2019

Integrated Consolidated Financial Statements

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UnipolGruppo

Annual Integrated Report and Consolidated Financial Statements

2019

Translation from the Italian original solely for the convenience of international readers

EVOLVING. GOING BEYOND.

Financial year 2019 is the starting point for a new and ambitious mission: evolution.

In the current economic scenario, in which the entire insurance sector is undergoing extensive changes, we want to continue looking forward, backed by our role as market leader, which we have built over time alongside our stakeholders.

Evolving with a change in pace that enables the Unipol Group to become leader in three major ecosystems: Mobility-Welfare-Property.

The strength of our assets - people, technology and sustainability - will allow us to overcome the single concept of insurance in order to evolve together, continuing to create shared value.

Company bodies

BOARD OF DIRECTORS	CHAIRMAN	Pierluigi Stefanini	
	VICE CHAIRMAN	Ernesto Dalle Rive	
	CHIEF EXECUTIVE OFFICER GENERAL MANAGER GROUP CEO	Carlo Cimbri	
	DIRECTORS	Paolo Alemagna	Antonietta Mundo
		Gianmaria Balducci	Milo Pacchioni
		Roberta Datteri	Maria Antonietta Pasquariello
		Patrizia De Luise	Annamaria Trovò
		Massimo Desiderio	Adriano Turrini
		Daniele Ferrè	Rossana Zambelli
		Giuseppina Gualtieri	Carlo Zini
		Pier Luigi Morara	
	SECRETARY OF THE BOARD OF DIRECTORS	Fulvia Pirini	
BOARD OF STATUTORY AUDITORS	CHAIRMAN	Mario Civetta	
	STATUTORY AUDITORS	Silvia Bocci	
		Roberto Chiusoli	
	ALTERNATE AUDITORS	Massimo Gatto	
		Rossella Porfido	
MANAGER IN CHARGE OF FINANCIAL REPORTING		Maurizio Castellina	
INDEPENDENT AUDITORS		PricewaterhouseCoopers SpA	

Board of Directors and Board of Statutory Auditors appointed by the Shareholders' Meeting on 18 April 2019

Contents

Letter from the Chairman

2019 was a particularly important year for the increased sensitivity, focus and awareness as regards sustainable development topics, for institutions and economic operators alike, driven by the dramatic intensification of crises generated by social and environmental unsustainability of the current system, and by the development of a more proactive approach by citizens, starting especially from the younger generation.

The UN 2030 Agenda stimulated reflection on public policies and on the assessment of operations and strategies of the production companies, adopting as starting point the assumption that only through engagement of all society's players will it be possible to steer the transition towards a sustainable development model.

In this context, the insurance industry can make a decisive contribution. The Unipol Group is committed every day to fully performing its social role. Insurance, centred on a strategy of creating shared value, protects individuals and businesses, intervening not only at times of difficulty, but above all by creating the conditions to allow investment without fear in development and in the future. The industry's experience in risk-related matters can help both the public and private sectors to adopt effective preventive policies and through its own resources and those of policyholders as an institutional investor, it can act as transition agent for the economy, supporting the development of a business system that firmly contributes to the sustainable development goals. In their respective countries, in fact, insurance companies are the co-players for welfare and, in this respect, we believe that to reason in terms of public-private partnership is fundamental.

With the Three-Year "Mission Evolve" Plan, we have chosen to consolidate our commitment not only to our reference stakeholders, but above all to the financial market, bringing our distinctive assets into play (digital, data, relations with the distribution network and our network's partners) to create shared value with our stakeholders and contribute to Italy's sustainable development.

Pierluigi Stefanini

Letter from the Chief Executive Officer

Dear reader, dear Unipol Gruppo shareholder,

Despite the persisting weakness of the economy, in 2019 the Unipol Group recorded financial results that saw strong growth and strengthened the capital solidity, creating the conditions for offering shareholders a remuneration at the highest market levels.

The Group consolidated its leadership in sectors where, in recent years, it has shown its ability to reach technical and operating standards of excellence that exceed those of the market. The Group plans to continue along this path, following the guidelines indicated in the 2019-2021 Business Plan, named "Mission Evolve". The Plan outlines a transition from "insurance leadership" to "ecosystems leadership", focusing on the Mobility, Welfare and Property sectors.

The sale of the entire interest in Unipol Banca to the BPER Group marked the completion of the Group streamlining process. Unipol remains the lead shareholder of the BPER Group and intends to support its capital strengthening and dimensional growth process.
The streamlining of the Group has allowed us to focus business on the strategic sectors that characterise the core business development defined in the Business Plan, through investments in the mobility and healthcare sectors that could generate strong synergies with traditional business activities. This will enhance the mix of integrated high value-added products and services, and offer our customers personalised solutions to their insurance needs.

The Group has continued to invest in new technology developments to expand process automation and improve the assessment of underwriting risks, exploiting the enormous wealth of information in its possession. This has allowed the optimisation of costs and leveraging of economies of scale, through the streamlining of operating processes based on increasing recourse to digitalisation and the use of artificial intelligence. It has meant that the coverage offered could be further developed, as well as the development of pricing models highly customised to our customer profiles, expansion of the product mix based on a multichannel approach and the integration of insurance coverage with services linked to a wide spectrum of mobility and welfare needs.

The Group has also strengthened its position in the Life business, with premiums growing at rates much faster than those of the market, aided by an excellent financial management performance despite the difficult context of negative or close to zero interest rates.

I am certain that, again in 2020, the Group will show that it can achieve its ambitious goals and will successfully overcome the new and complex challenges that will be triggered by developments in the economy and the market.

Carlo Cimbri

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ANNUAL
INTEGRATED REPORT

CONSOLIDATED NON FINANCIAL STATEMENT PURSUANT TO ITALIAN LEGISLATIVE DECREE NO. 254/2016

Through the "Annual Integrated Report" (or "Integrated Report"), Unipol presents the big picture, connecting within a single document the information contained in the traditional consolidated financial statements and environmental, social and governance performance. Unipol thus presents the set of factors that determine its capacity to generate value, as a result of the Group's commitment to protecting the company's assets and profitability, identifying solutions that meet stakeholder needs and promoting the sustainable development of the communities in which it carries on its business.
The Group's Annual Integrated Report meets the requirements of Italian Legislative Decree 254/2016, which implemented European Directive 2014/95, as regards disclosure of non-financial and diversity information, in Italy, as amended by Italian Law 145/2018 (2019 Budget Law).

As set forth by the legislation, the Consolidated Non-Financial Statement (NFS) covers environmental and social matters as well as topics relating to personnel, respect for human rights and the fight against corruption, which are relevant taking into account the Group's activities and characteristics, and which are addressed to the extent necessary to ensure an understanding of the Group's activities, performance, results and the impact it generates. The relevance of the topics is determined through the materiality analysis process described in the "Material topics" section, the results of which are summarised in the materiality matrix also published there.

To meet the multiple information and transparency expectations of the various stakeholders (beginning with institutions and investors), for the preparation of this document the Group has taken a plurality of methodological contributions as a reference, integrating them and showing in special tables how and where they are applied:

- the Integrated Report was developed on the basis of the standards laid out in the International Integrated Reporting Framework ("IIRF") issued by the International Integrated Reporting Council (IIRC) in December 2013;
- the "Guidelines on non-financial reporting" published by the European Commission in 2017 (2017/C 215/01) constitute the general framework of the content and method considered for the preparation of the NFS and guide the creation of the materiality matrix;
- non-financial performance indicators were defined by using the "Sustainability Reporting Standards" issued in 2016 by the Global Reporting Initiative (GRI) as a methodological reference, and using the "GRI-Referenced" approach. In addition, several indicators of the Financial Services Sector Disclosure belonging to the GRI G4 guidelines were also reported on;
- for the reporting of information connected to climate change, reference should be made to the recommendations published in June 2017 by the Task Force on Climate-related Financial Disclosures (TCFD), as well as to the European Commission's recently published "Guidelines on reporting climate-related information" (June 2019), to further support reporting regarding an issue that is becoming increasingly relevant and complex, in light of growing stakeholder expectations.

The scope of reporting of non-financial information, as requested by Italian Legislative Decree 254/2016, coincides with that of the Consolidated Financial Statements, including fully consolidated companies for the financial reporting at 31 December 2019. All scope exceptions are appropriately described in the relative sections of the document. Such exceptions are insignificant in terms of understanding the activities of the company, its performance, its results and its impact.
The data needed to compile this information were gathered and processed using a dedicated IT system which makes it possible to ensure full traceability of the data collection and consolidation process. The information relating to 2019 was provided with a comparison with that disclosed in the previous year, as required by Italian Legislative Decree 254/16.

The table below supports the traceability of the non-financial information within the document; said information can subsequently be clearly identified in the Annual Integrated Report by using the following icon, with the goal of further improving use of the information. NFS

The content published in reference to the TCFD recommendations is identified by the following icon, with the goal of further improving use of the information. TCFD

Pursuant to Art. 5 of the Consob Regulation dated 18 January 2018, the Unipol Group has appointed the independent auditors PwC S.p.A., currently responsible for audit of the consolidated financial statements for the years 2012-2020, for the limited assurance engagement in reference to the NFS. Their report is attached to this document.

In light of the Unipol Group's commitment to contribute to reaching the Sustainable Development Goals (SDGs) of the UN's 2030 Agenda, a commitment reported in the Sustainability Policy and adopted at strategic level, it has been deemed appropriate to also explain the correlations of the content reported on with such Goals in the following table.

Issue indicated in Italian Legislative Decree 254/2016	Italian Legislative Decree 254/2016	Page reference in the Annual Integrated Report	SDGs *
Material topics	Art. 3, par. 1	Page 12: "Consolidated Non-Financial Statement pursuant to Italian Legislative Decree no. 254/2016" Pages 31-35: "Risks, opportunities and strategy" - "Mission Evolve": the 2019-2021 strategies" - "Stakeholder engagement tools and processes"; Pages 35-36: "Risks and opportunities" - "Mission Evolve": the 2019-2021 strategies" - "Material topics"	
Organisation and management model	Art. 3, par. 1a	Pages 16-17: "The Unipol Group" - "Activities and sectors"; Pages 18-19: "The Unipol Group" - "Group highlights" Pages 46-49: "The creation of value" - "Capital performance" - "Human capital"; Pages 50-54: "The creation of value" - "Capital performance" - "Social and relational capital"; Pages 59-62: "The creation of value" - "Shared value: the impacts generated by the Unipol Group" - Support to the realisation of the 2030 Agenda and contribution to combatting the climate emergency; Pages 66-75: "Governance" - "Internal Control and Risk Management System"	
Business policies, results, indicators	Art. 3, par. 1b	Pages 8-9: "Letter from the Chairman and Letter from the Chief Executive Officer" Pages 29-30: "Future orientation in the use of capital" Pages 40-41: "The creation of value" - "Capital performance" - "Financial Capital" Pages 50-54: "The creation of value" - "Capital performance" - "Social and relational capital" Pages 57-63: "The creation of value" - "Shared value: the impacts generated by the Unipol Group" Pages 64-65: "Governance" - "Corporate Governance"	1, 3, 8, 9, 12, 17
Main risks	Art. 3, par. 1c	Pages 29-30: "Future orientation in the use of capital" Pages 32-33: "Mission Evolve": the 2019-2021 strategies – "The Unipol Group's climate strategy" Pages 66-75: "Governance" - "Internal Control and Risk Management System"	13
Energy resources, water resources, emissions	Art. 3, par. 2a Art. 3, par. 2b	Pages 54-56: "The creation of value" - "Capital performance" - "Natural capital" Page 75: "Governance" - "Internal Control and Risk Management System" - "Sanctions"	6, 7, 12, 13
Impact on the environment, health and safety	Art. 3, par. 2c	Pages 40-41: "The creation of value" - "Capital performance" - "Financial Capital" Pages 50-54: "The creation of value" - "Capital performance" - "Social and relational capital"	11, 12
Human Resource management and gender balance	Art. 3, par. 2d	Pages 46-49: "The creation of value" - "Capital performance" - "Human capital" Pages 64-65: "Governance" - "Corporate Governance" Pages 77-78: "Governance" - "Remuneration system and incentives"	4, 5, 8
Respect for human rights	Art. 3, par. 2e	Pages 14-15: "The Unipol Group" - "Unipol Group Vision, Mission and Values" Pages 64-68: "Governance" - "Internal Control and Risk Management System" - The monitoring of social, environmental and governance risks ("ESG risks") Pages 110-111: "Other information" - "Ethics Report" and "CoP"	8, 12
Fight against corruption	Art. 3, par. 2f	Pages 67-71: "Governance" - "Internal Control and Risk Management System" - "The monitoring of social, environmental and governance risks ("ESG risks")"; Pages 72-73: "Governance" - "Internal Control and Risk Management System" - "Protection of personal data"; Page 74: "Governance" - "Internal Control and Risk Management System" - "Anti-corruption" Page 75: "Governance" - "Internal Control and Risk Management System" - "Sanctions"	16
Reporting standard adopted	Art. 3, par. 3, 4 and 5	Page 12: "Consolidated Non-Financial Statement pursuant to Italian Legislative Decree no. 254/2016" Pages 114-115: "Synoptic table with non-financial information"	
Diversity among members of the administration bodies	Art. 10, par. 1a	Pages 64-65: "Governance" - "Corporate Governance" Pages 66-75: "Internal Control and Risk Management System" Pages 77-78: "Governance" - "Remuneration system and incentives"	5

* For greater details of the Sustainable Development Goals (*SDGs*), reference should be made to the Glossary and to the website http://asvis.it/ for an up-to-date overview of their relationship to the business models of companies in Italy.

THE UNIPOL GROUP

NFS

Unipol Group Vision, Mission and Values

The Unipol Group is committed to creating shared, sustainable value from the economic, social and environmental perspective. Unipol aims to contribute to giving people more security and confidence in the future, by offering them opportunities for protection and integrated solutions capable of fully meeting everyone's complex needs, through the active presence of local networks and the responsible development of emerging technological opportunities.

VISION

"We strive to be a great Italian group proud of its history, which knows how to be close to people and their needs, a market leader capable of offering and receiving trust and of working competently, simply and quickly, while creating value for all stakeholders".

MISSION

"We are responsible for improving the quality of life of our customers by proposing solutions for the protection, support and realisation of their projects. We pursue efficient, profitable and sustainable business management over time, based on the contribution and enhancement of our people".

OUR CORE VALUES

The Group's Core Values, identified through a shared process, are expressed in our **Charter of Values** and outlined in the **Code of Ethics** as behavioural principles towards the various stakeholders.

Accessibility | Farsightedness | Respect | Solidarity | Responsibility

The levers for putting the commitments made in the Code of Ethics into practice are formalised in the Sustainability Policy, which defines the Group's strategies, goals and commitments for improving its sustainability results and managing and mitigating the environmental, social and governance risks ("ESG risks") to which it is exposed, in line with the overall Group risk management system. The Policy specifies the roles and responsibilities of the company bodies and structures involved in the process of managing ESG risks and refers to the Specific Risk Management Policies (for example those relating to investments and underwriting) for the operational details of the defined strategies.

The Sustainability Policy, inspired by the Sustainable Development Goals and the UN Global Compact principles, commits the company with respect to:

- Protection of human and labour rights
- Equal opportunities
- Environmental protection and combating climate change
- Honesty and transparency towards consumers
- Responsible data management
- Honest business practices, with special attention towards lobbying and tax strategy practices

In the course of 2019, this Policy was updated by defining the roles and responsibilities of the players involved in more detail, in particular as regards the governance of risks, opportunities and impacts linked to climate, and outlining a specific commitment on responsible data management. The Group has also committed to adopting increasingly widespread systems for planning, assessing and measuring the impact of its activities, to better understand their effects and orient them towards implementing changes consistent with its values, strategies and commitment in terms of sustainability.

For further details on the Unipol Group's Sustainability Policy, please refer to the Sustainability governance section of the Unipol Group's website.

NFS

Activities and sectors

Unipol Gruppo ("Unipol") is the holding company at the top of the Unipol Insurance Group, a leading Italian insurance group, first in terms of premiums in the Non-Life business. It is listed on the Milan Stock Exchange, present in the FTSE MIB, and manages and coordinates all the subsidiaries.
The investees operate in three main sectors.

Insurance Sector: activities are carried out primarily through **UnipolSai Assicurazioni ("UnipolSai")**, a company in turn listed on the Milan Stock Exchange which carries out insurance and reinsurance activity in all Non-Life and Life segments. Aside from UnipolSai, the Unipol Group operates in this segment through the following specialised companies:

- **Linear**, a company specialised in direct sales, online and through a call centre, of MV products;
- **SIAT**, a company operating in the Transport class, with *Corporate* customers that are reached primarily through brokers;
- **UniSalute**, the top health insurance company in Italy by number of customers managed, specialised in the Healthcare segment (Health and Assistance).

Outside Italy, UnipolSai operates in Serbia through the subsidiary **DDOR Novi Sad**.

Unipol distributes its products primarily through the agency network. The Group also presides over the bancassurance channel through joint ventures with leading Italian banks. Again in the course of 2019, UnipolSai placed Life products through the branches of Unipol Banca, now incorporated within BPER Banca.
The companies **Arca Assicurazioni** and **Arca Vita** distribute their products through the branches of banks with which dedicated agreements have been entered into, including primarily BPER and Banca Popolare di Sondrio; **BIM Vita** through agreements with Banca Intermobiliare, Banca Consulia and, as regards after-sales only, with Cassa di Risparmio di Fermo; **Incontra Assicurazioni** thanks to agreements with Unicredit Group.

The companies specialised in reinsurance are **UnipolRe**, a company that offers reinsurance services to small and medium sized companies headquartered in Europe and **Ddor Re**, the Serbian reinsurance company.

