner described above result in a Board of Directors whereby at least one third of the directors does not belong to the less represented gender, the candidate of the more represented gender elected last in progressive order in the list which has reported the highest number of votes shall be replaced by the first candidate of the less represented gender not elected in the same list in progressive order. This replacement procedure will continue until the composition of the Board of Directors meets the by-laws regulation on gender balance. Finally, if said procedure fails to produce the above result, the General Meeting shall resolve on the replacement by relative majority, upon presentation of candidates belonging to the less represented gender.

If only one list is submitted or if no list is submitted, the General Meeting shall resolve with the legal majorities, without following the above procedure, without prejudice to compliance with gender balance requirements.

If, during the financial year, one or more Director positions is vacant, and the majority still consists of Directors appointed by the General Meeting, the Board of Directors carries out the following co-option procedure, pursuant to Article 2386 of the Italian Civil Code:

- a) the Board appoints a candidate from the same list as that of the outgoing Director, and the General Meeting resolves on the same, observing the same criterion, by legal majority;
- b) should it happen that in this list there are no longer candidates not elected previously or candidates who meet the requirements, or in any event it is not possible to comply with the provisions of point a) for any reason, the Board of Directors proceeds with the replacement and the General Meeting subsequently resolves on the same, by legal majority and without a list vote.



In any case, the Board of Directors and the General Meeting must manage the appointment so as to ensure (i) the presence of independent directors in the minimum number required by law and (ii) the compliance with the by-laws regulation on the gender balance.

### **Director Requirements**

The Directors of Vittoria Assicurazioni shall meet the requirements provided for by current regulation. In particular, they shall have professional expertise commensurate to the office they are going to fill, with wide-ranging and properly diversified skills, and shall be able to dedicate adequate time and resources to the performance of their duties.

The composition of the Board of Directors shall therefore ensure the best efficiency and effectiveness of the Board of Directors through:

- a size commensurate to the structure and complexity of the Company in its economical, asset, organizational and operational position;
- a number of individuals having theoretical/managerial competence and experience that are adequate and diversified in relation to operational and dimensional features of the activities to be performed, as well as of the risks to be taken, and having full autonomy and independence in judgement;
- an adequate number of independent Directors, also depending on the establishment of Board committees.

In compliance with current regulation governing the insurance sector, the Board of Directors of an insurance company should be composed of persons having theoretical, professional and management experiences in financial and insurance markets, governance systems, financial and actuarial analysis, regulatory provisions, and business strategy and models.

The Board of Directors of Vittoria Assicurazioni approved the Policy providing guidelines for assessing whether candidates are eligible, in terms of integrity, professionalism and independence, for positions in administration, management and control, as well as for internal control functions (Internal Audit, Risk Management, Compliance and Actuarial Function) and executives with strategic responsibilities.

This Policy, whose last amendment was approved by the Board in March 2017, is reviewed on an annual basis, sets out the guidelines of the process for assessing the eligibility requirements. In particular:

- defining roles and responsibilities of parties involved in the process for the evaluation of the fit & proper requirements;
- identifying situations that entail removal, suspension and possible revocation of office held in the Company;
- providing for a periodic verification aimed at checking that the fit & proper requirements are maintained over time;
- identifying events that entail new assessments of eligibility for offices held in the Company.

Satisfaction of requirements by the Directors is verified collectively by the Board of Directors (following fact-finding activity by the Appointment and Remuneration Committee) upon appointment and on a yearly basis, as well as each time the Company becomes aware of circumstances that may result in the loss of these requirements.

The results of the evaluations will be included in the minutes of the Board meetings.

### **Requirements of professionalism**

In accordance with Ministerial Decree 220/2011, the Directors shall be selected according to criteria of professionalism and competence from among individuals who have accrued

overall experience of at least three years through the exercise of one or more of the following activities:

- a) administration, management or control responsibilities in companies and bodies in the insurance, credit or financial sector;
- b) administration, management or control responsibilities in public entities or public administrations with business in the insurance, credit or financial sector, including other industries if the functions performed imply the management or management control of economic financial resources;
- c) administration, management or control at public entities or public and private enterprises whose size is similar to that of the insurance or reinsurance company where the position must be filled;
- d) professional activities in areas related to the insurance, credit or financial sector or teaching at the university level in law, economics, or statistics with relevance for the insurance industry.

The Chairman of the Board of Directors and the Chief Executive Officer shall be selected on the basis of professionalism and competence, from among persons who have accrued overall experience of at least five years, solely with reference to the provisions under a), c) and d) above.

### **Impediments**

The following individuals may not cover the role of director, general manager, auditor, or receiver in insurance or reinsurance companies or roles that imply exercise of similar or equivalent functions:

- a) individuals who held the office of director, general manager, auditor or receiver in companies subject to extraordinary administration, bankruptcy or receivership proceedings or similar types of proceedings, in the three years prior to adoption of the related orders. The ban remains in place for a period of three years, starting from the date on which the orders are adopted. This ban is reduced to one year if the order to initiate the proceeding was given by request of the business owner, the administrative bodies or the reporting stakeholder. The ban shall not apply if the competent company body decides, based on appropriate information and according to criteria of reasonableness and proportionality, that the person was not involved in the facts or actions that led to the financial crisis in the Company;
- b) individuals who have been removed from the single national register of stockbrokers, set forth by Article 201, section 15, of Legislative Decree no. 58 of 24 February 1998, and stockbrokers who have been excluded from trading on a regulated market. The ban remains in place for a period of three years, starting from the date on which the orders are adopted. This ban is reduced to one year if the order was adopted by request of the stockbroker.

In the event that, during the term of office, one of the abovementioned causes of impediment occurs, the Director involved shall notify the Company. If the impediment is caused by one of the situations described under a) above, within 30 days from this communication the Board of Directors must assess, based on adequate information and according to criteria of reasonableness and proportionality, whether the Director is not involved in the facts that caused the crisis of the Company, making, if applicable, the impediment inoperative.

### **Requirements of integrity**

The requirement of integrity does not apply if the individuals involved are in one of the following situations:

- a) state of interdiction or temporary interdiction from holding executive offices of the legal persons and enterprises and, in any event, all the situations set forth by Article 2382 of

- the Civil Code;
- b) state of being submitted to preventative measures ordered by the courts, in accordance with Law 1423 of 27 December 1956 or Law 575 of 31 May 1965, or Law 646 of 13 September 1982, as amended, without prejudice to any effects of rehabilitation;
  - c) final criminal conviction, without prejudice to the effects of rehabilitation:
    - 1) Imprisonment for one of the crimes set forth by the special legislation governing the insurance, financial, credit, and equity market industries, as well as by Legislative Decree no. 231 of 21 November 2007, and subsequent amendments and integrations;
    - 2) Imprisonment for one of the crimes set forth under Section XI, Book V of the Civil Code and in Royal Decree no. 267 of 16 March 1942;
    - 3) Imprisonment for not less than one year for a crime against the public administration, public trust, property, public order or public economy or for a tax-related crime;
    - 4) Imprisonment for not less than two years for any crime committed without criminal intent.

The roles of director of the board, general manager or auditor in insurance and reinsurance companies cannot be covered by persons to which one of the penalties of imprisonment set forth under letter c) apply, except for prescription of the crime. If the penalties under letter c) numbers 1) and 2) apply, the parties may request their waiver if under one year.

### **Requirements of independence**

The requirements of independence are assessed according to three different regulations.

In accordance with Article 10 of the By-Laws, at least two Directors shall have the requirements of independence set forth under Article 148(3) of the TUF.

The independence requirement pursuant to Ministerial Decree no. 220 of 11 November 2011 implies the incompatibility of the positions of director, auditor and general manager of an insurance company with the exercise of a similar function, involving employment relations, ongoing consulting or the provision of paid services or other relations of pecuniary nature carried out for other insurance companies, their subsidiaries or parent companies, which may prejudice their independence.

Lastly, as described in detail in section 4.5 below, at least four Directors of Vittoria Assicurazioni shall possess the requirements of independence provided for in the Corporate Governance Code.

Annex 1 to this Report lists the Directors qualified as independent under Article 147-ter(4) of the TUF and under the Corporate Governance Code adopted by the Company.

### **Interlocking Prohibition**

Vittoria Assicurazioni is also subject to Article 36 of Law no. 214 of 22 December 2011 (i.e. "Interlocking Prohibition") setting forth rules on competition protection in the credit and financial markets.

This rule makes it incompatible for any director, statutory auditor, general director or financial reporting officer of the Company to hold similar positions in competing companies or groups, and thus, in any company under Italian law that belongs to a group operating in the credit, financial or insurance market where one of the following activities is performed on the Italian market: (i) insurance business; (ii) distribution of insurance products.

### **Succession plans**

The Company does not have a plan for the succession of the Chief Executive Officer.

The Board reconsidered the adoption of a succession plan on the occasion of the

appointment of the Managing Director in office, which occurred on 15 March 2017. In this meeting, the Board of Directors, in agreement with the evaluations performed by the Appointment and Remuneration Committee, deemed it unnecessary to adopt a succession plan for the Managing Director based on following considerations:

- the actual ownership structure grants a stable management of the Company;
- the Senior Management of the Company, recently enhanced with a structure which provides for a Joint-General Manager directly reporting to the Chief Executive Officer and two Deputy General Managers controlling the different business units, has adequate professional individuals that can grant a continuous company management, also in cases of sudden unavailability of the CEO;
- the Company has a succession plan for the heads of the main corporate functions, including the managers belonging to the Senior Management, which grants the proper operational effectiveness, both in cases of urgency and in a three-year and five-year horizon. This plan is annually submitted to the Appointment and Remuneration Committee.

The Board of Directors is the competent body to manage any advance replacement of the Executive Director following the timeframe and procedures called for under certain circumstances, with the support of the Appointment and Remuneration Committee.

## 4.2. Composition [Article 123-bis(2)(d) TUF]

### Appointment and composition of Board of Directors in office

At the 2017 year's closing date, the Board of Directors was composed of the following 14 members:

Carlo ACUTIS	Chairman Emeritus
Andrea ACUTIS	Chairman
Roberto GUARENA	Vice Chairman
Cesare CALDARELLI	Managing Director
Adriana ACUTIS BISCARETTI di RUFFIA	Non-Executive Director
Marco BRIGNONE	Independent Director
Giorgio Roberto COSTA	Non-Executive Director
Lorenza GUERRA SERAGNOLI	Independent Director
Giorgio MARSIAJ	Independent Director
Maria Antonella MASSARI	Independent Director
Marzia MORENA	Independent Director
Luca PAVERI FONTANA	Non-Executive Director
Giuseppe SPADAFORA	Independent Director
Roberta URBAN	Independent Director

The table in Annex 1 shows the position, year of birth and date of first appointment for each Director. It also shows the number of meetings each director attended in relation to the total number of meetings and the number of positions held in financial companies, banks or large enterprises

In compliance with provisions of the gender balance regulation, the percentage reserved to the less represented gender is one third.

The Board in office was appointed by the Ordinary Shareholders' Meeting held on 27 April 2016, following the expiry of the three-year term of the previous Board. The Meeting established a three-year term of office, hence till the date of the Shareholders' Meeting that will approve the financial statements for the financial year ending on 31 December 2018.

3 lists of candidates for Director appointments were submitted:

List no. 1: submitted by the majority shareholder Vittoria Capital S.p.A., which holds 34,464,400 ordinary shares representing 51.15% of the share capital, with the following 15 candidates: Adriana Acutis Biscaretti di Ruffia, Andrea Acutis, Carlo Acutis, Marco Brignone, Cesare Caldarelli, Giorgio Roberto Costa, Roberto Guarena, Lorenza Guerra Seràgnoli, Giorgio Marsiaj, Marzia Morena, Lodovico Passerin d'Entrèves, Luca Paveri Fontana, Giuseppe Spadafora, Roberta Urban and Giovanna Redaelli.

List no. 2: submitted by Anima SGR S.p.A. fund manager of: Anima GEO Italia, Anima Italia and Anima Iniziativa Italia; Eurizon Capital S.G.R. S.p.A. fund manager of: Eurizon Azioni Italia and Eurizon Azioni PMI Italia; Eurizon Capital SA fund manager of: EEF Equity Italy LTE and EEF Equity Italy; Fideuram Investimenti SGR S.p.A. fund manager of Fideuram Italia; Fideuram Asset Management (IRELAND) fund manager of: Fideuram Fund Equity Italy and Fonditalia Equity Italy; Interfund Sicav fund manager of Interfund Equity Italy; Kairos Partners SGR S.p.A. as management company of Kairos International SICAV segments Italia and Risorgimento and Mediolanum Gestione Fondi SGR S.p.A. fund manager of Mediolanum Flessibile Sviluppo Italia totally holding no. 2,160,279 ordinary shares, equal to 3.206% of the share capital, with following 2 candidates: Maria Antonella Massari and Giacomo Neri.

Shareholders submitting the list declared they do not have relevant relations with the majority shareholder.

List no. 3: submitted by Serfis S.p.A., which holds 2,695,157 ordinary shares, representing 4% of the share capital, with the following single candidate: Anna Strazzera.

Serfis S.p.A. declared that it has no relations with the majority shareholder.

At the time of voting for the appointment, those who took part represented, on their own behalf or by proxy, 53,059,978 shares from 67,378,924 in issue, accounting for 78.749% of the share capital with voting rights and the number of shares for which votes were cast was 53,059,878 accounting for 78.748% of the share capital.

List no. 1 obtained no. 42,872,772 votes, accounting for 80.8% of the voting capital.

List no. 2 obtained no. 6,625,400 votes, accounting for 12.48% of the voting capital.

List no. 3 obtained no. 3,440,107 votes, accounting for 6.48% of the voting capital.

Votes against all lists were 121,599. No shareholders abstained.

Therefore, the following Directors were elected: Adriana Acutis Biscaretti di Ruffia, Andrea Acutis, Carlo Acutis, Marco Brignone, Cesare Caldarelli, Giorgio Roberto Costa, Roberto Guarena, Lorenza Guerra Seràgnoli, Giorgio Marsiaj, Marzia Morena, Lodovico Passerin d'Entrèves, Luca Paveri Fontana, Giuseppe Spadafora, Roberta Urban and Maria Antonella Massari.

On 28 April 2017, Mr. Lodovico Passerin d'Entrèves resigned from his directorship. The Board of Directors resolved, on the basis of the assessment by the Appointment and Remuneration Committee, not to co-opt a new director pursuant to Article 2386 of the Civil Code, considering that size and composition of the Board was nonetheless suitable to ensure its proper functioning in compliance with duties assigned by By-Laws and relevant legislation.

Mr. Cesare Caldarelli was appointed as Managing Director on 15 March 2017. Upon appointment, Mr. Caldarelli was already the only Executive Director on the Board, by virtue of the powers conferred for the office of General Manager, role that ceased on 31/3/2017.

### **Personal and professional characteristics of directors in office**

Pursuant to Article 144-decies of the Issuers Regulation, here is a brief profile of personal

and professional characteristics of directors in office at the date of this Report.

**Carlo ACUTIS**, born in Turin on 17 October 1938 – Chairman Emeritus

He has been on the Board of Directors of Vittoria Assicurazioni since 26 May 1967. Elected Vice Chairman on 14 June 1982 and Chairman Emeritus since 27 April 2017.

He graduated in Economics and Business at the University of Turin and has worked at the Midland Bank and Mercantile & General in London. He was Chief Executive Officer of Toro Assicurazioni S.p.A., also covering the position of Vice President. In 1986, with a group of institutional investors (both Italian and foreign) he bought the controlling stake of Vittoria Assicurazioni from Toro Assicurazioni S.p.A. He has been President of C.E.A. - Comité Européen des Assurances.

He was nominated “Chevalier de l’Ordre National de la Legion d’Honneur” in 1995 by the President of the French Republic. He was nominated “Cavaliere del Lavoro” in 1998 by the President of Italian Republic.

He is currently the Vice President of Banca Passadore & C. S.p.A., Director of Yafa S.p.A. and Marco Polo International Holding Italy S.p.A. He is also member of the Supervisory Board of Yam Invest NV and Director of the Italian Association for Cancer Research (Piedmont and Val d’Aosta Committee).

**Andrea ACUTIS**, born in Turin on 6 February 1964 – Chairman

He has been on the Board of Directors of Vittoria Assicurazioni since 29 April 2004. Elected Vice Chairman on 27 April 2007 and Chairman on 27 April 2016.

He graduated in Economic Sciences from the University of Geneva and has worked as a corporate finance executive at Lazard Brothers & C. Ltd. in London. He is currently Director of Yafa S.p.A. and Nuove Partecipazioni S.p.A.

**Roberto GUARENA**, born in Turin on 24 September 1937 – Vice Chairman

He has been on the Board of Directors of Vittoria Assicurazioni since 29 June 1994 and Vice Chairman since 27 April 2016.

He held the position of Managing Director of the Company for 22 years, from June 1994 to April 2016.

Before joining Vittoria Assicurazioni, after work experience at Toro Assicurazioni, he was General Manager and Director at the Institute Mobiliare Piemontese I.P.I. S.p.A. and Auditor at Assimoco S.p.A. He was the representative of Italy to the European Union of Insurers for studies on Directives IV and VII concerning financial statements.

**Cesare CALDARELLI**, born in Cassino (FR) on 13 March 1953

He has been on the Board of Directors of Vittoria Assicurazioni since 27 April 2016, Managing Director since 15 March 2017.

After working for the Società Italiana di Sicurtà, the Società Assicurazioni Rami Danni and Milano Assicurazioni, he entered in Vittoria Assicurazioni S.p.A. in 1991.

He is member of the Executive Committee of the International Insurance Law Association (AIDA), of the Executive Committee and Executive Council of the Italian National Association of the Insurance Companies (ANIA). In ANIA, he holds the role of Chairman of the Vehicle Standing Committee.

He is also contract professor at the Department of Economics of the University of Parma.

**Adriana ACUTIS BISCARETTI di RUFFIA**, born in Turin on 13 August 1965

She has been on the Board of Directors of Vittoria Assicurazioni since 29 April 2004.

She obtained a Master of Arts from Cambridge University. She was a director at Alexander & Alexander Italia S.p.A. and Banca Regionale Europea. She is currently Managing Director of Yafa S.p.A. (former Vice Chairman till 26 May 2016), a member of the Supervisory Board and Strategic Committee of Yam Invest N.V. and a member of the Supervisory Board of Yareal International N.V. She is also a director at Yafa Holding S.p.A., Yarpa Investimenti SGR S.p.A. and Yura International BV (former Managing Director from 2015 to 21 April 2016).

Since April 2016, she has been Chairman of the Council for the enhancement of the artistic and cultural heritage of Turin.

**Marco BRIGNONE**, born in Turin on 12 October 1938

He has been on the Board of Directors of Vittoria Assicurazioni since 23 June 1983.

He was formerly Chairman of Brignone Informatica S.p.A. and of the Supervisory Board of the Turin Stanza di Compensazione, The Sailor's Fund (the Luxembourg-based SICAV) and Plurifid S.p.A. He has served as Vice Chairman of Banca Brignone S.p.A. and as a Director of Ceresole SIM & C. S.p.A., Ersel Sim and Acquedotto De Ferrari Galliera.

**Giorgio Roberto COSTA**, born in Bellagio (Como) on 5 April 1944

He has been on the Board of Directors of Vittoria Assicurazioni since 27 June 1995. He held the position of Vice Chairman from 29 April 2002 to 27 April 2007, and then of Chairman till 27 April 2016.

He held management positions at the Merrill Lynch Group and was responsible for the establishment of the Lehman Brothers' "capital market" and "investment banking" units in Milan. He has been Chairman and Director of various Italian financial companies, including companies belonging to the Caboto Group, the Pirelli Group and the Intesa Group. He has also been a member of the Board of Directors of the following companies: Finanza e Futuro S.p.A., Banca Brignone S.p.A., GIM S.p.A., Avvenire SGR S.p.A. and Vittoria Capital NV. He is currently serving as a Director of Eagle & Wise Service S.p.A.

**Lorenza GUERRA SERAGNOLI**, born in Rome on 29 May 1982

She has been on the Board of Directors of Vittoria Assicurazioni since 19 April 2013.

She has a degree in Public and Organizational Communication Sciences from La Sapienza University in Rome, a master's degree in Sports Psychology and a Fifa International Master's in Humanities, Management and Law of Sport. She has served as Project Manager for Fortitudo Pallacanestro and Meditation S.r.l.. She is currently Sole Director of LGS Organization S.r.l., of which she is a Founding Partner, and is also serving as Chief Executive Officer of Lole S.p.A., a Member of the Board of Directors of Compagnia Sviluppo Industriali and Immobiliari S.p.A., Montenegro S.p.A., SLLI Group S.p.A., Coesia spa and Bonomelli S.r.l.

**Giorgio MARSIAJ**, born in Turin on 17 May 1947

He has been on the Board of Directors of Vittoria Assicurazioni since 23 June 1998.

He is currently Chairman of Olympic Real Estate S.p.A., Olyfen Properties S.r.l., Sabelt S.p.A. and Moncanino S.p.A. He is also Vice President and Chief Executive Officer of M. Marsiaj & C. S.r.l., Director of Torre Elah S.p.A., Director of Fenera Holding S.p.A. He is also a member of the Board of Directors of Marsiaj S.r.l. and Fashion S.p.A., Chairman of Amma Unione Industriale Torino, he is also on the executive board of different cultural and charitable associations.

**Maria Antonella MASSARI**, born in Modigliana (FC) on 22 January 1960

She has been on the Board of Directors of Vittoria Assicurazioni since 27 April 2016.

Degree in Economic and Social Sciences, Bocconi University in Milan.

In 1987, she started her career in Unicredit Group (formerly Credito Italiano) in the Economic Studies Department, in charge of the Italian Macro-economic Area. After an experience in the Planning and Strategies Department, in 1997 she became Head of Group Investor Relations and, since 2008, of Group Identity and Communications. From 2011 to 2015 she was Executive Vice President in charge of the Group Stakeholders and Service Intelligence Department of Unicredit Group. From July 2015 to March 2016 she was independent Director of Amber Capital. Since 1 March 2017, she has been Secretary-General and member of the Board of Directors of AIPB (Italian Private Banking Association).

**Marzia MORENA**, born in Milan on 27 June 1969

She has been on the Board of Directors of Vittoria Assicurazioni since 27 April 2016.

Professor at the School of Architecture, Urban Planning and Construction Engineering of Politecnico of Milan, since 1996, she has been working on the training, research and consultancy activities within the ABC Department of Politecnico of Milan.

Coordinator of University Master courses of Politecnico of Milan and SDA-Bocconi in the Real Estate area. Co-director of Executive courses of MIP (Business School of Politecnico of Milan).

Founding member in 2006 of AREL (Real Estate Ladies Association) and member of the governing council till December 2013.

Founding member in 2008 and member of the Scientific Coordination of "Osservatorio Permanente per la Pubblica Amministrazione Locale (OPPAL)" of Politecnico of Milan.

She served as Chairwoman of Federimmobiliare from 2014 to 2016 and from 2010 to 2016 of Capitolo Italiano of RICS Italy (Royal Institution of Chartered Surveyors), of which she has been member since 2006.

**Luca PAVERI FONTANA**, born in San Ruffino di Parma on 8 November 1944

He has been on the Board of Directors of Vittoria Assicurazioni since 29 April 2002.

He graduated in law from the University of Turin. Formerly Managing Director of SKF Group and Unicem S.p.A., Co-General Manager and Director of IFIL S.p.A., Vice Chairman of Worms & Co. (Paris) and St. Louis Sucre (Paris), member of the Board of Directors and member of the Strategic Committee of Telecom Italia S.p.A., member of the Board of AWA P.I.c. (London), Soporcel S.A. (Lisbona), Gruppo Permal (Paris) and Banque Demachy (Paris) and Chairman and Chief Executive Officer of Arjo Wiggins Appleton P.I.c. (London). He is currently Chairman of YFL S.p.A. and Yura International S.p.A., Vice Chairman of Yarpa Investimenti SGR and Yarpa S.p.A.

**Giuseppe SPADAFORA**, born in Palermo on 7 September 1954

He has been on the Board of Directors of Vittoria Assicurazioni since 29 April 2005.

He holds a degree in Business Administration from the University of Palermo, a Master of Science and Economics from the London School of Economics, and has continued his studies in economics at Harvard University. He was formerly Managing Director & Senior Financial Officer with Chemical Bank (now JP Morgan Chase), Chief Financial Officer of Omnitel (now Vodafone Italia), General Manager of Banco di Sicilia, General Manager for Italy of the BNP Paribas Group, member of the Board of Directors and the Executive Committee of Cassa di Risparmio di Firenze.

He also held the positions of Chief Executive Officer, General Manager and Vice Chairman of Cassa Lombarda. He is currently the Chairman of Anthilia SGR and a member of the Board of Yarpa Investimenti SGR.

**Roberta URBAN**, born in Tolmezzo (UD) on 4 April 1976

She has been on the Board of Directors of Vittoria Assicurazioni since 27 April 2016.

Degree in International Economics in 2001, University of Trieste. She entered in Munich Re in 2002, after a first experience in Dublin at Bayerische Rückversicherung (now Swiss Re). She has been recently in charge of the planning, development and implementation of important initiatives of strategic growth in Munich Re in Italy. Since 2011, she is one of leader experts of Capital Relief Transactions of Munich Re for the European and Latin-American markets for the Non-Life Business. In Munich Re Italia, she serves as top manager in charge of Business Development for the Italian insurance market.

She currently serves as Director of Synkronos Italia S.r.l.

### **Diversity policies applied in relation to the structure of the administrative, management and control bodies [Article 123-bis(2)(d-bis) TUF]**

On 14 November 2017, the Board of Directors approved, with the favourable opinion by the Appointment and Remuneration Committee, the guidelines on diversity in the administrative and control bodies.



## Objectives

Criteria and procedures regulating the appointment of the members of administrative and control bodies of the Company shall be aimed at providing a structure that enables an adequate performance of the tasks conferred upon them by current regulations and By-Laws in the best interest of the Company, in order to create value for the shareholders in a medium-long term horizon.

Accordingly, the primary objective of the Board of Directors is to promote the candidacy and appointment of highly qualified individuals, based on their talents, experiences and skills, taking into account the Company targets, as well as the relevant regulatory and market evolution.

The Board of Directors agrees that the heterogeneity in the structure of the administrative and control bodies may foster a balanced debate that, in turn, may strengthen the decision-making process thanks to the different views of its members.

In particular, the optimal structure of the Board of the Directors envisages the presence of members having a deep knowledge of the Company, the Group and the context in which they operate, as well as of the insurance technique, and relevant regulations, alongside members having different training backgrounds and experience in other areas and sectors, so as to ensure the right balance in the debate, the decision-making process and the definition of the business development strategies.

It should also be ensured that within the Board there is a adequate balance between the different categories of directors and that non-executive directors represent a large majority compared to executive directors, and that there is a proper number of independent directors, also for the purpose of establishing the Board Committees recommended by the Corporate Governance Code adopted by the Company.

In the selection of the members of the Board of Statutory Auditors, without prejudice to legally binding provisions governing its tasks and requirements, the heterogeneity and diversification of skills are more marginal.

Based on above criteria, the Board of Directors shall ensure, for aspects falling within its purview, that the procedures for the appointment of the members of the administrative and control bodies enable to identify the most suitable candidates according to the bodies' needs, and promote the diversity of experiences, know-how and skills without any discrimination whatsoever based on gender, age, race, religion or any other personal characteristic that is not related to the office the candidates are called upon to hold.

## Implementation

### Activity of the Appointment and Remuneration Committee

The Appointment and Remuneration Committee, consisting entirely of independent directors, is responsible for, inter alia, providing opinions to the Board of Directors on the size and composition of the Board as well as its Committees, and making recommendations on the professionals whose presence on the Board is deemed advisable.

The Committee has also the task to provide proposals to the Board for the co-option of the Directors.

In the performance of these functions, the Committee shall take into account the objectives established in the Guidelines on diversity approved by the Board.

### Fit & Proper Policy

The Board of Directors of Vittoria Assicurazioni S.p.A. has approved the Fit & Proper Policy to ensure that all persons who effectively run the undertaking or have other key functions have the professional qualifications, proper knowledge and experiences for a sound and prudent management, as well as a good reputation and integrity.

Besides checking the requirements of professionalism and integrity of each member of the corporate bodies, the Policy provides an annual assessment on the composition of the Board as a whole, through a self-assessment process.

The Policy was updated in March 2018 in order to implement the Guidelines on diversity approved by the Board.