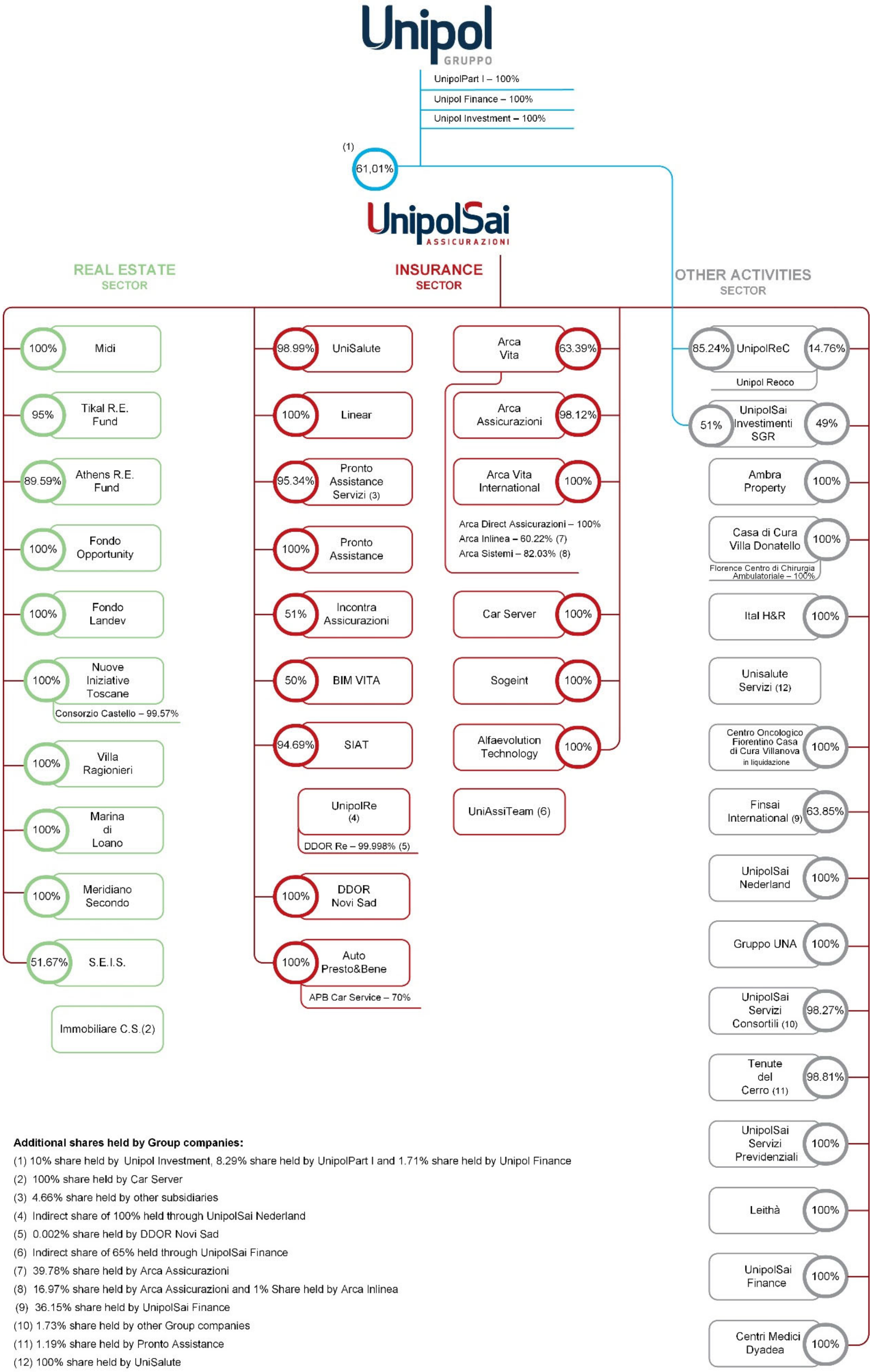
The Group also includes companies instrumental to the insurance business which characterise and make Unipol's insurance offer distinctive with the direct and integrated governance of service processes:

- **Auto Presto&Bene,** network of repair shops present throughout the country to offer MV policyholders certified repairs with no cash advance;
- **APB Car Service (MyGlass),** for repair and glass replacement services;
- **Car Server** for the management of company fleets and long-term car rental**;**
- **Pronto Assistance Servizi – PAS,** for assistance services dedicated to customers, professionals and agencies of the Group, concerning the release of technical and sales information, marketing activities, and collection of the notifications of inefficiencies or complaints;
- **AlfaEvolutionTechnology,** the telematics provider of UnipolSai and other Group companies.

Real Estate Sector: the Unipol Group manages real estate assets worth €3.8bn, in line with last year, held primarily by real estate sector companies for €1.4bn and by UnipolSai for €2.1bn.

Holding and Other Businesses Sector: the Group operates in the Italian hospitality sector through its subsidiary **UNA Group**, with assets consisting of 38 facilities (hotels, residences and resorts), of which 32 managed directly or under management and 6 affiliates with franchising agreements in some of the main cities and most renowned tourist destinations in Italy. It is active in the agricultural sector with the company **Tenute del Cerro**, which owns roughly 5,000 hectares of land in central Italy and is active in the production of high quality wine. In the healthcare sector, the Group is present through the Villa Donatello healthcare facility (Florence) and the **Dyadea multi-specialist centres**.
Leithà is the company specifically dedicated to innovation.
Unipolis is the business foundation of the Unipol Group, of which it is one of the most important tools for implementing social and civil responsibility initiatives, within the framework of the more comprehensive sustainability strategy.
Through **UnipolSai Investimenti,** the Unipol Group manages mutual real estate investment funds. **UnipolReC** is the company specialised in the management of non-performing loans.

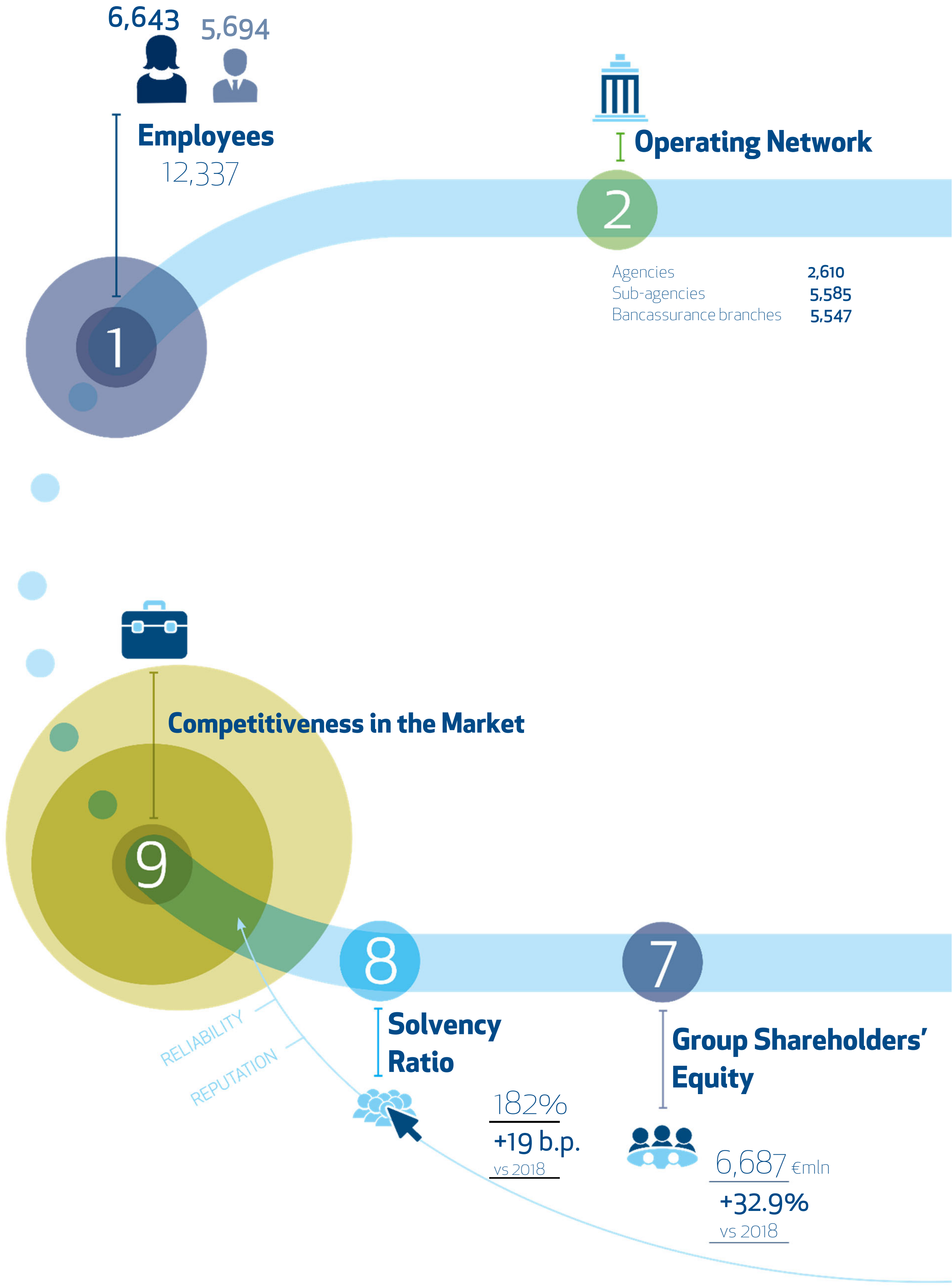
The performance of the various business areas in which the Group operates is reported in the Unipol Group Performance section



Additional shares held by Group companies:

(1) 10% share held by Unipol Investment, 8.29% share held by UnipolPart I and 1.71% share held by Unipol Finance
(2) 100% share held by Car Server
(3) 4.66% share held by other subsidiaries
(4) Indirect share of 100% held through UnipolSai Nederland
(5) 0.002% share held by DDOR Novi Sad
(6) Indirect share of 65% held through UnipolSai Finance
(7) 39.78% share held by Arca Assicurazioni
(8) 16.97% share held by Arca Assicurazioni and 1% Share held by Arca Inlinea
(9) 36.15% share held by UnipolSai Finance
(10) 1.73% share held by other Group companies
(11) 1.19% share held by Pronto Assistance
(12) 100% share held by UniSalute

Highlights


6,643
5,694
Employees
12,337
1
Operating Network
2
Agencies 2,610
Sub-agencies 5,585
Bancassurance branches 5,547
Competitiveness in the Market
9
RELIABILITY
REPUTATION
8
Solvency Ratio
182%
+19 b.p.
vs 2018
7
Group Shareholders' Equity
6,687 €mln
+32.9%
vs 2018

3 Customers and Policyholders

INDIVIDUALS
15.2 million

LEGAL ENTITIES
0.9 million

4 Performance

	€m	Var. vs 2018
PREMIUMS		
Non-Life direct insurance	8,167	+2.7%
Life direct insurance	5,847	+33.0%
- of which Life investment products	*393*	*-22.6%*
Direct insurance premiums	**14,014**	**+13.5%**

RATIOS	**2019**	**2018**
Non-Life Loss Ratio - net of reins.	66.3%	66.8%
Non-Life Expense Ratio - net of reins.	27.9%	27.4%
Non-Life Combined Ratio - net of reins.	94.2%	94.2%
Group pro-rata APE (€m)	493	397
Life Expense Ratio - net of reins.	3.7%	5.1%

	€m	Var. vs 2018
Investments and cash and cash equivalents	**67,757**	**+14.0%**
Technical provisions	**57,567**	**+8.2%**
•Non-Life	15,067	-1.0%
•Life	42,500	+11.8%
Financial liabilities	**7,772**	**+12.3%**

5 Consolidated profit (loss)

+1,087 €m

Normalised result on a like-for-like basis(**)

+732 €m

6 Value for Shareholders

ROE	8.18%
EPS	1.26
BVPS	9.32

(*) Result on a like-for-like basis
(**) Operating figure excluding the effects of extraordinary transactions on a like-for-like basis

Significant events in 2019 and after 31 December 2019

FEB

On **7 February 2019**, Unipol Gruppo's Board of Directors approved an extraordinary transaction regarding the banking sector, to be carried out in a unique setting through the

- transfer to BPER Banca S.p.A. of the entire investment held by Unipol, also through UnipolSai, in **Unipol Banca S.p.A.**, equal to the entire share capital of the latter, for a cash consideration of €220m;
- **UnipolRec**'s purchase of two separate portfolios composed of bad and doubtful loans, one owned by BPER Banca and one by Banco di Sardegna for a gross total of €1.3bn, for a consideration of €130m.

Again on **7 February 2019**, UnipolSai's Board of Directors resolved to exercise the put option relating to 27.49% of the share capital of Unipol Banca and UnipolReC, held by Unipol based on the option contract signed on 31 December 2013 between Unipol and former Fondiaria-Sai.
In addition, as part of the exercise of the aforementioned put option, UnipolSai's Board of Directors resolved to grant a 5-year loan of €300m to Unipol, also repayable early, at an interest rate of the 3-month Euribor plus a spread of 260 basis points. For Unipol, the aforementioned loan is targeted at maintaining a high level of financial flexibility with an important available liquidity buffer. The loan was disbursed on **1 March 2019**.

MAY

On **9 May 2019**, the Board of Directors of Unipol approved the 2019-2021 Strategic Plan "MISSION EVOLVE – Always one step ahead". The Strategic Plan has the objective of strengthening the leadership of the Unipol Group in the next three years, establishing the basis for confirming its leadership position also beyond the Plan's scope.

On **29 May 2019**, the Fitch Ratings rating agency announced its upgrade of the Insurer Financial Strength (IFS) rating of UnipolSai Assicurazioni to "BBB+", with negative outlook, from "BBB", and confirmed the Long-Term Issuer Default Rating (IDR) assigned to Unipol Gruppo and UnipolSai Assicurazioni at "BBB", with negative outlook. Also the ratings of the debt securities issued by the Unipol Group were confirmed: the Unipol Gruppo senior loans were confirmed at "BBB-", the subordinated loans with maturity of UnipolSai Assicurazioni were confirmed at "BBB-" and the perpetual bond loan of UnipolSai Assicurazioni was confirmed at "BB+".

JUN

In **June 2019** the Boards of Directors of UnipolSai and the subsidiaries concerned, insofar as they were respectively responsible, approved the following mergers and spin-offs involving UnipolSai and its wholly-owned subsidiaries:
- project for the merger by incorporation of Pronto Assistance SpA into UnipolSai;
- project for the full spin-off of Ambra Property Srl in favour of UnipolSai, UNA SpA Group and Midi Srl;
- project for the partial spin-off of Casa di Cura Villa Donatello SpA in favour of UnipolSai, as well as the full spin-off of Villa Ragionieri Srl in favour of the Company itself and of Casa di Cura Villa Donatello SpA.

Again in **June 2019**, the Board of Directors of the subsidiaries UniSalute and Unisalute Servizi approved, within their areas of respective competence, the proportional partial spin-off of Unisalute Servizi, with transfer to a new company of the business consisting in the provision of specialist medical-healthcare services. The proportional partial spin-off was completed on 1 October 2019, with the simultaneous setup of "Centri Medici Dyadea".

In the second quarter of 2019, based on the authorisations obtained in the previous year from the European Central Bank and the competent national Supervisory Authorities, Unipol acquired BPER Banca ordinary shares on the market, representing roughly 4.9% of the share capital of the Bank, so it now holds, directly and indirectly through UnipolSai, a qualified investment in BPER equal to 19.97% of its share capital. As a result, also taking into account the relevant transactions already performed and in place between the Unipol Group and the BPER Group, starting in **June 2019** Unipol qualified its interest held in BPER as an interest with significant influence, therefore to be consolidated using the equity method. Later, in August 2019, following the finalisation of certain transactions with the effect of increasing the share capital of BPER, Unipol and UnipolSai acquired further BPER shares on the market in order to restore the previously held interest. As an overall result of the acquisitions made, at the end of 2019 the Unipol Group held a total interest of 19.73% in the BPER share capital, a percentage thus reduced due to additional capital transactions by the bank finalised in December 2019.

The 2019 consolidated financial statements reflect the effects of first-time adoption of the consolidation at equity of the investee, with a positive non-recurring impact on the consolidated income statement for €421m.

JUL

On **2 July 2019**, Unica, the Unipol Group's Corporate Academy, obtained the ISO 9001:2015 Quality Certification.

On **18 July 2019** a trade union agreement was signed regarding voluntary pre-retirement arrangements for UnipolSai employees meeting pension requirements by the end of 2023. The Agreement of 18 July 2019 envisaged early retirement for a maximum of 760 individuals, but as over 800 subscribed to the option, on 20 November 2019 a further trade union agreement was signed that will allow all employees subscribing to access the arrangements envisaged in the previous Agreement. In February 2020, the agreement was also extended to the Group's other insurance companies, for which the number of potential applications is not expected to exceed 20.

On **24 July 2019**, in application of the contractual repayment plan, UnipolSai arranged repayment of the first of five annual instalments in equal amounts of €80m of the Restricted Tier 1 subordinated loan disbursed on 24 July 2003 by Mediobanca - Banca di Credito Finanziario SpA for a total nominal amount of €400m, maturing on 24 July 2023.

On **31 July 2019** - with all conditions precedent set forth in the contract being met and, in particular, with the necessary authorisations having been received from the competent Supervisory Authorities - the extraordinary transaction relating to the Group's banking sector, in execution of the agreements entered into on 7 February 2019 between Unipol Gruppo SpA and UnipolSai Assicurazioni SpA, on one hand, and BPER Banca SpA, along with the subsidiary Banco di Sardegna SpA, on the other, was completed within a single context.

AUG

On **1 August 2019**, UnipolSai finalised the acquisition of 100% of the share capital of Car Server SpA, one of the main operators active in the Italian long-term company fleet rental market, for a price of €96m.

SEP

On **27 September 2019**, Fleet Magazine presented its "Rental&Quality" research during the Customer Centricity event. One hundred large companies were analysed and some of the aspects studied included: commercial relationships, customer service, information technology, consulting and telecommunications and administrative management, the section in which Car Server was awarded the best score, thanks to the management of the obligations laid out in Article 94 of the Highway Code and the clarity and comprehensibility of the documents sent.

OCT

For the second year, UnipolSai confirmed its support to the Sport Festival, a large national and international event dedicated to the world of sport to bring champions into contact with fans: debates and analyses along with Olympic and Paralympic athletes, trainers, institutional representatives, technical and other experts and fans. UnipolSai was a Premium Partner of this edition, planned from **10 to 13 October 2019** in Trento.

On **17 October 2019**, during the XVIII edition of Insurance Day 2019, the exclusive annual event for the top management of major insurance companies, the Group was awarded a number of recognitions. Amongst other awards, our Group received:
• the "Companies of Value" Award for the best stock exchange performance at 30 June 2019;
• the "Golden lion" for the best Creative IVASS capable of combining detailed service information with appropriate positioning in commercial advertising;
• the MF Innovazione Awards Award in the "Home protection" category for the UnipolSai product Condominio&Servizi;
• the "Best Company for direct premiums 2018" Awards in the Non-Life business;
• the "Elite Insurance and Pension Scheme" Award for the MV segment service platform communication strategy.

2020

On **21 January 2020**, after concluding the required corporate procedures, both the deed of merger, and the deeds relating to the spin-offs approved by the Boards of Directors of UnipolSai and the subsidiaries concerned in the course of June 2019 were signed. Such transactions became legally effective as of 1 February 2020. They became effective for accounting and tax purposes as of 1 January 2020 as regards the merger and total spin-offs of Ambra Property and Villa Ragionieri, and as of 1 February 2020 as regards the partial spin-off of Villa Donatello.

On **27 January 2020**, UnipolSai confirmed its partnership that will once again see the company as the official sponsor of Ducati Corse in the MotoGP 2020 World Championship. The partnership with the Ducati Team will entail the UnipolSai brand appearing on the tail of the two red sport bikes of Borgo Panigale and on the team uniforms.

On **17 February 2020**, UnipolSai Assicurazioni and Unipol Gruppo, in relation:

i) to the promotion by Intesa Sanpaolo of a surprise voluntary public exchange offer on all shares of UBI Banca SpA (the "PEO");

ii) to the acquisition by BPER Banca SpA ("BPER"), having positively concluded the PEO, of a business unit consisting of bank branches and the assets, liabilities and legal relationships connected to them,

jointly notified the market that UnipolSai Assicurazioni had entered into an agreement with Intesa for the subsequent acquisition, either directly or through a subsidiary, of business units linked to one or more current investee insurance companies of UBI Banca (BancAssurance Popolari SpA, Lombarda Vita SpA and Aviva Vita SpA), consisting of Life insurance policies taken out by customers in the Banking Business and the relative assets, liabilities and legal relationships (the "Insurance Businesses").
UnipolSai Assicurazioni and Intesa will proceed with the definition of the Insurance Businesses and their subsequent transfer as soon as it is possible to have access to the data and information of BancAssurance Popolari, Lombarda Vita and Aviva Vita, also pursuant to regulations in force, subject to the fulfilment of specific conditions, including the completion of the transactions pursuant to points (i) and (ii) above and the assumption of control of Lombarda Vita and Aviva Vita by UBI Banca. The Insurance Business of BancAssurance Popolari, already wholly owned by UBI Banca, may in any event be transferred even independent of the transfer of the other Insurance Businesses.
The consideration for the transfer of the Insurance Businesses will be determined on the basis of the same valuation criteria as those adopted for the determination of the price paid by UBI Banca for the possible acquisition of control of Lombarda Vita and Aviva Vita as well as, as concerns the Insurance Business of BancAssurance Popolari, by making reference to its asset value.
Furthermore, with respect to the resolutions passed by the BPER Board of Directors regarding the acquisition of the Banking Business and the resulting share capital increase of the Bank for a maximum of €1bn in order to provide it with the resources necessary to perform the transaction and maintain capital ratios in line with those recorded at 31 December 2019, Unipol Gruppo and UnipolSai Assicurazioni, positively evaluating such acquisition for the BPER Group, notified the competent bodies of the Bank of their favourable orientation and their willingness to subscribe their applicable shares of the share capital increase.

On **26 February 2020**, the sole member company UNICA LAB S.r.l. a socio unico (100% UnipolSai Assicurazioni S.p.A.) was registered with the Register of Companies, in order to leverage the skills developed over the years by Unica by offering training courses and services to customers outside the Group.

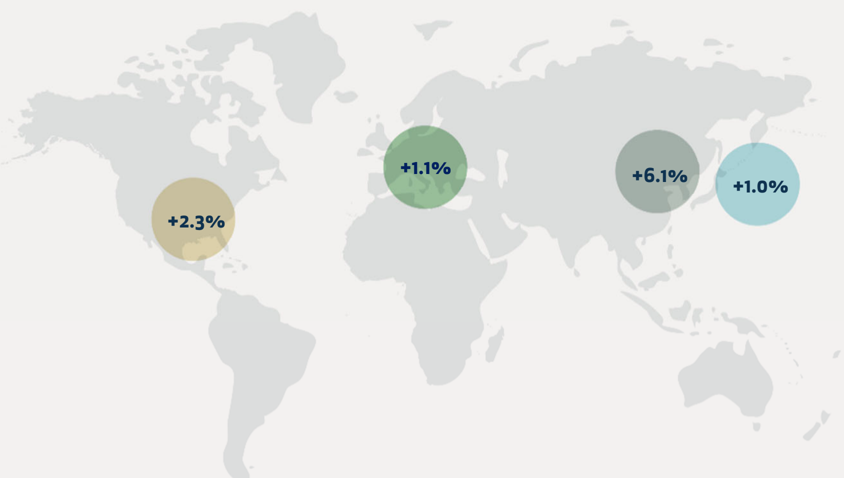
RISKS, OPPORTUNITIES AND STRATEGY

Macroeconomic background and market performance

Macroeconomic background

In 2019, global growth came to around 2.5% (3.2% in 2018). The main economic areas experienced a slowdown in GDP growth, in particular in the second half, due to the reduction in trade triggered by US trade policies and continuing elements of uncertainty, such as Brexit and geopolitical risks in the Middle East.

Global economic growth
+2.5%



- The **Euro Area** achieved GDP growth of **1.1%** (+1.8% in 2018). The drop in growth can be attributed to multiple factors, such as slowing international trade, uncertainty with respect to Brexit developments and the slowdown in the manufacturing sector (which particularly impacted Germany and Italy). The unemployment rate continued to decline, reaching 7.4% in December 2019.

  Given the economic slowdown and **inflation** significantly lower than the 2% target (**1.3%** in December), the **ECB** modified the tone of its monetary policy and adopted additional expansionary stimulus measures. In particular, as of September the following measures were adopted: launch of a new quantitative easing bond buying plan amounting to €20bn per month, plus the full reinvestment of the capital from maturing bonds, cut in the deposit rate to -0.5%, while at the same time introducing a tiering system to mitigate the effect of negative rates on bank profitability, the adoption of a new plan of auctions for financing to the banking system (TLTRO III).

- The **United States** grew at a rate of **2.3%** (2.9% in 2018), primarily thanks to private consumption. Against a moderate slowdown in economic activity and a job market that is remaining robust (unemployment rate of 3.5% in December) and despite the December **inflation** rate of **2.3%**, the Federal Reserve cut the Fed Funds rate, suspending the reduction in the amount of bonds held starting from the end of August and introducing a short-term bond buying programme with a view to bringing the level of bank reserves back to around $1,500bn and maintaining them at that level.
- In 2019, the **Italian economy** slowed further compared to the previous year, with a GDP **growth** rate of **0.2%** on an annual basis (+0.7% in 2018), resulting from a number of factors: the reduced contribution of net exports due to the above-mentioned slowdown in international trade, the modest trend in investments and the slowdown in private consumption. Nonetheless, the job market remained solid, with an unemployment rate of 9.8% at year-end, down compared to 2018. The **inflation** rate in December was **0.6%** (1.2% in 2018).

- **Emerging markets** were also impacted by the global slowdown, as well as substantial stability in the price of commodities. In 2019, **growth** of roughly **4%** was observed, against 4.7% in 2018.
- **China** continues to slow, with GDP **growth** in 2019 coming in at **6.1%** on an annual basis, its lowest point since 1992 (6.5% in 2018). The slowdown is in large part attributable to the slowdown in international trade and the trade war with the United States, which hit the manufacturing sector hard, causing a significant slip in production. The difficulties in that sector led to a drop in private demand, and in particular investments, only partially offset by the positive contribution of investments of public companies. In December, the **inflation rate** stood at **4.2%**.
- **Japan** should achieve weak **growth**, estimated at around **1.0%**, thanks to the contribution of unconventional, highly expansionary monetary policies and domestic demand, which offset a considerable decline in exports. **Inflation** remains modest (**0.8%** in December), although within a context of close to full employment (unemployment at 2.2% in December).

Financial markets

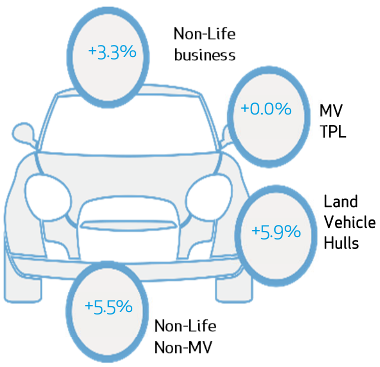
The monetary expansion manoeuvres announced by the **ECB** in September 2019, implemented starting last November, drove all European interest rate curves down. The **3-month Euribor** rate closed 2019 down by 7 basis points versus the same figures at the end of 2018, while the **10-year Swap rate** declined in the same period by 82 basis points. The **German government yield curve** showed modest volatility on maturities up to 3 years and a reduction in long-term rates in 2019. The **10-year Bund** amounted to -0.17% at the end of 2019, down by 45 basis points compared to the values at the end of 2018. The **10-year spread** between Italian and German rates was 157 basis points at the end of 2019, down by 95 bps compared to the end of 2018.

The **euro/dollar exchange rate** came to **1.12** at 31 December 2019.
In the course of 2019, the **Federal Reserve** suspended the normalisation of its monetary policy, cutting the Fed Funds rate three times and injecting liquidity into the US interbank markets. Emerging market indexes also benefitted from these more expansionary monetary policies.

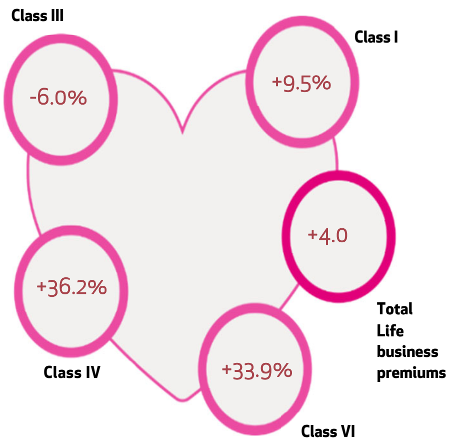
Eurostoxx 50: **+25%**	s&P 500: **+29%**
Ftse Mib: **+28%**	Nikkei: **19.8%**
DAX **23%**	MSCI EM **+15.4%**

Insurance Sector

In 2019, due to the expected evolution of the last part of the year, taking into consideration the final data relating to the third quarter, Italian insurance premiums should reach €142.5bn (+5.4% compared to 2018).
In particular, total premiums of the Italian direct portfolio in the **Non-Life** business are expected to rise by 3.3% compared to 2018. In the **MV** sector, consisting of **MV TPL**, **Marine Vessels TPL** and **Land Vehicle Hulls**, premiums are expected to **rise slightly** compared to 2018 (**+1.0%**), According to ANIA data for December 2019, the average premium in the MV TPL business fell by around 1% in 2019, from €352 to €349. The ISTAT index for MV TPL prices, the value of which reflects the price lists and not those actually applied by companies, instead recorded a 0.3% decline in 2019. The positive trend in the **Non-MV Non-Life** business is confirmed, with premiums up by **5.5%** compared to 2018. Particularly positive trends were recorded in the **Healthcare** segment (**+8.3%**), driven by positive performance in the **Health** (**+12.3%**) business, and in the **Property** segment (**+4.5%**), which benefitted from the expected growth rate of **+6.1%** in the **Pecuniary Losses** business. Likewise, growth is also expected in premiums of **other Non-Life classes** (**+5.3%**) thanks to the increase in the **Assistance** business (**+9.8%**), while the **General TPL** business likely achieved more limited growth (**+2.3%**). The negative trend in the MV segment agency channel is expected to continue, with a decline of 0.4% and an overall impact of 82.7% on total premiums, against an increase in the share of the Direct channel (+0.2%) and Brokers (+0.3%) and substantial stability in the banking channel, accounting for 3.1% of premiums. For the Non-MV classes, a decline is expected in the agency channel (-0.5%) and in Brokers (-0.2%), against growth in the banking channel (+0.6%) and direct sales (+0.1%).



In the **Life** sector, the trend already observed in 2018 is recurred in 2019 as well, with rates of increase close to **4%**, deriving primarily from sustained growth in premiums relating to **class I** revaluable policies (**+9.5%**), against a further significant downturn in the sale of **class III** policies (**-6%**). In 2019, growth continued in **class IV** (**+36.2%**) and **class VI** (**+33.9%**), while **class V** close 2019 with a **reduction** of **32.9%** in premiums.
The share of the agency channel in the Life business was up by 11.1% in 2019, accounting for 14.5% of total premiums, thus suspending the negative trend recorded in previous years. The Banks and Consultants channels were down, by a total of 5.8% compared to 2018, making up 74.3% of total premiums.



Real Estate market

According to the Real Estate Market Observatory of the Tax Authorities, in 2019 the **sale of homes** in the residential segment continued to post a positive growth trend (+5.5%), although it was slowing compared to 2018: Milan was confirmed as one of the most active markets in Italy (+7.8%).
Real estate agent expectations are still weak, and data relating to the first half of 2019 regarding the 13 major cities show a downturn in home prices by 0.3% (except in Milan and Florence, where prices rose significantly).

In 2019, **sales in the non-residential sector** were up by 4.7% over 2018, driven by the tertiary-residential sector (+6.1%), while the production sector declined (0.8%). The expansion in the commercial tertiary sector reflected growth in sales of offices (+7.1%) as well as of stores (+5.9%), which benefitted from the particularly positive performance of hotels (+26.7%).

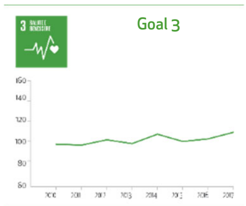
The prices of offices and stores continued to fall in 2019 as well, and has now lasted for 12 years. Prices of offices declined by 0.9%, while those of stores were down by 0.6%. Rents are also down, but at slightly lower rates than prices (-0.5% for offices and -0.4% for stores, respectively). In 2019, the cap rates remained stable at 5.1% for offices and 7.3% for stores.

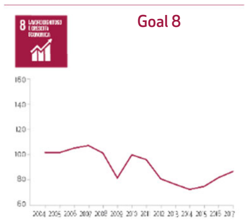
Residential Segment Transactions

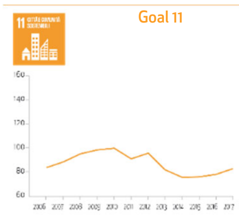
Social and environmental scenario

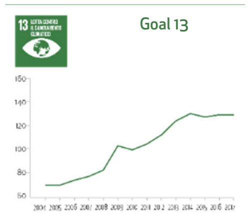
Four years since the adoption of the 2030 Agenda, the national and regional indicators calculated by ASviS, the Italian Alliance for Sustainable Development, show the contradictions and critical aspects already highlighted in past years, first and foremost the absence of a clear and shared implementation strategy, which has not enabled Italy to make significant process like other countries have, thus accumulating a considerable delay. In the 2010-2017 period, there were signs of improvement in nine areas in Italy, but the situation deteriorated in another six, while for the other two it remained the same, generally far from the goals set for our country.

With respect to the three objectives towards which the Unipol Group has the most potential to contribute in Italy (see the paragraph dedicated to 2019-2021 strategies), please note the improvement of **Goal 3 (Ensure healthy lives and promote well-being for all at all ages)** which, over the time period considered, recorded a positive trend overall, despite the increase in the last two years in the serious injury rate due to road injuries series.
Goal 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all), the indicator of which is highly influenced by the economic cycle, showed a slow recovery compared to previous years.
In the case of **Goal 11 (Making cities and human settlements inclusive, safe, lasting and sustainable)**, while there was an improvement over the last three years, the comparison with 2010 remains negative. The recent positive trend is especially due to the improvement of indicators relating to recycling and exposure of the human population to atmospheric pollution from particulates (PM10 and PM2.5).
Aside from these, it is worth mentioning **Goal 13 (Take urgent action to combat climate change and its impacts)**, which follows economic cycle trends, so it improved until 2014 and then deteriorated over the next three years, corresponding to the economic recovery, showing that we have not yet managed to decouple economic growth from environmental impacts.









Main regulatory developments

In 2019, the reference regulatory framework for the sectors in which the Group carries on business saw a number of developments and innovations.

Relevant regulations for the insurance sector

In June 2019, following a consultation process that started in the previous year, the Solvency II Delegated Acts (Reg. (EU) 2015/35) were subject to several amendments, including:

- Long-term investments - reduction of capital requirements for long-term investments in equity;
- look-through approach - possibility of a more extensive use of simplification relating to the application of the look-through approach in relation to collective investment undertakings and "packaged" investments like mutual funds;
- credit risk - coordination with standards in force in the banking sector as regards the classification of own funds, exposure to central counterparties (CCP) and the handling of exposures to regional administrations and local authorities;
- calculation of SCR - concession of simplifications in the calculation of SCR for several Life, Non-Life and health sub-modules, so as to guarantee adequate proportionality between the computational load and the real risks incurred by the insurer; and
- Deferred Tax Assets - introduction of additional principles for the calculation of the capacity to absorb deferred tax losses (LAC DT) in the standard formula in order to guarantee greater uniformity of application.

The Regulation entered into force on 8 July 2019, while the points relating to Deferred Tax Assets and the amendments of the method for calculating the risks of the Non-Life and health businesses came into force on 1 January 2020.

Furthermore, in this same area, the **Solvency II Directive** was subject to targeted amendments - aiming to improve several provisions that had encountered application difficulties - as well as an overall review process, the legislative procedure of which is still in the initial phase.
In relation to the first aspect, **Directive (EU) 2019/2177 of 18 December 2019** is particularly significant, as it introduces corrections to the functioning of the country component of the volatility adjustment.
Specifically, the rules call for a reduction in the intervention threshold (from 100 to 85 basis points in terms of the country spread and the currency spread with respect to the yields of baskets of financial assets) and the national volatility adjustment component such so as to make the effective application of that correction component more frequent, while in the past it was limited to cases of strong financial market turbulence.

Also with regard to the solvency regulations, on 11 February 2019 the European Commission officially started the **process of reviewing the Solvency II Directive**, asking EIOPA for an overall assessment of the legislative framework of Solvency II, without prejudice to the basic principles of the Directive, such as the model for calculating capital requirements based on the calibration of risks and the market-consistent valuation of assets and liabilities.
EIOPA responded to the European Commission's request by promoting two consultations relating to the reports and disclosure to the public. The first consultation was open from 12 July 2019 to 18 October 2019, while the second consultation was part of the Opinion of 15 October 2019 concluding on 15 January 2020 on the review of Solvency II.
The European Commission will take EIOPA's advice into account in the legislative proposal to amend Solvency II, which will be presented by 31 December 2020.

On the domestic front, regarding MV TPL, Italian Decree Law 124 of 26 October 2019 converted with Law 157 of 19 December 2019 (the "2020 Tax Decree") amended paragraph 4-bis of Art. 134 of the Private Insurance Code, introducing the **single family premium**. The objective of that measure is to reduce the average premium paid by families, giving all members of the nuclear family the lowest merit category present within that family, irrespective of the type of vehicle owned. The measure entered into force on 16 February 2020.