#### Assessment

As required by the Corporate Governance Code adopted by Company, the Board undertakes, on an annual basis, an assessment on its size, composition and functioning, in order to monitor any deviations from criteria adopted. Within this scope, in relation to the administrative body as a whole, the assessment is carried out on the following issues:

- technical skills and theoretical, professional and managerial experiences;
- adequacy and diversification of such skills and experiences in relation to the operating and dimensional features of the activities to be performed, as well as to the risk profile of the Company.

In the assessment process, each Board member may provide suggestions on any criticalities found.

The outcomes of the assessment are submitted to the Appointment and Remuneration Committee for consideration, which reports to the Board, by formulating proposals on the actions to take in order to remedy any weaknesses identified.

#### Board advice to Shareholders

The Board of Directors, with the support of the Appointment and Remuneration Committee, takes into account the results of the assessment to give Shareholders, before the appointment of the new administrative body, advice on the managerial and professional profiles whose presence on the Board is considered appropriate, as well as on the features that are deemed suitable in relation to the composition of the Board as a whole.

#### By-Laws provisions

As required by law, Vittoria Assicurazioni By-Laws provide, both for the Board of Directors and for the Board of Statutory Auditors, that at least one third of the candidates of each list belongs to the less represented gender.

Even if the Guidelines on diversity in the administrative and control bodies were approved at the end of FY 2017, and the self-assessment process aimed at verifying their compliance has not been completed yet, the Board of Directors in office is in line with the objectives pursued by the guidelines, as confirmed by the profiles of the corporate bodies' members.

### **Maximum number of positions held in other companies**

The Board of Directors that was elected in the financial year 2016 confirmed, subject to analysis and evaluation by the Appointment and Remuneration Committee, the outgoing BoD's criteria for the Guidance on the composition of the new Board of Directors, in accordance with the application Criterion 1.C.1, letter h) of the Corporate Governance Code.

As outlined below, these criteria were approved by the BoD at the meeting of 11 May 2016 and are included in the Guidance on the composition of the Board of Directors that is available under "Investor Relations" / "Shareholders' Meetings" / "Year 2016".

Whereas:

- the positions taken into account are those of director or statutory auditor in companies listed on regulated markets (also abroad), in financial, banking, insurance companies or in companies of significant size;
- significantly sized companies are those with revenue in excess of Euro 500 million;

- financial companies are those companies that carry out financial activities directed toward the public; therefore, unlisted holding companies are excluded;
- positions within the same corporate group are considered to be equivalent to just one office;
- executive office refers to the position of Managing Director, Sole Director, General Manager; the position of Statutory Auditor is not considered to be executive;

the Board believes that the following maximum number of other offices held in other companies, as specified above, is compatible with the effective performance of a director's duties:

- for the Chairman and Executive Directors of Vittoria Assicurazioni: no executive office; 4 non-executive offices;
- for the other Directors: 8 offices, including no more than 2 executive offices.

Each year, the Board records the governing and control positions held by the individual directors according to the aforementioned criteria, and includes them in the Report on Corporate Governance and Shareholdings.

Upon approval of this Report, the composition of the Board of Directors meets above general criteria.

The number of significant offices held by the Directors in office is shown in the table provided in Annex 1 hereto.

### Induction Program

During 2017, the Company continued its training programme, already started up in the previous years, also in accordance with IVASS Regulation no. 20 of 26 March 2008, which provides for continuing professional development, also for the members of administrative body, by means of appropriate training programmes that ensure the development of technical skills necessary to carry out their roles in a responsible manner with due regard to the nature, degree and complexity of the tasks assigned.

This training is aimed at providing the Directors with an adequate knowledge of the business sector in which the Company runs its activity, of the corporate dynamics and the relevant evolution, the principles of proper risk management, as well as the regulatory and self-regulatory framework.

The training program results in the organization of dedicated training sessions, that have hitherto been carried out by the Company management. Topics addressed are briefly presented in presentations, provided to Directors and attached to the Board minutes.

Planning of the training sessions takes into account the need for a more thorough handling of some topics arising from the questionnaires for the assessment of the Board functioning and during the meetings of the independent Directors.

In 2017, three training sessions were held on the following topics:

- liability of healthcare professionals (Law no. 24 of 8 March 2017 – the so-called Gelli Law);
- the Sustainability Report;
- the European Insurance Distribution Directive (IDD).

Training was carried out by the persons in charge of the relevant corporate departments, who, besides providing more insights on the most important aspects of the new regulatory frameworks, outlined the subsequent impacts on the Company business as well as the measures implemented and planned to ensure compliance with the regulations.

### 4.3. Role of the Board of Directors [Article 123-bis(2)(d) TUF]

#### Functioning of the Board of the Directors

In financial year 2017, the Board held nine meetings with an average duration of about 2.5 hours.

The average meeting attendance by the Directors was 86%. Detailed attendance figures for individual Directors can be found in the table in Annex 1 hereto.

6 meetings are planned for 2008. As at the date of this Report, the first 2 meetings have already been held.

Supporting the Chairman, the Secretary of the Board of Directors coordinates the different corporate functions involved in drafting the documents required to deal with matters on the agenda and undertake resolutions.

To guarantee the timeliness and completeness of the documentation provided to Directors prior to meetings, the Company set up a reserved internet portal, used for the prior consultation both of documentation on the Board meetings and of the Committees. The portal, accessible on a password basis, enables Directors and Statutory Auditors to view and download the documentation while ensuring maximum security and confidentiality.

To facilitate the activities of the Directors and enable them to make informed decisions, the Board Secretariat ensures that the documentation related to the agenda items is generally made available beforehand and in a timely manner so that Directors may accurately evaluate the documentation - that is necessary to act in an informed manner on the matter proposed (generally, 3 days before the meeting). Documents that, for reasons of expediency, cannot be provided to Directors prior to the board meetings are delivered and adequately analysed during the board meetings.

Whenever the documentation is particularly extensive and complicated, it is accompanied by executive summaries and/or presentations, aimed at highlighting the most significant features. The executive summary accompanying the documentation is in no way considered as substitute of the extensive documentation submitted to the board members.

During the meetings, the Directors may provide their contribution and the Chairman ensures that the necessary time is allowed for an effective discussion of the items on the agenda.

It is a long-established practice that the Chairman of the Board calls to the meetings any Executives responsible for the functions related to the matters being handled whenever it is deemed necessary to have their support for insights on the agenda items.

Since early 2017, participants to the board meetings included three members of Senior Management running all operational Company departments: the Life Business Sales and Marketing Co-General Manager, the Non-Life Business Deputy General Manager, and the Service and Real-Estate Deputy General Manager. During 2017, participants included the Financial Reporting Officer (Finance, Planning and Control Central Manager), the Head of Finance, the Head of Risk Management and one Risk Manager.

As detailed below, the Committees formed by the Board of Directors play an essential role for the Board itself, carrying out preliminary fact-finding activity and formulating opinions and proposals. The Chairmen of the Committees provide information on the activities performed by said Committees.

#### Powers of the Board of Directors

The powers of the Board of Directors are determined in accordance with the provisions of the By-Laws and applicable laws and regulations.

Pursuant to Article 14 of the By-Laws, the Board of Directors is vested with the broadest and unlimited powers for the ordinary and extraordinary management of the Company; all the necessary and opportune powers are conferred upon it for implementation and achievement of the corporate objectives that are not expressly reserved to the General Meeting.

The company Yafa S.p.A., as a result of the registration as Parent Company of Vittoria Assicurazioni Insurance Group, performs management and coordination on the companies belonging to the Group and is responsible for implementing the provisions on the corporate governance at Group level pursuant to Article 215-bis, paragraph 2 of the Private Insurance Code.

As outlined under Chapter 2 above, areas subject to management and coordination of the Parent Company Yafa S.p.A. are set forth in the Group Regulation which does not affect tasks and responsibilities of the Board of Directors of Vittoria Assicurazioni in relation to the strategic guidelines within its purview, in particular with reference to the decisions on the business strategies of the Company and its subsidiaries, in accordance with the guidelines provided by the Parent Company.

The Board of Directors of Vittoria Assicurazioni is responsible for defining the process for the identification, current and forward-looking assessment, monitoring, management and reporting of risks at individual level, with the authority to issue provisions, destined to the Company's subsidiaries, on corporate governance and risk management and control, within the scope of the Guidelines set forth by the Parent Company at Group level.

Actual fulfilment and compliance with strategic guidelines defined for the subsidiaries is ensured by the presence of Vittoria Assicurazioni representatives on their Boards of Directors. Furthermore, it is a well-established practice that a member of the Board of Statutory Auditors of Vittoria Assicurazioni is on the Board of Statutory Auditors of the subsidiaries.

### Activity of the Board of Directors

The Board of Directors of Vittoria Assicurazioni S.p.A. approves the strategic plan of the Company, defining the targets based on the macroeconomic and market outlook, with the support and prior analysis of the Strategies Committee. The Company is currently implementing the 2017/2019 strategic plan approved at the beginning of the 2017 financial year.

The Board of Vittoria Assicurazioni S.p.A. is exclusively in charge of deliberations regarding the transactions which are strategically, economically or financially significant for the Company, pursuant to the delegations granted. In particular:

- the purchase and sale of majority interests in other companies or bodies, with the exception of real estate companies, for which power is conferred to the Managing Director, up to Euro 10 million per transaction;
- the purchase, underwriting, trading and sale of shares, convertible bonds, equity investments in companies or entities, and credit instruments generally up to the maximum amount of Euro 15 million, this amount to be reduced to Euro 10 million if the transactions do not refer to transactions for financial instrument investments and disinvestments, but refer to the acquisition and sale of equity holdings in insurance companies or in companies having a corporate purpose directly connected and instrumental to that activity;
- the issue of sureties and endorsements to third parties, except for those referred to the performance of credit and suretyship insurance activity.

Moreover, the Board of Directors approves specific policies, outlined below, establishing

the guidelines of the internal control and risk management system, with particular focus on the degrees of the Company's risk appetite. To this end, the Board:

- identifies the strategic guidelines referred to investments, set identification criteria (including those referred to key investments), resolves on their undertaking and approves processes for their development and management;
- defines the guidance on strategic planning and, consistently with what is set forth by the Investments, ALM and Liquidity Policy and by the Intragroup Transactions Policy, it defines the areas of investments through shareholding in companies;
- defines risk tolerance levels, with particular reference to investment activities, ALM and liquidity, subscription and reserve risks, both Life and Non-Life and risks related to the use of reinsurance;
- defines the net risk retention level, the features of the reinsurance coverages that the Company wants to conclude, targets and features' consistency for the purposes of covering the risks undertaken and the criteria used to select the reinsurers.

The Board approves the budget annually for the current year and verifies realization thereof upon approval of financial statements (half-year report and quarterly reports) for the period, assessing the management performance and comparing results with budgeted targets.

The Board approves, on an annual basis, the organisational and functional chart of the Company, these being documents that identify and define the responsibilities related to the main corporate decision-making processes, together with the model of the delegations and powers defining the structure of the responsibilities assigned to operating units.

In 2017, the Board reviewed the policies already approved in the previous years and issued the new Intra-Group Transactions Policy. See section 10.1 below for a brief description of the policies approved by the Board of Directors.

The Board of Directors meets on a regular basis.

### **Assessment of the functioning of the Board and its Committees**

In order to implement the provisions of the Corporate Governance Code and in accordance with ISVAP Regulation no. 20/2008, the Board of Directors undertakes an annual assessment on the functioning of the Board and of its committees, as well as on their size and composition.

To date, the Board has not availed itself of external consultants in the assessment procedure. Reliance on specialist firms on the market was assessed and was not deemed necessary also by the independent directors, who confirmed the validity of the procedure adopted by the Company.

The process requires that Board Members fill out, anonymously, a questionnaire divided into several sections, with a rating scale for each statement, aimed at facilitating the assessment process.

Directors should express their views on:

- number of members making up the Board of Directors;
- qualitative composition of the Board of Directors in terms of professionalism, experience and competence of the Directors, judging these aspects also with respect to the heterogeneity;
- adequacy of the skills-upgrading of the Board members, also by means of training plans;
- activities and elements that enable the Board of Directors to perform its tasks in an efficient manner, such as: the planning of the board meetings, also with reference to the number adequacy, the notice of call procedures, the completeness and

- comprehensiveness of the agenda; time dedicated to the matters during the meetings, the corporate members' participation to the meetings, the adequacy of alternative procedures for meetings to be held, as well as accuracy of meeting minutes;
- pre-Meeting information, with particular reference to the timing for making documents available, as well as to its completeness and adequacy;
  - activities of the Board of Directors in relation to the tasks assigned;
  - activities of board Committees in relation to proposals and consultations with respect to the activities of the Board of Directors.

Directors can provide appropriate recommendations in each section of the questionnaire.

The results of the self-assessment questionnaire are previously examined by the Appointment and Remuneration Committee, and presented by the Chairman to the Board.

In 2017, the results of the self-assessment process were examined by the Board of Directors at the meeting held on 9 May.

Results were overall positive: in particular, the composition of the board is considered to be adequate, both in quantitative and qualitative terms, in relation to the tasks assigned and the size and operational effectiveness of the company. A positive opinion was expressed in relation to the contribution to the Board activity arising from the heterogeneity among directors on board and from the appropriate number of independent directors.

Operating procedures of the Board and its Committee were considered adequate. In fact, the notice of call procedures, the number of meetings, their planning, as well as the agendas and pre-Meeting information were considered appropriate.

The overall opinion expressed on the Board activity was positive. A need has arisen in relation to more efficiently balancing the discussion of topics on compliance with law and strategy and business, with more insights on the strategic positioning of the Company in the specific market framework in which it operates, which may allow the independent directors to provide more inputs to the strategic choices of the Company. This need was already highlighted in the assessments of the previous financial years and led to the establishment of the Strategies Committee in 2016.

The opinion on the role and functions of the Board Committees was positive.

Finally, the program of ongoing training provided by the Company got a very positive opinion.

The self-assessment activity performed by the Board of Directors is not in relation to the three-year term of the Board and is not addressed with differentiated procedures in the three years.

In 2016, before the appointment of the new Board, the outgoing Board provided the shareholders with a guidance, taking into account the self-assessment results, on the managers and professionals whose presence on the Board is deemed appropriate.

#### **Exemptions to the non-compete clause**

In consideration of the Ministerial Decree no. 220 of 11 November 2011 on the independence of Directors as well as the prohibition provided for by Article 36 of Law no. 214 of 22 December 2011 ("interlocking prohibition"), the Board did not deem it necessary to submit to the Shareholders' Meeting the proposal to authorise exemptions to the non-compete clause under Article 2390 of the Italian Civil Code.

#### **4.4. Delegated Bodies**

Pursuant to Article 18 of the By-Laws, the Chairman of the Board of Directors, the Vice Chairmen, the Managing Directors and General Managers legally represent the Company

before third parties and the law.

On 15 March 2017, Mr. Cesare Caldarelli was appointed as Managing Director of the Company, and was vested, following revocation of the powers conferred to him on 27 April 2016 as General Manager, with management powers, as outlined below:

- the acceptance, conclusion and termination of insurance contracts, whether director indirect, establishing the rates and the conditions;
- the conclusion and termination of active and passive reinsurance treaties, the granting and acceptance of optional reinsurance;
- settlement and payment of claims; payment of amounts due to the Company for maturity of insurance policies, for their surrender and for any other reason;
- the purchase, exchange and sale of buildings for a maximum amount of Euro 10 million for each individual purchase, exchange or sale;
- conclusion of contracts, even organizing auctions and tenders;
- the purchase and sale, without limitation as to the amount, of debt and equity securities for the benefit of life policyholders bearing the investment risk and those relating to pension fund management;
- purchasing and selling, without limitation as to the amount, of state or State guaranteed securities, and non-convertible bonds and similar securities;
- the purchase and sale of UCIs, without limitation as to the amount, provided they invest mainly in the bond market;
- the purchase and sale of units of UCIs, including closed-end funds, which invest in the bond market, up to a maximum amount of Euro 20 million;
- the purchase, underwriting, trading and selling of shares, convertible bonds and equity investments in companies or entities, credit instruments generally up to the maximum amount of Euro 15 million, this amount to be reduced to Euro 10 million if the transactions refer to the acquisition and sale of equity holdings in insurance companies or in companies having a corporate purpose directly connected and instrumental to its own. The Board of Directors is in any case vested with the authority to purchase and acquire majority interests in other companies or bodies, with the exception of real estate companies up to Euro 10 million per transaction;
- the granting of mortgages and loans up to the amount of Euro 5 million;
- relations with credit institutes and financial institution, setting terms and procedures for credit lines and their usage;
- the recruitment, promotion and dismissal the company personnel, including the Executives, defining indemnities and remuneration;
- representation of the Company before any judicial, financial and administrative authorities.

The issue of sureties and endorsements to third parties is in any case the sole prerogative of the Board of Directors, except for those referred to the performance of credit and suretyship insurance activity and to the management of company real estate, conclusion and termination of lease and rental agreements.

Mr. Cesare Caldarelli does not hold other offices as Director, and therefore no interlocking directorate applies.

The Board, having considered the new organization of the Senior Management of the Company with effect 1 January 2017, with a Joint General Manager and two Deputy General Managers reporting directly to Mr. Caldarelli, increased the management powers delegated to the three aforementioned members of Senior Management, with joint signatures for acts of greater importance, to be exercised in cases of urgency and necessity within the powers conferred to the Managing Director.

In the context of the new abovementioned organization, deputy powers conferred to the Vice Chairman on 27 April 2016 were revoked.



As further outlined below, Mr. Caldarelli was also assigned the role of Director in charge of the internal control and risk management system.

## Chairman

The Chairman of the Board of Directors, who under the By-Laws is granted the authority of legal representation of the Company, is not vested with any executive authority.

## Disclosures to the Board

On the occasion of board meetings and on at least a quarterly basis, the Board of Directors receive is informed, by the Managing Director and by the Top Management, of the activities performed by the Company and its subsidiaries, on its general outlook, the major economic, financial and equity transactions, especially on those transactions for which Directors hold a stake – personally or on behalf of third parties.

## 4.5. Independent Directors

At the first meeting held following the appointment of the Board of Directors in 2016, the newly appointed directors verified the possession of the independence requirements for each Director, also based on the declarations issued by each Director upon appointment. The following directors met the independence requirements as indicated under section 3 of the Corporate Governance Code: Marco Brignone, Lorenza Guerra Seràgnoli, Giorgio Marsiaj, Maria Antonella Massari, Marzia Morena, Lodovico Passerin d'Entrèves, Giuseppe Spadafora, Roberta Urban.

As the independence requirements are to be checked pursuant to Articles 147-ter and 148 of the TUF, based on these provisions the following directors were independent: Giorgio Costa, Marco Brignone, Lorenza Guerra Seràgnoli, Giorgio Marsiaj, Maria Antonella Massari, Marzia Morena, Luca Paveri Fontana, Giuseppe Spadafora, Roberta Urban.

The application criteria 3.C.1.(e) of the Corporate Governance Code, under which directors that have held office for more than nine years cannot be qualified as independent, was not taken into consideration in the Director independence assessment.

In continuity with the choice made in the previous three-year periods, the Board of Directors determined not to adopt this criterion, considering that long-term presence on the board does not prevent independence, and that an in-depth knowledge of the Company and its activity as well as of the insurance business and industry regulation, that can be acquired over the course of several years of experience, allows to provide a significant contribution to the Board work and, more generally, to the definition of the Company's strategic guidelines.

The outcome of the assessments made by the Board of Directors was briefly reported in a press release issued to the market, in which the reasons for the deviation from the aforementioned application criterion 3.C.1.(e) were outlined. Pursuant to the application criterion 3.C.5 of the Corporate Governance Code, the Board of Statutory Auditors, after examining the documentation produced to this end by the Company, and in the light of the assessments made by the Board, confirmed the proper application of criteria and procedures adopted by the Board to evaluate the independence of its members.

The Board of Directors makes an annual assessment on whether the Directors meet the requirements of independence, subject to the verification by the Appointment and Remuneration Committee. Independent Directors shall promptly notify the Company in the event of any situations that could jeopardize such requirement.

Should relevant circumstances occur for the purpose of independence, the Board shall promptly check, with the support of the Appointment and Remuneration Committee, such

case.

During 2017, on the occasion of the annual check of the director requirements, the Appointment and Remuneration Committee assessed the position of Mrs. Roberta Urban as employee of Munich RE Group, company that participates in the Shareholders' Agreement relating to the shares of Vittoria Capital S.p.A., parent company of Vittoria Assicurazioni S.p.A. The Committee confirmed that Mrs. Urban met the independence requirement, as aforesaid agreement does not concern the control of the Company. The Board of Directors agreed on the assessments made by the Appointment and Remuneration Committee.

In 2017, the Independent Directors met once without the other Directors, holding a separate meeting that was different from the committee meetings. The meeting focused mainly on issues that were considered to be relevant for a better understanding by the independent Directors of the Company strategic lines, as well as on the method for their definition.

Another topic of debate was the the subject matter of the training sessions; the independent directors agreed on the need to continue with the training on Solvency II, comprising also a representation of the overall impacts of this system on the decision-making processes of the companies and their business choices for the future. A deeper insight on any impacts arising from the entry-into-force of the "Insurance Distribution" Directive (IDD) was also required.

#### **4.6. Lead Independent Director**

On 9 May 2017, the Board of Directors appointed Mr. Giuseppe Spadafora as Lead Independent Director, position that was previously held by Mr. Lodovico Passerin D'Entrèves, who resigned as Director on 28 April 2017.

The position of Lead Independent Director was already introduced in 2013 when independent directors needed to have a point of reference and coordination for their proposals and contributions in the Board activities.

The position of Lead Independent Director does not correspond to a corporate office with powers that compete with those of the Company's top management.

## 5. HANDLING OF CORPORATE INFORMATION

### 5.1. Public Disclosure Policy

The Board of Directors of Vittoria Assicurazioni reviews, on an annual basis, the public disclosure policy, first approved in 2015.

Disclosure of information relates to any news concerning an event, circumstance, datum or initiative with special significance or a specific function in corporate affairs. Such information is a key component of corporate assets.

The policy was adopted with the purpose of defining the guidelines for all the activities related to the preparation and disclosure of information to the public, as well as the roles and responsibilities of the individuals and departments involved in the process.

The guidelines approved by the Board of Directors are aimed at ensuring, on an ongoing basis:

- the adequacy of information and data prepared and structural oversight of management and public disclosures;
- timely and effective management of disclosures in order to ensure compliance with regulatory provisions.

The Company is committed to managing, by proper oversight measures, information related to public disclosures such as to ensure it is accurate and reliable. In particular, the standards pursued by Vittoria Assicurazioni should ensure that the information is thorough and timely and that it is disclosed, either internally and externally, through the contribution of the Corporate Departments.

Within the public disclosure process, the Board of Directors is responsible for disclosing documents and information that fall within their purview according to regulations and by-laws. The Board also promotes the adoption of the principles under the Policy in order to ensure the reliability, completeness, timeliness and consistency of public disclosures.

The Senior Management defines the measures needed to ensure that the public disclosure process is well established and maintained, and works properly. In particular, it is responsible for implementing the Policy and ensuring that it is implemented in the corporate processes formalized by organizational documents, where also the tasks of the involved Corporate Departments are defined, whilst guaranteeing that disclosure systems are reliable and efficient.

The Managing Director is responsible for managing the public disclosure of inside information and information on significant matters relating to the Company and its subsidiaries.

Disclosing non-confidential documents concerning the Company, other than those already officially disclosed to the public, is subject to approval by the Managing Director or the Investor Relator.

Relations involving other disclosures on the Company, in particular to shareholders, journalists or analysts, can only be established by the Chairman of the Board of Directors, the Vice Chairman, the Managing Director, and with reference to shareholders and financial analysts, by the Investor Relator or by Senior Managers each time entrusted by the Managing Director.

The Financial Reporting Officer is responsible for ensuring the preparation and actual implementation of the procedures for preparing the year-end and consolidated financial statements and any other financial disclosures.

In particular, with reference to the accounting disclosures to the market, the Financial

Officer certifies that these correspond to the accounting figures, books and documents.

Notwithstanding said principles and guidelines, that apply to all public disclosures, the Policy also governs specific provisions to be applied in the preparation and dissemination of the Financial Condition Report (SFCR).

Public disclosures relating to insurance products fall outside the scope of the Policy, and are regulated by a specific IVASS Regulation.

## 5.2. Procedure for the management and public disclosure of inside information

The Procedure for the management and public disclosure of inside information currently in force was approved by the Board of Directors on 28 July 2016. The procedure implemented the provisions under the Regulation (EU) no. 596/2014 of the European Parliament and Council of 16 April 2014 (Market Abuse Regulation) and related implementing regulations on market abuse, in force since 3 July 2016.

The procedure is aimed at governing the management, including the public disclosure, of inside information and of information that may become inside information, seeking for a balance between the interest vested by the information protection and the interest vested by compliance with the principles of equal information disclosure to the market.

Compliance with this Procedure is required for all members of the corporate bodies and employees of Vittoria Assicurazioni and the Group, as well as for all those with whom there is a business relationship and who may have access to corporate information that are likely to evolve into inside information. Provisions of the procedure also apply to the subsidiaries of Vittoria Assicurazioni, so that they provide all information needed to promptly and properly comply with obligations of disclosure to the public as envisaged by existing regulation.

In particular, the Procedure identifies the parties that are responsible for assessing the inside nature of the information and the procedures for disclosing it. It also outlines the specific procedure to abide by in cases where, if conditions set forth by law are met, the Company decides to delay the disclosure of inside information, by defining the parties responsible for the decision, the processing procedures for inside information that has not been disclosed yet, and the delay notice to CONSOB.

Moreover, the procedure describes the methods for drafting and updating the Register of persons having access to inside information, as required by the Market Abuse Regulation, and identifies, within the Company, the person in charge of that.

All names of people having access to inside information are placed in the Register in case of delay of its disclosure. Names are registered by activity, process, project or intermediate stages of a long-term process, by indicating when the specific inside information is first available and when the inside information is disclosed to the public.

The Register has also a dedicated section ("Permanent Access") which includes only the persons, by function or position, that have always access to all inside information of Vittoria Assicurazioni.

The dissemination of inside information is made by means of a press release according to provisions of the Consolidated Law on Finance, Issuers Regulation and the Regulation by Borsa Italiana.

Update of above policy is currently being examined in order to implement provisions of the Guidelines issued by CONSOB on this matter in October 2017.

### 5.3. Procedure for Internal Dealing

In order to implement the new provisions entered into force with the Market Abuse Regulation, the new Procedure for Internal Dealing regulating the disclosure of transactions on financial instruments issued by Vittoria Assicurazioni or other instruments related to them was also updated.

On 27 July 2017, the Board of Directors supplemented this procedure in order to implement the new provisions of the Issuers Regulation, as amended with CONSOB Resolution no. 19925 of 22 March 2017, introduced to maintain the previous obligation of disclosure to CONSOB and the public in relation to transactions performed by those holding an interest that is equal or greater than 10% in the listed Company (the so-called Significant Parties), i.e. parties that are excluded by the MAR regulation.

In order to regulate the different obligations laid down for the Significant Parties and for those performing functions of administration, management and control, the Procedure has been broken down in two sections:

- Section One regulates the disclosure obligations by parties performing functions of administration, management and control (Managers), as well as for people closely related to them
- Section Two regulates the obligations by the Significant Parties.

In accordance with the regulation, the transactions carried out by the Managers, whose overall amount is Euro 20,000 within a calendar year and, once this amount is reached, all further transactions, shall be promptly notified, and anyway no later than within 3 working days, to CONSOB. These transactions shall also be notified to the Company no later than one working day, in order to enable it to comply with the public disclosure requirements.

Significant Parties are indeed required to notify CONSOB and publish the transactions carried out within the end of the 15th day of the following month, whose amount reaches Euro 20,000 within the end of the year, as well as following transactions, only if these further reach Euro 20,000.

The procedure includes a prohibition for Managers to carry out, directly or through intermediaries, any transactions on financial instruments issued by Vittoria Assicurazioni or other instruments related to them during the 30 calendar days before the announcement of the annual financial report, the half-yearly financial report under Article 154-*ter* of the Legislative Decree 58/1998, as well as the interim financial reports.

At the beginning of every financial year, following the publication of the corporate events calendar, the Company provides all parties involved with a calendar indicating the dates on which it is not possible to conduct transactions (so-called Blocking Periods).

The procedure is available for consultation on the website of the Company [www.vittoriaassicurazioni.com](http://www.vittoriaassicurazioni.com), under "Governance", where also disclosures pursuant to that procedure are published.

### 5.4. Opt-out Regime under Articles 70(8) and (71)(1-bis) of the Issuers Regulation

Vittoria Assicurazioni opted to deviate from the disclosure obligations of the information documents required upon the occasion of significant transactions such as mergers, spinoffs, share capital increases through contributions in kind, sales and acquisitions, applying the opt-out regime pursuant to Articles 70(8) and 71 (1-bis) of the Issuers Regulation, as amended by CONSOB resolution 18079 of 20 January 2012.

## 6. BOARD COMMITTEES [Article 123-bis(2)(d) TUF]

Pursuant to Article 14 of the By-Laws, the Board of Directors appointed by the Shareholders' Meeting held on 27 April 2016 established six committees within the Board itself:

- Strategies Committee
- Finance Committee
- Real-estate Committee
- Related-Party Committee
- Appointment and Remuneration Committee
- Control and Risk Committee

Duration of terms of office for committees coincides with the term of the Board of Directors.

In establishing the committees, the Board, besides taking into account the provisions under the Corporate Governance Code, considered the performance of the Company, in particular as for real-estate investments and outcome of the self-assessment processes on the Board functioning, performed in compliance with the provisions of ISVAP Regulation no. 20 and the Corporate Governance Code.

In the composition of the Boards, the Board considered the requirements provided for by the Corporate Governance Code, the professional profiles of the Directors, their past experience and the number of offices held, as well as the availability of each member.

Given the relation between the matters at hand, the Board deemed it necessary to merge the Appointment Committee and the Remuneration Committee into a single Committee, called Appointment and Remuneration Committee, in order to facilitate organizational needs and full functioning of each committee.

The functions of the Committees are to consult and make proposals to the Board and each has its own regulation, which is compliant with the provisions of the Corporate Governance Code, and which establishes its competences and governs its functioning.

Minutes of all Committee Meetings are taken and a copy of the minutes is distributed to all Directors.

Vittoria Assicurazioni has been long using a practice, recommended by the application criterion 4.C.1(d) of the Corporate Governance Code, to report, during the first Board meeting, through the President of each Committee, on the activities performed by the Committee itself.

This section briefly outlines the composition and activities of the Strategies Committee, Finance Committee, Real Estate Committee and Related-Party Committee. As for the Appointment and Remuneration Committee and Control and Risk Committee, please refer to sections 7 and 8 below.

### 6.1 Strategies Committee

As at the date of this Report, the Strategies Committee, first established in 2016, consists of the following Directors:

Andrea ACUTIS	Non-executive Chairman
Carlo ACUTIS	Non-executive
Cesare CALDARELLI	Executive
Luca PAVERI FONTANA	Non-executive
Giuseppe SPADAFORA	Independent non-executive
Roberta URBAN	Independent non-executive

In FY 2017, the following changes in the composition of the Committee occurred:

- appointment, on 9 May 2017, of Mr. Luca Paveri Fontana as new member;
- resignation from the position of Committee member by the Vice Chairman Mr. Roberto Guarena, on 26 July 2017.

The Committee shall meet at least on a six-monthly basis, convened by the Chairman or when requested by at least 2 members of the Committee.

The Chairman coordinates the Committee activities. The Committee can appoint a secretary, not necessarily a member of the Committee. Minutes of all Committee meetings are taken and at the first meeting possible the Chairman reports to the Board on the activities performed.

The heads of the company operating departments may also be called to attend some Committee meetings.

The Committee supports the Board and Top Management by carrying out corporate objectives and strategies. In particular, the Committee assists the Board and Top Management in following activities:

- identification of market evolution and related strategic challenges to be addressed; analysis of the different strategic options at disposal;
- definition of the multi-year strategic plans;
- development of the Key Performance Indicators and their monitoring.

The Strategies Committee met 2 times in 2017. Average meeting attendance was 92%. See the table in Annex 2 of this Report for the individual Directors' attendance records.

In particular, the Committee reviewed the 2017-2019 three-year strategic plan, then subject to the Board of Directors for approval, by assessing the relevant insurance market and its trend prospects, identifying the opportunities of development for the Company in the next three years, as well as measures taken and planned for the achievement of the targets.

The Committee was also informed on the preparatory activities for the drafting of the first Sustainability Report for FY 2017.

2 meetings are planned for 2018.

## 6.2. Finance Committee

As at the date of this Report, the Finance Committee consists of the following Directors:

Andrea ACUTIS	Non-executive Chairman
Adriana ACUTIS BISCARETTI di RUFFIA	Non-executive
Carlo ACUTIS	Non-executive
Cesare CALDARELLI	Executive
Giorgio Roberto COSTA	Non-executive
Luca PAVERI FONTANA	Non-executive
Giuseppe SPADAFORA	Independent non-executive

On 26 July 2017, the Vice Chairman, Mr. Roberto Guarena, resigned from his position as Committee member.

Within the Finance Committee, the Board assigned the following duties: to Adriana Acutis Biscaretti di Ruffia, the task of supervising and reporting on foreign subsidiaries, and to Luca Paveri Fontana the task of reporting on subsidiaries and investments in the private equity sector.

In order to encourage the exchange of information between the Finance Committee and the

Control and Risk Committee and considering the new tasks given to them according to the policies approved in accordance with regulations issued by IVASS, Board of Directors assigned to Mr Giuseppe Spadafora the special task of coordinating the information flows between the two committees.

The Committee shall meet at least quarterly, convened by the Chairman or when requested by at least 2 members of the Committee.

The Chairman coordinates the Committee activities. The Committee can appoint a secretary, not necessarily a member of the Committee. Minutes of all Committee meetings are taken, and at the first meeting possible the Chairman of the Committee provides the Board with a report on the activities performed.

The Finance Committee met 8 times in 2017. Average meeting attendance was 83%. See the table in Annex 2 of this Report for the individual Directors' attendance records.

6 meetings are planned for 2018.

The Committee meetings are also attended by the Financial Reporting Officer, the Finance Manager and the Risk Manager and, where considered useful with respect to the items on the agenda, the heads of company departments may be called to participate.

In the performance of preliminary fact-finding and proposal-making, the Finance Committee provides support to the Board:

- defining policies and strategies for risk management, risk appetite and capital management;
- defining investment policies and strategies and supervising their implementation.

In defining the policies and strategies for risk management, the Committee:

- assists the Board in conducting periodic reviews and management (implementation, maintenance and monitoring) of the Risk Appetite (RA), i.e. the group of metrics, processes and systems to provide support in managing the level and type of risk the Company is willing to assume (risk appetite) according to its strategic objectives;
- provides support to the Board through consultations and proposals, defining management policies and risk assessment, including Capital Management Policies;
- provides support to the Board to define risk tolerance levels and for analysing the results of monitoring, with particular reference to investment activities, ALM and liquidity, subscription and reserve risks, both Damages and Life and risks related to the use of reinsurance;
- cooperates with Senior Management and provides support to the Board of Directors in determining any corrective measures needed in the case of misalignment between actual risk exposure and risk appetite.

The Committee's tasks include:

- periodically submitting for review the securities portfolios whose risk is borne by the Company and those whose risk is borne by policyholders;
- periodically submitting for review the financial position of Group real estate companies, auditing their compliance with the exposure limits set by the Board of Directors;
- assessing the results of the assessment process of internal risk and solvency, both current and forward-looking (ORSA), also using stress tests;
- assisting the Board in developing the capital management plan and in defining monitoring processes and tools;
- determining any amendments to Risk Appetite in order to align the risk profile deriving from comprehensive risk objectives of the Company.

### 6.3. Real Estate Committee

As at the date of this Report, the Real Estate Committee consists of the following Directors:



Andrea ACUTIS	Non-executive Chairman
Adriana ACUTIS BISCARETTI di RUFFIA	Non-executive
Carlo ACUTIS	Non-executive
Cesare CALDARELLI	Executive
Giorgio Roberto COSTA	Non-executive
Marzia MORENA	Independent Non executive
Luca PAVERI FONTANA	Non-executive
Giuseppe SPADAFORA	Independent Non-executive

On 26 July 2017, the Vice Chairman, Mr. Roberto Guarena, resigned from his position as Committee member.

Within the Real Estate Committee, the Board assigned the task of supervising and reporting on the foreign investee real-estate companies to Mrs. Adriana Acutis Biscaretti di Ruffia.

The Committee shall meet at least quarterly, convened by the Chairman or when requested by at least 2 members of the Committee.

The Chairman coordinates the Committee activities. The Committee can appoint a secretary, not necessarily a member of the Committee. Minutes of all Committee meetings are taken and at the first meeting possible the Chairman reports to the Board on the activities performed.

The Real Estate Committee met four times in 2017. Average meeting attendance was 92%. See the table in Annex 2 of this Report for the individual Directors' attendance records.

4 meetings are planned for 2018.

Members of Top Management, the Risk Manager, the heads of Company operating departments and representatives of the Group real estate companies also attend Committee meetings.

The Committee has the following duties:

- supervising over the performance of the Group's real estate investments;
- defining development strategies for the business segment;
- assessing the investment proposals submitted by operating managers.

In 2017, the Committee monitored the performance of the real-estate re-organization process, approved in 2016 in order to:

- enhance the group synergies, with higher flexibility of the cost structure;
- implement the new lease business, separated from the business of trading and development in order to evaluate its profitability;
- review commercial strategies.

In this respect, the Board of Directors, after preliminary fact-finding activity of the Real-Estate Committee, approved the Real-Estate Regulation aimed at governing the relations between Vittoria Assicurazioni and its subsidiaries operating in the real-estate market, with the aim of:

- returning beforehand all decisions and significant transactions of the real-estate business to the Real-Estate Committee and the Board of Directors of Vittoria Assicurazioni;
- ensuring, in relation to the choices made, timeliness of implementation and execution.

The Regulation governs the relations among Vittoria Assicurazioni, the real-estate companies and the subsidiary service company which has been entrusted with the integrated management of the activities relating to real-estate assets. It basically provides

that:

- the Board of Directors and the Real-Estate Committee of Vittoria Assicurazioni define the guidelines of the real-estate companies' strategies and oversee their performance and management;
- the Managing Director of Vittoria Assicurazioni implements, within the limits of the powers delegated, the guidelines established by the Board of Directors;
- the Real-Estate Management of Vittoria Assicurazioni supports and promotes the functional link of the real-estate companies with Vittoria Assicurazioni and handles the operational coordination of the business, based on the information provided by the Managing Director;
- the Boards of Directors of the real-estate controlled companies are responsible for the implementation of the risk management strategies and policies set out by Vittoria Assicurazioni;
- the service company carries out, following the operational guidelines of the Real-Estate Management, all activities to enhance, promote, administer, manage, maintain, restructure and renovate the real-estate assets of Vittoria Assicurazioni subsidiaries.

#### 6.4. Related-Party Committee

As at the date of this Report, the Related-Party Committee, established based on CONSOB Regulation no. 17221, consists of the following Directors:

Roberta URBAN	Independent Chairman
Marco BRIGNONE	Independent non-executive
Giuseppe SPADAFORA	Independent non-executive

All members fulfil the independence requirement as provided for by the Corporate Governance Code and by provisions under Articles 147 and 148-ter of TUF.

In 2017, Mrs. Urban, no longer holding the position of director of the controlling company Vittoria Capital S.p.A., reacquired the independence requirement as per TUF that she failed to fulfil in 2016.

The Committee's duties were established based on aforementioned CONSOB Regulation 17221, as mentioned in the procedures approved by the Board of Directors described in section 11 below.

The Committee is responsible for conducting preliminary examinations of transactions with related parties submitted by the competent corporate departments and expressing their opinions.

The Committee's work is coordinated by a Chairman, who can appoint a Secretary that may be an external member of the Committee. Minutes are taken at the meetings and the Chairman provides the Board of Directors with a report on the Committee's work.

The Committee meetings can also be attended by company managers with competence in the transactions submitted to the Committee for review.

In the performance of its duties, the Committee may access Company information and functions required to carry out its tasks and make use of the services of outside consultants, under the terms approved by the Board of Directors.

On the occasion of the establishment of the Committee, the Board of Directors has made an annual budget of Euro 30,000 available to the Committee, while providing that any

additional needs must be submitted for approval by the Board itself.

In 2017, the Related-Party Committee examined the transactions with related parties that were submitted to it by the corporate management, all falling into the category of transactions of minor significance as defined in the procedure under Chapter 11, for which it expressed a favourable opinion.

Furthermore, as better outlined under Chapter 11, an ad hoc Committee consisting of independent directors (Mr. Giuseppe Spadafora, Mr. Marco Brignone and Mrs. Antonella Massari) examined the new text of the Procedure for the management of the related-party transactions.

Average meeting attendance was 100%. See the table in Annex 2 hereof for the individual Directors' attendance records.

## 7. APPOINTMENT AND REMUNERATION COMMITTEE

At the date of this report the Committee was composed as follows:

Maria Antonella MASSARI	Independent non-executive Chairman
Giuseppe SPADAFORA	Independent non-executive
Roberta URBAN	Independent non-executive

In 2016, when the Committee was established, the functions provided for the Appointment Committee and the Remuneration Committee in the Corporate Governance Code have been assigned to a single committee set up in accordance with the stricter rules set out in the Corporate Governance Code for the Remuneration Committee (non-executive directors, the majority of whom must be independent, with the Chairman selected among the latter).

To the date of the Board of Directors held on 9 May 2017, the Committee members were as follows: Lodovico Passerin d'Entrèves Independent Chairman; Luca Paveri Fontana non-executive; Maria Antonella Massari and Giuseppe Spadafora, Independent non-executive.

As a result of the resignation by Mr. Lodovico Passerin d'Entrèves and given the forthcoming subjection of the Company to the management and coordination of Yafa S.p.A., the Board of Directors, at the meeting of 9 May 2017, approved a new composition of the Appointment and Remuneration Committee, in order to comply with provisions under Article 16 of the CONSOB Regulation on Markets. According to this regulation, in case of listed companies subject to management and coordination of others, the Board Committees envisaged by the Corporate Governance Code must exclusively consist of directors that are independent pursuant to the TUF and to the Corporate Governance Code. The current composition of the Committee meets this requirement, as it is also the case for compliance with application criterion 6.P.3. of the Corporate Governance Code which provides for the presence of at least one member with adequate know-how and experience in finance or in remuneration policies.

The Chairman coordinates the Committee activities. The Committee can appoint a secretary, not necessarily a member of the Committee. Minutes of all Committee meetings are taken, and at the first meeting possible the Chairman of the Committee provides the Board with a report on the activities performed.

On the occasion of the establishment of the Committee, the Board of Directors has made an annual budget of Euro 30,000 available to the Committee, while providing that any additional needs must be submitted for approval by the Board itself.

In the performance of its duties, the Committee may access Company information and functions as necessary to carry out its tasks and employ the services of outside consultants.

If the Committee decides to avail itself of the services of a consultant in order to obtain information on market standards for the remuneration policies, it shall previously verify that the consultant is not in a position which might compromise its independent judgement. The Committee has not hitherto availed itself of any external consultants.

On invitation of the Committee Chairman and with the consent of the members attending, also non-members may participate, i.e. the Managing Director, the Services and Real-estate Deputy General Manager or the members of the Board of the Statutory Auditors.

The Appointment and Remuneration Committee held 6 meetings in 2017, with an average duration of about 45 minutes. Average meeting attendance was 92%, as seen in the table in Annex 2 hereof.

## 7.1. Functions of the Appointment and Remuneration Committee

As for the appointments, the Committee has the function of:

- formulating opinions to the Board of Directors with regard to the size and composition of the Board and of the Committees;
- making proposals for the organisation and functioning of the Board of Directors;
- making recommendations with respect to:
  - (i) the professionals whose presence within the Board is deemed advisable;
  - (ii) the maximum number of positions as director or statutory auditor in other companies listed on regulated markets (also abroad), in financial, banking, insurance companies or in companies of significant size, that would be compatible with the effective performance of a director's duties, taking into account the directors' participation in the committees within the Board of Directors of the Company;
  - (iii) exemptions to the non-compete clause under Article 2390 of the Italian Civil Code;
- making proposals for the appointment of Directors;
- making proposals to the Board for co-opting Directors;
- making proposals to the Board for the appointment of the Chairman, Deputy Chairmen, Committee members, Managing Director and General Manager;
- making proposals to the Board, in agreement with the Managing Director, for the appointment of senior managers;
- assisting the Chief Executive Officer in preparing career and replacement plans for the Company's Senior Management;
- carrying out the preliminary work for the preparation of the plan for the succession of the executive directors;
- carrying out checks as required by the Fit & Proper Policy approved by the Board of Directors;
- supporting the Board in the analysis of the results of the annual evaluation on the functioning of the Board and its Committees as well as on their size and composition;
- assisting the Managing Director in formulating proposals for the appointment of Directors, of the Chairman, Managing Director and General Manager of the subsidiary Companies;
- assisting the Managing Director in formulating proposals for the appointment of the Group Directors at the affiliated Companies.

In 2017, consulting and proposing activity of the Committee on the appointments included, inter alia:

- the examination of the proposal of appointment of Mr. Cesare Caldarelli as Managing Director;
- the examination of the new approach of the system of powers and delegations;
- the analysis of the proposals of re-organization of the Boards of Directors of real-estate controlled and subsidiary companies, connected to the process of re-organization of the real-estate business;
- assessments on the resignation of the Director Mr. Lodovico Passerin d'Entrèves; the Committee, based on the results of the Board self-assessment, though agreeing that, with the resignation of Mr. Lodovico Passerin d'Entrèves, the Board of the Directors and the Committee lack a member of high professionalism and expertise, assessed that the size of the Board of Directors is in any way suitable in relation to the structure and complexity of the Company in its financial, organizational and operational components;
- prior examination of the results of the self-assessment questionnaire prepared to evaluate size, composition and functioning of the Board of Directors and the Committees;
- the preliminary fact-finding work for the purposes of checking whether the requirements provided for by current legislation are still fulfilled by the persons holding positions of

- administration, management and control, as well as by Heads of the control functions, in accordance with provisions under the applicable Policy approved by the Board;
- examination of the organisation chart, function chart and the systems of powers and delegations;
- examination of the replacement plans prepared by the General Management to address any needs to replace the Heads of the main corporate departments, both in case of urgency, and in a three/five-year horizon.
- verification of requirements by the candidate for the Head of the Actuarial Function.

## Remuneration

With respect to remunerations, 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:
  - (i) making proposals or expressing opinions to the Board of Directors for the remuneration of executive directors, of Directors holding specific offices and of the General Manager, as well as for setting the performance targets related to the variable portion of said remuneration;
  - (ii) making proposals to the Board, as indicated by the General Manager, for setting the remuneration of the Senior Management of the Company in such a way as to attract and motivate high-calibre people;
  - (iii) checking the proportionality of the remuneration of the executive directors among them and compared to the company staff;
- 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 policy on the remuneration of directors and executives with strategic responsibilities, relying, and formulating proposals on this matter.
- assisting the Managing Director in formulating proposals for the remuneration of Directors, of the Chairman, Managing Director and General Manager of the subsidiary Companies.

No Directors may attend the meetings where proposals concerning their remuneration are discussed.

In 2017, with reference to remuneration, the Committee guaranteed its contribution to the decision-making process at Board and Top Management level, in relation to:

- determination of the remuneration of the Managing Director;
- remuneration of the Vice Chairman;
- analysis of the new approach to the remuneration policy, with the identification of the risk takers and the variable remuneration schemes;
- verification of attainment of the targets required for the variable remuneration payable to the Senior Management on the activity performed in FY 2016;
- formulation of the Report on the remuneration policies adopted by the Company, in accordance with ISVAP Regulation no. 39 and Article 123-ter of the TUF;
- examination of regulations governing the Short-Term Incentive (STI) compensation and the Long-Term Incentive (LTI) compensation;
- examination of the prospectus on the "Performance Unit Plan 2017 – 2019" based on financial instruments;
- examination and approval of criteria used to define the targets of the executives belonging to the Senior Management and for the Heads of the Control Functions;
- examination and approval of the remuneration of the subsidiaries' directors.

## 8. REMUNERATION OF DIRECTORS

For the information relating to the remuneration of the Directors, please see the Remuneration Report, prepared and published pursuant to Article 24 of ISVAP Regulation no. 39 and Article 123-ter of the TUF.

The Remuneration Report is approved by the Board of Directors on the proposal of the Appointment and Remuneration Committee and is thereafter subject to the approval of the General Meeting convened to approve the financial statements for the year.

As provided for by Article 123-ter of the TUF, the report consists of two sections:

- the first section, which is submitted to the General Meeting for approval, pursuant to ISVAP Regulation no. 39 and Article 7 of the By-Laws outlines the compensation policies that the Company intends to adopt for Directors, Statutory Auditors, the General Manager, the managers with strategic responsibilities, the heads of the control functions and the other categories of staff with activities that may significantly impact the Company's risk profile;
- the second section, for which the approval of the General Meeting is not required, is divided into two parts and, by name for the members of the administration and control bodies, the General Manager and, in aggregate form, for the managers with strategic responsibilities, provides an adequate representation of each item comprising the remuneration. Furthermore, it provides an analytical overview of the remuneration paid to Directors, General Manager, Statutory Auditors, Senior Management for the previous year for any purpose and in any form by the Company and the subsidiaries or associated companies.

The remuneration reports prepared since FY 2012 are published on the Company website under "Governance".

## 9. CONTROL AND RISK COMMITTEE

As at the date of this Report, the Committee consists of the following Directors:

Giuseppe SPADAFORA	Independent Chairman
Maria Antonella MASSARI	Independent non-executive
Roberta URBAN	Independent non-executive

As at the date of the Board of Directors held on 9 May 2017, the Committee members were as follows: Giuseppe SPADAFORA Independent Chairman; Luca PAVERI FONTANA non-executive; Roberta URBAN Independent non-executive.

As for the Appointment and Remuneration Committee, on the basis of the provisions under Article 16 of CONSOB Regulation on the Markets, the Board of Directors, at the meeting of 9 May 2017, approved a new composition of the Control and Risk Committee, which is therefore totally made up of Independent Directors, also in compliance with the Principle 7.P.4 of the Corporate Governance Code requiring the presence of one member with adequate experience in accounting and financial matters or in risk management.

The Board of Directors has made an annual budget of Euro 30,000 available to the Committee for the performance of its duties, it being understood that any additional needs must be submitted to the Board for approval.

The work of the Control and Risk Committee is coordinated by the Chairman. Minutes of all Committee meetings are taken, and at the first meeting possible the Chairman reports to the Board of Directors on Committee activities performed, highlighting the most significant problems. The Chairman is assisted by the Head of the Company's Internal Audit Department, who serves as Secretary of the Committee.

The Control and Risk Committee held 8 meetings in 2017, with an average duration of approximately 2 hours. Average meeting attendance was 92% as seen in Annex 2 of this Report.

Committed meetings are attended by the members of the Board of Statutory Auditors and the Heads of the Control Functions (Internal Audit, Compliance, Risk Management and Actuarial Function). The Managing Director, the General Manager, the Reporting Manager and heads of different Company departments may also be called to attend some meetings depending on the issues discussed.

Moreover, in order to improve coordination of the activities performed by the offices responsible for the internal control system, the Chairman of the Supervisory Body appointed pursuant to the Legislative Decree no. 231/2001 attended two meetings of the Committee.

In order to harmonize the activities carried out by the Control and Risk Committee and of the Board of Statutory Auditors, coordinating actions are performed between the two bodies, involving, in particular:

- systematic and de jure participation of all members of the Board of Statutory Auditors in the meetings of the Control and Risk Committee;
- coordination with the Board of Statutory Auditors to determine the agenda of the Control and Risk Committee, in order to achieve greater efficiency and avoid duplication in carrying out their respective duties.

In the performance of its duties, the Committee may access Company information and functions required to carry out its tasks and make use of the services of external consultants.

6 meetings are planned for 2018, including 2 meetings that have already been held as at the date of this Report.



## 9.1. Functions of the Control and Risk Committee

In accordance with the “Risk Management Policy” approved by the Board of Directors, and in compliance with Principle 7.C.1. of the Corporate Governance Code, the main role of the Control and Risk Committee is to provide support, with appropriate preliminary fact-finding activities, the assessments and decisions made by the Board of Directors with respect to determining the guidelines and checking the adequacy of the risk management and control system, also by examining, as part of monitoring/verification activities, related documentation.

In particular, in assisting the Board of Directors, the Committee:

- assesses, on a yearly basis, the adequacy of the internal control and risk management system with respect to the characteristics of the Company and with the assumed risk profile, as well as its effectiveness;
- reports to the Board of Directors on the work done and on the adequacy of the Internal Control System and Risk Management system;
- checks the updates of the Risk Appetite, as well as the formalisation and distribution of related documentation;
- ensures the existence of adequate processes and systems to define risk appetite and for constant monitoring;
- checks formalisation of escalation processes to implement if risk appetite tolerance levels are not satisfied;
- monitors implementation of assessments, also under conditions of stress, on a set basis and with each event;
- checks execution of any corrective measures defined by the Board of Directors or Senior Management, in the case of deviation within or over tolerance thresholds, respectively;
- examines beforehand the policies of risk management and assessment, reporting to the Board of the Directors the results of its assessments;
- analyses the ORSA report on methods, processes and results of internal, current and forward-looking assessment of risks and solvency;
- reviews reports provided by the internal audit department for the Board describing the activities carried out and the outcome of audits performed to monitor adherence to the limits/parameters, also at quality level, set by the Board of Directors in relation to risk exposure.
- works with the Financial Reporting Manager and the external auditors and the Board of Statutory Auditors to assess the proper application of accounting standards and their uniformity for the purposes of preparing the financial statements;
- monitors the autonomy, adequacy, effectiveness and efficiency of the Internal Audit Department;
- may request the Internal Audit Department to carry out reviews of specific operational areas, giving simultaneous notice to the chairman of the Board of Statutory Auditors;
- liaises with the Board of Directors and the Supervisory Body with regard to issues involving the enforcement of Italian Legislative Decree no. 231/2001;
- expresses opinions on specific aspects relating to the identification of the main risks for the Company;
- supports, with adequate preliminary activity, the assessments and decisions by the

Board of Directors relating to the management of risk arising from prejudicial facts that it has been informed of;

- carries out any further tasks from time to time assigned by the Board of Directors.

In line with such tasks, during FY 2017, the Committee performed, inter alia, preliminary fact-finding and consulting activities for the Board of Directors to examine the following documentation:

- yearly planning and regular reports prepared by the control functions, Internal Audit, Compliance, Risk Management, and Actuarial Function;
- updates to the Policies on risk management and internal controls;
- reports relating the regulatory assessment of solvency requirements according to Solvency II (SFCR and RSR);
- the Group Regulation governing the areas of management and coordination by the parent company Yafa S.p.A.;
- the annual report by the Head of Compliance on the adequacy and effectiveness of the measures adopted by the Company to manage risk of non-compliance with regulations, prepared in accordance with Article 24, Paragraph 3 of ISVAP Regulation no. 20;
- the Report on Corporate Governance and Ownership Structures, for the parts concerning the existing risk management and internal control systems related to the corporate disclosure process;
- the periodic reports prepared by the Head of the Anti-Money Laundering Function in accordance with ISVAP Regulation no. 41;
- the annual report prepared by the Head of the Anti-Fraud Function in accordance with ISVAP Regulation no. 44;
- the annual report on training and professional development of distribution networks under ISVAP Regulation no. 40;
- the interim reports prepared by the Head of Internal Audit on the management of the Claims received by the Company;
- the updates of the Organization and Management Model adopted by the Company in accordance with Legislative Decree 231/2001.

Furthermore, the Committee:

- examined the documentation prepared by the Company on the determination and assessment of its risk profile (Risk Appetite Statement and Own Risk Solvency Assessment), by evaluating the choices used to identify the significant risks and determine related tolerance thresholds;
- examined the changes made to the corporate organization, by assessing consistency and effectiveness in relation to the internal control and risk management system; in particular, it assessed the adequacy of the structures and resources assigned to Control Functions;
- was regularly informed on the requests from the Regulators, as well as on the subsequent actions implemented by the Company to comply with them;
- approved the targets assigned to the control functions for FY 2017;
- was informed by the Supervisory Body on the activities performed.

## 10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Internal Control and Risk Management System is made up of a set of rules, procedures and organizational structures aimed at ensuring the proper functioning and good performance of the undertaking and at granting, with a high degree of certainty:

- efficiency and effectiveness of the corporate processes;
- the adequate control of current and forward-looking risks;
- timeliness of the system of corporate information reporting;
- reliability and integrity of accounting and management information;
- protection of the assets also in a medium-long term horizon;
- compliance of the company business with current regulations, directives and corporate procedures.