With reference to primary legislation, please also note **Italian Legislative Decree 49 of 10 May 2019** issued in implementation of Directive (EU) 2017/828 as regards the **encouragement of long-term shareholder engagement (Shareholder Rights II)**, which introduced significant amendments to the Consolidated Law on Finance (TUF), including:

- attribution to issuers of the right to ask intermediaries and central depositories to identify the shareholders holding more than 0.5% of the share capital with voting rights;
- new transparency obligations for pension funds and insurance companies, now defined as institutional investors, when they invest in shares of companies listed in Italian or EU regulated markets (for insurance companies it is also necessary to report their investment strategies in the Solvency and Financial Conditions Report);

- complete voting on the Report on the remuneration policy and compensation paid by the shareholders' meeting, with both sections of the Report now being subject to shareholder vote; and
- more detailed regulations on transactions with related parties (with the resulting amendment of Art. 2391-bis of the Italian Civil Code), in part referred to CONSOB regulations.

In terms of secondary regulations, of particular importance are the **consultations on Consob and IVASS regulations on insurance distribution**, which will complete the **adoption of the Insurance Distribution Directive (IDD)** within the Italian legal system. The most significant new elements regard: obligatory consulting for complex products; the admissibility of incentive systems only if intended to boost service quality (as set forth in the MiFID II); the prohibition against sales outside the target market, except for Life products with considerable financial content (IBIPs), for which there is an exception, subject to meeting specific conditions.

Relevant regulations for the pension sector

With regard to **pensions**, the most significant new element at European level is the entry into force, on 14 July 2019, of **Regulation (EU) 2019/1238** on **a pan-European Personal Pension Product (PEPP)**, which will become applicable 12 months after the publication in the Official Journal of the European Union of the delegated acts set forth by the Regulation. The PEPP intends to offer consumers a new pan-European option for pension savings, complementary to existing government, professional or personal pension schemes. EIOPA is currently developing proposals to the European Commission on the regulatory technical standards (RTS), the implementing technical standards (ITS) and technical opinions. These proposals will be followed by the adoption by the European Commission of the delegated and implementing acts set forth in the Regulation.
Lastly, also with regard to pensions, on the domestic front, **Italian Legislative Decree 147 of 13 December 2018**, which entered into force on 1 February 2019, transposed in Italy Directive (EU) 2016/2341 ("**IORP II**") on the activities and supervision of **institutions for occupational retirement provision**, making significant amendments to the basic rules relating to supplementary pensions set forth by Italian Legislative Decree 252/2005 and granting the applicable regulatory power to COVIP. On the basis of the above-mentioned delegation, as of 2019 COVIP has promised some public consultations to adjust the reference regulations of the various types of Pension Funds to the new IORP II principles, introducing significant changes especially as regards transparency with respect to members, governance rules, the authorisation system and the penalty system. On conclusion of that regulatory adjustment process, still under way, important organisational revisions are expected for the various forms of supplementary pension schemes.

Tax regulations

The most significant new tax laws for the Group were introduced with the above-mentioned 2020 Tax Decree and with Italian Law no. 160 of 27 December 2019 ("2020 Budget Law").

The 2020 Tax Decree set forth, *inter alia*, the following provisions:

- the redefinition of rules regarding long-term individual savings plans (PIR) through the cancellation of the obligation of investment in funds for venture capital set forth in the 2019 Budget Law and the re-proposition of restrictions similar to those in force until 31 December 2018, also allowing for the adjustment of the underlying instruments (internal funds and/or UCIs) and making their marketing possible again;
- the tightening of the criminal tax offences pursuant to Italian Legislative Decree 74/2000 and the amendment of rules on the administrative liability of entities pursuant to Italian Legislative Decree 231/2001 through the introduction, within the group of offences presupposing the entity's liability, of several tax crimes concerning fraud/with particular severity.

The 2020 Budget Law contains the following provisions:

- the reintroduction effective as of the tax period subsequent to that under way on 31 December 2018 of the ACE (Aiuto alla crescita economica - Aid to Economic Growth) relief, with the establishment of a return on capital coefficient equal to 1.3%: the ACE relief therefore applies without interruption from 2018, with both the specific rules of the 2019 Budget Law and the Growth Decree remaining unimplemented;
- the postponement, for insurance companies and credit and financial institutions, of the deductibility contemplated in the 2019 period of the non-deducted portion of write-downs and impairment losses on receivables, and of amortisation of the goodwill and of other intangible assets that have entailed the recognition of deferred tax assets in the financial statements, as well as

the postponement of the deductibility of the share relating to 2019 of the negative components recognised due to the application of IFRS 9;
- the remodulation of the deductibility of IMU paid on the company's property for business use, with the following rates: 50% for the 2019 period; 60% for the 2020 to 2021 period; 100% from the 2022 tax period;
- reopening of the terms for the revaluation of the corporate assets and for the realignment of the civil and fiscal values.

Other regulations

Another priority topic in the agenda of European policy-makers is that of **sustainability**. In the course of 2019, the European Commission presented a number of legislative proposals linked to sustainability, in implementation of its "Action plan on financing sustainable growth" presented in March 2018: these include in particular the entry into force of **Regulation (EU) 2019/2088 of 27 November 2019** on sustainability-related disclosures in the financial services sector. The Regulation establishes harmonised rules for financial market participants and financial advisors to promote transparent disclosures on the policies they adopt on sustainability risk, both in internal corporate governance processes and in risk management processes and in the phase of product engineering, reducing informational asymmetries with investors so they are able to choose investment products that take into account environmental, social or governance ("ESG") factors.

Also in the European realm, lastly**, Regulation (EU) 2019/2144 of 27 November 2019** was approved, on **type-approval requirements for motor vehicles** and their trailers, and systems, components and separate technical units intended for such vehicles, as regards their general safety and the protection of vehicle occupants. The Regulation requires all newly registered vehicles to be equipped with a series of advanced safety systems such as intelligent speed assistance, an advanced driver distraction warning and in particular an "event data recorder" (or EDR). The EDR will save only data relating to accidents and will make them available to the public authorities, which will need to use them to improve overall road safety. The data saved by the EDRs will be anonymous and it will not be possible to use them to identify the vehicle or its owner. The new type-approval requirements and the new safety systems are expected to contribute - in the intention of EU lawmakers - to reducing the frequency and average cost of claims, but the impact will not be immediate, as the new rules will apply only beginning from 6 July 2022, and will gradually take effect in line with the turnover rate in vehicles currently on the road.

Future orientation in the use of capital

TCFD NFS

The Unipol Group has created the Reputational & Emerging Risk Observatory to guarantee structured listening to signs of change in the external environment, building a 360 degree view of emerging trends, to mitigate the related risks and identify new opportunities early to strengthen loyal relations with stakeholders and the sustainability of the business model. An updated edition of the Observatory supported the definition of the 2019-2021 Strategic Plan with contextual elements and the anticipation of trends.

SOCIAL

	RISKS	OPPORTUNITIES	MAIN RESPONSES
HYBRID CONSUMER	• Increase in lack of customer loyalty • Competition from new players and new channels	• Integrated multi-channel and multi-access strategy • Continuous relationships with customers and improved customer experience • Provision of 360° service	• Industrialisation of multi-channel approach • Process digitalisation • Strengthening of distinctive, value-added services • Bancassurance and partnership development
WELL BEING	• Increase in chronic and mental illnesses • Inaccessibility of healthcare and welfare for the most vulnerable segments of the population • Risk linked to transparent and responsible use of data	• Complementarity to the Government for the management of the Welfare system • Predictive diagnostics service • Improvement in risk profiling and encouragement of healthier lifestyles thanks to technology	• Evolution in the logic of the integrated Welfare ecosystem (new complementary integrated welfare offering for the public, Dyadea medical centres, support for people who are not self-sufficient, flexible benefits)
INSTABILITY AND POLARISATION	• Under-insurance • Rising fraud • Competitive pressure on prices • Increase in insurance risk due to a reduced prevention	• Offering low-cost coverage and instalment payments to guarantee accessibility to the most vulnerable segments	• Zero-rate instalments • Tools for protecting standards of living • Contribution to the development of the insurance and risk management culture
HUMAN SOCIETY 2.0	• Unsustainability of the demographic pyramid and the family structure • Low appeal for new generations	• Offer personalisation • Using insurance as a planning tool throughout the life cycle	• Telematics as a lever for personalisation • Sales force specialisation • Dynamic pricing
SHARING ECONOMY	• Reduction in the insurance base due to asset sharing • Changeover in customer type (from B2C to B2B) • Unbrokeraging	• Insurance favouring a climate of trust between parties • New forms of insurance for new consumption models	• Policies with km-based rates, taking a pay-per-use approach • Service models based on the concept of access thanks to the implementation of telematics • Long-term rental
NEW SKILLS	• Lack of a timely response to emerging trends • Disappearance of the vertical division between sectors • Skills mismatch	• Evolution of organisational models for agility and integrated thinking • Partnerships and inter-sector cooperation	• UNICA • Leithà • Evolution "Beyond insurance" • Entry of new skills
INTANGIBLES	• Reduction of security needs linked to the traditional scope of tangible assets • Growth in ESG risks • Increase in reputational risk	• Evolution in the role of insurance from protection to empowerment • Development of products and services for intangible assets	• Reputational leadership in the financial sector and inclusion of reputation in the MBO system • Integration of ESG factors within the ERM framework and Group policies • Cyber risk and reputational risk policy

TECHNOLOGICAL

	RISKS	OPPORTUNITIES	MAIN RESPONSES
INTERNET OF EVERYTHING	• Loss of oversight over data and customer relationships • Difficulty of attracting and retaining resources specialised in Big Data management • Cyber risk and privacy risk	• Evolution from "Payer" to "Partner and Preventer" • Optimisation of claims management and combatting fraud • Personalised, predictive and dynamic pricing	• Leadership in telematics for mobility • AlfaEvolution to oversee data, know-how and service model • Telematics as a lever for service and claims management optimisation in other areas as well
NEW MOBILITY	• Reduction of the vehicle fleet for the evolution of mobility from auto-centric to "Mobility-as-a-Service" • Evolution of the insurance contract due to the evolution of the concept of liability	• Development of new products and services oriented towards new mobility (multimodal mobility, assisted driving up to automatic driving) • Active role in the improvement of road safety	• Mobility Ecosystem: point of reference, not only in insurance, for private mobility requirements (long-term rental, payment services in mobility, new devices)
ARTIFICIAL INTELLIGENCE AND ROBOTICS	• Disappearance of some jobs and the birth of new ones • Need for retraining of human resources	• Continuous personalisation of products and services • Process simplification and optimisation	• Robotics projects and machine learning • Sensitisation on related ethics and responsibility issues • Orientation of skills towards higher value-added activities
DARK SIDE OF TECHNOLOGY	• Cyber risk and privacy risk • Social impact in terms of the illnesses, addiction, distractions and disinformation	• Distinctive positioning as a "trustworthy" player	• Instruments to raise awareness on the risks of distracted driving • Responsible use of data
AUGMENTED MAN CYBORG	• Cyber risk and privacy risk • Complexity in the assessment of new risks	• Customer experience • Training • Strengthening of underwriting and claims management processes	• Monitoring of phenomenon destined to become significant beyond the Plan horizon

ENVIRONMENTAL

	RISKS	OPPORTUNITIES	MAIN RESPONSES
CLIMATE CHANGE	• Physical risks (acute and chronic) • Transition risks (reputational, market, policy and legal)	• Contribution to the creation of a mixed public/private system • Development of products and services for adaptation to and mitigation of climate change • Campaigns of commitment in favour of the climate and environmentally responsible business policies	• DERRIS Project • Development of predictive models for climate risk • Weather alert and prevention services • Recourse to innovative reinsurance instruments • Integration of environmental factors within business policies

POLITICAL

	RISKS	OPPORTUNITIES	MAIN RESPONSES
NEW FRONTIERS	• Geopolitical instability • Need for new skills for global view and management of complexities • Risk of pandemics and new diseases due to globalization	• Growth and diversification of risks • Aggregation processes and strategic partnerships	• UnipolRe, the Group's Reinsurance company as a vehicle company for growth in foreign markets

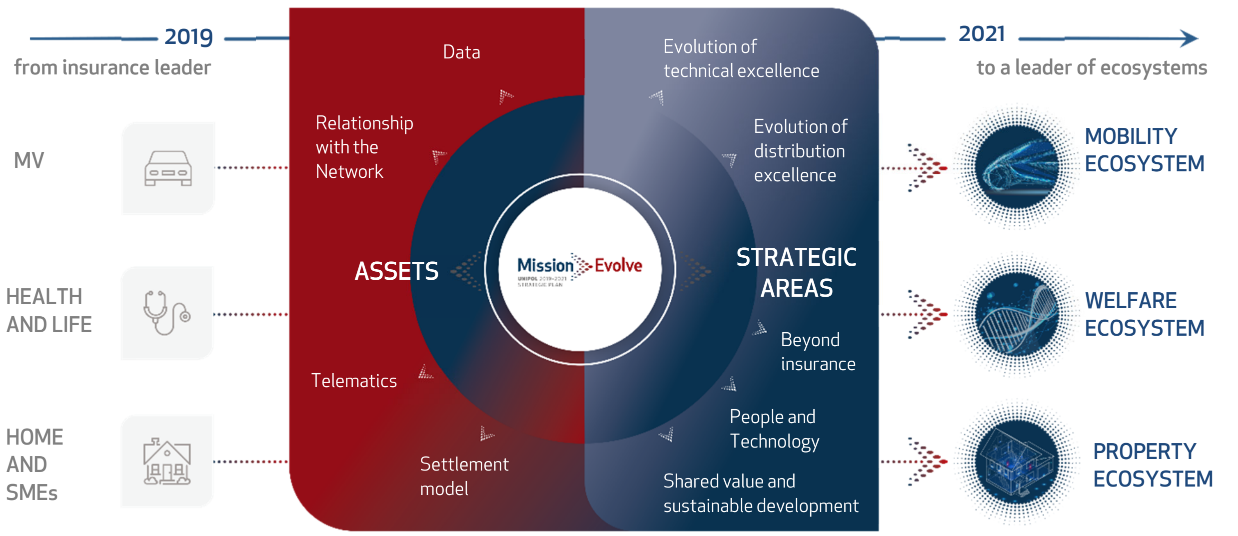
"Mission Evolve": the 2019-2021 strategies

NFS

In May 2019, the Unipol Group presented the 2019-2021 Strategic Plan "Mission Evolve – Always one step ahead".
The Strategic Plan has the objective of strengthening the leadership of Unipol in the reference three-year period, establishing the basis for confirming its leadership position also beyond the Plan's scope.
Unipol is a leader in the Italian insurance sector, with 16 million customers and a market share of 25% in MV TPL and 23% in the Health business[1]. Over time, the Group has developed and implemented strategies that have made it possible to create value and build its distinctive assets, such as:

- the widespread nature and professionalism of the top distribution network in Italy, with more than 8,000 points of sale and 30,000 people on its sales force, which relies on a Company/Agent Supplementary Agreement based on a unique partnership approach in the insurance sector: "Patto UnipolSai 2.0";
- the quality and speed of the settlement model with absolutely excellent customer compensation timing;
- the use of telematics and data as a distinctive element of customer service in terms of the offering, the efficiency of settlement processes and the evolution of pricing models.

The strategic framework defined with the "Mission Evolve" Plan calls for an evolution from an insurance leader to a leader of mobility, welfare and property ecosystems.



By leveraging on its distinctive assets, the Strategic Plan is structured based on five strategic areas:

1) "Evolution of technical excellence", to guarantee business profitability by continuously seeking out increasingly advanced levels of excellence, exploiting technical and technological leadership in the areas of pricing, risk selection and settlement capacity.
2) "Evolution of distribution excellence", by leveraging the UnipolSai brand as a service leader, increasing the frequency and effectiveness of contact with Customers, maximising the commercial effectiveness of the top Italian insurance network with new professional figures, the integrated support of remote channels and Bancassurance and Partnership development.
3) "*Beyond insurance*", with the aim of becoming the point of reference, not only in insurance, for private mobility, welfare and property needs, offering Customers an ecosystem of skills and assets integrated at Group level.
4) "People and Technology", with investments to boost the speed of the evolution of the operating model oriented towards simplification and efficiency.
5) "Shared value and sustainable development", to create shared value for the Group and for its stakeholders and contribute to reaching the SDGs by reducing underinsurance and developing products and services that increase the security, resilience and sustainability of people, companies, cities and territories.

[1]Market shares referring to the year 2018.

The **Mobility** ecosystem involves the launch of new mobility solutions thanks, amongst other factors, to long-term rental, the online platform for used vehicles and payments in mobility, as well as further evolutions in the technological centre of excellence for Telematics in the MV area. The objectives for 2021 are to reach 5m UniBoxes installed, 60,000 long-term rental contracts and more than 250,000 customers using the UnipolSai app for digital payments in mobility.
The **Welfare** ecosystem includes the offer of new solutions thanks to the *flexible benefits* platform (with the objective of 3,000 participating companies by the end of 2021), the Internet of Things ("IoT") and telemedicine, as well as solutions to optimise the private healthcare spending of Italian families (with the distribution in the course of the Plan of 300,000 SiSalute cards for the intermediation of healthcare services).
Lastly, the **Property** ecosystem involves the evolution of the integration between insurance, home automation and service by taking an open architecture approach, as well as further evolutions in synergistic areas for the Group (such as real estate) and the development of *utilities*. The Group aims to reach 5m real estate units on which to develop technological solutions by the end of 2021.

The 2019-2021 Plan includes within its strategic objectives the **creation of shared value and the contribution to sustainable development**, beginning from the conviction that the opportunities and well-being of the customers and people who interact with Unipol are necessary conditions for the capacity to develop in the market and the Group's **sustainable success**.
This integration results from the approach adopted in the phase of defining the Strategic Plan, when every action amongst those established was analysed by the relative manager according to two aspects: its potential to create shared value and its potential to contribute to reaching one or more SDGs. In this manner, the culture of sustainability has strengthened amongst the business functions and a contribution has been made to basing strategic decisions on sustainability and shared value.
Some of the most significant actions in this sense include:

- the development of predictive climate risk models for companies, to boost the resilience of the various sectors and support adaptation to climate change;
- the development of market offers that promote sustainable development models through the innovative use of the IoT, with a particular focus on urban areas, to improve the sustainability of cities;
- the definition of accessible solutions for the integration of public welfare, extending protection to broader segments of the population and supporting prevention, in order to expand and qualify the welfare offering.