The structure of the internal control and risk management system of the Company complies with the fundamental principles established by the Supervisory Authority.

The internal control and risk management system includes:

- a structured system of policies approved by the Board of Directors, aimed at identifying the guidelines given to the Company for the attainment of the corporate strategies, in accordance with current legislation, as well as the constant monitoring of their implementation;
- an organized system, consistent with the company strategy and policies, that is formalized: (i) in the drawing up of the Company's organizational chart and functions chart, periodically updated, that outline tasks assigned to each business unit with indication of their related heads; (ii) in the model of powers and delegations.
- assignment of an extensive network of functions responsible for:
  - I. Identifying risks connected to their activity;
  - II. Evaluating the related impact;
  - III. Monitoring their trend on a continuous basis;
  - IV. Ensuring a proper level of reporting to the relevant functions;
  - V. Undertaking, where necessary, the adequate treatment measures.
- the existence of second level control functions (Risk Management, Compliance, Actuarial Function, Anti-Money Laundering) overseeing the process of identification, assessment and mitigation of risks while ensuring consistency with company targets and meeting the independence criteria.
- the existence of a third level function (Internal Audit) which provides independent assessment on the design and functioning of the internal control system and risk management system, by giving assurance to the Board of Directors and Senior Management in relation to its effectiveness;
- a system of corporate provisions, as the set of macro-processes, processes, procedures, organizational arrangements and circulars, aimed at ensuring, with a reasonable safety margin, the achievement of the company targets, and subject to constant monitoring and adjustment. These provisions represent the instrument through which company processes are set forth, roles, responsibilities, and operating and control procedures are identified. The main feature of these instruments is to provide for levels of segregation of duties and responsibilities among different business units or inside them. Provisions are formalized and made available to all the Company's staff on the intranet network by the "Knowledge Management" software;
- a constant training activity of all parties involved in the risk management process, starting from those who operate in the most operating structures up to the Directors, focused not only on the technical/insurance issues, but also on the principles that guide the company actions, also defined by the Code of Ethics, as well as on the primary and secondary regulations, which need constant refreshers and ongoing training.

## 10.1. Board of Directors Guidelines on the Internal Control and Risk Management System

As defined by the Private Insurance Code, the Parent Company Yafa S.p.A. is responsible for defining the internal control and risk management system at Group level, with particular reference to mechanisms of verification of the Group solvency and management and monitoring of the intra-group transactions and risk concentration.

Corporate bodies of the Group companies are responsible, each within its purview, and given the interests of the related company, for the implementation of the strategies and policies of risk management decided by the Parent Company, consistently with the relevant company profile.

The internal control and risk management system of Vittoria Assicurazioni is the Board of Directors' responsibility, which shall define the guidelines and monitor its adequacy and effectiveness while ensuring that company risks are identified and managed in a suitable manner, in line with the governance system and internal controls defined by Yafa S.p.A. at Group level.

The Board of Directors of Vittoria Assicurazioni defines and approves policies and strategies for internal control and risk management, as well as risk appetite, preferences and tolerance levels, while determining performance targets that are consistent with asset levels. Furthermore, by virtue of the delegation of powers granted to the Parent Company, it exercises internal control and risk management mechanisms towards its subsidiaries.

In particular, the Board of Directors, defines, on an annual basis, the Risk Appetite in terms of risk preferences and risk/return targets, in line with the regulatory requirements, the maximum assumable risk, the business model and the strategic guidelines. The risk appetite of the Company is determined by defining the related framework (the so-called Risk Appetite Statement) that consists of the set of metrics, processes and systems to provide support in managing the level and type of risk the Company is willing to assume according to its strategic objectives.

The risk appetite is defined on the basis of three dimensions: Capital, Value and Profit, resulting in proper key indicators actually used by the Company.

The Board of Directors ensures that the internal control and risk management system reflects the risk appetite and that adequate measures are adopted in order to provide constant reporting to the Board. It also ensures consistency between the risk appetite and the return targets by involving the Risk Management Function, which is responsible for defining the Risk Appetite. In performing its responsibilities, the Board of Directors is supported by the Finance Committee and the Control and Risk Committee.

As required by law, the Board of Directors approves, on an annual basis, the Own Risk Self-Assessment (ORSA), i.e. the internal assessment process for risks and solvency, also in a forward-looking manner, consisting of a group of analysis, decision-making and strategic processes and methods used to assess capital needs and availability of assets on a constant and forward-looking basis. This framework is linked to the Company specific profile and risk appetite.

ORSA is performed according to Solvency II Standards with particular focus on the assessment of current and forward-looking capital needs, in normal conditions and stress scenarios and by including the appropriate scenario analyses.

Following the activities performed to identify the risks the Company is or may be exposed to, the Board approves suitable emergency plans in order to safeguard Company assets and ensure alignment with company risk appetite.

The Board also approves the IT strategy plan in order to safeguard comprehensive integrated IT systems that meet the need to ensure quality and completeness of data and company information.

Starting in 2014, also in compliance with the regulations issued under the Solvency II Directive, the Board of Directors of Vittoria Assicurazioni approved specific Policies establishing the guidelines of the comprehensive internal control and risk management system.

Policies are reviewed on an annual basis. Since FY 2017, the annual review has implied the alignment with the Guidelines on risk management defined at Group level by the parent company Yafa S.p.A.

The structure of the risk management system entails a "Risk Management Policy", whose principles are detailed in additional specific policies.

The entire system includes the policies of the main control functions at second and third level, i.e. Compliance, Risk Management and Actuarial Function and Internal Audit.

In 2017, the Board of Directors reviewed all policies already approved in the previous years and approved a new Policy on the management of intra-group transactions; these policies can be divided into 3 macro-categories:

- A. Control Functions;
- B. Risk and Business;
- C. Processes and Oversight;

Each Policy outlines the purpose of the guideline, the scope of application, roles and responsibilities in related processes, implementation processes and procedures for coordination between all parties involved.

### **Policy on Risk Management**

The Policy on Risk Management is the benchmark policy for the whole self-regulatory framework governing the risk management system and serves as connection and reference for all other policies.

The purpose of the Policy is to regulate principles, strategies and processes aimed at ensuring an efficient management and control of current and forward-looking risks, consistently with the risk appetite and preferences defined by the Board of Directors, in order to preserve the stability and solvency of the Company also in stress scenarios.

It defines:

- formalization of the characteristics and general principles of the risk management system; methods of risk management and related measurement processes;
- definition of applicable risk cases;
- definition of overall risk targets;
- definition of roles and responsibilities on risk management, with reference to the bodies and main corporate functions.

It also contains the definition of the guidelines and principles relating to (i) the **Concentration Risk Management Policy** and (ii) the **Long-Term Guarantees Policy** (with particular reference to the Volatility Adjustment).

#### **a) Control Functions Policies**

Policies relating to control functions, approved by the Board of Directors on the proposal of the Control and Risk Committee, define:

- tasks and responsibilities of the Functions;
- operating procedures for the performance of relevant activities;

- coordination procedures between the functions, as well as the nature and frequency of reporting to the corporate bodies by the control functions, in accordance with IVASS regulation.

According to these Policies, the Board, after a preliminary assessment by the Control and Risk Committee, approves, on a yearly basis, the plans of the control functions Internal Audit, Compliance, Risk Management and Actuarial Function. Said functions provide the Board with a report, on a semi-annual basis, on the activity performed.

#### **Internal Audit Policy**

The Policy regulates the principles and operating procedures so that the function can efficiently monitor and assess the functioning, efficiency and effectiveness of the internal control and risk management system and the other elements of the governance system, as well identify the areas for adjustment and strengthening of the internal control system, also by providing support and advice to the corporate functions.

#### **Risk Management Policy**

The Policy outlines the high standard activities with regard to following processes:

- identification, evaluation, monitoring and handling of risks, as well as reporting;
- calculation of the regulatory solvency requirement, as well as the USPs;
- preparation of quantitative and narrative Solvency II reports;
- verification, on a continuous basis, of the potential in relation to Solvency II regulatory capital requirements;
- update of relevant policies;
- handling of internal information flows and information flows to the Regulator.

#### **Actuarial Function Policy**

In particular, the Policy outlines the activities of the Function with regard to following processes;

- identification and analysis of risks, supporting the Risk Management Function;
- calculation of technical provisions according to local GAAPs and Solvency II;
- issuance of opinions on the underwriting policy and reinsurance agreements;
- calculation of undertaking-specific parameters;
- ongoing monitoring of Solvency II requirements;
- management of information flows.

#### **Compliance Policy**

The Policy outlines the activities with regard to following processes:

- examination of regulatory framework, assessment of risks of non-compliance with law, implementation of adjustments and monitoring and reporting;
- support to the corporate functions by consulting activity;
- handling of internal information flows and information flows to the Regulator.

### **b) Risk and Business Policies**

Policies of this category provide the guidelines that the corporate functions have to abide by during the processes of taking and managing the risks which the Company is exposed to, and regulate tasks, responsibilities, operation limits as well as nature and frequency of reporting to corporate bodies, aimed at continuous risk monitoring.

#### **Non-Life Underwriting and Reserving Policy**

The purpose of the Policy is to define guidelines and methods aimed at granting an adequate and efficient underwriting and reserving risk management for the Non-Life Business, in accordance with Solvency I provisions and Solvency II requirements.

The Policy defines:

- general principles of the underwriting and reserving policy;

- main operating activities aimed at managing the risks of underwriting, reserving, rollover and catastrophe according to Solvency II;
- roles and responsibilities within the scope of Non-Life business pricing.

It also defines:

- the terms by which the Company, upon planning new insurance products (tariffs), takes into account provisions under the investment policy;
- indicators to control the expected profitability level and to check that the written premiums are sufficient to cover claims and related expenses.

#### **Life Underwriting and Reserving Policy**

The purpose of the Policy is to define guidelines and methods aimed at granting an adequate and efficient underwriting and reserving risk management for the Life Business, in accordance with Solvency I provisions and Solvency II requirements.

The Policy defines:

- general principles of the underwriting and reserving policy;
- main operating activities aimed at managing risks of underwriting, reserving, renewal and catastrophe under Solvency II;
- roles and responsibilities within the scope of Life business underwriting and reserving, in compliance with Solvency I and Solvency II;
- roles and responsibilities within the scope of Life business pricing.

It also defines the terms by which the Company, upon planning new insurance products (tariffs), takes into account provisions under the investment policy.

#### **Investments, ALM and Liquidity Policy**

The purpose of the Policy is to regulate the implementation methods of the strategic direction of the Company in terms of investment management, in line with the business targets and risk appetite, as well as to define the conditions that enable the Company to permanently generate future cash flows to fulfil the contractual obligations with insured persons, whilst maintaining an adequate profit.

The Policy defines roles, responsibilities and the approach of the Company in relation to the processes of liquidity risk, ALM risk and investment risk within the scope of the framework established by the Policy on Risk Management. In particular, it outlines the requirements that enable to identify, assess, monitor and properly manage and report said risks.

#### **Operational Risk Policy**

The purpose of the Policy is to define and outline the guidelines for the management of the operational risks (current, forward-looking and potential risks), by regulating:

- purposes and methods used by the Company to identify, evaluate, monitor and handle operational risks;
- roles and responsibilities of the different corporate functions involved and the process for managing the operational risk in terms of frequency, and prevention and mitigation activities.

#### **Reinsurance Policy**

The purpose of the Policy is to establish guidelines for the management of reinsurance coverages and for the choice of reinsurers to remove the exposure identified, by defining roles and responsibilities referred to the process of the reinsurance management.

#### **Lending Policy**

The purpose of the Policy is to regulate roles and responsibilities of the parties involved in lending and restrictions for carrying out this activity.

In particular, the following types of lending and related processes are regulated: loans secured by mortgage; other loan guarantees or unsecured loans and financing, including financing to subsidiaries and associated companies.

#### **Business Continuity Policy**

The purpose of the Policy is to define the guidelines for controlling Business Continuity, in accordance with applicable supranational and national legislation, by providing guidelines and strategies the Company abides by to ensure the operational continuity of technological and non-technological resources.

In particular, the strategies for preserving essential functions and information and ensuring business continuity in case of breakdown of systems or procedures, and for quickly recovering operations by implementing plans to recover functions or data are formalized. The Policy defines:

- roles and responsibilities, distinguishing between ordinary situations (plan maintenance) and emergency situations (plan implementation);
- internal and/or public communications when implementing the Business Continuity Plan or the Disaster Recovery Plan;
- definition of measures taken to protect the Company against any interruption of services provided by suppliers in support of essential or critical processes.

### **Outsourcing Policy**

The purpose of the Policy is to provide guidance in relation to outsourcing activities and/or functions, with regard to.

- identifying the general principles and criteria used to qualify the activities to be outsourced and for selection and assessment of suppliers;
- assigning roles and responsibilities on outsourcing;
- defining frequency of assessment of the supplier performance (with Service Level Agreements);

The Board of Directors decided not to outsource the control functions.

### **Credit Risk Management Policy**

The purpose of the Policy is to define the procedures for the credit risk management of Credit Risk arising from relations with different counterparties as a result of the insurance activity performed, as well as from the purchase of credit instruments, by regulating:

- criteria for taking the credit risk based on the type of classification provided for by Solvency II regulation;
- roles and responsibilities of the different corporate functions involved and the process for managing the credit risk, including prevention and mitigation measures.
- additional analyses, in accordance with the Policy for Risk Management, that enable to check the external credit ratings.

### **Concentration Risk Management Policy**

The Policy on Risk Management defines also the guidelines for management of the concentration risk, represented by all exposures to risk subject to potential losses that are large enough to deteriorate the solvency or financial position of the Company. This risk relates to many operating areas and therefore its management is regulated within many policies. In particular:

- by the Investments, ALM and Liquidity Policy, for the market concentration risk relating to assets, to bank counterparties and issuers of financial instruments;
- by the Reinsurance Policy, for the concentration risk towards the reinsurance counterparties;
- by the Credit Risk Management Policy for the concentration risk towards the insurance counterparties, the intermediaries, the third parties involved in different ways in the insurance agreement;
- by the Lending Policy for the concentration risk also in relation to the residential mortgage loans;
- by the Life and Non-Life Business Underwriting and Reserving Policy, for the concentration risk relating on client portfolio.

### **Investments Policy**



The purpose of the Policy is to define the general principles referred to the undertaking of investments, by regulating roles and responsibilities of parties involved in the process. It also defines the criteria to identify the type of investment, in terms of nature and in terms of degree and influence on the investee company, and the strategic investments for the purpose of calculating the solvency requirement.

### **c) Processes and Oversight Policies**

Policies of this category regulate the guidelines for the different processes of risk assessment, as well as for compliance with applicable regulation and obligations towards Regulators.

#### **Risk and Solvency Assessment Policy**

The purpose of the Policy is to formalize the guidelines, methods and macro-processes for the purpose of assessing the Group's internal risks and solvency with a current and forward-looking approach and on a continuing basis

The Policy outlines the methods used in the current and forward-looking risk assessment:

- quantitative methods, with Solvency II Standard Formula metrics, with reference to the insurance, market, credit and operational risks;
- qualitative methods, used in assessing risks of non-compliance with rules (and potential reputational risk).

In particular, the Policy describes the methods for the analysis, by continuous monitoring, of deviations from the Risk Profile and for the analysis of deviations from assumptions underlying the Standard Formula calculation.

#### **Policy on Valuation of Assets and Liabilities other than Technical Provisions**

The purpose of the Policy is to regulate the Solvency II valuation process of assets and liabilities other than technical provisions, by defining:

- methodological approaches and any control systems and verification procedures implemented by the Company, in particular with regard to the data quality, in order to ensure a reliable and accurate economic assessment;
- roles and responsibilities of the Corporate Functions and Bodies that participate to their valuation.

#### **Fit & Proper Policy**

The purpose of the Policy is to ensure that all persons who effectively run the Company or have other key functions have the professional qualifications, proper knowledge and experiences for a sound and prudent management, as well as good reputation and integrity. Therefore, in defining roles and responsibilities of parties involved in the process for the evaluation of the fit & proper requirements, the Policy:

- provides for a period verification aimed at checking that the fit & proper requirements are maintained over time;
- identifies the situations that entails forfeiture, suspension or any revocation of the office and the events that require new assessments of the requirements;
- identifies the other relevant collaborators that, for regulatory provisions, are not subject to said requirements, but that, according to the Company, are nonetheless required to meet the professionalism and integrity requirements.

#### **Complaints Handling Policy**

The purpose of the Policy is to define the conduct and guidelines to abide by to ensure correct and timely management and monitoring of complaints received by the Company, by the agents, including employees and collaborators.

These principles and guidelines are inspired by the equal treatment of policyholders, contracting parties, beneficiaries and damaged parties.

Therefore, in defining roles and responsibilities of the parties involved in the process of complaints management, as well as the principles of conduct, the Policy:

- ensure standardised conduct;
- promotes solutions based on the principles of honesty and transparency in the relationships with complaints senders;
- enable to handle any conflicts of interest, risks of non-compliance with the law and reputational risks.

### **IVASS Reporting Policy**

The objective of the Policy is to formalize the guidelines to abide by in the performance of all activities relating to reporting information to the Italian Insurance Regulator (IVASS), be they periodic, by event or arising from specific requests.

The Policy defines principles and procedures for managing the relationships and disseminating the information to the Insurance Regulator in order to ensure on a continuous basis:

- the adequacy of data prepared and structured oversight for managing and sending communications;
- prompt and efficient management of communications in order to ensure compliance with requirements under the regulation;
- proper collaboration in case of specific requests.

The Policy also regulates the management of IVASS inspection visits and the activities aimed at preparing and submitting the Regular Supervisory Report (RSR), the Quantitative Reporting Templates (QRT) and the statistical information.

### **Public Disclosure Policy**

The purpose of the Policy, briefly outlined in the previous Chapter 5, is to establish rules of conduct to follow for all the activities related to disseminating disclosures and information to the public and to define the guidelines related to disclosure of the SFCR.

The Policy defines:

- the principles and procedures for managing communications so as to ensure the following on an on-going basis: the adequacy of the information prepared, structured oversight of communications management and dissemination, timely and effective management, as well as compliance with law;
- the roles and responsibilities held by parties involved in the preparation, revision, approval and disclosure of information to the public, including inside information;
- the list of the main disclosures of information to the public, with indications on the Managers and Functions involved.

### **Remuneration Policy**

The Remuneration Policy is approved by the Board of Directors on the proposal of the Appointment and Remuneration Committee, and is subject to the approval by the Shareholders' Meeting held for approving the financial statements.

The guidelines of the remuneration policy are 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 or 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.

As for the top-management positions and for the whole personnel, the definition of the remuneration is made based on the responsibilities assigned to the recipients, the role held, the competencies and the reference market, according to principles of fairness.

### Capital Management Policy

The objectives of the Policy are as follows:

- defining the guidelines and principles for a sound and prudent management of the capital, in order to ensure that the elements of Own Funds, on a continuous basis, meet existing regulatory provisions and are sufficient for its business activities and its possible evolution;
- defining roles and responsibilities of corporate bodies and functions, in line with the strategy, the risk appetite and preferences relating to capital management;
- regulating the checks for the issuance of new elements of Own Funds and the approach for dividend management and distribution.

### Long-Term Guarantees Policy (i.e. Volatility Adjustment)

The Risk Management Policy defines also the application criteria for the volatility adjustment pursuant to Article 30-bis(8) of the Private Insurance Code, that the Company can use in the assessment of risks as measure for the long-term guarantees.

The volatility adjustment is aimed at reducing the disruptive effects arising from the misalignment in the evaluation, of assets and liabilities, with different interest rate curves. Liabilities are evaluated through a risk-free interest rate curve, while assets depend on the type of issuer to which the Company is exposed. The reduction of these disruptive effects occurs through the actualization of cash-flows of future insurance underwriting liabilities using the highly representative curve of the bond portfolio held at the date of assessment, instead of the risk-free curve.

The guidelines provide that within the scope of the integrated management of assets and liabilities, the Company, by applying this adjustment:

- assesses the sensitivity of the technical provisions and own funds eligible to assumptions underlying the calculation of volatility adjustment and possible effects impacting the own funds eligible to a enforced sale of assets;
- prepares a liquidity plan with cash-flow incoming and outgoing projections in order to check that the Company is able to keep these assets also in stress market scenarios;
- defines the impact of zeroing the volatility adjustment by checking that the Solvency Capital Requirement is met;
- defines, in case of abovementioned non-compliance, the measures to be applied in order to re-establish the level of eligible own funds covering the Solvency Capital Requirement or to reduce the risk profile and guarantee the capital adequacy.

### Data Quality Policy

The purpose of the Policy is to define the rules of conduct and strategies of the Company on the “Data Quality System” adopted to guarantee the standards of quality of the data in terms of accuracy, completeness and appropriateness.

It defines:

- the organization model, in terms of roles and responsibilities of the Corporate Bodies and Functions, aimed at overseeing the implementation, maintenance and monitoring of the “Data Quality Framework” as well as the instruments making up the system and recurrent processes of Data Quality.
- the status of adoption of the supporting Application System;
- the reporting system aimed at highlighting the data quality level, any deviations from predetermined quality objectives and the status of implementation of any corrective measures planned;

### Undertaking-Specific Parameters Policy

The purpose is to define the rules of conduct of the Company on the determination, usage and management of Undertaking-Specific Parameters (USPs) in order to pursue the assessment of a regulatory capital requirement that is more in line with the real risk profile of the Company with reference to the Non-Life and Disease “Premium and Reserve” risks.

It also regulates the organizational model in terms of roles and responsibilities of the Corporate Bodies and corporate functions involved, as well as the implementation procedures concerning:

- identification of the volatility factors;
- verification on a continuous basis of the compliance with conditions on which the use of specific parameters is based, including conditions on Data Quality, reliance to any expert judgement and check of data and process by a third party.

### **Intra-Group Transactions Policy**

The purpose of the Policy is to define the guidelines on the Intra-Group Transactions as per Article 377, paragraph 2 of the Delegated Acts and IVASS Regulation no. 30 of 26 October 2016, so that these transactions are in line with the principles of sound and prudent management and avoid producing negative effects on the solvency and prejudicing the interests of the policyholders, as well as of those entitled to insurance benefits.

The Policy applies to transactions directly carried out by the Company with the intra-group counterparties identified under Article 5 of IVASS Regulation no. 30. The Policy defines:

- the decision-making processes and underlying mechanisms of corporate governance, differentiated by types of transactions, according to characteristics of related transactions;
- the guidelines, considering the different types of risk, linked to the intra-group operation, also in relation to the different categories of counterparties;
- appropriate operational limits in line with the characteristics of the different types of transactions and the categories of contracts of the transactions; if intra-group transactions lead to exposures, these limits are set with reference to the average and maximum exposures arising from transactions;
- criteria to check the congruity of the price of the different types of intra-group transactions to be performed.

In accordance with IVASS Regulation no. 30, different governance processes and reporting obligations are in place on the basis of the different thresholds of significance of the transaction.

- significant transactions: transactions whose total value is equal or higher than 1% of the SCR;
- very significant transactions: total value equal or higher than 5% of the SCR;
- transactions carried out under non-market conditions.

The Policy provides that the Board of Directors is responsible for the approval of the very significant transactions and for those carried out under non-market conditions. It also sets forth the limits of operation differentiated according to:

- type of transaction;
- total value (relevance);
- counterparty of the transaction.

The Board ensures that Senior Management correctly implements the internal control and risk management system in accordance with the provisions provided and they ensure its efficiency, completeness, suitability and timely information flow. For that purpose, the Board analyses any problems identified and takes the necessary corrective actions, which are then followed up on to check their effectiveness.

## **10.2. Director responsible for the internal control and risk management system**

Concurrently with the appointment of the Managing Director, on 15 March, Mr. Cesare Caldarelli was assigned the role of Director responsible for the internal control and risk management system pursuant to Article 7.P.3 of the Corporate Governance Code.

The role was held to that date by the Vice Chairman, Mr. Roberto Guarena.

In accordance with provisions under the Application Principle 7.P.3 of the Corporate Governance Code, the Director responsible for the internal control and risk management system is entrusted with following duties:

- identifying the main corporate risks, taking into account the characteristics of the activities performed by the Company and by its subsidiaries, and periodically submitting them to the the Board of Directors for review;
- implementing the guidelines defined by the Board of Directors, by having the internal control and risk management system designed, set up and managed, whilst constantly monitoring its overall adequacy and efficiency;
- adapting this system to the changes on operating conditions and the statutory and regulatory framework;
- proposing to the Internal Audit the performance of verifications on specific operating areas and on compliance with internal rules and procedures in the execution of company operations, while also informing the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors;
- promptly reporting to the Control and Risk Committee (or the Board of Directors) on problems and criticalities arisen in the performance of his activity or of which he became aware, so that the Committee (or the Board) may take appropriate actions.

Moreover, the Director responsible for the internal control and risk management system provides proposals to the Board of Directors, after receiving a positive opinion from the Control and Risk Committee, on: (i) appointment and dismissal of the Head of Internal Audit; (ii) adequacy of resources for said Head for the performance of his responsibilities; (iii) his remuneration in line with the Company's policies.

Within the scope of the Risk Appetite Statement approved by the Board, the Director responsible for the internal control and risk management has the task of promptly informing the Control and Risk Committee and, with the support of the Board Committees, the Risk Management Department and the Senior Management, of defining any recovery plan to be submitted to the Board if the level of risks taken exceeds the thresholds of attention established by the Board (escalation process).

### 10.3. Senior Management

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

Senior Management performs the activities related to the development, management and control of the risk management system on a continuing basis. In addition, as part of their duties under the strategic and organisation guidelines, Senior Management ensures implementation and improvement of policies to assume, assess and manage risks as approved by the Board as well as implementing company processes formalised by organisation documents. Furthermore, it checks operational limits are respected as well as risk exposure and respect for tolerance levels.

Senior Management ensures that information on the degree of efficiency and effectiveness of the risk management system is regularly disseminated to the Board and that information flows are maintained especially in the event of any significant problems.

As at this Report, in addition to the Managing Director, the Company's Senior Management is made up of as follows:

- Claudio Rampin, Co-General Manager (Life, Commercial and Marketing);
- Matteo Campaner, Deputy General Manager (Services and Real-estate);
- Paolo Novati, Deputy General Manager (Non-Life Business);
- Luca Arensi, Central Manager ( Administration, Finance, Planning and Control);
- Adriano Chioetto, Central Manager (Motor Underwriting);

- Maurizio Monticelli, Central Manager (Claims);
- Giuseppe Traverso, Central Manager (Commercial);
- Enzo Vighi, Central Manager (IT Systems).

#### 10.4. Company Organization

Monitoring risks is especially important where the risk originates. Therefore, execution of activities aiming to manage risks is the specific duty of all persons according to the duties assigned to them. As a result, and as explained above, the corporate bodies of all the companies in the Group are required to apply suitable control mechanisms in order to mitigate any risks related to certain operations so as to ensure, at all levels, structured and regular execution of operations, compliance with internal and external rules and regulatory provisions as well as the principles underlying healthy and prudent management.

Vittoria Assicurazioni maintains and keeps up-to-date a collection of internal documentation composed of procedures and organizational instructions as well as activity metrics and controls in order to implement management principles, general guidelines, organisation models, roles and responsibility for company processes, thereby regulating internal operations, which results in protection against risks.

Below are the roles and responsibilities of Control Functions and the primary Committees within the Company's internal control and risk management system.

#### 10.5. Primary company functions involved in the internal control system

The primary corporate functions involved in the internal control system are Internal Audit, Compliance, Risk Management and the Actuarial Function.

In order to ensure that the four control functions have autonomy and independence, their Heads are appointed by the Board of Directors after receiving a favourable opinion from the Control and Risk Committee and the opinion of the Board of Statutory Auditors.

The Heads of these functions shall have the necessary requirements of integrity and professionalism, which are identified and defined in the Policy for assessing appointment requirements approved by the Board. With the support of the Appointment and Remuneration Committee, the Board ensures the requirements are in place at the time of appointment and verifies them on a yearly basis.

The Risk Management Policy and the specific policies on the control departments mentioned above define the relationships, collaboration and exchange of information between the departments.

In particular, relations between the II and III level functions are structured on the following three levels:

- a) level one entails periodic meetings;
- b) level two entails formal exchange of information;
- c) level three entails the participation of members of the control bodies.

#### Internal Audit Department

The Head of Internal Audit is Mr. Vincenzo Coppa.

The responsibilities of the Internal Audit Department, the tasks, powers, operating procedures and the nature and frequency of reporting to corporate boards and involved departments are defined in the Internal Audit Policy, approved by the Company's Board of Directors, with the favourable opinion of the Control and Risk Committee, which also defines

the principles of independence, objectivity, confidentiality and adequacy of the resources for that department.

In order to ensure independence, autonomy, suitably and objectiveness of Internal Audit, the Head of the department:

- is appointed and revoked by the Board of Directors, after hearing the Control and Risk Committee and the Board of Statutory Auditors;
- reports to the Control and Risk Committee and to the Director responsible for the internal control and risk management;
- receives the targets and assessment of performance by the Board of Directors, after hearing the Control and Risk Committee;
- is remunerated, as also the other department staff, determined on the basis of specific objectives that are in line with tasks assigned, independent from results pursued by the operating units subject to their control and bound to the attainment of objectives linked to the efficiency and the quality of the control action, provided that they do not lead to any conflicts of interest.

Furthermore, he is assured by the Board of Directors on the maintenance of an adequate structure in terms of human and technological resources. In particular:

- Supervisors must have and maintain adequate know-how and professional skills to respond to the various requirements of activities provided for by the Function plan approved by the Board of Directors.
- The staff applies and promotes the Code of Ethics of the category and adheres to its principles of integrity, objectivity, confidentiality.
- If the Internal Audit Department lacks the adequate qualitative or quantitative human resources, it needs to perform the activities covered by the plan approved by the Board, the Head of Internal Audit may employ qualified outside resources to the extent provided for by the resource budget approved by the Board of Directors or asking for its approval, also through the Control and Risk Committee, if the budget is not sufficient.

In order to ensure objectiveness in the performance of its duties, the Function is free from any influence that might jeopardise its judgement, and therefore it

- does not have direct responsibility or authority over the areas subject to audit;
- is not involved in any operational activities that might be subject to audit;
- carries out audit activity on an autonomous initiative and is free to allocate the resources available and apply the most appropriate techniques for the attainment of the targets required;
- is free to formulate and disclosure results and evaluations with regard to its specific purposes;
- has access and reports to management, Senior Management, the Control and Risk Committee and the Board without restrictions, also through the Control and Risk Committee.

The Internal Audit Department is entitled to have free and unrestricted access to all corporate departments, to the significant documentation, information systems and accounting data of the division audited, of property and staff of the Company, including information useful for verifying the adequacy of the audits carried out on outsourced corporate functions. And it is assured of full collaboration by the heads of the various business units.

On the basis of the foregoing, the Internal Audit Department:

- performs an independent and objective activity of assurance and advisory support in order to improve the effectiveness and efficiency of the internal control and risk

management system, as well as of the other elements of the governance system of the Company and its subsidiaries;

- assists the Board of Directors and the whole organization in the pursuit of the objectives defined through a professional and systematic approach, which generates added value

In compliance with Article 47 of the Solvency II Directive, the Internal Audit Function is responsible for:

- establishing, applying and maintaining an audit plan indicating the audit procedures to be carried out in the Company and its subsidiaries in order to check operation and suitability of the internal control and risk management system;
- preparing regular reports for the Board of Directors based on the outcome of work performed within the audit plan, including any findings and recommendations needed to solve the discrepancies. These reports include also an assessment on the suitability of the system of the internal control and risk management;
- promptly drafting reports on particularly relevant events;
- checking compliance with resolutions adopted by the Board of Directors and based on the recommendations included in the report under letter b);
- establishing a program of quality assurance and improvement by which its audit activities can be assessed and professional growth is promoted, by notifying the Board of Directors of elements that enable to evaluate future performance;
- ensuring, in coordination with the other control functions, an adequate approach of management of risks and controls and a systematic evaluation process of the internal control system. However, this task shall not impair the independence of the Function.

The Head of Internal Audit submits, at least yearly, the Executive Summary on the audit activity to the Director responsible for the internal control system and risk management system, the Board of Directors, also through the Control and Risk Committee, and to the Board of Statutory Auditors.

Furthermore, the Head of Internal Audit;

- is member of the Supervisory Body provided for by the Organization and Management Model pursuant to Leg. Decree no. 231/2001;
- maintains exchanges of information with all other bodies and departments with a specific control function.

The Internal Audit Department defines and formalises planning by drafting an audit plan on a three-year basis for the Company and for its subsidiaries. The plan is subject to preliminary assessment by the Chief Executive Officer and the Internal Control Committee and it is then submitted to the Board of Directors for approval.

The Plan is defined through a method of risk assessment that includes emerging trends and risks, significant organizational changes and the main services, processes, operations, findings of the activities performed recently and the areas of focus on risks or controls. The Plan:

- describes the criteria used to select the activities subject to audit;
- identifies the companies subject to audit, the areas, resources used and the budget available to the Internal Audit Department
- entails an appropriate number of days for audits that may be performed in response to urgent requests by management and/or when reasons of immediate concern arise.
- Takes into account the need of tasks turnover for the Department staff in order to ensure objectiveness, according to the availability of the resources and their expertise.

The activity of assurance of the Internal Audit Function is aimed at assessing whether the



processes of risk identification, assessment, management and control and the Company's governance, as designed and implemented by the management, are adequate and work properly. In the performance of this task, the Function also evaluates the activities of Compliance, Risk Management, Actuarial Function and Anti-Money Laundering.

In particular, the assurance action, as provided for by Article 15(3) of ISVAP Regulation no. 20, includes at least the verification of:

- management processes and organisational procedures;
- regularity and functionality of information flows between corporate divisions;
- adequacy of information systems and their reliability so as to ensure the quality of the information based on which company management makes its decisions;
- adherence of administrative and accounting processes to standards of fairness and to the obligation duly to maintain accounts;
- efficiency of audits performed on outsourced activities.

Within the scope of some activities not falling under assurance (monitoring and assessment), but that are in any case particularly important for the risk management and internal control system, the Internal Audit Department provides advisory support and participates to specific projects that can require the formulation of an opinion, the provision of support and the performance of special tasks.

In performing its work, the Internal Audit Department adopts operational methods in line with the international standards issued by the Institute of Internal Auditors (IIA).

The Internal Audit Department provides information for reporting to the Board of Directors on the implementation status of the corrective measure plan developed by the departments involved.

The Internal Audit Department is responsible for reporting to the Board of Directors through the Control and Risk Committee in relation to the activities carried out and any failures or significant critical areas. In performing its duties, therefore, it directly ensures implementation of the reporting process to the Control and Risk Committee, Senior Management and IVASS. The Chairman of the Control and Risk Committee ensures implementation of the reporting process to the Board.

As at 31/12/2017, the Internal Audit Department consisted of 5 staff members, including the Head. In 2017, Internal Audit also made use of external consultants.

## **Compliance Department**

Until the date of this Report, the responsibility of the Compliance Function was headed by Mr. Alberto Giani. On 15 March 2018 the Board of Directors appointed Ms Giuseppina Marchetti as the new head of the function.

The responsibilities of the Department, the tasks, operating procedures and the nature and frequency of reporting to corporate boards and involved departments are defined in the Compliance Policy approved by the Board of Directors, with the favourable opinion of the Control and Risk Committee.

The Head of Compliance does not depend on any operational department. He reports directly to the Director responsible for the internal control and risk management system and to the Board of Directors, also through the Control and Risk Committee, on every issue related to the content and organisation of its activities.

The Compliance Policy establishes the principles of independence, objectivity, confidentiality and adequacy of resources needed by the department.

In accordance with Article 23(3) of ISVAP Regulation no. 20, under the risk management system and the internal control system, the Compliance Department pursues the following general objectives:

- a) ensuring an efficient and effective management of the risk of non-compliance with legislation;
- b) ensuring that corporate activities comply with rules, including self-regulatory rules;
- c) helping to create corporate value, protect losses and enhance corporate reputation.

In an overall view, the process to manage the risk of non-compliance and the operability of the Compliance Department is divided into these macro-phases: (i) recognition of rules and regulations; (ii) risk assessment; (iii) implementation of corrective measures; (iv) monitoring and reporting.

The tasks of the Compliance Department are mainly as follows:

- identifying, on an ongoing basis, the laws and regulations that are applicable to the Company and subsidiaries and assessment of their impact on corporate processes and procedures;
- assessing the adequacy and effectiveness of organisational measures to prevent the risk of non-compliance with laws and regulations and proposing changes to organisation and procedure to ensure adequate protection against risk;
- assessing the effectiveness of organisational adjustments resulting from the suggested changes;
- providing adequate information flows to corporate bodies, other departments involved, as well as the Parent Company;
- preparing periodic reports for Senior Management, the departments involved and the Parent Company setting forth the changes to I and II level rules, regulations, provisions and guidelines issued by the Regulator and legal decisions related to insurance companies;
- overseeing compliance with the rules governing the transparency and fairness of treatment of insured and damaged parties, pre-contract and contract disclosures, the proper fulfilment of contracts, specifically in regard to the management of claims and, more generally, consumer protection;
- conveying and spreading the culture of corporate reputation throughout the organisation, also through training on compliance and on the internal control system, in order to ensure employees of all levels are adequately informed on the risk of non-compliance;
- maintaining adequate information and co-ordination links with the Internal Audit Department, particularly in regard to the audits performed by the latter in compliance with corporate procedures, laws and regulations;
- maintaining informational links with the Company departments that manage risk measurement, monitoring and reporting systems;

To this end, the Compliance Department:

- carries out preventative and post checks designed to provide corporate management with a reliable system of managing compliance risks to which the corporate organisation is exposed, preventing misalignments in corporate procedures and the set of internal and external rules of the Company;
- provides support and direction to management bodies and departments on all matters where the risk of non-compliance is particularly important by carrying out actions to correct and implement new organisational strategies and operational conduct in coordination with the other corporate departments involved; the advisory support provided by the Compliance Department is aimed at improving operational processes to bring them in line with legal rules and conveying and spreading the culture of corporate reputation throughout the organisation;

- assists with the training of employees on applicable rules and regulations, also initiating specific training and information on compliance issues as a tool to spread a corporate culture of compliance based on honesty, fairness and respect for the spirit and contents of rules and regulations;
- in the case of primary and secondary regulatory provisions, especially those impacting specific areas of competence and that require the implementation of cross activities and process over the Company, promote and coordinate workgroups with all the departments involved so that the procedures and measures needed to implement the provisions are designed in accordance with the provisions and in a manner to prevent non-compliance risks.

Within the outsourcing processes, the Compliance tasks are as follows:

- checking the characteristics of outsourced activities and the nature of essential and important activities whenever there is an outsourcing project;
- always keeping the outsourcing register up-to-date, for each of which there is a company contact;
- ensuring that IVASS is provided with the information set forth in existing regulations.

The tasks and activities of the Compliance Department in this regard are regulated by the Outsourcing Policy approved by the Board of Directors, subject to the favourable opinion of the Risk and Control Committee.

The Head of Compliance is responsible for the following activities:

- preparing and submitting yearly to the Board an activity programme indicating the interventions planned with respect to the risk of non-compliance, taking into consideration any failures found in previous controls and any new risks. Unplanned checks on the plan of activities can be made where necessary;
- submitting yearly to the Board a report on the adequacy and effectiveness of measures adopted by the Company to manage the risk of non-compliance, on the activities performed, checks carried out, results and critical areas found while reporting on the state of implementation of improvement measures, where made.
- coordinating and managing the Compliance Department in every phase of the process to manage non-compliance risk;
- continuing assessment of the performance of compliance protection;
- defining and approving methods for conducting risk assessment;
- defining and approving methods for assessment of non-compliance risk;
- approving all reports produced by the Compliance Department;
- reporting results to the Board, also through the Risk and Control Committee, to the Board of Statutory Auditors and to Senior Management of the Company;
- ensuring adherence to the annual control plan and authorising, where necessary, interventions not included in the plan while providing adequate information to the Board;
- maintaining relations with the Insurance Regulator for the matters under its competence.

In carrying out its duties, the Compliance Department is assured of full collaboration by the heads of the various units and free, unrestricted access to the significant documentation, information systems and accounting data related to the areas under review.

The annual plan of the activities of the Compliance Department, both for the Company and the Group, is approved by the Board of Directors, after being reviewed by the Control and Risk Committee. The activities scheduled are carried out in accordance with above Plan and can be changed and supplemented with any unscheduled interventions made necessary due to new needs (at the discretion of the Department Manager) giving the Board of Directors due justification, also through the Risk and Control Committee.

In particular, in planning its activities the Compliance Department also takes into consideration the evidence and any shortcomings found during previous risk assessments; changes taking place in Company activities; changes in regulatory provisions taking place

or expected; any new risks found; adoption of rules and regulations by other departments or organisational units; development of the Department. The implementation status of planned activities is documented and formalised in six-month reports to the Control and Risk Management Committee and to the Board of Directors.

As at 31 December 2017, the structure of the Compliance Department consisted of five staff members, including the Head of the Department.

## Risk Management Department

The Head of Risk Management is Mr. Massimo Marchegiani.

The responsibilities of Risk Management, the tasks, operating procedures and the nature and frequency of reporting to corporate boards and involved departments are outlined in the Risk Management Policy approved by the Board of Directors, with the favourable opinion of the Control and Risk Committee, and detailed in the guidelines.

The Head of Risk Management does not depend on any operational department. He reports directly to the Managing Director and to the Board of Directors, also through the Control and Risk Committee, on every issue related to the content and organisation of its activities.

The Head of Risk Management is responsible for the following activities:

- submitting, once a year, to the Board an action plan identifying the primary risks the Company is exposed to and any corrective measures to be carried out with respect to such risks. This planning also takes into consideration any failures found and any new risks;
- preparing, at least yearly, a report for the Board on the adequacy and effectiveness of the risk management system, methods and models used for protection against such risks, on the activities performed, checks carried out, results and criticalities found while reporting on the state of implementation of improvement measures, where made;
- ensuring adherence to the annual Risk Management plan and authorising interventions not included in the plan while providing adequate information to Corporate Bodies involved as provided for by the Company;
- reporting the results of Risk Management activities to the Company Board;
- participating in meetings held by the Finance Committee and Real Estate Committee in order to monitor the risks to which the Company and investments are exposed, including real-estate investments through subsidiaries.
- coordinating and managing the business unit;
- defining standard methods for conducting activities;
- ensuring full collaboration with the Board of Statutory Auditors, Independent Auditors and Company control bodies;
- ensuring an adequate internal communication system in order to make operations efficient and effective.

The Risk Management has the task of:

- supporting the process of definition of strategies on risk management by top management;
- promoting the adoption of an efficient and effective process of analysis, measurement and control of risks;
- improving the process of risk management;
- disseminating the culture of risk management;
- defining any improvements to the Risk Appetite;
- verifying the compliance with limitations/parameters established by the Board of Directors for the risk exposure;
- monitoring the risk profile of the Company;

In accordance with Article 21(1) of ISVAP Regulation no. 20, under the internal control and

risk management system, the Risk Management Department conducts the following tasks:

- assisting in the identification and classification risks the Company and/or the Group are exposed to or may be exposed to;
- identifying any new risks or changes compared to those already existing;
- assisting in defining and validating criteria, methods and models of measurement (input data, algorithms and rules, tools for applying the models), of assessment and monitoring for the corporate risks;
- auditing the consistency of the risk measurement models with the Group's operations, also by performing quantitative tests;
- assisting in defining and validating methods and metrics to apply for current and forward-looking assessments of the risk profile, defining any corrective actions or mitigation measures;
- assessing and monitoring the Group's risk profile on a continuing basis by performing assessments with ORSA procedure, while determining the internal capital requirement on a current and forward-looking basis, and alerting the Board of Directors of any significant risks found, also potential;
- assisting in the definition of stress test scenarios and methods;
- making qualitative and quantitative assessments of risks on a continuing basis, with a current and forward-looking approach, also using stress tests;
- establishing the methodological approach for defining and calculating risk tolerance levels;
- providing the Board of Directors with proposals on the definition of Risk Appetite, assisting in its formulation and any subsequent changes;
- providing Senior Management with useful information for assigning operating limits to the business units and defining the procedures for prompt audits of those limits;
- assisting in defining limits to investment allocation and periodically assess adequacy, also on the basis of stress tests, checking that the investment choices were appropriate in relation to pre-set scenarios;
- defining the methodology to be used for financial assets' valuation and their safety level, liquidity, quality, profitability and availability, with particular regard to complex assets, to direct lending and investment activities of an occasional nature;
- Checking adherence to risk exposure's limits and parameters, established by the Board of Directors, activating the procedures set forth in case of non-compliance;
- assisting in defining the capital management system;
- monitoring the performance and results of tests made to check consistency between the company plan, capital needs and available capital resources and the adoption of any corrective measures needed;
- providing an opinion on the development of new insurance products on the basis of analyses carried out in relation to their risks, and assessing, within the scope of reinsurance, the effective risk transfer;
- ensuring preparation of the comprehensive business continuity plan, integrating the parts under the responsibility of Information Systems, General Services and Security, and verifying that it is consistent with corporate needs;
- preparing reports for company bodies with particular reference to six-month reports on monitoring and risk management activities and the annual plan of activities;
- providing performance reports to the Board of Directors, also through Board Committees, and to Senior Management, the Risk Management Committee and line departments on changes in risks and violations of operating limits set;
- disseminating the culture of Risk Management;
- coordinating the process to draft and update policies to be submitted to the Board of Directors for approval, by providing support for each policy to the person in charge of the technical content and to the specific departments involved;
- proposing and updating the Solvency II policies within its purview;

- overseeing the process for calculating regulatory SCR, Solvency Capital Requirement, defining assumptions and models, checking data related to the estimate of risk levels and calculating the capital risk for the application of the Standard Formula;
- carrying out, with the Actuarial Function's technical support, evaluations that lead to the identification, determination and validation of the Undertaking Specific Parameters (selection of the calculation hypotheses, volatility factors analysis and verification of the compliance with the conditions upon which the authorization to use the specific parameters has been issued);
- assessing the impacts of Undertaking Specific Parameters' usage on the Solvency Capital Requirement and ensure the related information to the Board of Directors;
- checking potential long-term respect of mandatory capital requirements in accordance with the Solvency II Directive, analysing:
  - (i) potential significant changes in the risk profile;
  - (ii) any significant changes in the assumptions used to calculate solvency requirements measured according to the Standard Formula;
- coordinating, from an operational standpoint, the yearly and quarterly quantitative reporting templates;
- helping to produce reporting (Solvency and Financial Condition Report and Regular Supervisory Report) for relevant chapters and sections, proving an opinion on the overall reports.

In addition to the foregoing, on request from company departments, the Risk Management Department can be called on to provide an opinion on particular issues.

As at 31/12/2017, the Risk Management Department consisted of 6 staff members, including the Head.

## Actuarial Department

The Head of Actuarial Function is Mrs. Cristina Mataloni.

Till 1 October 2017, the Risk Management Function and the Actuarial Function were parts of the same business unit under the responsibility of Mr. Massimo Marchegiani,

On 26 September 2017, the Board of Directors appointed Mr. Cristina Mataloni as new Head of the Actuarial Function, so proceeding to the separation of the two Functions.

The responsibilities of the Actuarial Function, the tasks, operating procedures, as well as the nature and frequency of reporting to corporate boards and involved departments are defined in the Actuarial Function Policy approved by the Board of Directors, with the favourable opinion of the Control and Risk Committee.

The Head of Actuarial Function does not depend on any operational department. She reports directly to the Managing Director and to the Board of Directors, also through the Control and Risk Committee, on every issue related to the content and organisation of its activities.

The Head of Actuarial Function is responsible for the following activities:

- submitting, once a year, an action plan identifying the actions to be performed, given the main risks the Company is exposed to. This planning also takes into consideration any failures found and any new risks;
- providing the Board, at least once a year, with a report where she documents the tasks performed, as well as the main outcomes and clearly outlined any shortcomings, by providing suggestions and guidance for corrective measures. Suggestions are formulated also on the basis of a reasoned analysis of the reliability and adequacy of the calculation of technical provisions, as well as of sources and degree of uncertainty of the estimate and the appropriateness, accuracy and completeness of data and assumptions

used, and on the basis of the verification of the appropriateness of data and models used for the purposes of calculating the undertaking-specific parameters.

- coordinating and managing the Department;
- defining standard methods for carrying out Actuarial Function activities;
- ensuring adherence to the annual Actuarial Function plan and authorising interventions not included in the plan, while providing adequate information to relevant Corporate Bodies, as provided for by the Company and in case of significant changes to the activity plan she submits them to the Board for approval;
- ensuring full collaboration with the Board of Statutory Auditors, Independent Auditors and control bodies of the Company and Parent Company;
- ensuring an adequate communication system in order to make Actuarial Function operations efficient and effective.

The Actuarial Function is responsible for coordinating the Life and Non-Life Technical Provisions calculated according to Solvency II principles, assessing the sufficiency of Life and Non-Life Technical Provisions calculated for the purposes of drafting the statutory financial statements and Solvency II and certifying the correctness of the procedures used. The Function checks the appropriateness of the data used to support the assumptions and the adequacy of methods, models and assumptions used, and assesses the underwriting policies and reinsurance agreements, also with respect to the risk appetite, by providing specific opinions. It also guarantees the preparation of reports to the benefit of the Board of Directors and Risk Management Committee and provides ANIA, IVASS and COVIP with periodic sector statistics, also to the Parent Company; In particular, the Actuarial Function is responsible for the following activities:

- checking Life and Non-Life technical provisions calculated for the purposes of the statutory financial statements and according to Solvency II standards with particular reference to calculation procedures, the adequacy of methodologies, models and assumptions used also through back testing;
- checking accuracy, reliability and completeness of data used to calculate Solvency II technical provisions;
- checking the data quality for the calculation of the Local GAAP technical provisions, in particular:
  - for Non-life business, through verification of the proper management of policies and claims databases and claims movements;
  - for Life business, by checking the reserve flows, inflows and outflows;
- checking consistency between the amounts of technical reserves calculated on the basis of valuation criteria applicable to statutory financial statements and calculations based on the application of Solvency II criteria;
- checking on a continuous basis that the undertaking meets the requirements relating to the calculation of the Solvency II technical provisions and identifying potential risks arising from uncertainty linked to this calculation;
- expressing an opinion on the data quality, suitability of assumptions and models used for the calculation of the undertaking specific parameters as well as of the process used;
- checking that inputs used for USP calculation are the same or consistent with those used for the calculation of Solvency II technical provisions;
- supporting the Risk Management Function, in particular:
  - identifying and analyzing the Company's risks, with particular regard to the technical risk, and in building up a risk management system that complies with Solvency II;
  - selecting calculation assumptions for each volatility factor, by evaluating the parameters determined by the Technical Actuarial Analyses Function;

- assessing the impact of USP usage on Solvency Capital Requirement;
- checking that USPs conditions are met;
- analyzing any deviations from assumptions underlying the calculation of the solvency capital requirement assessed with Formula Standard;
- defining data quality standards to be used in the risks and solvency internal assessment, both current and forward looking (ORSA)
- assessing the effect of risk mitigation, resulting from reinsurance, in the calculation of the Solvency Capital Requirement.
- assessing the adequacy and effectiveness of the risk management system, methods and models used for protection against such risks;
- measuring the model risk and mutuality level of MTPL tariff within the system of risk assessment and monitoring by having access to all data bases needed for the elaborations and preparing on a six-month basis the related report for the Risk Manager and the Risk Management Committee;
- expressing opinions to the Board of Directors on the overall underwriting policy adopted by the Company and on Reinsurance agreements, including the assessment of consistency with the risk appetite;
- providing feedbacks, alongside the Risk Management Department, on checks carried out to ensure compliance with the operational guidelines adopted within the scope of the technical risks and regulated by the policies;
- checking adequacy of the Life pricing in relation to assumptions used and assessments made when designing a new product;
- ensuring the preparation of reports of analysis and risk monitoring for the Risk Manager and the Risk Management Committee, as well as, where required, for the Parent Company;
- proposing and updating the Solvency II policies within its purview;
- providing any support in the definition of the Remuneration Policy;
- providing ANIA, IVASS and COVIP with periodic industry statistics related to Life and Non-Life Business and collaborating with other company departments where needed.
- handling the certified e-mail (PEC) created to receive any requests from relevant authorities in relation to financial investigations on Life insurance policies and ensuring that replies are sent within the terms provided by law, involving the relevant functions and sending them through the same PEC e-mail;
- providing adequate information flows to the Parent Company with particular reference to the Opinion on the General Underwriting Policy (Life and Non-Life), the reinsurance agreements, reports on the technical provisions (Solvency II and GAAPs) and the opinion on the appropriateness of data and models used for the purposes of the calculation of the USPs.

As at 31/12/2017, the Actuarial Department consisted of 2 staff members, including the Head.

## 10.6 The other company functions involved in the internal control and risk management system

### Financial Reporting Officer

The position of Financial Reporting Officer as per Article 154-bis of the TUF is entrusted to Mr. Luca Arensi, Head of Administration, Finance, Planning and Control.

The Board of Directors is responsible for appointing the Financial Reporting Officer, with a favourable opinion from the Board of Statutory Auditors and the Appointment and Remuneration Committee.



In compliance with Article 154-bis of the TUF, Article 16 of the By-Laws provides that the Manager responsible for preparing the financial reports shall also meet, in addition to integrity requirements prescribed by law for those who perform administrative and management duties, the requirements of professionalism characterized by specific expertise in administration and accounting, gained from professional experience in positions entailing adequate responsibility for a reasonable period of time.

In accordance with the Fit & Proper Policy, the Board of Directors checks, on a yearly basis, that the Financial Reporting Officer has the requirements upon appointment, with the support of the Appointment and Remuneration Committee.

The Board of Directors also approved, in accordance with the By-Laws, the Financial Reporting Officer's remuneration component related to this task.

The Financial Reporting Officer periodically reports to the Board of Directors, also through the Control and Risk Committee, of which he is a member, with respect to the activities carried out during the year in order to ensure that adequate administrative and accounting procedures are in place for preparing the year-end financial statements, the consolidated financial statements and any other financial disclosures, with the assistance of specialist resources within the Company.

The Financial Reporting Officer certifies that the accounting disclosures to the market correspond to the accounting figures, books and documents.

Chapter 10.9 below should be referred to for information on the role of the Financial Reporting Officer under the risk management and internal control system with respect to the financial disclosure process.

### **Anti-money Laundering Function**

The Head Anti-money Laundering Function is Mr. Alberto Giani.

The Anti-money Laundering Department ensures adherence to the requirements provided for by applicable laws against money laundering and financing of terrorism, and regularly analyses and monitors the risk profile of customers in the Life segment by performing the checks needed to report any suspicious transactions.

The responsibilities of the Department, the tasks, operating procedures and the nature and frequency of reporting to corporate boards and involved departments are defined in the Anti-money Laundering Policy approved by the Board of Directors, with the favourable opinion of the Control and Risk Committee.

The Anti-money Laundering Policy establishes the principles of independence, objectivity, confidentiality and adequacy of resources needed by the department.

In accordance with existing regulation, within the scope of the risk management and internal control system, the Anti-money Laundering Department pursues the following general objectives:

- ensuring an efficient and effective management and fight against the risks of money-laundering and terrorism financing;
- ensuring that corporate activities comply with rules, including self-regulatory rules;
- helping to create corporate value, protect losses and enhance corporate reputation.
- helping to constantly keep, with respect to the risk approach, adequate levels of awareness and attention to the risks of money-laundering and terrorism financing at the agencies, the corporate functions that are more exposed to said risks, the subsidiaries affected by regulations.

According to tasks assigned by the primary regulation and in compliance with Article 11 of IVASS Regulation no. 41, within the risk management system and the internal control

system, the Anti-money Laundering Function is responsible for:

- identifying, on an ongoing basis, the laws and regulations that are applicable to the Company and subsidiaries and assessing their impact on corporate processes and procedures;
- activating and managing, on a continuous basis, a process for the self-assessment of the risks of money-laundering and terrorism financing;
- fulfilling the obligations set forth by the regulation with particular reference to the obligations of:
  - managing the unified database (AUI) or whatever archive provided for by the regulation;
  - submitting, on a monthly basis, to the Financial Information Unit (UIF) the aggregate data relating to the registrations in the AUI and handling communications from Insurance Regulators;
  - fulfilling the requirements of adequate verification of the customers according to an analysis of risks relating to customers and financial transactions;
- assisting in identifying, designing and implementing controls and procedures aimed at preventing and combating the risks of money-laundering and terrorism financing, by checking the degree of effectiveness on a continuous basis;
- checking suitability of the internal control and risk management system and the procedures adopted by proposing any organizational and procedural changes that are necessary to properly monitor the risks of money-laundering and terrorism financing;
- providing advice to the Board of Directors in relation to compliance with primary and secondary rules directly applicable to the Company and its subsidiaries;
- checking the reliability of the IT system relating to the AUI;
- preparing, by evaluating necessary updates over time, together with the other corporate functions responsible for training, an adequate training plan on the risks of money-laundering and terrorism financing, aimed at pursuing an ongoing training and refresher of the staff of the Company, the subsidiaries, and the intermediaries making up the direct distribution network;
- developing the culture on anti-money laundering also by preparing, updating and disseminating a document, to be submitted to the administrative body for approval, that sums up responsibilities, tasks and operational procedures in the management of money-laundering and terrorism financing risks;
- assessing the adequacy of the application systems, operational processes and internal procedures aimed at fulfilling the obligations of adequate verification of the customers and registration as well as of the systems for the detection, assessment and reporting of suspicious transactions, as well as the appropriate preservation of the documentation required by law;
- providing adequate information flows to corporate bodies of the Company, the Board of Statutory Auditors, the Supervisory Body established under the Leg. Decree 231/2001, Senior Management, other functions involved, as well as to the Parent Company.