In the strategic planning phase, the Group identified the priority SDGs which it has undertaken to contribute towards: Goal 3 "Good health and well-being", Goal 8 "Decent work and economic growth" and Goal 11 "Sustainable cities and communities".

For more details, please refer to the page dedicated to the 2019-2021 Strategic Plan on the website of the Unipol Group

The Unipol Group's climate strategy

TCFD DNF

In 2015, in its position paper entitled **"Unipol for the climate"**, the Unipol Group proposed a model for the prevention and management of catastrophic weather events based on a public/private collaboration, which adopts insurance mutuality mechanisms to handle the growing risks deriving from climate change and handle the significant compensation required.

In the **Sustainability Policy**, approved by the Board of Directors, the company commits to protecting the environment and combatting climate change.

As regards **strategic planning**, **aspects relating to mitigation** (in particular CO_2 emissions per employee) were integrated in the last three strategic plans, while **aspects relating to adaptation and resilience** (like the overall incidence of the premiums of products with a social and environmental impact) were included in the last two.

The **2019-2021 Strategic Plan** contains objectives linked to the mitigation of and adaptation to climate change in relation to:

- **investment activities**: the objective of integrating ESG factors within company strategies resulted in the Group formalising its commitment to the **decarbonisation** of new investments[2]. The Strategic Plan also calls for an increase in the amount of thematic investments for SDGs, including those linked to the mitigation of and adaptation to climate change.

[2] Commitment set forth in the Investment Policy (through dedicated Guidelines for managing investment activities with reference to responsible investments, or the "SRI Investment Policy"), see the details in the "The monitoring of social, environmental and governance risks" section.

- **insurance products and services:** the company strategy aims to develop products and services to increase customer adaptation capacity and resilience. Innovative solutions have already been developed for the market to deal with the impacts of climate change and to manage the aftermath of natural catastrophe events. The new Three-Year Plan also calls for the development of innovative risk mitigation techniques and an increase in the penetration of products with environmental value in the overall insurance portfolio. Also for underwriting activities, the Group plans to **decarbonise** the customer portfolio.[3]

Lastly, the **real estate strategy** over the Plan period calls for a continuous improvement in energy efficiency both in the construction of new buildings and renovations and in the management of existing buildings. The **energy management system certified in accordance with the ISO50001 standard certification process**, in place for the main 19 buildings for business use, will be extended to all buildings for business use by the end of the Strategic Plan.

[3] Commitment contained in the Underwriting Policies for the Non-Life Business and for the Life Business, see details in the "The monitoring of social, environmental and governance risks" section.

NFS

Stakeholder engagement tools and processes

In 2019, the Group carried out significant direct listening and engagement actions with stakeholders. Meetings and dialogue with stakeholders are structural elements of the Group's 'modus operandi', in order to understand and respond to needs effectively, improve its service capacity, and guarantee accessibility and transparency in its actions.

LISTENING/ENGAGEMENT

Stakeholders	Channels	Issues
EMPLOYEES	Focus Group	Construction of the materiality matrix
	Focus Group and Surveys	Work-related stress
	Shareholders' meetings and trade union meetings	Regulatory, economic and support conditions
	Surveys	Corporate welfare
	Surveys	Flexible working
	Intranet Community Platform	Training, Services and Utility
	Annual survey based on the Rep Trak® model	Reputation
SHAREHOLDERS	Shareholders' meeting	Performance and trends
	Periodic reporting	Performance and trends
	Website and social media	Performance and trends
CUSTOMERS	Individual interviews and Surveys	Construction of the materiality matrix
	Focus Group with trade associations	Definition of product characteristics
	Periodic Customer Satisfaction Index surveys	Listening and customer satisfaction levels
	Net Promoter Score	Customer experience assessment
	Website and social media	Products and services mix
	Annual survey based on the Rep Trak® model	Reputation
AGENTS	Meetings with the Agent Group chairmen Operations work groups Technical Committees Agent Groups	Strategic objectives and improvement of decision-making processes Product development Business initiatives
	Focus Group	Construction of the materiality matrix
	Business Roadshow	Results and Objectives Action Plan Business reliability
	Network satisfaction monitoring survey	Satisfaction and loyalty
	Annual survey based on the Rep Trak® model	Reputation
SUPPLIERS AND BUSINESS PARTNERS	Individual interviews	Construction of the materiality matrix
	Partnerships	Research and Innovation
	Suppliers portal	Management, Selection, Periodic Assessment and Monitoring
COMMUNITY	Individual interviews with NGOs	Construction of the materiality matrix
	Interviews with interest protection associations	Construction of the materiality matrix
	Partnerships with universities	Recruitment, Research and Innovation
	Annual survey based on the Rep Trak® model	Reputation
	Surveys with Local Member Organisations	Construction of the materiality matrix
FINANCIAL COMMUNITY	Meetings with Investors	Strategy and Performance
	Questionnaires to SRI rating agencies	Sustainability Strategy and Performance
	Meetings with sector associations	Sector issues
	Annual survey based on the Rep Trak® model	Reputation
INSTITUTIONS	"ORA- Open Road Alliance" Project	Participatory project on sustainable mobility
	"Welfare, Italia" project	Advocacy on White Economy opportunities
	Issue-specific meetings with the legislator and regulators	Legislation and Regulations
	Annual survey based on the Rep Trak® model	Reputation

Key: Inclusion Listening

Over the year, the 2019-2021 Strategic Plan was presented not only to the financial community, but also to other key Group stakeholders.
All Group employees were engaged through four presentation events (in Milan, Rome, Turin and Bologna) intended to share the objectives and justifications of the Three-Year Plan. A further step in the process, also in Bologna, was dedicated to Agents.
The *roadshow* was enhanced with 7 local meetings dedicated to the Unipol Regional Councils (CRU) consisting of representatives of the Member Organisations, which are the main organisations of employees (the confederated unions CGIL, CISL and UIL), contracted workers and the associated small and medium enterprises (CNA, Confesercenti, CIA) and cooperative companies (Legacoop), with a view to strengthening the structured relationship with those players and reflecting on the possible development of joint projects in key Strategic Plan areas.

TCFD NFS

Material topics

Growing demand for company transparency (including regulatory obligations as well as recommendations that significantly influence stakeholder assessments of companies) is met by a focus on the aspect of **materiality**. The company is asked to identify relevant corporate governance, social and environmental topics to understand how it acts and what main impacts it has on the context.
This identification is the result of a structured process, the **materiality analysis**, which in the view of the Unipol Group is strictly linked to and influenced by the **strategic planning** process. Along with the development of the 2019-2021 Strategic Plan, a new analysis was therefore performed, which underlies non-financial reporting for the three-year Plan period.
The process was started by structuring a **tree of sustainability topics important for the sector and for the company**, built based on the evidence emerging from the **Reputational & Emerging Risk Observatory.**
The assessment of material topics for the company, which identified priorities in relation to the internal dimension, was performed considering the business model, the strategy and the main risks, as well as the impacts of the company's activities. For this analysis, documentary sources were used, such as the Strategic Plan and the study carried out by The European House – Ambrosetti on the non-financial impacts created by the Group, and the Managers of the Key Functions and the Top Management were consulted; the results were validated by the Chief Executive Officer and Group CEO.
As regards the relevance for stakeholders, the order of priority of the topics was defined through a set of activities aiming to take into consideration:

- the interests and expectations of the parties concerned; to this end, in 2019 the Group carried out a detailed listening process which involved corporate and retail customers, employees and agents, the representatives of the organisations constituting the Unipol Regional Councils, suppliers and opinion leaders;
- main sector issues, public policies and regulatory stimuli; to this end, a number of contributions from the European Commission, EIOPA and other authoritative sector and cross-sector bodies were analysed and evaluated.

Lastly, the materiality matrix was approved by the Board of Directors.

The topics subject to analysis, represented below in relation to the five strategic areas of the 2019-2021 Plan, were deemed significant internally and, to an even greater extent, on the basis of discussions with the external environment; they will therefore all be handled with a different weight in relation to their significance with respect to the two dimensions. A particular focus was dedicated to topics positioned in the upper right quadrant of the matrix, which represent fundamental work areas through which the Group intends to contribute to reaching the three Sustainable Development Goals identified by the Strategic Plan.

Particularly with reference to the material topic "**Actions for adaptation to and mitigation of climate change**", to define the areas of impact on which to report, the Group took as points of reference both the TCFD Recommendations and the European Commission's climate reporting guidelines, which lay out the informational expectations of stakeholders with regard to the insurance sector; therefore, both financially significant aspects as well as environmentally and socially significant aspects ("**dual materiality**") were included in summary form in the Annual Integrated Report. In defining the priority content, additional requests for context (expressed for example in the CDP questionnaire and SRI analyst surveys) were also taken into account, and specific analyses were performed with opinion leaders specialised in this area.

CONNECTION BETWEEN MATERIAL TOPICS, MACRO TRENDS AND SDGs

SOCIAL

- Sharing Economy
- Hybrid consumer
- Instability and polarisation
- Human Society 2.0
- Well being
- New skills
- Intangibles

TECHNOLOGICAL

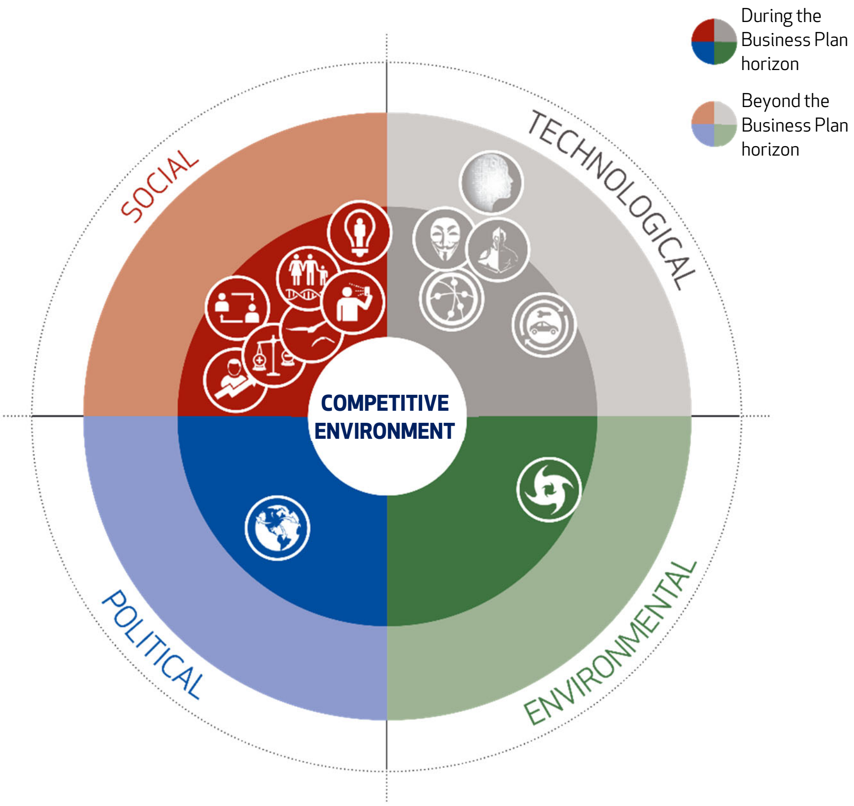
- Internet of Everything
- New Mobility
- Artificial Intelligence and Robotics
- Dark Side of Technology
- Augmented man - Cyborg

ENVIRONMENTAL

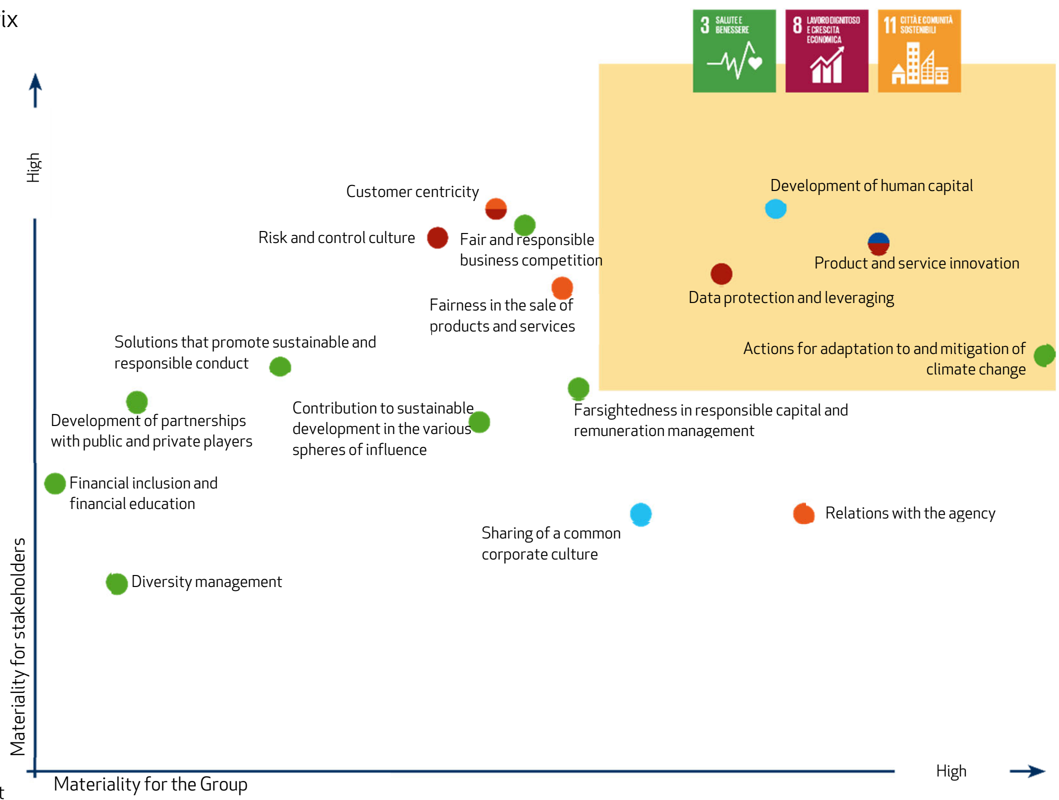
- Climate Change

POLITICAL

- New frontiers



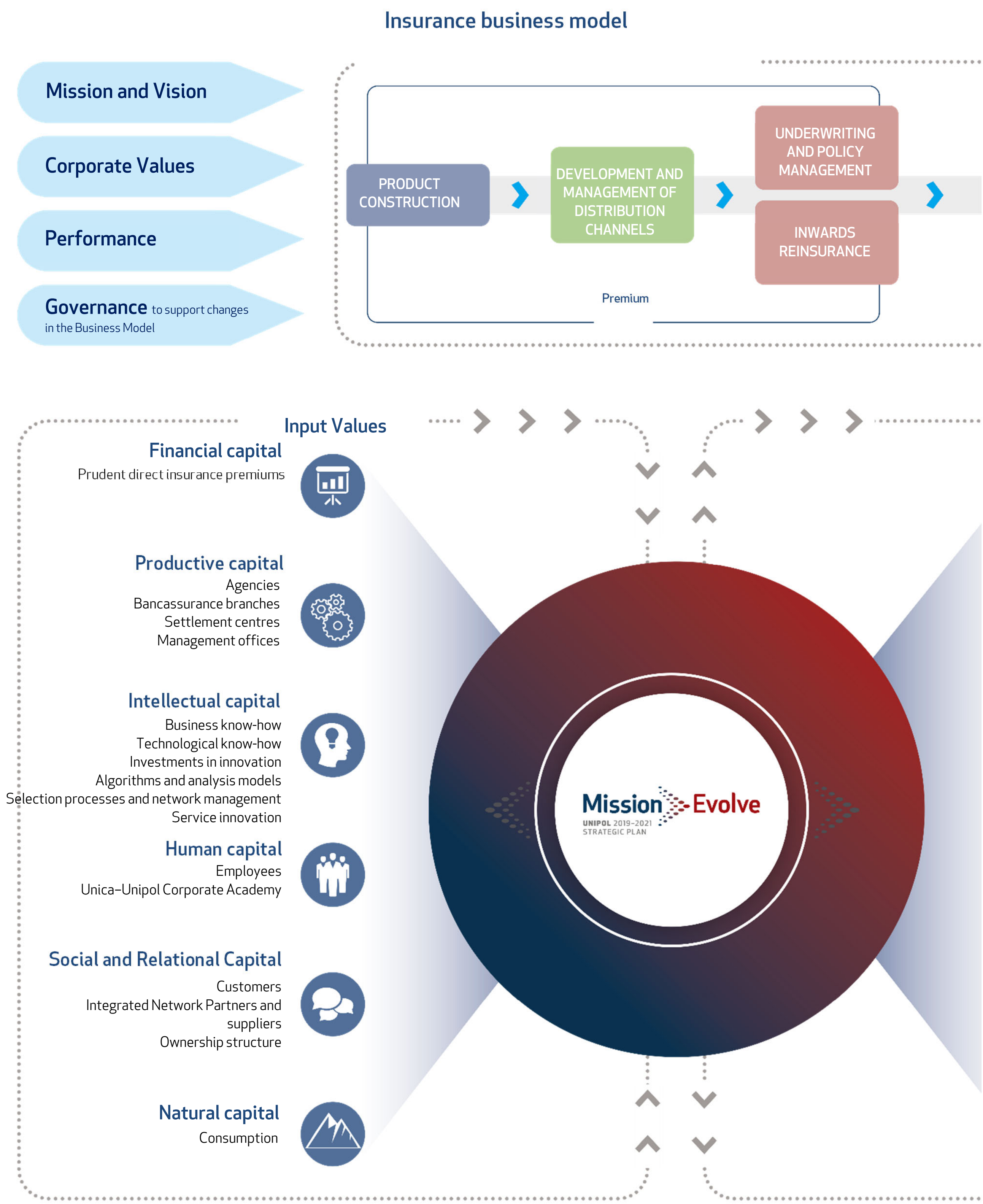
Materiality matrix

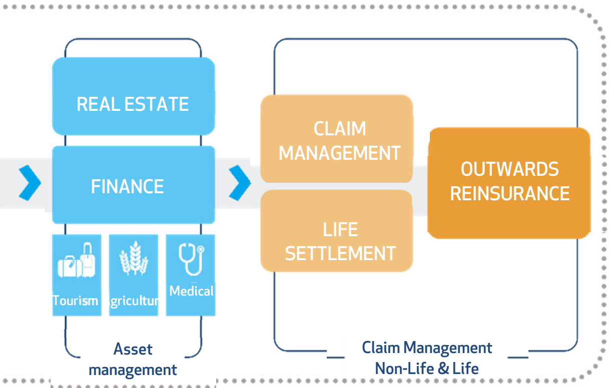


Most relevant topics (for the company and for stakeholders) connected to the SDGs

- Evolution of technical excellence
- Evolution of distribution excellence
- Beyond insurance
- People and Technology
- Shared value and sustainable development

THE CREATION OF VALUE





Output values

Financial capital
Capital strength
Prudent financial management

Productive capital
Efficient network
Integrated multichannel model
Extensive presence in reaching new targets

Intellectual capital
Product innovation
Service innovation
Ecosystem development

Human capital
Growth in skills
Entrepreneurship
Employee well-being

Social and Relational Capital
Customer satisfaction
Benefits from the integrated network
Assistance service speed

Natural capital
Emissions

Shared Value

Satisfaction of security and well-being requirements
6.8m people protected with welfare insurance coverage

Support in the transition towards more efficient, safe and sustainable mobility
More than 40bn km travelled by vehicles with "pay per use" policies

Contribution to the growth of the country, supporting SME development and increasing insurance knowledge
€747m for SME protection policies

Support to the realisation of the 2030 Agenda and contribution to combatting the climate emergency
€385m thematic and impact investments

Strengthening of reputation
69.7 (+0.7 pp) Reputational index with public opinion in Italy

Capital performance

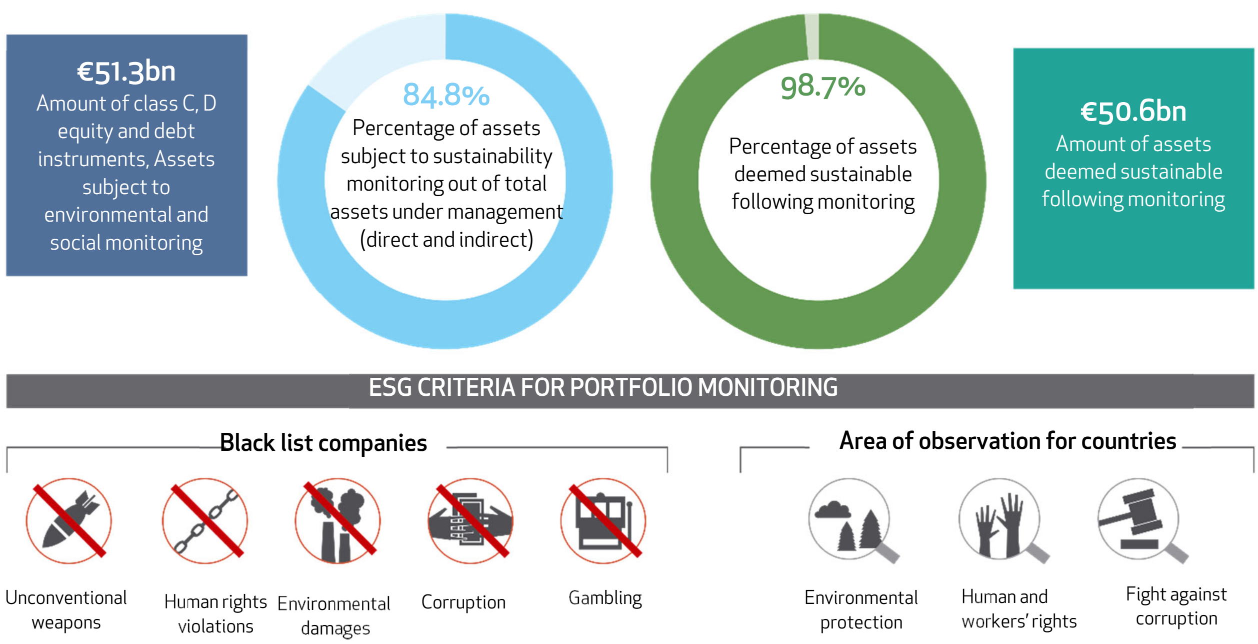
TCFD

Financial Capital

As an insurance Group, Unipol's capital management strategy focuses on structurally sustaining financial returns in the medium and long term by means of policies that allow for the maintenance of an adequate level of solvency.
In 2019, the Unipol Group reached a Solvency II ratio (calculated on the basis of the Partial Internal Model) of 1.82 (1.63 in 2018).
In quantitative terms, the Group's Risk Appetite is determined on the basis of the following elements: capital at risk, capital adequacy and Liquidity/ALM ratios.
Quality objectives are also defined in reference to compliance, strategic, emerging and reputational risks and in relation to business continuity as part of operational risk.
By means of prudent management again in 2019, the Unipol Group continued to diversify its investment asset allocation and maintain a stable level of liquidity sufficient to meet the operational requirements of the Group companies.

Since 2012, the Group has developed a systematic approach to orienting the investment of its financial assets according to sustainability and responsibility criteria, performing ex post quarterly monitoring of risks relating to sustainability[4]; below are the results of the monitoring for the year 2019.

Assets subject to sustainability monitoring and percentage of investments satisfying sustainability monitoring criteria



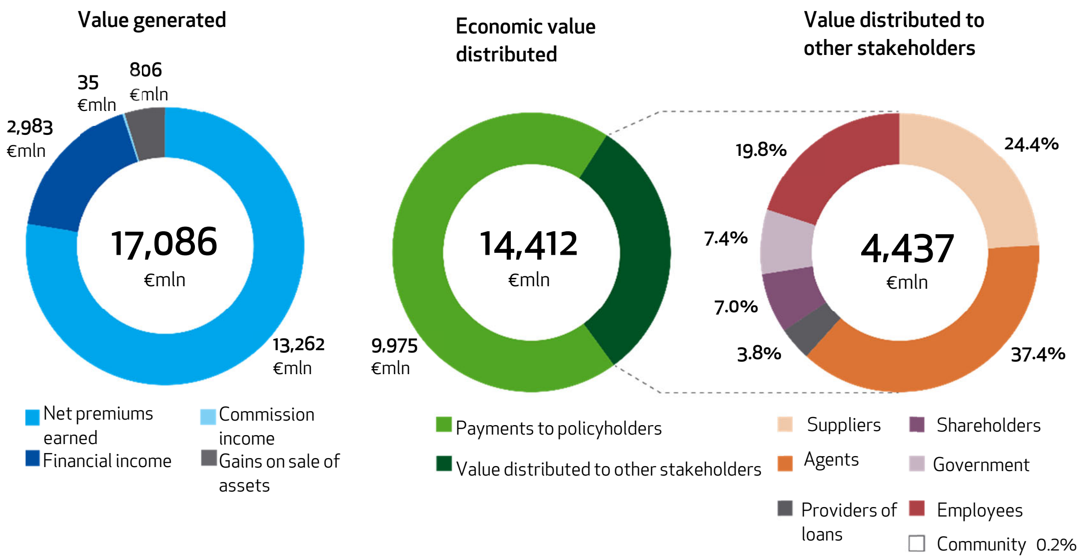
The Group has followed the *Principles for Responsible Investment* (**UN PRI**) of the United Nations since 2017, and in 2019 it made a further step towards financially supporting sustainable development, approving in December the "**Socially Responsible Investing Policy**" (**SRI Policy**), presented in detail in the "The monitoring of social, environmental and governance risks" section.[5]

[4] This monitoring is performed with the support of the external consultant ECPI, a company specialised in the assignment of ESG ratings and building sustainability indexes.
[5] The Guidelines establish additional exclusion criteria not included in the monitoring performed for the year 2019 as they entered into force at year-end.

Equity in the distribution of the value created

The distribution to stakeholders of the value generated is calculated according to the GRI 201 Standard of the Global Reporting Initiative, applied so as to capture the characteristics typical of the insurance business.
The "Direct economic value generated" is calculated from the sales revenues, obtained from the Group Consolidated Income Statement. The value generated was distributed primarily to insurance customers in the form of claim payments (€9,975m).

Economic value generated and distributed

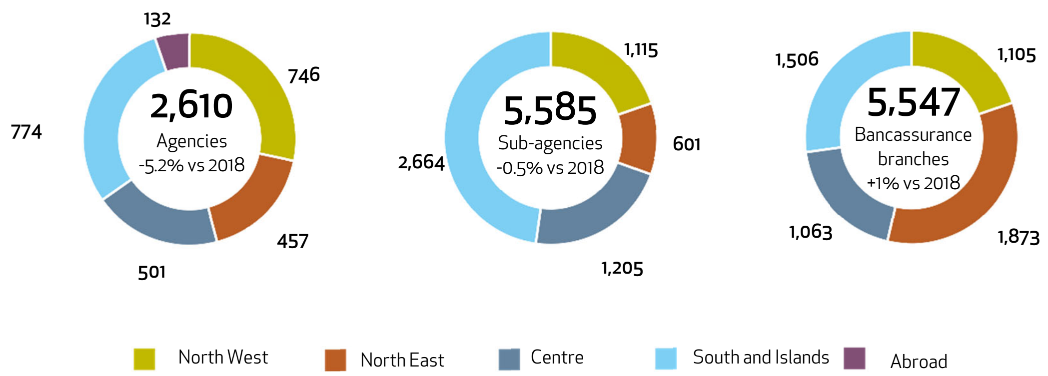


Productive Capital

The distribution network

The Group covers the Italian territory through an extensive network of agencies and sub-agencies, in addition to 589 brokerage firms (-33 compared to 2018) and points of sale that are part of the *bancassurance* partnership.

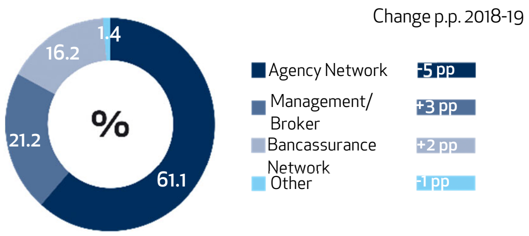
Local distribution network



In 2019, 381 reorganisation initiatives were carried out, 170 of which were groupings with transfer of portfolio or operations aimed at promoting the growth of the size of the involved agencies.
The reorganisation of the agencies pursues an objective of repositioning them in the market, through growth in size and the evolution towards a more managerial, solid and organised model. The average size of the agencies rose by 7% in 2019. 18% of agencies are in municipalities with less than 15 thousand inhabitants.
The Group's presence throughout the country is also guaranteed by the presence of UnipolSai and Siat settlement units.

Outside Italy, the Group operates in Serbia through a multi-channel network made up of both internal and external structures. The 132 points of sale (-6 with respect to 2018) rely on roughly 960 external partners and employees to provide services mainly in the northern part of the country, supported by direct sales channels through the Internet.

Breakdown of premiums by channel



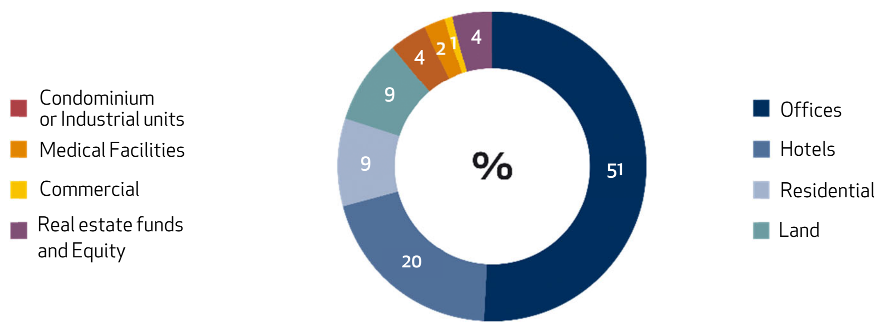
In the course of 2019, the centrality of the agency network was confirmed by the considerable investments made in network evolution in terms of simplification and digitalisation, to ensure innovation and improvement in the operating model, and in activities supporting development in line with business plan objectives.

Real estate portfolio

In the real estate sector, the Unipol Group is one of the top players in Italy in terms of the extent of its assets.
The Group's properties can be broken down into two macro-categories:

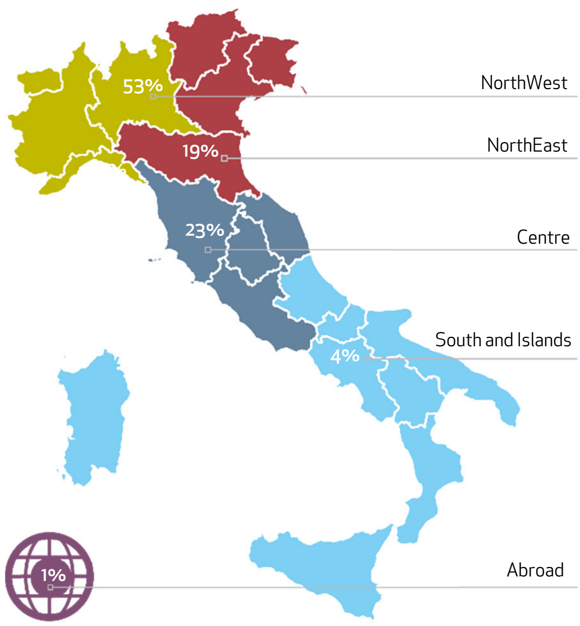
- property "used by third parties", buildings owned by the Group but not used by Group companies. These assets are leased primarily to third parties based on approximately 950 lease agreements;
- "instrumental" property, assets used mainly to carry out the business of the Group Companies.

Real estate assets by intended use



In 2019, significant renovation works were carried out in the Milan and Turin markets, including the renovation of the Principi di Piemonte Hotel in Turin and the Milano Verticale Hotel in Milan, both managed by UNA Group.

Geographical breakdown of the real estate assets



Intellectual Capital

The Group's intellectual capital includes a significant portion of the distinctive assets which Unipol leverages to implement its strategies (settlement model, use of telematics and data). This capital is continuously enhanced thanks to investments in innovation, which again in 2019 regarded a range of areas and initiatives, represented in the figure below.

Innovation projects by ecosystem

OBJECTIVE	PROJECTS	PHASE	ECOSYSTEM
EXPANDING SERVICES FOR CUSTOMERS AND AGENTS	Virtual assistants based on *AI Chatbots*	EXPERIMENTATION	MOBILITY
	Innovative NLT in the agency	EXPERIMENTATION	MOBILITY
	Telematic device for motorway toll payments	INCUBATION	MOBILITY
	App Services for payments in mobility	MARKETING	MOBILITY
	Multichannel sales	MARKETING	MOBILITY
	Gift Card	MARKETING	PROPERTY
EXPANDING THE OFFERING	Welfare Services in the Agency - Innovative "caring" models for customers	EXPERIMENTATION	WELFARE
	Utility Services in the Agency	EXPERIMENTATION	PROPERTY
AUTOMATING PROCESSES	*Robotic Process Automation*	MARKETING	MOBILITY
	Acquisition and automatic analysis of images to support settlements	MARKETING, EXPERIMENTATION	MOBILITY
IMPROVING UNDERSTANDING OF CUSTOMER NEEDS AND RELATIONSHIPS	*Social Intelligence*	MARKETING	MOBILITY
	App for dynamic customer feedback	MARKETING	MOBILITY
	Platform for managing and monitoring customer relationships	INCUBATION	MOBILITY
	Platform for retrieving incomplete quotes	INCUBATION	MOBILITY
	Platform for managing and monitoring customer communication campaigns	MARKETING	WELFARE
	Evolution of UniSalute digital *touch points*	MARKETING	WELFARE
PREVENTING AND PROTECTING WITH THE SUPPORT OF TECHNOLOGY	New assistance services and dangerous driving style alerts	INCUBATION	MOBILITY
	Development of vehicle telematic box hardware with proprietary technolog	INCUBATION	MOBILITY
	Proprietary anti-abandonment device for children's car seats	MARKETING	MOBILITY
	App for trying out new methods for measuring driving behaviour	MARKETING	MOBILITY
	Kit to monitor the health of the elderly	EXPERIMENTATION	WELFARE
	Anti-aggression bracelet	EXPERIMENTATION	WELFARE
	Evolution of the home automation and service kit	INCUBATION	PROPERTY
	Support for the analysis of weather risk	MARKETING	PROPERTY
STRENGTHENING TECHNICAL EXCELLENCE WITH THE SUPPORT OF TECHNOLOGY	*Big Data Analytics* for tariff sophistication	MARKETING	MOBILITY
	Automatic analysis of documents supporting claim management	MARKETING	MOBILITY
	Settlement - Telematic accident reconstruction	MARKETING	MOBILITY
	Support for outwards reinsurance in the General Classes	MARKETING	PROPERTY

Key:

INCUBATION › EXPERIMENTATION › MARKETING

Investments in data and telematics have generated concrete returns in the business, such as: the improvement of the capacity to identify fraud, through the automatic and "predictive" flagging of suspicious claims; a reduction in the cost of claims; the expansion of knowledge of real customer needs, the creation of new services and products offered to customers in a range of segments. These effects are presented below, as regards the settlement area, as well as in the subsequent sections.

In 2019, the "**electronic settlements**" process, which uses information provided by the black box for MV claims in an innovative manner to support consistency checks between statements provided and how the event actually took place. The new Real Time 2.0 process was also launched, which envisages the opening of a claim from the moment of a crash detected in black box data.
The effectiveness guaranteed by the use of telematic data in the settlement phase is more significant in areas which historically have higher claims frequency, in particular with injuries, as well as higher incidences of fraud, where the black box was used for a better assessment of the expected risk and is, as a result, more widespread.
The presence of the device is particularly evident especially in the South, where the claims supported in the preliminary investigation stage by the presence of the black box account for 70% of the total, compared to 50% at the national level.
The use of telematic information makes it possible to speed up settlements for insured customers and reduce the average cost of the claims (which declined by -1.6% in 2019 especially thanks to the decrease in the average cost for claims in Central and Southern Italy).

Several of the Group's internal structures and companies make a particularly impactful contribution to innovation processes, including:

- the Innovation Division, which has the company mission of identifying and proposing new operating solutions, startups and/or emerging technologies to the various business areas and Group companies, by performing continuous research and monitoring, also in collaboration with the main international players in the sector. The Division also supports the business areas/companies in defining and implementing business cases for the validation of the opportunities identified;
- the Telematics and Insurance Services Division which, through its constant commitment to scouting (including internationally), identifies new insurance and other business ideas, to pinpoint interesting services for the Company which are useful to support customers in their daily lives, with a particular focus on event prevention; the experimentation and, if applicable, industrialisation phases are activated with the involvement of other innovation players in the Group;
- the IT Services Division, which ensures digital innovation for the creation of new technological and process solutions to support new business models, by identifying and trying out IT technologies, architectures and solutions, defining Group guidelines and coordinating the evolution and management of IT solutions for the Group companies and the Agency network;
- Alfaevolution Technology, which provides, manages and analyses the data in the black boxes linked to MV TPL Policies, the telematic kits connected to property insurance policies, the telematic devices associated with pet protection insurance policies; it also develops and manages the new mobile payment services.
- Leithà, a factory that develops applications and components of data-intensive applications in agile mode with the goal of protecting, leveraging and enhancing the Group's informational assets, to support the development of new products and processes and the evolution of the business.