The Head of the Function prepares and submits, on an annual basis, to the Board of Directors for approval, also through the Control and Risk Committee, a plan of activities stating the actions to be performed in relation to the management of money-laundering and terrorism financing risks, as well as a report on the adequacy and effectiveness of the measures adopted by the Company and the subsidiaries to manage the risk of money-laundering and terrorism financing, while reporting on the state of implementation of related improvement measures, if undertaken, and activities performed. Furthermore, the annual report includes also the results of the process of self-assessment of the money-laundering and terrorism financing risks, led by the department on a continuous basis.

The annual plan of the activities of the Anti-money Laundering Department is approved by the Board of Directors, after being reviewed by the Control and Risk Committee. The activities scheduled are carried out in accordance with above Plan and can be changed and supplemented with any unscheduled interventions made necessary due to new needs (at the discretion of the Department Manager) giving the Board of Directors due justification, also through the Risk and Control Committee.

In particular, in planning its activities the Anti-money Laundering Department also takes into consideration the evidence and any shortcomings found during previous risk assessments; any changes to the activities of the Company and the Group; new expected or arisen rules and regulations; any new risks found; adoption of rules and regulations by other departments or business units; development of the Department. The implementation status of planned activities is documented and formalised in six-month reports to the Control and Risk Management Committee and to the Board of Directors.

In an overall view, the process to manage the risk of money laundering and financing of terrorism and the operational effectiveness of the Anti-money Laundering Department is divided into these macro-phases: (i) recognition of rules and regulations; (ii) risk assessment; (iii) implementation of corrective measures; (iv) monitoring and reporting.

The Anti-money Laundering Department is part of the business unit called Compliance and Anti-money Laundering, under the supervision of the Head of Legal, Compliance and Anti-money Laundering Department, under the responsibility of Mr. Alberto Giani.

The structure of the Anti-money Laundering Function as at 31/12/2017 was made up of 2 staff member, including the Head of the department.

### **Anti-fraud Function**

The Anti-fraud Function, set up in compliance with Law no. 137 of 26 May 2000, directly reports to the Claims Division.

The aim of the Function is to prevent and counter, directly and indirectly, insurance fraud, also with a view to limiting costs.

To this end, the Anti-fraud Function assists in defining guidelines, rules and measures to prevent fraud against the Company and performs specific operations to identify any fraud.

The Head of Anti-fraud Function maintains an ongoing information flow with the Internal Audit Manager, which also includes a quarterly report on the anti-fraud activity to be submitted to the Control and Risk Committee.

### **Risk Management Committee**

The Company set up a Risk Management Committee to ensure the application and testing of a risk assumption, assessment and management system that is consistent with the operations of individual departments.

The members of the Risk Management Committee are drawn from Senior Management and the heads of the Control Functions. The composition of the Committee ensures coordination between Senior Management and each Department in order to guarantee application of the guidelines set by the Board with respect to the risk management system.

### **Anti-money Laundering Committee**

The Company set up an Anti-Money Laundering Committee to carry out, at the request of the Anti-Money Laundering Department, an assessment of the transactions reported as suspicious, deciding whether to dismiss the report or send it to the Financial Information Unit.

## Anti-money Laundering Committee

The Company set up an Anti-Money Laundering Committee to carry out, at the request of the Anti-Money Laundering Department, an assessment of the transactions reported as suspicious, deciding whether to dismiss the report or send it to the Financial Information Unit.

The Anti-money Laundering Committee is made up, in addition to the Head of Anti-money Laundering, of the heads of Commercial and Life Business Departments or of a delegate of the latter.

The Committee has the role of:

- supporting the Head of Anti-money Laundering, as Delegate for reporting suspicious transactions, in the assessment of the transactions and parties identified according to red flags in order to assess whether to proceed or not with reporting the suspicious transaction;
- highlighting to the operational functions any anomalies or non-compliant behaviours detected by the Anti-money Laundering Function, in order to implement corrective actions and/or recalls in the business units or distribution network.

The Committee is convened by the Head of the Anti-money Laundering at least on a quarterly basis and any time is deemed appropriate to examine situations and transactions having anomalous features that may be reported.

The Committee also examines the evidence and reports produced by the functions in charge of performing inspections at the agencies, if relevant for the purposes of assessing the system of controls relating to anti-money laundering process.

## Executive Committee for Disaster Recovery

The Company set up a special Committee to ensure the presence of a disaster recovery plan able to deal with critical emergencies impacting regular business operations. It meets the needs of the Company and it is kept up-to-date also by conducting recovery tests on a yearly basis.

## Investigation Group for Intra-Group Transactions

The Investigation Group for the Intra-Group Transactions is made up of the Heads of the following departments: Administration, Finance, Planning and Control, Compliance, Risk Management and Corporate Affairs.

The Investigation Group has the task to previously review the transactions proposed by the Departments/Divisions of the Company and its subsidiaries, in order to identify the authorization process of the transaction, verifying the competence for the transaction approval and the need to involve the Related-Party Committee of the Company.

## 10.7. Organisation Model pursuant to Italian Legislative Decree no. 231/2001

In 2004, the Board of Directors of Vittoria Assicurazioni approved the adoption of the Organization and Management Model pursuant to Legislative Decree no. 231/2001 (hereinafter also OMM).

The Organization and Management Model of Vittoria Assicurazioni, available for consultation on the Company website [www.vittoriaassicurazioni.com](http://www.vittoriaassicurazioni.com) under "Governance", is briefly outlined below:

- (i) the description of the relevant legislation;

- (ii) description of offences included under Legislative Decree 231/2001, in relation to the activity of Vittoria Assicurazioni, with the identification of sensitive areas and processes with respect to the various types of offences. The crimes of counterfeiting currency, terrorism and subversion of the democratic order, and criminal offences relating to the protection of industrial property rights are not considered relevant to Vittoria Assicurazioni, as they are only abstractly conceivable;
- (iii) the identification of the Supervisory Body, its functions and powers, its reporting to corporate bodies and its obligations to obtain information requirements and to verify the adequacy of the Model;
- (iv) the arrangements for informing and disseminating the OMM to employees, agents, group companies and external consultants;
- (v) the identification of a penalty system.

The OMM is updated in line with the changes made to the regulatory framework.

The Supervisory Body oversees the efficiency, compliance, effectiveness and adequacy of the Organization and Management Model. The body is appointed by the Board of Directors in accordance with Article 6 of Legislative Decree no. 231/2001, which selects the members from among the individuals who are interested and experienced in legal issues and control procedures, while also fulfilling the requirement of integrity.

In carrying out its duties, the Supervisory Body complies with the principles of independence and autonomy. To this end, the Supervisory Body reports only to the Board of Directors. It has a direct link to Senior Management, the Board of Statutory Auditors and, through the Control and Risk Committee, with the Board of Directors itself.

The Supervisory Body members cannot be removed, if not by the Board of Directors, after hearing the Board of Statutory Auditors, and only for just cause.

The Supervisory Body was appointed on 11 May 2016 and its term coincides with that of the Board of Directors. Criteria adopted for the appointment are as follows: five members, including one external member with specific experience on the matter, a Standing Auditor of the company and the corporate heads of Internal Audit, Compliance and Risk Management.

The strategic real estate subsidiaries of Vittoria Assicurazioni have also adopted an Organization, Management and Control Model, and set up a Supervisory Body. The results of the activities carried out by the Supervisory Bodies of the subsidiaries are reported to the Parent Company's Supervisory Body.

## 10.8. Independent Auditor

On 20 April 2012 the Shareholders' Meeting appointed Deloitte & Touche S.p.A. as independent auditor for 2012-2020.

The auditing company Deloitte & Touche S.p.A. was also conferred the task as per Article 3, paragraph 10 of the Leg. Decree 254/16, to prepare the compliance opinion on the Non-Financial Statement, that is obligatory, pursuant to said regulation, starting from the financial year ending 31/12/2017. The assignment relates to the compliance opinion for the Non-Financial Statements for each FY 2017-2020.

## 10.9. Key features of the existing risk management and internal control systems related to the financial disclosure process [Article 123-bis(2)(b) TUF]

### Foreword

The internal control and risk management system for the financial disclosure process is a component of the broader internal control and risk management system adopted by Vittoria Assicurazioni.

The specific purpose of the system is to ensure reliability<sup>1</sup>, accuracy<sup>2</sup> trustworthiness<sup>3</sup> and timeliness<sup>4</sup> of financial information and addresses the issues of internal control and risk management with an integrated approach, with the aim of identifying, assessing and checking financial reporting risks.

Vittoria Assicurazioni has implemented a set of procedures to ensure the reliability of the system used to produce the financial reports.

The responsibility for the implementation of the system within the Company and the subsidiaries involves different corporate functions as better explained in the paragraphs below.

This is the context in which the Manager responsible for preparing the Company's financial reports is placed; the Company has assigned to this person the responsibility of ensuring the preparation and actual implementation of the procedures for the preparation of the separate and consolidated financial statements for the year and any other financial reports.

To this end, the Senior Manager in charge of the Administration, Finance, Planning and Control area is assigned the task of designing, implementing and updating the internal control system so as to ensure:

- the adequacy of the accounting system used;
- the formalization of the relevant procedures and processes and their maintenance;
- constant attention by the personnel of the Administration area to the matters set forth by the procedures and processes.

### Description of the key features of the existing risk management and internal control systems related to the financial disclosure process

The main characteristics of the adopted financial disclosure process, with special reference to its development, to the operating methods that characterized its operation and the roles and functions involved, can be described by illustrating: a) the risk management and internal control process; b) the involved corporate functions (with their roles and responsibilities).

### The risk management and internal control process

The system provides that:

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1) Reliability: the disclosure shall be accurate and comply with generally accepted accounting standards and have the requirements provided for by applicable rules and regulations.

2) Accuracy: the disclosure shall be unbiased and precise. The disclosure is considered unbiased if it does not contain preconceptions intended to influence the decision-making process of its users in order to obtain a certain result;

3) Trustworthiness: the disclosure shall be clear and complete so as to ensure investors can make informed investment decisions. The disclosure is considered clear if it facilitates the comprehension of complex issues of the company without being excessive or redundant;

4) Timeliness: the disclosure shall respect the deadlines prescribed for its release.

- the processes and procedures related to financial reports are updated at least once per year;
- the personnel of the administrative department is constantly made aware of the need to update and comply with this documentation.

With regard to the financial reporting process of Vittoria Assicurazioni Group, the methodology used and the results are similar to those of the parent company.

### Corporate Functions Involved

The responsibility for actual implementation of the internal control system, in terms of the running and actual implementation of the rules, mechanisms, procedures, is of an all-encompassing character which is integrated into the corporate structures.

In order to assure the correct operation of the Internal Control System, as well as the general supervision of the Internal Control System assigned to the Board of Directors, the essential functions and roles are those attributed to the Control and Risk Committee, to the Financial Reporting Officer and to the second and third level control functions. Details on duties/activities assigned to the functions is provided in the sections below.

### The Control and Risk Committee

It performs the following functions:

- it works with the Financial Reporting Manager and the external auditors to assess the proper application of accounting standards and, in the case of groups, their uniformity for the purposes of preparing the consolidated financial statements;
- it examines the Internal Audit work plan and the reports drafted by this area;
- it oversees the effectiveness of the independent auditing process;
- it liaises with the Board of Directors and the Supervisory Body with regard to issues involving the enforcement of Italian Legislative Decree no. 231/2001;

The Control and Risk Committee reports to the Board of Directors on the activities performed as well as on the adequacy of the Internal Control System.

### The Financial Reporting Manager

The Financial Reporting Manager reports to the Board of Directors periodically, also through the Control and Risk Committee in relation to the activities carried out in the implementation of his functions.

He performs the following functions:

- he ensures that adequate administrative and accounting procedures are in place for preparing the annual report, the consolidated financial statements and all other financial disclosures, with the assistance of specialised resources within the Company;
- he works with the delegated body, certifies the adequacy and effective application of administrative and accounting procedures in the reporting period, that the corporate accounting documents match the books and ledger entries and are appropriate to provide an accurate and fair representation of the financial position, income and cash flow of the Company;
- he endorses the consistency of the Company's records and market disclosures relating to its annual and interim accounts with the corporate records, books and accounting entries.

For this purpose, the Financial Reporting Manager has identified the operating roles and functions as well as the control functions.

The Financial Reporting Manager is supported by an assistant to ensure implementation of controls throughout the division and the timely execution of operations.

## Second- and third-level control functions

Activities of the second and third-level control functions, i.e. Risk Management, Actuarial Function and Compliance, as well as third-level functions, i.e. Internal Audit, also apply to the control and risk management system relating to the financial reporting disclosures.

Risk Management supports the implementation of the risk management system which includes the reporting strategies, processes and procedures necessary to identify, measure, manage and report risks that the Company is or may be exposed to.

Compliance identifies the relevant regulations as well as the corporate bodies with reference to regulatory compliance.

Actuarial Function coordinates the Life and Non-Life Technical Provisions, assesses the sufficiency certifying the correctness of the procedures followed, verifies appropriateness of data used to support the assumptions and the adequacy of methods, models and assumptions used.

Please refer to previous paragraph for responsibilities assigned to the Financial Reporting Officer.

Internal Audit assists in the development of the internal control system by assessing its design aspects and monitoring its effectiveness and efficiency.

Furthermore, there are information flows and exchanges of information even with regular meetings involving the Control and Risk Committee, the Financial Reporting Officer, the Board of Statutory Auditors, the Heads of Internal Audit, Compliance, Risk Management and Organization, and the Supervisory Body as per Leg. Decree 231/2001.

The Financial Reporting Manager reports to the Control and Risk Committee and takes part in Committee meetings whenever necessary.



## 11. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS

Since 2004, Vittoria Assicurazioni has adopted an internal procedure regarding transactions with related parties, updated over time according to changes to the relevant regulatory framework.

In 2010, the Board of Directors approved the "Procedure for transactions with related parties" in accordance with the provisions of CONSOB resolution no. 17221 of 12 March 2010. The procedure was reviewed and modified by the Board of Directors at the meeting of 22 February 2017 in order to align it to the new Intra-Group Transactions Policy adopted pursuant to IVASS Regulation no. 30.

The Procedure is aimed at ensuring transparency and substantial and procedural fairness of transactions carried out by the Company, directly or through subsidiaries, with its related parties.

A corporate function is charged with identifying, on a continuous basis, the parties, natural persons and legal entities, that can be considered as related parties of the Company, to be enrolled in a dedicated list. To this end, the corporate function involved carries out, on a quarterly basis, controls aimed at collecting information that are useful to identify the related parties of Vittoria Assicurazioni through the Directors, Auditors and Executives with strategic responsibilities and of its associate company, as well as updates information relating to them. The list is then distributed to the Departments/Divisions of the Company and to the subsidiaries.

The Procedure formalized the establishment of an Investigation Group consisting of the Heads of Administration and Finance, Risk Management, Compliance and Corporate Affairs, with the task of previously examining the transactions proposed by the Departments/Divisions of the Company and by its subsidiaries, in order to identify the authorization process of the transaction, checking competence for transaction approval and the need to involve the Related-Party Committee.

It also determines which transactions should be deemed exempt and the criteria for identifying transactions requiring the Board's approval, differentiating major from minor transactions in terms of significance.

Transactions with major significance are exclusively reserved for the Board, with the well-reasoned favourable opinion of the Related-Party Committee on the Company's interest in completing the transaction and on the appropriateness and substantial correctness of its conditions.

Transactions with minor significance, instead, are approved in compliance with what is provided for by the system of delegations and powers pro tempore in force as well as within the limits of competence defined by the Intra-Group Transactions Policy, after non-binding opinion of the Related-Party Committee on the interest of the Company to complete the transaction and on the appropriateness and substantial fairness of related conditions.

As required by abovementioned CONSOB Regulation, the procedure:

- identifies transactions with major and minor significance, based on quantitative parameters established in accordance with provisions under CONSOB Regulation 17221;
- identifies cases of exemptions the Company avails itself of, within the limitations under CONSOB Regulations;
- identifies the requirements of independence of the directors called on to express their opinions on related-party transactions for the purposes of implementing the procedure;

- establishes procedures and deadlines for the provision of information on the transactions, to the independent directors expressing their opinions related-party transactions as well as to administrative and control bodies, along with the documentation, before resolution, during and after execution of these transactions;
- indicates any alternative choices made by companies with reference to the options assigned to the Company pursuant to the provisions of CONSOB Regulation.

The procedure for the related-party transactions is available on the Company website [www.vittoriaassicurazioni.com](http://www.vittoriaassicurazioni.com) under "Governance".

## 12. BOARD OF STATUTORY AUDITORS

The rules governing the appointment and replacement of the Statutory Auditors of Vittoria Assicurazioni, as well as their fit & proper requirements, are based on the primary regulatory provisions and legal rules provided for listed companies and insurance companies.

### 12.1. Appointment Procedure

The appointment and replacement of Statutory Auditors is regulated by Article 17 of the By-Laws.

Statutory Auditors are appointed on the basis of lists, to ensure the appointment of at least one Standing and one Substitute Auditor by the minority shareholders.

Lists are submitted with two sections: the first for the appointment of Standing Auditors and the second for the appointment of Substitute Auditors. The lists contain a number of candidates that is no greater than the number of members to be elected, listed in numerical order.

The lists that have a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that at least one third (rounded upwards) of the candidates for standing Statutory Auditor belong to the less represented gender in the same list as well as at least one third (rounded upwards) of the candidates for Substitute Auditor.

Each candidate may appear on one list only, on penalty of ineligibility.

Only those shareholders that, either individually or together with other shareholders, have an overall holding of voting shares representing at least 2.5% of the voting capital, or that represent such lower percentage as may be established or required by binding legislative or regulatory provisions, have the right to submit lists.

Ownership of the minimum shareholding for the submission of lists is determined according to the shares registered to the shareholder on the day on which the lists are deposited with the Company.

Shareholders that are parties to a relevant shareholders' agreement pursuant to Article 122 of the TUF, the parent Company, the subsidiary companies and companies under joint control pursuant to Article 93 of the TUF, may not submit or participate in the submission, either directly or through an intermediary or trust company, of more than a single list, and may not vote for different lists. Any support or vote made in violation of this prohibition will not be attributed to any list.

The lists, signed by the parties submitting them, must be deposited at the registered office of the Company at least 25 days prior to the date set for the General Meeting on first call, without prejudice to any other forms of publication and procedures specified in the regulations in force.

The lists must contain:

- the personal details of the shareholders submitting the lists, details of the total equity interest held and certification of ownership of the equity interest; certification may be produced subsequently, provided that it is within the deadline set for publication of the lists pursuant to existing legislation;
- a declaration by the shareholders other than those holding, either individually or collectively, a controlling interest or relative majority, to the effect that they have no connection with the latter pursuant to existing rules and regulations;
- a detailed report on the personal qualifications and background of the candidates, and a

declaration by the candidates that they satisfy the requirements imposed by law and accept their nomination, as well as a list of any administrative or management positions held in other companies.

Any lists submitted other than in accordance with the above provisions shall be regarded as not submitted.

The first two candidates from the list obtaining the highest number of votes and the first candidate on the list obtaining the second highest number of votes that, pursuant to the laws and regulations in force, is neither directly nor indirectly connected to the shareholders who have submitted or voted for the list obtaining the highest number of votes, are appointed Standing Auditors. The latter candidate is appointed Chairman of the Board of Statutory Auditors.

The first candidate on the list obtaining the highest number of votes and the first candidate on the list obtaining the second highest number of votes that, pursuant to the laws and regulations in force, is neither directly nor indirectly connected to the shareholders who have submitted or voted for the list obtaining the highest number of votes, are appointed Substitute Auditors. In the event of a tie vote between two or more lists, the eldest candidates are appointed Statutory Auditors until all the available positions have been filled.

Where the election of candidates in the manner described above does not ensure - with respect to the standing Statutory Auditors - the composition of the Board of Statutory Auditors complying with the provisions of the By-laws concerning the gender balance, the substitutes will be elected from the list that obtained the highest number of votes, following the order in which candidates are listed.

Where a single list or no lists are submitted, all candidates on the said list or respectively those voted on by the General Meeting shall be elected Standing and Substitute Statutory Auditors, provided that they achieve a majority of the votes cast at the General Meeting, subject to compliance with provisions of the By-laws concerning the gender balance.

Any Statutory Auditor who ceases to meet the statutory requirements shall cease to hold office.

In case of replacement of an Auditor, the alternate on the same list as the former takes over. It is understood that the Chairman of the Board of Statutory Auditors will be the minority Auditor and that the composition of the Board shall comply with the current pro tempore regulation on gender balance.

When the General Meeting has to appoint Standing and/or Substitute Auditors to fill a vacancy on the Board of Statutory Auditors, the following procedure is used: when a replacement is to be made of Auditors elected from the majority list, the appointment is made by relative majority vote without the use of lists; when a replacement is to be made of Auditors elected from the minority list, the General Meeting makes the appointment by relative majority vote, selecting from the list of candidates from which the departing Auditor was taken.

If for any reason the application of this procedure does not allow for the replacement of the Auditors appointed by the minority shareholders, the General Meeting shall proceed by relative majority vote; however, in counting the vote, no account is taken of shareholders that, according to notification submitted under laws in force, hold, directly or indirectly or together with other shareholders that are party to a relevant shareholders' agreement pursuant to Article 122 of the TUF, a relative majority of the votes exercisable at the General Meeting, or of shareholders who control, are controlled by or are subject to joint control by the latter.

The abovementioned replacement procedures shall, in any case, ensure adherence to the

provisions of the By-Laws on gender balance.

As for the regulatory provisions on fit & proper requirements of the members, as the issuer is a listed company, the appointment of the Board of Statutory Auditors of Vittoria Assicurazioni is subject to the provisions laid down under Article 148 of the TUF and under Ministerial Decree no. 162 of 30 March 2000, which set forth the rules on setting requirements in terms of professionalism and integrity of members of the board of statutory auditors for listed companies.

In accordance with Article 1(3) of the aforementioned Ministerial Decree, Article 17 of the corporate By-Laws specifies the matters and sectors related to the Company for the purpose of defining the experience accrued, by requiring that it should relate to:

- the financial, credit, insurance, reinsurance, real-estate and actuarial sectors;
- legal, financial, economic, technical and scientific matters related to above sectors.

In any case, statutory auditors that by law or regulation are considered ineligible or in default or that do not have the necessary requirements, also with respect to the number of offices held as required by the legislation may not be appointed, and if appointed they forfeit.

Under insurance law, the requirements of professionalism, integrity and independence, as well as the impediments, are regulated by Ministerial Decree no. 220 of 11 November 2011, which also sets forth provisions applicable to those who perform functions of administration, management and control for insurance and reinsurance companies based in Italy.

Finally, members of the Board of Statutory Auditors are also required to respect the interlocking prohibition laid down under Article 36 of Law no. 214 of 22 December 2011.

Verification of whether the Statutory Auditors do have the requirements is regulated by the Fit & Proper Policy as approved by the Board of Directors, described above under section 9.1. Based on the certification statements provided by all persons involved in accordance with Article 46 of Presidential Decree 445/2000, such verification is performed by the Board upon appointment of the Statutory Auditors and, subject to review by the Appointment and Remuneration Committee, is renewed on a yearly basis.

The Auditors are defined as related parties pursuant to the Regulation adopted by CONSOB Resolution 17221, and therefore transactions carried out by the Company in which the Auditors may have an interest are subject to the Procedure for Related-party Transactions, outlined in section 10 above.

## 12.2. Composition [Article 123-bis(2)(d) TUF]

### Appointment and Composition of Board of Statutory Auditors in Office

As at 31 December 2017, the Board of Statutory Auditors of Vittoria Assicurazioni was as follows:

Giuseppe CERATI	Chairman
Giovanni MARITANO	Standing Auditor
Francesca SANGIANI	Standing Auditor
Monica MANNINO	Substitute Auditor
Maria Filomena TROTTA	Substitute Auditor

The Board of Statutory Auditors was appointed by the Ordinary Shareholders' Meeting held on 27 April 2016, following the expiry of the three-year term of the previous Board.

The Meeting established a three-year term of office, hence till the date of the Shareholders' Meeting that will approve the financial statements for the financial year ending on 31 December 2018.

In accordance with provisions of the By-Laws on the gender balance, the share reserved to the less represented gender is one third.

Two lists were submitted with the following proposals of appointment of Statutory Auditors:

List 1 submitted by the majority shareholder Vittoria Capital N.V., which holds 34,464,400 ordinary shares representing 51.15% of the share capital, with the following candidates:

Standing Auditors:

1. Giovanni MARITANO
2. Francesca SANGIANI

Substitute Auditors

1. Maria Filomena TROTTA

List no. 2 jointly submitted by Anima SGR S.p.A. fund manager of: Anima GEO Italia, Anima Italia and Anima Iniziativa Italia; Eurizon Capital S.G.R. S.p.A. fund manager of: Eurizon Azioni Italia and Eurizon Azioni PMI Italia; Eurizon Capital SA fund manager of: EEF Equity Italy LTE and EEF Equity Italy; Fideuram Investimenti SGR S.p.A.: fund manager of Fideuram Italia; Fideuram Asset Management (IRELAND) fund manager of: Fideuram Fund Equity Italy and Fonditalia Equity Italy; Interfund Sicav fund manager of Interfund Equity Italy; Kairos Partners SGR S.p.A. as management company of Kairos International SICAV segments Italia and Risorgimento e Mediolanum Gestione Fondi SGR S.p.A. fund manager of Mediolanum Flessibile Sviluppo Italia, which totally hold no. 2,160,279 ordinary shares, accounting for 3.206% of the share capital, with the following candidates:

Standing Auditors:

1. Giuseppe CERATI

Substitute Auditors:

1. Monica MANNINO

Shareholders submitting the list declared they do not have relevant relations with the majority shareholder.

At the time of voting for the appointment, participants represented, on their own behalf or by proxy, 53,059,978 ordinary shares on 67,378,924 in issue, accounting for 78.749% of the share capital having voting right and the shares for which votes were cast were 49,619,871 accounting for 73.64% of the share capital.

List no. 1 obtained no. 42,872,872 votes, accounting for 86.40% of the voting capital.

List no. 2 obtained no. 6,746,420 votes, accounting for 13.59% of the voting capital.

Votes against all lists were no. 579 and there were no abstentions.

Following auditors were appointed: Giuseppe CERATI, Chairman; Giovanni MARITANO and Francesca SANGIANI, Standing Auditors; Monica MANNINO and Maria Filomena TROTTA, Substitute Auditors.

In a meeting held at the end the Shareholders' Meeting, the Board of Statutory Auditors verified that its member met the independence requirements laid down by existing regulation and the Corporate Governance Code. Results of this verification were communicated to the Board of Directors, which made them available to the public in the press release on the appointment of new corporate bodies. Similar to the independence requirements provided for the Directors, no criterion, whereby the auditor in office for more than nine years cannot be qualified as independent, applies.

In the meeting of 9 May 2017, the Board of Directors performed its annual verification of the fit & proper requirements, after hearing the Appointment and Remuneration Committee.

It was found that all Standing Auditors still fulfilled the integrity requirements and there were no incompatibility and forfeiture causes set forth by current regulations for the auditorship.

It was also assessed that there were no impediments as per Article 36 of the Decree Law no. 201 of 6 December 2011 (the so-called interlocking) and that independence requirements were met according to criteria set forth, where applicable, for directors by the Corporate Governance Code.

Remuneration of the Board of Statutory Auditors, set as a fixed amount, was resolved by the Shareholders' Meeting of 27 April 2016 upon proposal of the majority shareholder Vittoria Capital. This remuneration is in line with market standards for companies having the same dimensional and sector-specific features of Vittoria Assicurazioni.