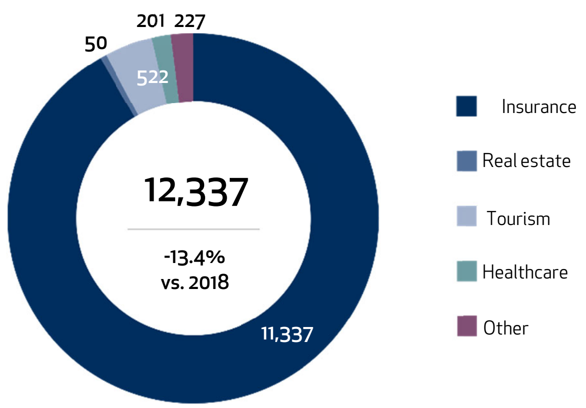
The Group also frequently involved and leveraged the contribution of innovative start-ups, universities and research networks in the innovation processes.

In 2019, **investments in ICT** amounted to €79.3m, and were aimed primarily at enabling the creation and rapid integration of new IT components and ecosystems (around 30%) and the expansion of interaction with new channels and new devices of customers, agents and partners, to favour growth opportunities in the mobility, welfare and property ecosystems (more than 20%).
During the year, 78.1 Terabytes of telematic data were managed.

Human Capital

DNF

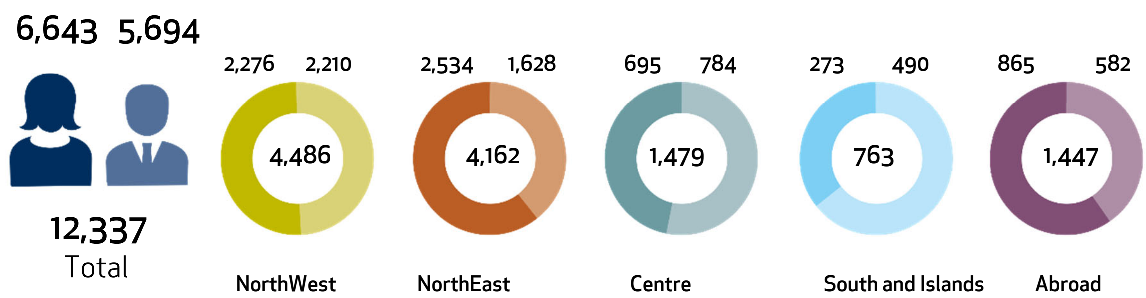
Employees by sector



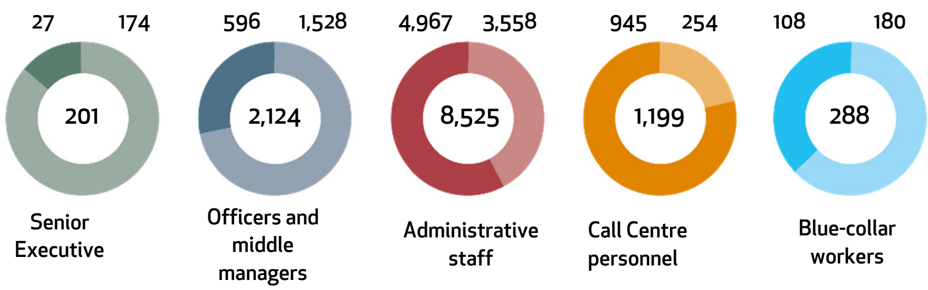
The number of Unipol Group employees at 31 December 2019 declined significantly (-2,243 people) compared to the previous year due to the transfer of Unipol Banca and Finitalia to BPER Banca; the decrease was offset only in part by the acquisition of Car Server and Gieffe Flotte as well as the establishment of the Dyadea Medical Centres.
On a like-for-like basis, there was a decline of 39 resources, equal to roughly 0.3% of the workforce.

Women represent roughly 54% of the workforce, whilst there are 623 women in managerial positions (+3.8% compared to the previous year on a like-for-like basis), representing 26.8% of the population in those roles.
Around 18% of the workforce (2,184 workers) worked part-time, an increase of two percentage points compared to 2018; 86% were women (28% of the total female population).
Roughly 1% of the workforce is apprentices, interns and temporary workers.

Number of employees by geographical area

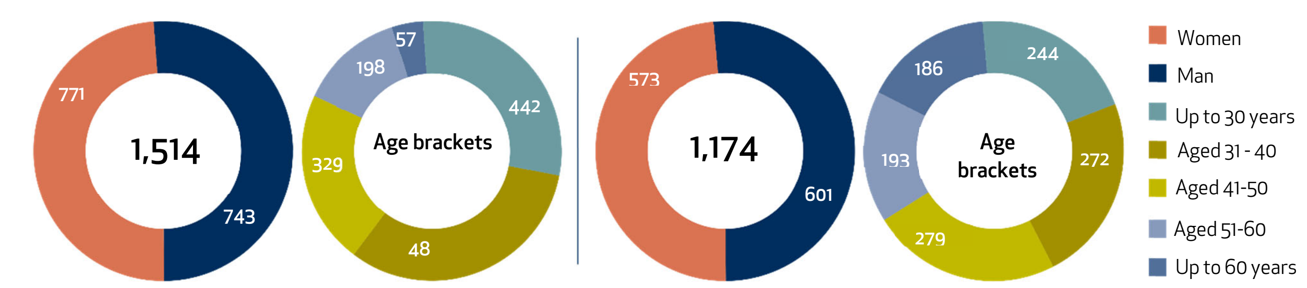


Number of employees by job-level category

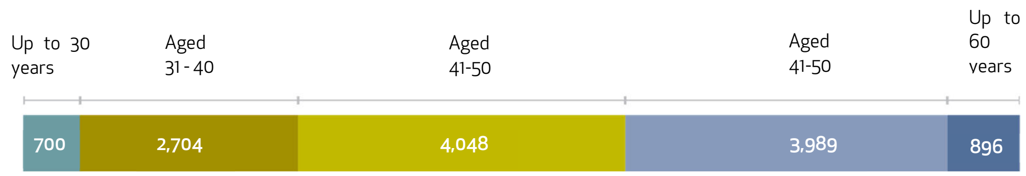


The overall employee **turnover** rate, on a like-for-like basis compared to the workforce at 31 December 2019, was 21.8% (14.3% net of the UNA Group hospitality sector), with the incoming turnover rate (12.3%) around 3 percentage points higher than the outgoing turnover rate (9.5%), confirming the Group's capacity to create net employment: over the year, 1,514 employees were hired, while 1,174 left the Group. Temporary employment in the hospitality sector significantly influences turnover data due to the seasonal nature of the business, as does the 34.8% recognised for the foreign company DDOR.
Recourse to **internal mobility** involving a change in role concerned 568 employees in 2019.

Turnover by gender and age brackets



Number of employees by age brackets



Employees with a **permanent contract** make up 95.8% of the staff (of which 46.5% men and 53.5% women), confirming the focus on the protection of stable employment, while recourse to staff leasing agreements remains marginal, involving 67 employees. Employees with a **fixed-term contract** make up 4.2% of the staff (of which 38.7% men and 61.3% women). For employees working abroad, 82% had a permanent contract (of which 41.4% men and 58.6% women).
In the course of 2019, 144 employees covered by the Insurance and Commerce contracts were made permanent.

The average age of personnel on staff at 31 December 2019 is 47 years, representing a slight increase compared to 46.3 years in 2018, while the average seniority is confirmed at just over 16 years, the same as last year. People over 60 represent 7% of the company population[6].
University graduates constitute 42.8% of the workforce (+3.2% compared to 2018) and secondary school graduates 46.7% (-2.7% compared to 2018).
Overall at 31 December 2019, there were 570 people with disabilities or belonging to the protected categories.

Unipol follows the "**Charter for equal opportunities and equality at work**" and, as part of a process of continuous improvement and transparency, has defined precise guidelines in its personnel management policies to create a modern, respectful working environment that promotes opportunities for everyone.

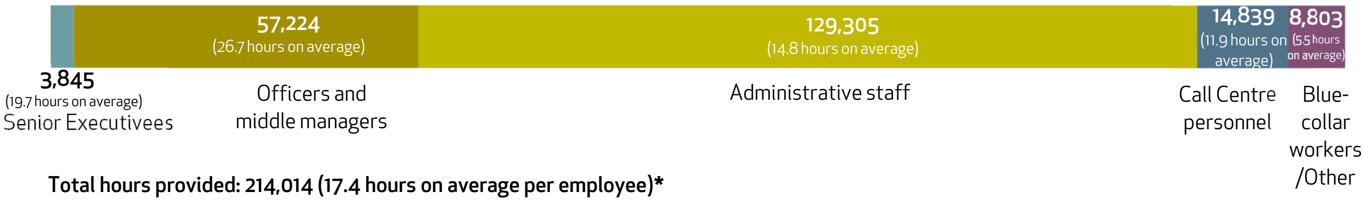
[6] The breakdown of employees by category and by age brackets shows that the majority falls in the 51-60 age range, comprising: 60% senior executives, 47% officers and middle managers, 32% administrative staff and 30% call centre personnel, while accounting for only 5% of blue collar workers. Vice versa, in the 31-40 age range, 2% are senior executives, 9% officers and middle managers, 34% administrative staff, 27% call centre personnel and 29% blue collar workers.

UNICA, the Unipol Group's Corporate Academy, is focused on professional **training** for all of the Group's structures present in Italy; on 2 July 2019, the Academy obtained the **ISO 9001:2015** Quality Certification.

In 2019 a total of €12.1m was invested in training for employees and agents (-13.8% compared to 2018 on a like-for-like basis): direct investments came to €5.3m, while indirect investments[7] amounted to €6.8m. In the Group, **more than 1m training hours were completed**, of which **82%** by the agency network and **18%** by employees, with **45%** by women employees (14.1 hours on average) and **55%** by men employees (20.4 hours on average)[8].
The hours of training are down slightly compared to the previous year, also in relation to the launch of the new Business Plan, entailing the deferment of training initiatives pending the activation of the actions set forth in the Plan. The most significant initiatives in 2018 included the Managerial Curriculum in Employee Management and Development (Master and Advanced), the concluding phase of which involved in the classroom in 2019 roughly half of the people compared to those participating in the previous year; lastly, in 2018, there was a peak in participation in the compulsory e-learning courses (Safety, OMM, Anti-Money Laundering, GDPR, Cyber Security), also due to the deployment of awareness-raising initiatives.

During the year 87% of the potential recipients were involved in training activities organised by Unica, up compared to the previous year. In particular, 9,937 employees and 28,702 secondary network agents and co-operators were reached.
For employees, 61% of total hours were classroom training, while for intermediaries on-line distance courses ("FAD") continue to represent the predominant training mode.
A total of 1,152 courses were created and held.

Training provided to employees by role and average hours by role



Total hours provided: 214,014 (17.4 hours on average per employee)*
The scope does not include the company CarServer, acquired by UnipolSai in the second half of 2019.

The new training activities activated in 2019 for employees aim to contribute to developing new professional skills to support the achievement of Strategic Plan objectives, as takes place in courses for Change Managers and Sales, Welfare and Life Tutors, which are new roles in the Sales and Welfare and Life Divisions, intended in particular to support the Agencies in their development processes, as well as developing widespread digital and emotional intelligence capabilities, like the Change Management course which over the three-year period will involve all colleagues who are changing role with a view to supporting them during this phase of transition.
The investment in younger colleagues continued with the launch of the second edition of the **Unipol Insurance Master Program**, which involves 20 recent graduates (selected from amongst 982 candidates) in an inter-functional training course that integrates classroom training with in the field experience, and the second edition of the Unipol Innovation Laboratory, as part of the **Next Generation** project, in which 47 young employees worked on their ability to develop innovative business proposals.

The company collective labour agreements entered into within the Group provide robust welfare programmes for all employees, including healthcare for family members, coverage for accidents, even outside of work, and supplementary pension protection.
To cover the workers of all sectors in which the Group operates, there are **16 Pension Funds**, in which 83% of employees are enrolled, **and 16 Assistance Funds**, of which 84% of employees are members.

These contractual instruments are accompanied by structured "second-level" corporate welfare policies, which translate into the design and promotion of services aimed at satisfying the most important needs of the various phases and conditions of life of all colleagues, targeted at improving their quality of life and facilitating more effective synergy between work and the responsibilities of family life. In 2019, the Group launched an innovative process of evaluating the impact of corporate welfare, to map and measure the effects of the

[7] Understood as the opportunity cost of employees, which to participate in training activities do not perform their usual work activities
[8] The training data do not include the CarServer company, acquired by UnipolSai in the second half of 2019.

initiatives not only for employees and their households, but also for the company and for society as a whole, and verify that the outcomes meet the objectives Unipol has set for itself in this area[9].

The **Health and Safety Management System** adopted by the Unipol Group to define the methods for managing aspects relating to worker health and safety in the workplace and the Group's real estate assets is inspired by the BS OHSAS 18001:2007 standard.
To support occupational health and safety, aside from routine activities such as workplace inspections, health monitoring and activities linked to properly following reference laws (around 5,400 visits made), voluntary health monitoring activity (around 2,500 participants) and work-related stress assessments continued in accordance with the INAIL 2017 Guidelines.
In 2019, on a like-for-like basis, the total number of accidents at work fell by 5% compared to 2018, due to the decrease in accidents in transit. As a result of the accidents recorded, more than 4,500 work days were lost.

Accidents [10]

Total number of accidents	182
of which % suffered by men	35%
of which % suffered by women	65%
of which % in the workplace	31%
of which % in transit	69%

Accident frequency by sector[11]	
Insurance	2.1
Real estate	9.6
Tourism	8.3
Healthcare	7.5
Other	0

Non-presence in the workplace due to reasons other than holidays, referring to all of the Group's Italian insurance companies, stood at roughly 9.2% of working days at 31 December 2019, stable with respect to 2018.

Basic training paths on safety were completed by 9,317 employees and 152 executives of the insurance sector companies operating in Italy. Refresher courses are also available for employees on the basis of frequencies established by regulations.
For the companies operating in Serbia, safety training involved 1,373 participants and focused on first aid and fire prevention.
In the diversified companies, 642 employees and 29 executives[12] were trained on the various aspects of worker health and safety.

On Mobility Management, the Home-to-Work Travel Plan (Piano Spostamento Casa Lavoro - PSCL) continued to be applied and has been extended to 9 different cities including around 40 offices.

The model of industrial relations which the Group, in concert with the trade unions, has consistently promoted, is inspired by discussion between the social parties as a method for identifying the most suitable solutions and instruments to handle topics like organisational flexibility and solutions for implementing the "People and Technology" area of the Strategic Plan.
In 2019, as part of the activities for implementing the Plan, a union agreement containing three points was signed:
- voluntary pre-retirement arrangements for employees meeting pension requirements by the end of 2023, with more than 800 pre-enrolments;
- leveraging of personnel by activating training programmes for professional mobility;
- hiring of 300 new professionals with permanent contracts, contributing to the development of the company's competitive capacity.

Over the year, negotiations were launched and developed for the renewal of the supplementary labour contract ("CIA") for the insurance sector, which will continue in the course of 2020.

Overall, for all Group companies, 125 meetings were held in the course of the year and 18 union agreements were signed. A total of 189,857 hours of union leave were used, 62 union meetings were held (dealing primarily with topics linked to the approval of the union platform for the renewal of the insurance sector CIA) and there were 116 hours of strikes in solidarity with national issues taking place outside the company, not specifically regarding the insurance sector.

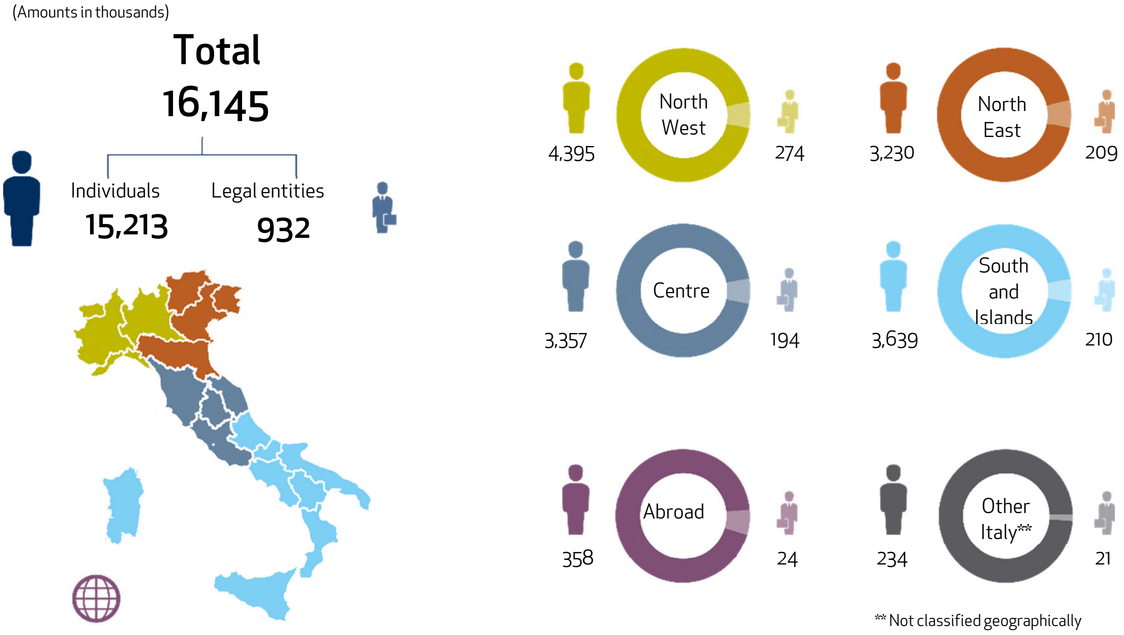
[9] Results of evaluation of impact of Corporate welfare are reported in detail in UnipolSai Group Sustainability Report
[10] The scope does not include the company CarServer, acquired by UnipolSai in the second half of 2019.
[11] Frequency rate=(number of events only workplace/ number of hours worked by all employees) x 1,000,000. Accidents in transit are excluded as no accident in transit took place when the transport was organised by a Group company.
[12] In the definition of executive training on safety, for UNA Group the deputy managers of the hotels are also included.