Statutory Auditors participate in the same program of ongoing training organized for the Directors, and in order to be facilitated in their activity within the Company, they are constantly assisted by a corporate function who also performs the role of collector for any requests made.

### **Personal and professional characteristics of Statutory Auditors in office**

Below is a brief profile of the personal and professional characteristics of statutory auditors in office at the date of this Report. Also see the table in Annex 3.

**Giuseppe CERATI**, born in Parma on 15.05.1962

Chairman of the Board of Statutory Auditors of Vittoria Assicurazioni since 19 April 2013.

Degree in Economics and Business.

Since 1992 enrolled in the Order of the Chartered Accountants of Parma and since 1995 in the Order of Statutory Auditors and the Order of Technical Consultants of the Court of Parma (section accounting experts).

He provides audit, tax and corporate advisory services, and he is an expert on insurance tax matters, supplementary pension and real estate.

He carries out teaching, training and advertising activities.

He has also been Chairman of the Board of Statutory Auditors of the listed company Beni Stabili S.p.A. since 9 April 2015, and holds positions on boards of statutory auditors and as auditors in corporations and other entities.

**Giovanni MARITANO**, born in Turin on 23.10.1960

Standing Auditor of Vittoria Assicurazioni since 26.4.2001 (Substitute since 23.6.1998).

Degree in Economics at the University of Turin.

Member of Chartered Accountants since 1987 and of the Register of Auditors since 1995.

He is member of various boards of statutory auditors and supervisory bodies of the companies of Vittoria Assicurazioni Group. He also holds the position of Statutory Auditor in different companies.

**Francesca SANGIANI**, born in Sondrio on 25.04.1968

Member of the Board of Statutory Auditors of Vittoria Assicurazioni since 19 April 2013.

Degree in Business Administration from Bocconi University of Milan.

She has been registered with the Board of Certified Accountants since 1996 and with the Board of Auditors since 1999. She is also registered in the list of professionals who work with the Bankruptcy Section of the Court of Milan.

She has been a liquidator and is still Standing Auditor in joint stock companies.

She has been an Administrative and Official Receiver in many arrangements with creditors and bankruptcy procedures through the court of Milan as well as the Liquidator in forced liquidation procedures upon assignment by the Ministry of Economic Development.

**Monica MANNINO**, born in Palermo on 18.10.1969

She has been Substitute Auditor on the Board of Statutory Auditors of Vittoria Assicurazioni

since 27.4.2016.

Degree in Business Administration, Bocconi University of Milan. Enrolled in the Register of Chartered Accountants of Milan since 1995 and statutory auditor since 1998.

She currently provides corporate, business and tax consultancy for Italian and Foreign corporations and multinational groups, with reference also to corporate governance, administration and control, ordinary budgets, due diligence, national and international tax issues, accounting principles, expert reports, technical evaluations and advice.

She is member of NedCommunity, Italian Association of non-executive directors, of the Governance Committee of the companies listed and the Equal Opportunities Commission of the Order of Chartered Accountants.

She is currently Chairman of the Board of Statutory Auditors of Diasorin S.p.A. (listed), of Casta Diva Group S.p.A. (AIM), Business School24 S.p.A., of the 'Istituto Stomatologico Italiano Società Cooperativa Sociale Onlus and ADES Acciai S.r.l., Standing Auditor of Milano Ristorazione, Giglio Group S.p.A. (AIM) and Il Sole 24 Ore - Trading Network S.p.A. She also serves as statutory auditor and auditor in the service sector.

**Maria Filomena TROTTA**, born in Paola (CS) on 5.6.1977

She has been Substitute Auditor on the Board of Statutory Auditors of Vittoria Assicurazioni since 27.4.2016.

Chartered Accountant and Independent Auditor.

Degree in Economics and Legislation for the company at the Bocconi University.

Since 2000, she has been working as chartered accountant.

Since 2008 founding member of the Milan-based association of professionals "Studio Legale e Tributario Constantia".

She currently holds offices of Auditor and Statutory Auditor in private companies.

She is a technical adviser to the Court of Milan and part consultant in various civil proceedings (banking and corporate matters) and criminal (fraudulent bankruptcy).

She is coadjutor in compulsory administrative liquidation of cooperatives and arrangements with creditors.

She is a member of the Board of Statutory Auditors of Valdarno S.r.l.

### 12.3. Role of the Board of Statutory Auditors

The Board of Statutory Auditors held 9 meetings in 2017, with an average duration of about 3.5 hours. The average attendance at meetings was 100%. 6 meetings were also jointly held with the Control and Risk Committee.

8 meetings are planned for 2018. Two meetings have been held at the date of this report.

For the attendance at meetings of individual auditors, see the table Appendix 3 to this Report.

According to the Legislative Decree 39 of 27 January 2010, which entrusted the boards of statutory auditors of companies of public interest with the function of 'Control and Risk Committee and Statutory Audit', the functions assigned to the Board of Auditors and the Audit and Risk Committee of Vittoria Assicurazioni differ as follows:

- the Control and Risk Committee, established under the Code of Conduct, supports the Board of Directors with information and advisory activities;
- the Statutory Auditors are assigned the functions under Legislative Decree 39/2010, which supplement those already assigned to that body, and are considered control functions. The Board of Auditors holds no functions of management, co-management or management control.

Pursuant to Article 149 of the TUF, the Board of Statutory Auditors oversees:

- compliance with rules and regulations and with the Company's By-laws;



- adherence to the principles of correct administration;
- the adequacy of the organisational structure of company within its purview, the internal control system and the administrative accounting system, as well as the reliability of the latter in providing a fair representation of operations;
- the procedures used for effective implementation of the corporate governance rules set out in the Corporate Governance Code adopted by the Company;
- the adequacy of the directives issued by the Company to its subsidiaries to ensure compliance with the disclosure obligations set forth by the TUF.

As per Article 19 of the Leg. Decree no. 39 of 27 January 2010,, the Board of Statutory Auditors also oversees:

- the financial disclosure process;
- the efficiency of the systems of internal control, internal audit, where applicable, and risk management;
- the statutory auditing of the separate and consolidated accounts;
- the independence of the company engaged to carry out the statutory audit of the accounts, verifying both compliance with relevant regulatory provisions and the nature and extent of the various statutory auditing services provided to the Company and its subsidiaries by the auditing company and by the entities in its network.

In carrying out these duties, the Board of Statutory Auditors:

- checks that the definition of powers and delegations is appropriate and that the organization structure is adequate, paying particular attention to the segregation of responsibilities in duties and functions;
- attends meetings of the Internal Control Committee, during which it meets the heads of the departments responsible for the internal control system, i.e. Internal Audit, Compliance and Risk Management. assesses the efficiency and effectiveness of the internal control system, especially with regard to the operations of the Internal Audit, verifying that the department has the necessary autonomy, independence and functional efficiency;
- regularly exchanges information and data with the independent auditing company;
- ensures the prompt exchange of data and information material for the performance of its among the boards of statutory auditors of Group subsidiaries through the presence of one of its members on their boards of statutory auditors.

Pursuant to the Corporate Governance Code adopted by the Company, the Board of Statutory Auditors:

- verified the independence of its members at the first opportunity after their appointment;
- verified that its members continued to satisfy the independence requirements during the course of the financial year;
- applied all the principles set out in the Code adopted by Vittoria Assicurazioni in relation to the independence of directors, as part of this assessment process. As per the criteria applied to directors, the maximum limit of nine years is not considered, as described in subsection 4.6 above.

In carrying out its activities, the Board of Statutory Auditors coordinated with the Internal Audit Department and with the Control and Risk Committee by participating in all their meetings.

### 13. RELATIONS WITH THE SHAREHOLDERS

Vittoria Assicurazioni has set up the Investor Relations section on the Company's website [www.vittoriaassicurazioni.com](http://www.vittoriaassicurazioni.com), easily identifiable and accessible, which contains periodic reports, financial presentations, information on share capital and the documents relating to Shareholders' Meetings and the calendar of corporate events, i.e. All information on the Company that is material to shareholders, in order to enable them to exercise their rights in an informed manner.

Finally, all information about the corporate governance system of Vittoria Assicurazioni are available under "Governance".

The notices and documents disclosed pursuant to existing regulations are available in Italian and English on the website.

During 2017, the position of Investor Relator was conferred to Mr. Carlo Cavazzoni, Head of the Finance Department, with the task of drafting the institutional financial disclosures of the Company.

Management of public disclosures is regulated by the public disclosure policy approved by the Board of Directors and described in section 5 above. There is also an internal procedure for the management and public disclosure of inside information.

The presentations at meetings with the financial community are made public in a timely manner in accordance with current regulations.

The documentation made public and documents available to Shareholders can also be requested to the Corporate Affairs Department. Contact details are available on the Company website.

## 14. GENERAL SHAREHOLDERS' MEETINGS [Article 123-bis(2)(c) TUF]

The operation of the General Meeting, its powers, the rights of the Shareholders and the procedures under which they must be exercised as well as the attendance and representation in the General Meeting are governed by the law and by the Company's By-laws.

In accordance with current rules and regulations, the Board of Directors reports to the Shareholders' Meeting on the activities carried out and planned. The items on the agenda of the Shareholders' Meeting are adequately outlined in Board reports, published as provided for by law, so that the shareholders can undertake relevant informed decisions.

The General Meeting resolves on issues that are assigned by applicable legislation and By-Laws to its competence. Pursuant to Article 2365 of the Italian Civil Code, Article 14 of the By-Laws authorises the Board of Directors to resolve, except as prohibited by law, on any reductions in share capital upon withdrawal, amendments to the By-Laws to comply with statutory provisions, relocation of the registered office within national territory, and merger resolutions in the cases envisaged in Sections 2505 and 2505-bis of the Italian Civil Code, including the case of demergers, where these provisions apply.

There are no shares with multiple votes or systems giving weighted voting rights.

Pursuant to the provisions of ISVAP Regulation no. 39, in addition to establishing the remuneration payable to the bodies that it appoints, the General Meeting approves the compensation policies for the members of the corporate bodies and the Company personnel, including the remuneration plans which are based on financial instruments. The General Meeting receives adequate disclosure on the implementation of the compensation policies.

The directors shall call meetings without delay when requested by a number of shareholders representing at least 5% of the share capital.

Shareholders jointly representing at least one-fortieth of the share capital may request, within the terms and in the manner provided by law and indicated in the convocation notice, additions to the items for discussion, stating any additional topics to propose in the application or submit proposals for resolution on issues already on the agenda.

Individuals entitled to intervene and vote may be represented in the General Meeting with written authorization or authorization granted electronically, that may be notified through the appropriate section of the Company's website according to the procedures indicated in the convocation notice.

Voting by correspondence or remotely is not provided for, nor even audio-visual connections.

Those having the voting right may grant proxy to the representative designated by the Company, without incurring charges, giving instructions to vote, by signing a special form available on the website of Vittoria Assicurazioni, under Shareholder's Meetings.

In accordance with Application Criterion 9.C.3 of the Corporate Governance Code, the Board of Directors approved a Shareholders' Meeting Regulation governing the procedures aimed at ensuring that the shareholders' meetings are conducted in an orderly and functional manner.

The Regulation governs:

- procedures for verifying eligibility to participate in shareholders' meetings and access to where the meetings are held;

- convocation of the shareholders' meeting, opening and closing discussions, any interruptions and postponement of discussions on certain items on the agenda;
- voting;
- powers of the Chairman in conducting shareholders' meeting proceedings.

The Chairman is also in charge of regulating discussions and ensuring every shareholder is given the right to discuss the items in question.

Those entitled to exercise their right to vote may request the floor to speak on items under discussion only once, making comments and asking for information, as well as making proposals. The request can be made any time until the Chairman has announced that discussions on the issue have been closed.

The Chairman establishes the procedure for requesting the floor, normally by raise of hand, and taking into account the number of persons requesting the floor and the length of each intervention depending on the time available for each one, normally not more than 10 minutes. The time available for any responses cannot be more than 5 minutes.

The Chairman decides if the answers need to be given at the end of each item under discussion, or after each intervention.

Before the end of the time limit set for the intervention and response, the Chairman invites the speaker to conclude.

The Regulation for Shareholders' meetings is available for consultation on the website [www.vittoriaassicurazioni.com](http://www.vittoriaassicurazioni.com) under "Investor Relations" / "Shareholders' Meetings".

In 2017, a general shareholders' meeting was held on 28 April 2017, to which 8 out of 15 directors in office participated.

As required by applicable laws, the shareholders may ask questions on the agenda items even prior to the General Meeting, sending these questions to the Company by post to the Company's registered offices or electronically to the certified e-mail address used exclusively for the General Meeting, as indicated on the convocation notice.

Questions can be submitted up to the fifth day before the General Meeting. Answers to the questions submitted by this deadline will be provided to the asker and published in the aforementioned section of the Company's website within the second day before the General Meeting.

In any case, a response is not required to be given during the General Meeting when the information requested is already available in a "question and answer" format in the aforementioned section of the Company's website, within the two days prior to the holding of the General Meeting.

During 2017, there were no significant changes to the market capitalization of Vittoria Assicurazioni shares or in the composition of its corporate structure.

## 15. OTHER CORPORATE GOVERNANCE PRACTICES

There are no further corporate governance practices other than those already outlined above.

## 16. CHANGES FROM THE CLOSING OF THE REFERENCE FINANCIAL YEAR

On March 15, 2018, the Board of Directors resolved to integrate the tasks of the Strategies Committee, providing that it also carries out activities of supporting the Board with regard to issues concerning sustainability.

On the same date, the Board approved the following changes concerning the organization of control functions:

- in order to ensure that the complaints management process is guaranteed in ever greater compliance with the principles of autonomy, impartiality and timing, the new Compliance and Complaints business unit was established, reporting directly to the Managing Director, as Director in charge of the internal control system and risk management. The responsibility of the Compliance and Complaints was entrusted to Ms. Giuseppina Marchetti, who then held the role of Head of the Compliance Function;
- at the same time, the responsibilities of the Anti-Money Laundering Function were merged, along the responsibilities of the Legal Department, in the newly established Legal and Anti-Money Laundering business unit, whose responsibility is entrusted to Mr. Alberto Giani, reporting directly to the Managing Director.

## 17. CONSIDERATIONS ON THE LETTER OF 13 DECEMBER 2017 OF THE PRESIDENT OF THE CORPORATE GOVERNANCE COMMITTEE

The letter of the Chairman of the Corporate Governance Committee of 13 December 2017 was brought to the attention of the Board at the meeting of 24 January 2018. The Board found that the recommended practices are already implemented at the Company, except for the application of Application Criteria 3.C.1 letter e) and 8.C.1. according to which the Directors and Auditors in office for more than 9 years would not qualify as independent. The reasons for not applying this criterion are set out in chapter 4.5.

## ANNEXES

## ANNEX 1 – BOARD OF DIRECTORS

The following table shows the data relating to the participation of the Directors in the meetings of the Board of Directors, the indication of executive, non-executive and independent directors as well as the number of other positions held in listed, financial, banking or large companies (as well as identified by the Board of Directors).

Name and surname office	Year of birth	Date of first appointment (1)	In office from	In office until	List (2)	Executive	Non executive	Independent as per Code	Independent as per TUF	Attendance at Board meetings	Other offices (3)
Carlo ACUTIS President Emeritus	1938	26.05.1967	27.04.2016	Shareholders' meeting 2019	M		X			9/9	2
Andrea ACUTIS Chairman	1964	29.04.2004	27.04.2016	Shareholders' meeting 2019	M		X			9/9	0
Roberto GUARENA Vice Chairman	1937	29.06.1994	27.04.2016	Shareholders' meeting 2019	M		X			9/9	0
Cesare CALDARELLI Managing Director ♦	1953	27.04.2016	27.04.2016	Shareholders' meeting 2019	M	X				9/9	0
Adriana ACUTIS BISCARETTI di RUFFIA Director	1965	29.04.2004	27.04.2016	Shareholders' meeting 2019	M		X			9/9	4
Marco BRIGNONE Director	1938	23.06.1983	27.04.2016	Shareholders' meeting 2019	M		X	X	X	6/9	0
Giorgio Roberto COSTA Director	1944	27.06.1995	27.04.2016	Shareholders' meeting 2019	M		X		X	9/9	0
Lorenza GUERRA SERAGNOLI Director	1982	19.04.2013	27.04.2016	Shareholders' meeting 2019	M		X	X	X	3/9	0
Giorgio MARSIAJ Director	1947	23.06.1998	27.04.2016	Shareholders' meeting 2019	M		X	X	X	5/9	0
Maria Antonella MASSARI Director	1960	27.04.2016	27.04.2016	Shareholders' meeting 2019	m		X	X	X	9/9	0
Marzia MORENA Director	1969	27.04.2016	27.04.2016	Shareholders' meeting 2019	M		X	X	X	8/9	0
Luca PAVERI FONTANA Director	1944	29.04.2002	27.04.2016	Shareholders' meeting 2019	M		X		X	7/9	2
Giuseppe SPADAFORA Director ○	1954	29.04.2005	27.04.2016	Shareholders' meeting 2019	M		X	X	X	9/9	2
Roberta URBAN Director	1976	27.04.2016	27.04.2016	Shareholders' meeting 2019	M		X	X		7/9	0
<b>Directors ceased during 2017</b>											
Lodovico PASSERIN d'ENTREVES Director	1944	09.11.2006	27.04.2016		M		X	X		2/3	

During FY 2017 the Board of Directors' met 9 times

Pursuant to Article 147-ter of the TUF, only those shareholders who, individually or together with other submitting shareholders, hold voting shares totalling at least 2.5% of the voting capital, or representing such lesser percentage as may be established by mandatory legal or regulatory provisions, are eligible to submit lists

### Legenda

♦ ● Mr. Cesare Caldarelli is primarily responsible for managing the Company.

On March 15, 2017 he was appointed Chief Executive Officer and Director in charge of the internal control and risk management system

○ Lead Independent Director (LID).

(1) the date in which the director has been appointed for the first time (ever) in the issuer's Board of Directors

(2) "M": Director elected from the majority list - "m" director nominated by the minority list

(3) total number of positions as director or auditor held by the person in other companies listed on regulated markets (including foreign), in financial, banking or large companies, identified on the basis of the criteria defined by the Board. The report on corporate governance the positions are described in full.

**Independent as per Code:** independent director according to the criteria established by the Code of Conduct, except for the criterion 3.C.1 letter e).

**Independent as per TUF:** director in possession of the independence requirements established by art. 148, paragraph 3, of the TUF

**Attendance at the Board meetings:** attendance of directors at meetings of the Board of Directors, with indication of the number of meetings attended compared to the total number of meetings.

## ANNEX 2 – BOARD COMMITTEES

### Risk and Control Committee

Name and surname	Office	In office since	Executive	Non executive	Independent as per Code	Independent as per TUF	Attendance at Committee meetings
Giuseppe SPADAFORA	Committee Chairman	27.04.2016		X	X	X	8/8
Maria Antonella MASSARI	Member	09.05.2017		X	X	X	5/5
Roberta URBAN	Member	27.04.2016		X	X	X	8/8
Members ceased during 2017							
Luca PAVERI FONTANA	Member ceased on 09/05/2017	27.04.2016		X		X	1/3

During FY 2017 the Risk and Control Committee met 8 times

### Appointment and Remuneration Committee

Name and surname	Office	In office since	Executive	Non executive	Independent as per Code	Independent as per TUF	Attendance at Committee meetings
Maria ANTONELLA MASSARI (*)	Committee Chairman (*)	27.04.2016		X	X	X	6/6
Giuseppe SPADAFORA	Member	27.04.2016		X	X	X	6/6
Roberta URBAN	Member	09/05/2017		X	X	X	3/3
Members ceased during 2017							
Lodovico PASSERIN d'ENTREVES	Committee Chairman ceased on 28/04/2017	27.04.2016		X	X	X	2/2
Luca PAVERI FONTANA	Member ceased on 09/05/2017	27.04.2016		X		X	1/3

(\*) Chariman since 9/5/2017

During FY 2017 the Appointment and Remuneration Committee met 6 times

### Related Parties Committee

Name and surname	Office	In office since	Executive	Non executive	Independent as per Code	Independent as per TUF	Attendance at Committee meetings
Roberta URBAN	Committee Chairman	27.04.2016		X	X	X	1/1
Giuseppe SPADAFORA	Member	27.04.2016		X	X	X	2/2
Marco BRIGNONE	Member	27.04.2016		X	X	X	2/2

During FY 2017 the Related Parties Committee met 2 times



#### Strategies Committee

Name and surname	Office	In office since	Executive	Non executive	Independent as per Code	Independent as per TUF	Attendance at Committee meetings
Andrea ACUTIS	Committee Chairman	27.04.2016		X			2/2
Carlo ACUTIS	Member	27.04.2016		X			2/2
Cesare CALDARELLI	Member	27.04.2016	X				2/2
Luca PAVERI FONTANA	Member	09.05.2017		X		X	1/2
Giuseppe SPADAFORA	Member	27.04.2016		X	X	X	2/2
Roberta URBAN	Member	27.04.2016		X	X	X	2/2
<b>Members ceased during 2017</b>							
Roberto GUARENA	Member ceased on 26/7/2017	27.04.2016		X		X	0/1

During FY 2017 the Strategies Committee met 2 times

#### Finance Committee

Name and surname	Office	In office since	Executive	Non executive	Independent as per Code	Independent as per TUF	Attendance at Committee meetings
Andrea ACUTIS	Committee Chairman	27.04.2016		X			8/8
Carlo ACUTIS	Member	27.04.2016		X			8/8
Adriana ACUTIS BISCARETTI di RUFFIA	Member	27.04.2016		X			5/8
Cesare CALDARELLI	Member	27.04.2016	X				8/8
Giorgio Roberto COSTA	Member	27.04.2016		X		X	8/8
Luca PAVERI FONTANA	Member	27.04.2016		X		X	6/8
Giuseppe SPADAFORA	Member	27.04.2016		X	X	X	8/8
<b>Members ceased during 2017</b>							
Roberto GUARENA	Member ceased on 26/7/2017	27.04.2016		X		X	0/6

During FY 2017 the Finance Committee met 8 times

#### Real Estate Committee

Name and surname	Office	In office since	Executive	Non executive	Independent as per Code	Independent as per TUF	Attendance at Committee meetings
Andrea ACUTIS	Committee Chairman	27.04.2016		X			4/4
Carlo ACUTIS	Member	27.04.2016		X			4/4
Adriana ACUTIS BISCARETTI di RUFFIA	Member	27.04.2016		X			4/4
Cesare CALDARELLI	Member	27.04.2016	X				4/4
Giorgio Roberto COSTA	Member	27.04.2016		X		X	4/4
Marzia MORENA	Member	27.04.2016		X	X	X	4/4
Luca PAVERI FONTANA	Member	27.04.2016		X		X	3/4
Giuseppe SPADAFORA	Member	27.04.2016		X	X	X	4/4
<b>Membri cessati nel corso del 2017</b>							
Roberto GUARENA	Member ceased on 26/7/2017	27.04.2016		X		X	0/2

During FY 2017 the Real Estate Committee met 4 times

## ANNEX 3 – STATUTORY AUDITORS

Name and surname office	Year of birth	Date of first appointment (1)	In office from	In office until	List (2)	Independent as per Code	Attendance at BoSA meetings	Other offices (3)
Giuseppe CERATI Presidente	1962	27.04.2016	27.04.2016	Shareholders' meeting 2019	m	X	9/9	1
Giovanni MARITANO Sindaco Effettivo	1960	23.04.2010	19.04.2013	Shareholders' meeting 2019	M	X	9/9	0
Francesca SANGIANI Sindaco Effettivo	1968	19.04.2013	19.04.2013	Shareholders' meeting 2019	M	X	9/9	0
Monica MANNINO Sindaco Supplente	1969	27.04.2016	27.04.2016	Shareholders' meeting 2019	m	X	=	0
Maria Filomena TROTTA Sindaco Supplente	1977	19.04.2013	19.04.2013	Shareholders' meeting 2019	M	X	=	0

During FY 2017 the Board of Statutory Auditors met 9 times.  
No. 6 joint meetings were also held with the Control and Risk Committee.

Pursuant to Article 147-ter of the TUF, only those shareholders who, individually or together with other submitting shareholders, hold voting shares totalling at least 2.5% of the voting capital, or representing such lesser percentage as may be established by mandatory legal or regulatory provisions, are eligible to submit lists

### Legenda

- (1) the date in which the Auditor has been appointed for the first time (ever) in the issuer's Statutory Auditors Board
- (2) "M": auditor elected from the majority list - "m" auditor nominated by the minority list
- (3) Participation of the auditor at the Statutory Auditors Board meetings, with indication of the number of meetings attended compared to the total number of meetings held during the year 2017
- (3) Numer of other position in listed Companies. The full list of positions as director or auditor held by the person in accordance with art. 148-bis of the Italian Finance Act is published by CONSOB on its website pursuant to Art. 144-quinquiesdecies of the Issuers Regulation.

## APPENDIX 4

### ADOPTION BY VITTORIA ASSICURAZIONI OF CORPORATE GOVERNANCE CODE FOR LISTED COMPANIES PROMOTED BY THE ITALIAN STOCK EXCHANGE

#### Corporate Governance Code

Adoption of  
the code by  
Vittoria Assicurazioni

#### Article 1 - Role of the Board of Directors

##### Principles

1.P.1. Listed companies are governed by a Board of Directors that meets at regular intervals, adopts an organisation and a modus operandi which enable it to perform its functions in an effective manner.

Adopted

1.P.2. The directors act and make decisions with full knowledge of the facts and autonomously pursuing and placing priority on the objective of creating value for the shareholders over a medium-long term period.

Adopted

##### Criteria

1.C.1. The Board of Director shall:

- a) examine and approve the strategic, operational and financial plans of both the issuer and the corporate group it heads, monitoring periodically the related implementation; it defines the issuer's corporate governance and the relevant group structure;
- b) define the risk profile, both as to nature and level of risks, in a manner consistent with the issuer's strategic objectives, taking into account any risk that may affect the sustainability of the issuer's business in a medium-long term perspective;
- c) evaluate the adequacy of the organizational, administrative and accounting structure of the issuer as well as of its strategically significant subsidiaries in particular with regard to the internal control system and risk management;
- d) specify the frequency, in any case no less than once every three months, with which the delegated bodies must report to the Board on the activities performed in the exercise of the powers delegated to them;
- e) evaluate the general performance of the company, paying particular attention to the information received

Adopted

from the delegated bodies and periodically comparing the results achieved with those planned;

- f) resolve upon transactions to be carried out by the issuer or its controlled companies having a significant impact on the issuer's strategies, profitability, assets and liabilities or financial position; to this end, the Board shall establish general criteria for identifying the material transactions;
- g) perform at least annually an evaluation of the performance of the Board of Directors and its committees, as well as their size and composition, taking into account the professional competence, experience, (including managerial experience) gender of its members and number of years as director. Where the Board of Directors avails of consultants for such a selfassessment, the Corporate Governance Report shall provide information on their identity and other services, if any, performed by such consultants to the issuer or to companies having a control relationship with the issuer;
- h) taking into account the outcome of the evaluation mentioned under the previous item g), report its view to shareholders on the managerial and professional profiles, deemed appropriate for the composition of the Board of Directors, prior to its nomination;
- i) provide information in the Corporate Governance Report on (1) its composition, indicating for each member the qualification (executive, nonexecutive, independent), the relevant role held within the Board of Directors (including by way of example, chairman or chief executive officer, as defined by article 2), the main professional characteristics as well as the duration of his/her office since the first appointment; (2) the application of article 1 of this Code and, in particular, on the number and average duration of meetings of the Board and of the executive committee, if any, held during the fiscal year, as well as the related percentage of attendance of each director; (3) how the self-assessment procedure as at previous item g) has developed;
- j) in order to ensure the correct handling of corporate information, adopt, upon proposal of the managing director or the chairman of the Board of Directors, internal procedures for the internal handling and disclosure to third parties of information concerning the issuer, having special regard to price sensitive information.

1.C.2. The directors shall accept the directorship when they deem that they can devote the necessary time to the diligent performance of their duties, also taking into account the commitment relating to their own work and professional

Adopted

activity, the number of offices held as director or statutory auditor in other companies listed on regulated markets (including foreign markets) in financial companies, banks, insurance companies or companies of a considerably large size. The Board shall record, on the basis of the information received from the directors, on a yearly basis, the offices of director or statutory auditor held by the directors in the above-mentioned companies and include them in the Corporate Governance Report;

1.C.3. The Board shall issue guidelines regarding the maximum number of offices as director or statutory auditor for the types of companies referred to in the above paragraph that may be considered compatible with an effective performance of a director's duties, taking into account the attendance by the directors to the committees set up within the Board. To this end, the Board identifies the general criteria, differentiating them according to the commitment entailed by each role (executive, non-executive or independent director), as well as the nature and size of the companies in which the offices are performed, plus whether or not the companies are members of the issuer's group.

Adopted

1.C.4. If the shareholders' meeting, when dealing with organisational needs, authorises, on a general, preventive basis, derogations from the rule prohibiting competition, as per Article 2390 of the Italian Civil Code, then the Board of Directors shall evaluate each such issue, reporting, at the next shareholders' meeting, the critical ones if any. To this end, each director shall inform the Board, upon accepting his/her appointment, of any activities exercised in competition with the issuer and of any effective modifications that ensue.

Adopted

1.C.5. The chairman of the Board of Directors shall ensure that the documentation relating to the agenda of the Board is made available to directors and statutory auditors in a timely manner prior to the Board meeting. The Board of Directors shall provide information in the Corporate Governance Report on the promptness and completeness of the pre-meeting information, providing details, inter alia, on the prior notice usually deemed adequate for the supply of documents and specifying whether such prior notice has been usually observed.

Adopted

1.C.6. The chairman of the Board of Directors, also upon request of one or more directors, may request to the managing directors that certain executives of the issuer or the companies belonging to its group, in charge of the pertinent management areas related to the Board agenda, attend the meetings of the Board, in order to provide appropriate supplemental information on the items on the agenda. The Corporate Governance Report provides information on the effective attendance of the Board

Adopted

meetings.

## Article 2 – Composition of the Board of Directors

### Principles

2.P.1. The Board of Directors shall be made up of executive and non-executive directors, who should be adequately competent and professional. Adopted

2.P.2. Non-executive directors shall bring their specific expertise to Board discussions and contribute to the adoption of fully informed decisions paying particular care to the areas where conflicts of interest may exist. Adopted

2.P.3. The number, competence, authority and time availability of nonexecutive directors shall be such as to ensure that their judgement may have a significant impact on the taking of Board's decisions. Adopted

2.P.4. It is appropriate to avoid the concentration of corporate offices in one single individual. Adopted

2.P.5. Where the Board of Directors has delegated management powers to the chairman, it shall disclose adequate information in the Corporate Governance Report on the reasons for such organisational choice. Adopted

### Criteria

2.C.1. The following are qualified executive directors for the issuer: Adopted

- the managing directors of the issuer or a subsidiary having strategic relevance, including the relevant chairmen when these are granted individual management powers or when they play a specific role in the definition of the business strategies;
- the directors vested with management duties within the issuer or in one of its subsidiaries having strategic relevance, or in a controlling company when the office concerns also the issuer;
- the directors who are members of the executive committee of the issuer, when no managing director is appointed or when the participation in the executive committee, taking into account the frequency of the meetings and the scope of the relevant resolutions, entails, as a matter of fact, the systematic involvement of its members in the day-to-day management of the issuer.

The granting of deputy powers or powers in cases of urgency to directors, who are not provided with management powers is not enough, per se, to cause them to be identified as executive directors, provided however, that such powers are not actually exercised with

considerable frequency.

2.C.2. The directors shall know the duties and responsibilities relating to their office.

Adopted

The chairman of the Board of Directors shall use his best efforts to allow the directors and the statutory auditors, after the election and during their mandate, to participate, in the ways deemed appropriate, in initiatives aimed at providing them with an adequate knowledge of the business sector where the issuer operates, of the corporate dynamics and the relevant evolutions, of the principles of proper risk-management as well as the relevant regulatory and self-regulatory framework.

The issuer shall describe in the Corporate Governance Report the type and organizational manners of the activities that took place during the fiscal year of reference.

2.C.3. The Board shall designate an independent director as lead independent director, in the following circumstances: (i) in the event that the chairman of the Board of Directors is the chief executive officer of the company; (ii) in the event that the office of chairman is held by the person controlling the issuer.

Adopted

The Board of Directors of issuers belonging to FTSE-Mib index shall designate a lead independent director whether requested by the majority of independent directors, except in the case of a different and grounded assessment carried out by the Board to be reported in the Corporate Governance Report.

2.C.4. The lead independent director:

Adopted

- (a) represents a reference and coordination point for the requests and contributions of non-executive directors and, in particular, those who are independent pursuant to Article 3 below;
- (b) cooperates with the Chairman of the Board of Directors in order to guarantee that directors receive timely and complete information.

2.C.5. The chief executive officer of issuer (A) shall not be appointed director of another issuer (B) not belonging to the same corporate group, in the event that the chief executive officer of issuer (B) is a director of issuer (A).

Adopted

## Article 3 – Independent directors

### Principles

3.P.1. An adequate number of non-executive directors shall be independent, in the sense that they do not maintain, directly or indirectly or on behalf of third parties, nor have recently maintained any business relationships with the issuer or persons linked to the issuer, of such a significance

Adopted

as to influence their autonomous judgement.

3.P.2. The directors' independence shall be assessed by the Board of Directors after the appointment and, subsequently, on a yearly basis. The results of the assessments of the Board shall be communicated to the market.

Adopted

### Criteria

3.C.1. The Board of Directors shall evaluate the independence of its nonexecutive members having regard more to the substance than to the form and keeping in mind that a director usually does not appear independent in the following events, to be considered merely as an example and not limited to:

Adopted, except letter e), as specified later on.

- a) if he/she controls, directly or indirectly, the issuer also through subsidiaries, trustees or third parties, or is able to exercise a dominant influence over the issuer, or participates in a shareholders' agreement through which one or more persons can exercise a control or dominant influence over the issuer;
- b) if he/she is, or has been in the preceding three fiscal years, a significant representative of the issuer, of a subsidiary having strategic relevance or of a company under common control with the issuer, or of a company or entity controlling the issuer or able to exercise over the same a considerable influence, also jointly with others through a shareholders' agreement;
- c) if he/she has, or had in the preceding fiscal year, directly or indirectly (e.g. through subsidiaries or companies of which he is a significant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship:
  - with the issuer, one of its subsidiaries, or any of its significant representatives;
  - with a subject who, also jointly with others through a shareholders' agreement, controls the issuer, or – in case of a company or an entity – with the relevant significant representatives;

or is, or has been in the preceding three fiscal years, an employee of the above-mentioned subjects;

- d) if he/she receives, or has received in the preceding three fiscal years, from the issuer or a subsidiary or holding company of the issuer, a significant additional remuneration (compared to the "fixed" remuneration of nonexecutive director of the issuer and to remuneration of the membership in the committees that are recommended by the Code) also in the form of participation in incentive plans linked to the company's



performance, including stock option plans;

- e) if he/she was a director of the issuer for more than nine years in the last twelve years;
- f) if he/she is vested with the executive director office in another company in which an executive director of the issuer holds the office of director;
- g) if he/she is shareholder or quotaholder or director of a legal entity belonging to the same network as the company appointed for the auditing of the issuer;
- h) if he/she is a close relative of a person who is in any of the positions listed in the above paragraphs.

In order to focus on acquiring a thorough knowledge of the company, which in the insurance and reinsurance can only occur after several years of experience, the constraint of a maximum 9 years duration is not considered.

3.C.2. For the purpose of the above, the chairman of the entity, the chairman of the Board of Directors, the executive directors and key management personnel of the relevant company or entity, must be considered as “significant representatives”.

Adopted

3.C.3. The number and competences of independent directors shall be adequate in relation to the size of the Board and the activity performed by the issuer; moreover, they must be such as to enable the constitution of committees within the Board, according to the indications set out in the Code.

Adopted

As for issuers belonging to FTSE-Mib index, at least one third of the Board of Directors members shall be made up of independent directors. If such a number is not an integer, it shall be rounded down.

Anyway, independent directors shall not be less than two.

3.C.4. After the appointment of a director who qualifies himself/herself as independent, and subsequently, upon the occurrence of circumstances affecting the independence requirement and in any case at least once a year, the Board of Directors shall evaluate, on the basis of the information provided by the same director or available to the issuer, those relations which could be or appear to be such as to jeopardize the autonomy of judgement of such director.

Adopted

The Board of Directors shall notify the result of its evaluations, after the appointment, through a press release to the market and, subsequently, within the Corporate Governance Report.

In the documents mentioned above, the Board of Directors shall:

- disclose whether they adopted criteria for assessing the independence which are different from the ones recommended by the Code, also with reference to individual directors, and if so, specifying the reasons;
- describe quantitative and/or qualitative criteria used, if any, in assessing the relevance of relationships under evaluation.

3.C.5. The Board of statutory auditors shall ascertain, in the framework of the duties attributed to it by the law, the correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of its members. The result of such controls is notified to the market in the Corporate Governance Report or in the report of the Board of statutory auditors to the shareholders' meeting. Adopted

3.C.6. The independent directors shall meet at least once a year without the presence of the other directors. Adopted

## Article 4 – Internal committees of the Board of Directors

### Principles

4.P.1. The Board of Directors shall establish among its members one or more committees with proposing and consultative functions according to what set out in the articles below. Adopted

### Criteria

4.C.1. The establishment and functioning of the committees governed by the Code shall meet the following criteria: Adopted

- a) committees shall be made up of at least three members. However, in those issuers whose Board of Directors is made up of no more than eight members, committees may be made up of two directors only, provided, however, that they are both independent. The committees' activities shall be coordinated by a chairman;
- b) the duties of individual committees are provided by the resolution by which they are established and may be supplemented or amended by a subsequent resolution of the Board of Directors;
- c) the functions that the Code attributes to different committees may be distributed in a different manner or demanded from a number of committees lower than the envisaged one, provided that for their composition the rules are complied with those indicated from time to time by the Code and is ensured the achievement of the underlying objectives;
- d) minutes shall be drafted of the meetings of each

committee and the Chairman of the committee shall inform the Board of Directors thereof during the first available meeting;

- e) in the performance of their duties, the committees have the right to access the necessary company's information and functions, according to the procedures established by the Board of Directors, as well as to avail themselves of external advisers. The issuer shall make available to the committees adequate financial resources for the performance of their duties, within the limits of the budget approved by the Board;
- f) persons who are not members of the committee, including other Board members or persons belonging to issuer's structure, may participate in the meetings of each committee upon invitation of the same, with reference to individual items on the agenda;
- g) the issuer shall provide adequate information, in the Corporate Governance Report, on the establishment and composition of committees, the contents of the mandate entrusted to them, as well as, on the basis of the indications provided for by each committee, the activity actually performed during the fiscal year, the number of meetings held, their average duration and the relevant percentage of participation of each member.

4.C.2 The establishment of one or more committees may be avoided and the relevant duties may be assigned to the Board of Directors, under the coordination of the Chairman and provided that: (i) independent directors are at least half of the Board of Directors members; if the number of the Board members is odd, a rounding down to the lower unit shall be carried out; (ii) adequate time is dedicated during the Board meetings to actions that the Code requires the Committees to carry out, and this circumstance is disclosed in the Corporate Governance Report; (iii) as far as the control and risk committee is concerned, the issuer is neither controlled by another listed company nor it is subject to direction and coordination.

Adopted

The Board of Directors describes in detail in the Corporate Governance Report the reasons underlying the choice not to establish one or more committees; in particular, it provides adequate grounds for the choice not to establish the risks and control committee in consideration of the complexity level of the issuer and the sector in which it operates. In addition, the Board shall periodically reassess the choice made

## Article 5 – Appointment of directors

### Principles

5.P.1. The Board of Directors shall establish among its

Adopted - A single

members a committee to propose candidates for appointment to the position of director, made up, for the majority, of independent directors.

Appointments and Remuneration Committee has been set up

### Criteria

5.C.1. The committee to propose candidates for appointment to the position of director shall be vested with the following functions:

Adopted

- a) to express opinions to the Board of Directors regarding its size and composition and express recommendations with regard to the professional skills necessary within the Board as well with regard to the topics indicated by articles 1.C.3. and 1.C.4.;
- b) to submit the Board of Directors candidates for directors offices in case of co-optation, should the replacement of independent directors be necessary.

5.C.2. The Board of Directors shall evaluate whether to adopt a plan for the succession of executive directors. In the event of adoption of such a plan, the issuer shall disclose it in the Corporate Governance Report. The review on the preparation of the above mentioned plan shall be carried out by the nomination committee or by another committee established within the Board of Directors in charge of this task.

The Board of Directors did not consider it necessary to set up a succession plan for executive directors, taking into account the ownership structure of the Company and the concentration of the shareholder.

## Article 6 – Remuneration of directors

### Principles

6.P.1. The remuneration of directors and key management personnel shall be established in a sufficient amount to attract, retain and motivate people with the professional skills necessary to successfully manage the issuer.

Adopted

6.P.2. The remuneration of executive directors and key management personnel shall be defined in such a way as to align their interests with pursuing the priority objective of the creation of value for the shareholders in a medium-long term timeframe. With regard to directors with managerial powers or performing, also de-facto, functions related to business management, as well as with regard to key management personnel, a significant part of the remuneration shall be linked to achieving specific performance objectives, possibly including non-economic objectives, identified in advance and determined consistently with the guidelines contained in the policy described in principle 6.P.4.

Adopted

The remuneration of non-executive directors shall be proportionate to the commitment required from each of them, also taking into account their possible participation in one or more committees.

6.P.3. The Board of Directors shall establish among its

Adopted - A single

members a remuneration committee, made up of independent directors. Alternatively, the committee may be made up of non executive directors, the majority of which to be independent; in this case, the chairman of the committee is selected among the independent directors. At least one committee member shall have an adequate knowledge and experience in finance or remuneration policies, to be assessed by the Board of Directors at the time of his/her appointment.

Appointments and Remuneration Committee has been set up.

6.P.4. The Board of Directors shall, upon proposal of the remuneration committee, establish a policy for the remuneration of directors and key management personnel.

Adopted

6.P.5. In case of the end of office and/or the termination of the employment relationship with an executive director or a general manager, the issuer discloses, through a press release, detailed information, following the internal process leading to the assignment or recognition of indemnities and/or other benefits.

Adopted

### Criteria

6.C.1. The policy for the remuneration of executive directors and other directors covering particular offices shall define guidelines on the issues and consistently with the criteria detailed below:

Adopted

- a) the non-variable component and the variable component are properly balanced according to issuer's strategic objectives and risk management policy, taking into account the business sector in which it operates and the nature of the business carried out;
- b) upper limits for variable components shall be established;
- c) the non-variable component shall be sufficient to reward the director when the variable component was not delivered because of the failure to achieve the performance objectives specified by the Board of Directors;
- d) the performance objectives – i.e. the economic performance and any other specific objectives to which the payment of variable components (including the objectives for the share-based compensation plans) is linked – shall be predetermined, measurable and linked to the creation of value for the shareholders in the medium-long term;
- e) the payment of a significant portion of the variable component of the remuneration shall be deferred for an appropriate period of time; the amount of that portion and the length of that deferral shall be consistent with the characteristics of the issuer's business and associated risk profile;

- f) contractual arrangements shall be provided in order to permit the company to reclaim, in whole or in part, the variable components of remuneration that were awarded (or to hold deferred payments), as defined on the basis of data which subsequently proved to be manifestly misstated;
- g) indemnities eventually set out by the issuer in case of termination of directors shall not exceed a fixed amount or fixed number of years of annual remuneration. Termination payments shall not be paid if the termination is due to inadequate performance.

6.C.2. In preparing plans for share-based remuneration, the Board of Directors shall ensure that:

Adopted

- a) shares, options and all other rights granted to directors to buy shares or to be remunerated on the basis of share price movements shall have an average vesting period of at least three years;
- b) the vesting referred to in paragraph a) shall be subject to predetermined and measurable performance criteria;
- c) directors shall retain a certain number of shares granted or purchased through the exercise of the rights referred to in paragraph a), until the end of their mandate

6.C.3. The criteria 6.C.1 and 6.C.2 shall apply, mutatis mutandis, also to the definition – by the bodies entrusted with that task – of the remuneration of key management personnel.

Adopted

Any incentive plan for the person in charge of internal audit and for the person responsible for the preparation of the corporate financial documents shall be consistent with their role.

6.C.4. The remuneration of non-executive directors shall not be – other than for an insignificant portion – linked to the economic results achieved by the issuer. Non-executive directors shall not be beneficiaries of share-based compensation plans, unless it is so decided by the annual shareholders' meeting, which shall also give the relevant reasons.

Adopted

6.C.5. The remuneration committee shall:

Adopted

- periodically evaluate the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key management personnel, also on the basis of the information provided by the managing directors; it shall formulate proposals to the Board of Directors in that regard;

- submit proposals or issues opinions to the Board of Directors for the remuneration of executive directors and other directors who cover particular offices as well as for the identification of performance objectives related to the

variable component of that remuneration; it shall monitor the implementation of decisions adopted by the Board of Directors and verify, in particular, the actual achievement of performance objectives.

6.C.6. No director shall participate in meetings of the remuneration committee in which proposals are formulated to the Board of Directors relating to his/her remuneration. Adopted

6.C.7. When using the services of an external consultant in order to obtain information on market standards for remuneration policies, the remuneration committee shall previously verify that the consultant concerned is not in a position which might compromise its independence Adopted

6.C.8. According to principle 6.P.5., the press release should provide: Adopted

a) adequate information on the indemnity and/or other benefits, including their amount, timing of disbursement - distinguishing both between the component immediately paid out and the one subject to deferral mechanisms and between the component received as director from the other one related to an employment relationship, if any – and “claw-back” clauses, if any, in particular with reference to:

- Indemnities for the end of office or termination of the employment relationship, specifying the circumstances of its accrual (for example, expiry, revocation or settlement agreement);
- maintenance of rights related to any incentive plans, monetary or financial instruments based;
- benefits (monetary and non monetary ones) subsequent to the end of office;
- non-competition commitments, describing their main contents;
- any other payment assigned for any reason and in any form;

b) information about the compliance or non-compliance of the indemnity and/or other benefits with the remuneration policy and, in case of even a partial non-compliance with the remuneration policy, information about internal procedures applied according to Consob related party transactions’ regulation;

c) information about the application, or non-application, of any mechanism that provides restrictions or corrections to the indemnity in case of termination due to the achievement of objectively inadequate results, as well as whether requests have been formulated for the reclaim of remuneration already paid out;

d) information as whether the replacement of the ceased

executive director or general manager is governed by any succession plan adopted by the company and, in any case, information about procedures that have been or will be applied for the replacement of the director or manager.

## Article 7 – Internal control and risk management system

### Principles

7.P.1. Each issuer shall adopt an internal control and risk management system consisting of policies, procedures and organizational structures aimed at identifying, measuring, managing and monitoring the main risks. Such a system shall be integral to the organizational and corporate governance framework adopted by the issuer and shall take into consideration the reference model and the best practices that are applied both at national and international level.

Adopted

7.P.2. An effective internal control and risk management system contributes to the management of the company in a manner consistent with the objectives defined by the Board of Directors, promoting an informed decision-making process. It contributes to ensuring the safeguarding of corporate assets, the efficiency and effectiveness of management procedures, the reliability of the information provided to the corporate bodies and to the market and the compliance with laws and regulations, including the by-laws and internal procedures.

Adopted

7.P.3. The internal control and risk management system involves each of the following corporate bodies depending on their related responsibilities:

Adopted

a) the Board of Directors, that shall provide strategic guidance and evaluation on the overall adequacy of the system, identifying within the Board:

(i) one or more directors to be charged with the task of establishing and maintaining an effective internal control and risk management system (hereinafter, the “director in charge of the internal control and risk management system”), and

(ii) a control and risk committee in line with the requirements set forth by principle 7.P.4., to be charged with the task of supporting, on the basis of an adequate control process, the evaluations and decisions to be made by the Board of Directors in relation to the internal control and risk management system, as well as to the approval of the periodical financial reports;

b) the person in charge of internal audit, entrusted with the task to verify the functioning and adequacy of the internal control and risk management system;

c) the other roles and business functions having specific



tasks with regard to internal control and risk management, organised depending on the company's size, complexity and risk profile;

- d) the Board of statutory auditors, also as "audit committee", which is responsible for oversight of the internal control and risk management system.

Each issuer shall provide for coordination methods between the above mentioned bodies in order to enhance the efficiency of the internal control and risk management system and reduce activities overlapping.

7.P.4. The control and risk committee is made up of independent directors.

Adopted

Alternatively, the committee can be made up of non executive directors, the majority of which being independent ones; in this case, the chairman of the committee is selected among the independent directors. If the issuer is controlled by another listed company or is subject to the direction and coordination activity of another company, the committee shall be made up exclusively of independent directors. At least one member of the committee is required to have an adequate experience in the area of accounting and finance or risk management, to be assessed by the Board of Directors at the time of appointment.

#### Criteria

7.C.1. The Board of Directors, with the opinion of the control and risk committee, shall:

Adopted

- a) define the guidelines of the internal control and risk management system, so that the main risks concerning the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining, moreover, the level of compatibility of such risks with the management of the company in a manner consistent with its strategic objectives;
- b) evaluate, at least on an annual basis, the adequacy of the internal control and risk management system taking into account the characteristics of the company and its risk profile, as well as its effectiveness;
- c) approves, at least on an annual basis, the plan drafted by the person in charge of internal audit, after hearing the Board of statutory auditors and the director in charge of the internal control system;
- d) describe, in the Corporate Governance Report, the main features of the internal control and risk management system and how the different subjects involved therein are coordinated, expressing the evaluation on its adequacy;
- e) after hearing the Board of statutory auditors, it assesses the findings reported by the external auditor in the

suggestions letter, if any, and in the report on the main issues resulting from the auditing.

The Board of Directors shall, upon proposal of the director in charge of the internal control and risk management system, subject to the favourable opinion of the control and risk committee, as well as after hearing the Board of statutory auditors:

- appoint and revoke the person in charge of the internal audit function;
- ensure that such a person is provided with the adequate resources for the fulfilment of his/her responsibilities;
- define the relevant remuneration consistently with company's policies.

7.C.2. The control and risk committee, when assisting the Board of Directors shall:

Adopted

- a) evaluate together with the person responsible for the preparation of the corporate financial documents, after hearing the external auditors and the Board of statutory auditors, the correct application of the accounting principles, as well as their consistency for the purpose of the preparation of the consolidated financial statements, in any;
- b) express opinions on specific aspects relating to the identification of the main risks for the company;
- c) review the periodic reports of the internal audit function concerning the assessment of the internal control and risk management system, as well as the other reports of the internal audit function that are particularly significant;
- d) monitor the independence, adequacy, efficiency and effectiveness of the internal audit function;
- e) request the internal audit function to carry out reviews of specific operational areas, giving simultaneous notice to the chairman of the Board of statutory auditors;
- f) report to the Board of Directors, at least every six months, on the occasion of the approval of the annual and half-year financial report, on the activity carried out, as well as on the adequacy of the internal control and risk management system;
- g) support, with adequate preliminary activities, the Board of Directors assessments and resolutions on the management of risks arising from detrimental facts which the Board may have been become aware of.

7.C.3. The chairman of the Board of statutory auditors or another statutory auditor designated by this chairman shall participate in the works of the control and risk committee; the remaining statutory auditors are also allowed to participate.

Adopted

7.C.4. The director in charge of the internal control and risk management system, shall:

Adopted

- a) identify the main business risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries, and submit them periodically to the review of the Board of Directors;
- b) implement the guidelines defined by the Board of Directors, taking care of the planning, realization and management of the internal control and risk system, constantly monitoring its adequacy and effectiveness;
- c) adjust such system to the dynamics of the operating conditions and the legislative and regulatory framework;
- d) request to internal audit function to carry out reviews of specific operational areas and on the compliance of business operation with rules and internal procedures, giving simultaneous notice to the chairman of the Board of Directors, the chairman of control and risk committee and the chairman of the Board of statutory auditors;
- e) promptly report to the control and risk committee (or to the Board of Directors) issues and problems that resulted from his/her activity or of which he/she became aware in order for the committee (or the Board) to take the appropriate actions.

7.C.5. The person in charge of internal audit shall:

Adopted

- a) verify, both on a continuous basis and in relation to special needs, in conformity with international professional standards, the adequacy and effective functioning of the internal control and risk management system, through an audit plan, to be approved by the Board of Directors. Such a plan shall be based on a structured analysis and ranking of the main risks;
- b) not be responsible for any operational area and be subordinated to the Board of Directors;
- c) have direct access to all useful information for the performance of its duties;
- d) draft periodic reports containing adequate information on its own activity, and on the company's risk management process, as well as about the compliance with the management plans defined for risk mitigation. Such periodic reports contain an evaluation on the adequacy of the internal control and risk management system;
- e) prepare timely reports on particularly significant events;
- f) submit the reports indicated under items d) and e) above to the chairman of the Board of statutory auditors, the control and risk committee and the Board of Directors, as well as to the director in charge of the

- internal control and risk management system;
- g) verify, according to the audit plan, the reliability of information systems, including the accounting one.
- 7.C.6. The internal audit function may be entrusted, as a whole or by business segments, to a person external to the issuer, provided, however, that it is endowed with adequate professionalism, independence and organization. The adoption of such organizational choices, with a satisfactory explanation of the relevant reasons, shall be disclosed to the shareholders and the market in the Corporate Governance Report.

Adopted

## Article 8 – Statutory auditors

### Principles

- 8.P.1. The statutory auditors shall act with autonomy and independence also vis-à-vis the shareholders, which elected them.
- 8.P.2. The issuer shall adopt suitable measures to ensure an effective performance of the duties typical of the Board of statutory auditors.

Adopted

Adopted

### Criteria

- 8.C.1. The statutory auditors shall be chosen among people who may be qualified as independent also on the basis of the criteria provided by this Code with reference to the directors. The Board of statutory auditors shall check the compliance with said criteria after the appointment and subsequently on an annual basis, submitting the result of such verification to the Board of Directors that discloses it, after the appointment, through a press release to the market and, subsequently, in its Corporate Governance Report, according to manners complying with the ones provided with reference to directors.
- 8.C.2. The statutory auditors shall accept the appointment when they believe that they can devote the necessary time to the diligent performance of their duties.
- 8.C.3. The remuneration of statutory auditors shall be proportionate to the commitment required from each of them, to the importance of his/her role as well as to the size and business sector of the company.
- 8.C.4. A statutory auditor who has an interest, either directly or on behalf of third parties, in a certain transaction of the issuer, shall timely and exhaustively inform the other statutory auditors and the chairman of the Board about the nature, the terms, origin and extent of his/her interest.
- 8.C.5. In the framework of their activities, the statutory auditors may demand from the internal audit function to make assessments on specific operating areas or

Adopted - .As done for Directors, the requirement of a maximum duration of 9 years is not considered

Adopted

Adopted

Adopted

Adopted

transactions of the company.

8.C.6. The Board of statutory auditors and the control and risk committee shall exchange material information on a timely basis for the performance of their respective duties. Adopted

## Article 9 – Relations with the Shareholders

### Principles

9.P.1. The Board of Directors shall take initiatives aimed at promoting the broadest participation possible of the shareholders in the shareholders' meetings and making easier the exercise of the shareholders' rights. Adopted

9.P.2. The Board of Directors shall endeavour to develop a continuing dialogue with the shareholders based on the understanding of their reciprocal roles. Adopted

### Criteria

9.C.1 The Board of Directors shall ensure that a person is identified as responsible for handling the relationships with the shareholders and shall evaluate from time to time whether it would be advisable to establish a business structure responsible for such function. Adopted

9.C.2. All the directors usually participate in the shareholders' meetings. The shareholders' meetings are also an opportunity for disclosing to the shareholders information concerning the issuer, in compliance with the rules governing price-sensitive information. In particular, the Board of Directors shall report to the shareholders' meeting the activity performed and planned and shall use its best efforts for ensuring that the shareholders receive adequate information about the necessary elements for them to adopt in an informed manner the resolutions that are the competence of the shareholders' meeting. Adopted

9.C.3. The Board of Directors should propose to the approval of the shareholders' meeting rules laying down the procedures to be followed in order to permit an orderly and effective conduct of the shareholders' meetings of the issuer, without prejudice, at the same time, to the right of each shareholder to express his or her opinion on the matters under discussion. Adopted

9.C.4. In the event of significant changes in the market capitalization of the company's shares or in the composition of its shareholders, the Board of Directors shall assess whether proposals should be submitted to the shareholders' meeting to amend the by-laws in respect to the majorities required for exercising actions and rights provided for the protection of minority interests. Adopted

## Article 10 – Two-tier and one-tier systems

Not applicable