Social and Relational Capital

Customers

In 2019, the Group provided its services to 16.1m insurance customers, both individual policyholders and those insured by collective policies, up by 5% on a like-for-like basis.

Local customers/policyholders



The focus on customers begins with the start of the commercial relationship and continues throughout, including the monitoring of customer satisfaction.

Definition of new products and services

In compliance with the IDD regulation, the Group has adopted **Policies regarding product governance and control** for the Non-Life Business and for the Life Business, which define the controls to be adopted in the product design phase, up to and including its marketing, also envisaging monitoring over time throughout its entire life cycle. New products and services, as well as changes to existing products and services, are subject to a preventive audit of compliance with applicable regulations, which takes into account their consistency with the expectations of the customers for whom they are designed.

An understanding of insurance requirements is a key element of this process. In the definition of new products and services, the Unipol Group initiates **listening actions** with a broad public (for example through *surveys*) as well as more targeted and limited groups (with focus groups and interviews); this second method was adopted in 2019 to design the new product for agriculture, that intended for renewable energy generators and the product dedicated to the Third Sector. This approach makes it possible to gather important suggestions to develop adequate responses to the needs of various targets, particularly effective with regard to social and environmental needs, the satisfaction of which generates shared value.

Customer Protection and Responsible Sales

The Group Companies are committed to drafting offering documents according to the dictates of reference regulations, focusing particular attention on simple language, transparent information and the alignment of conditions within the various documents referring to the same product/service; the same attention to protecting the customer is adopted in developing advertising messages.

UnipolSai has also adopted instruments available to the intermediary, such as the "Consulenza Persone (Personal Advisory) Tool" to provide better support to customers in their insurance decisions, beginning with their personal, professional, income and risk profile characteristics.

The **Life Product Certification**, whereby the Group has guaranteed its customers respect for the values of transparency, fairness and product value since 2013, was confirmed on all products in the Investment Line, Savings Line and Pension Line in 2019. The certification calls for a compliance audit and quality certification of respect by UnipolSai of product regulations according to the values of transparency (complete, understandable and traceable information), fairness (clear and balanced cost) and product value (protection of capital and selected investments) by the certification body Bureau Veritas, regarding the processes of product development, investment and management of the post-sales relationship with customers.

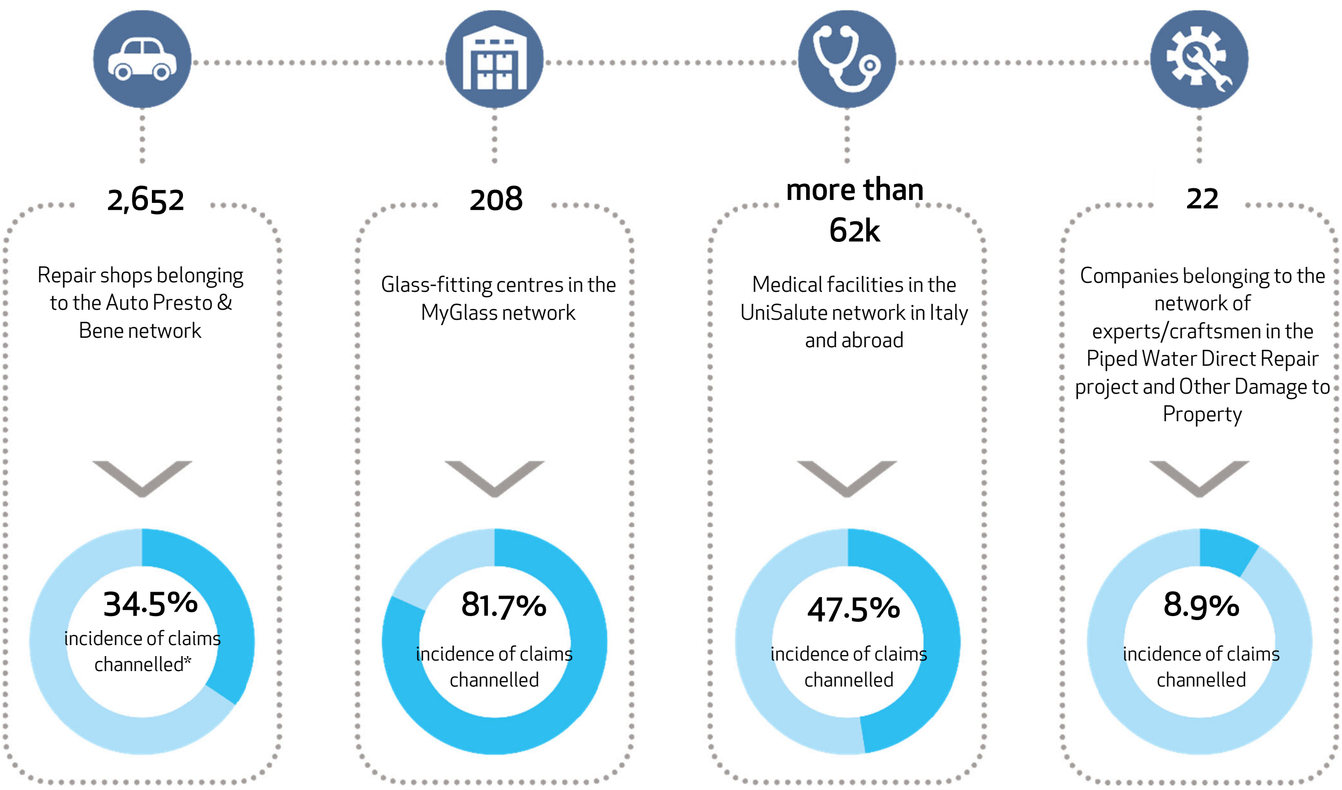
Internalisation of the service model

Over the years, the Unipol Group has built, and continues to enhance, a network of partners that enter into direct relationships with customers and accompany them by not only providing compensation for, but also resolving, the damages suffered by vehicles, individuals or property.

This internalised service model guarantees significant financial savings, aside from the service level ensured by the Group's skill in selecting its partners.

The policies underwritten with additional services amounted to 45.5% in the case of Auto Presto&Bene (AP&B) and 40.6% for My Glass, 13.9% for the network of craftsmen, 14.9% for interest-free loans (in 2018 it was 13.2%).

The impacts of direct repairs and channelling



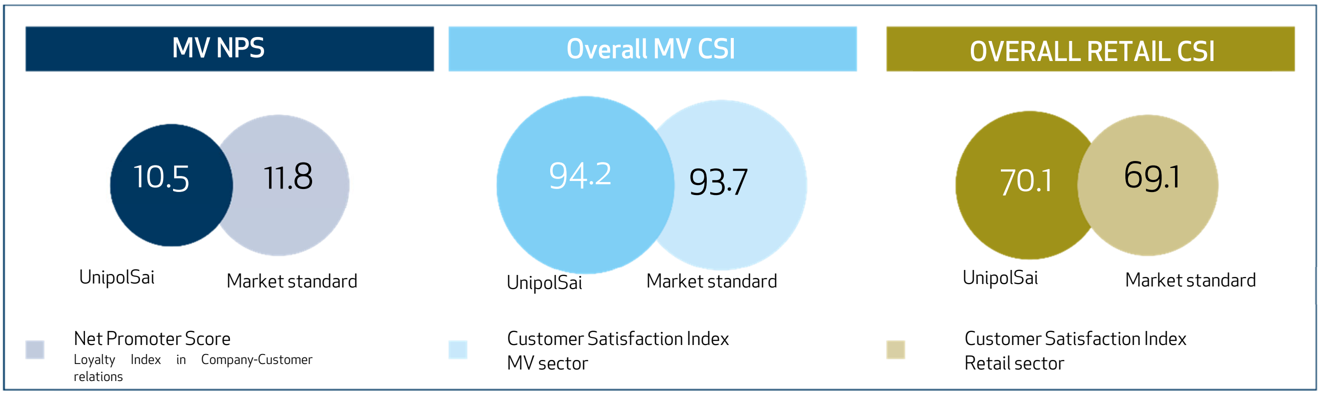
*the figure includes only the MV TPL business

Customers that acquire policies with additional services are more loyal (for example, the overall retention rate in the MV TPL segment is 87%, which rises to nearly 90% for those with policies including services provided by MyGlass and AP&B). Retention is strengthened even further when customers have the opportunity to try out those services, with even higher loyalty rates.

Satisfaction monitoring

The Customer Satisfaction analysis performed by UnipolSai in 2019 registered positive performance both compared to the previous year (+3.1 p.p.) and compared to the market standard (+0.5 p.p.). The result is determined primarily by relationship and service elements that positively characterise the Group's network. In 2019, the "NPS" (Net Promoter Score) customer satisfaction indicator was, like the traditional company market figure, down slightly (10.5 vs 11.3), but it is in any event very good: nearly one-third of customers is a promotor of the Company.

Customer satisfaction surveys in Italy

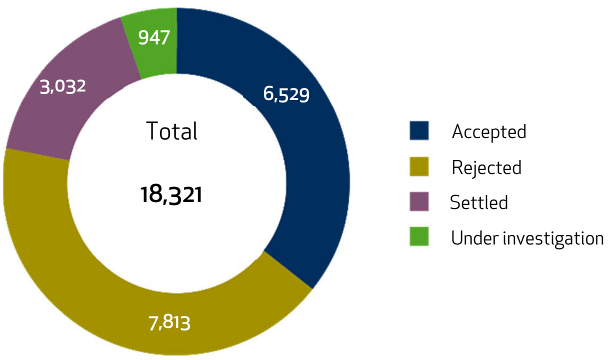


The agency network satisfaction and retention index of UnipolSai improved by 7% compared to the previous year, with an agent evaluation of 3.39 on a scale of 0-5 with a market benchmark sitting at 3.26.

Complaints management

In the course of 2019, IVASS complaints directed only to UnipolSai Assicurazioni totalled 13,450, down by 6% compared to the previous year. There were 0.401 complaints for every 1,000 UnipolSai contracts, basically unchanged compared to 2018 (0.429), while the incidence of complaints on claims (year 2019) dropped from 0.8% to 0.7%.

Breakdown of claims by phase and area (total for Italian companies)

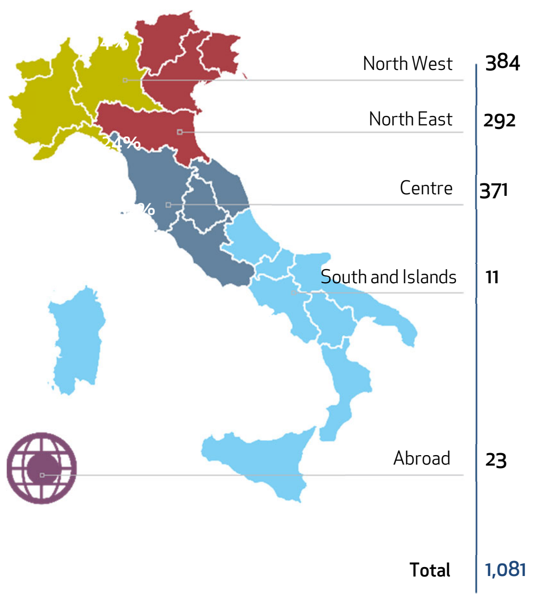


Suppliers

At 31 December 2019, the Group traded with roughly 4,800 companies, for total expense of €1,081m, of which 98% disbursed in Italy (excluding the foreign suppliers of the subsidiary Ddor Novi Sad).
To satisfy its various purchasing requirements, the Group acquires goods and services from large international groups, SMEs and innovative start-ups and social enterprises (cooperatives, associations, foundations and other organisations offering socially useful goods or services). Amongst the main cost items causing the increase in expenses compared to the previous year, miscellaneous services, real estate management and IT support services were particularly significant.

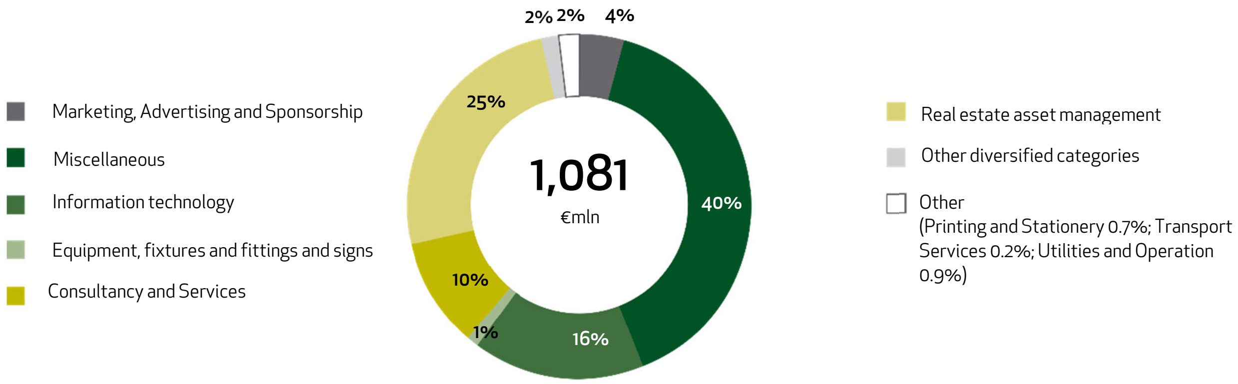
On these expense profiles, the supply chain is not especially complex, as no raw materials are purchased and no physical goods need to be delivered to customers.
Relationships with suppliers are governed by the Code of Ethics, and the Charter of Values, the OMM, the Code of Conduct and internal policies inspired by ethics, fairness and transparency. The details of this approach are presented in the "The monitoring of social, environmental and governance risks" section.

Value disbursed to suppliers by area €m*



*The graph does not include either the company CarServer, acquired by UnipolSai in the second half of 2019, or the company Ddor Novi Sad whose total expense came to €13.5m

Breakdown of suppliers



The figure does not include the company Ddor Novi Sad.

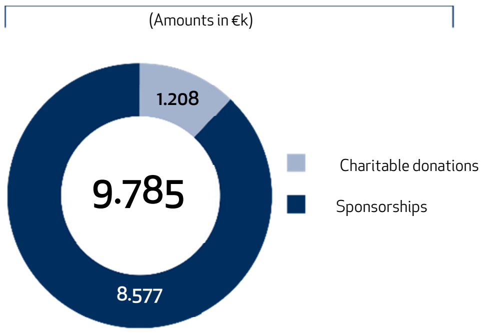
Community

For Unipol, the commitment to supporting and collaborating with the territories and communities in which the Group operates means, as set forth in the Charter of Values and governed by dedicated policies, contributing to the development and creation of cultural, arts and environmental protection, social benefit and scientific research, sport and entertainment support projects.
In 2019, the contribution to the community came to a total of €9.8m, up slightly (+2.7%) over the previous year on a like-for-like basis.

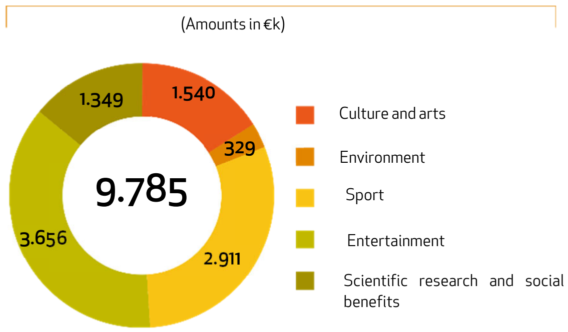
Aside from making non-repayable capital account contributions, Unipol works to create shared value and partnerships with local players in multiple initiatives to support its real estate. The most significant is that carried out with ItaliaNostra for improvements at the Bagni di Petriolo thermal springs, a project in which the first of three planned phases has been completed, involving a total investment of €1.7m, of which €1.1m in 2019.
Once again in 2019 the Group offered organisational support to and actively participated in the third edition of the Sustainable Development Festival organised by ASviS, the largest Italian initiative for sensitising and gaining support from residents, the younger generations, businesses, associations and institutions on sustainability issues and on the UN 2030 Agenda. For the 2019 edition, a total of 1,060 events were organised (compared to 702 in 2018), that energised every area of Italy.

Contributions to the community*

BY TYPE



BY AREA



* Excludes the contribution to the Unipolis Foundation. A report on the activities of Unipolis Foundation is published in the Mission Report, available on the website www.fondazioneunipolis.org.

Natural Capital

In line with the commitments assumed with regard to environmental responsibility and combatting climate change, the Group's environmental performance is constantly improving.

As regards the environmental impacts of the buildings, the **three-year real estate plan strategy is based on three axes:**

- **Projects (investments):** all activities relating to new buildings or significant renovations of existing properties (properties for business use and properties for use by third parties) are characterised by the use of technologies designed to maximise energy savings, also relying on renewable energy (examples of this are two projects under development in Milan, the multi-storey building under construction in piazza Gae Aulenti and the completion of a headquarters building on via De Castillia);
- **Facility Management / maintenance of existing buildings**: the Group's total real assets amount to nearly €4bn. The objective is to constantly improve energy efficiency through plant maintenance and upgrades (as regards properties for business use as well as those for third party use);
- the implementation and continuous consolidation of an energy management system certified in accordance with the **ISO50001 standard certification process**. At the end of 2019, all of UnipolSai's real estate assets were certified according to ISO 50001.

For the measurement of climate-changing emissions, the calculation methodology adopted is that laid out in Directive EU/85 of 2003 relating to the *emission trading scheme*, and the international classification proposed by the GHG Protocol standard - and picked up on in the GRI Standards (Global Reporting Initiative) - in Scope 1, Scope 2 and Scope 3. This approach promotes greater transparency and comparability of environmental data, including in comparison with other Companies[13].

[13] The source of the conversion factors, emission factor and of the global warming potential (GWP) is the guideline on the bank application of GRI Standards regarding environmental matters (Version of December 2018), drawn up by ABI (Italian Banking Association). With specific reference to emissions from purchased electricity (Scope 2), of companies operating in Serbia, the emission factor corresponding to the Serbian energy mix was used. The emission factors applied derived from the dedicated tool, the "Tool from purchased electricity" (Version 4.8, World Resources Institute (WRI), 2017),

Performance monitoring is performed according to the *location-based* approach for indirect emissions (Scope 2): on a like-for-like basis compared to 2018, there was an overall reduction in CO_2 emissions of 4.4% in 2019, reaching a value of 48,648 t CO_2 equivalent (3.94 t CO_2 per employee), accurately recorded for all the properties for business use.

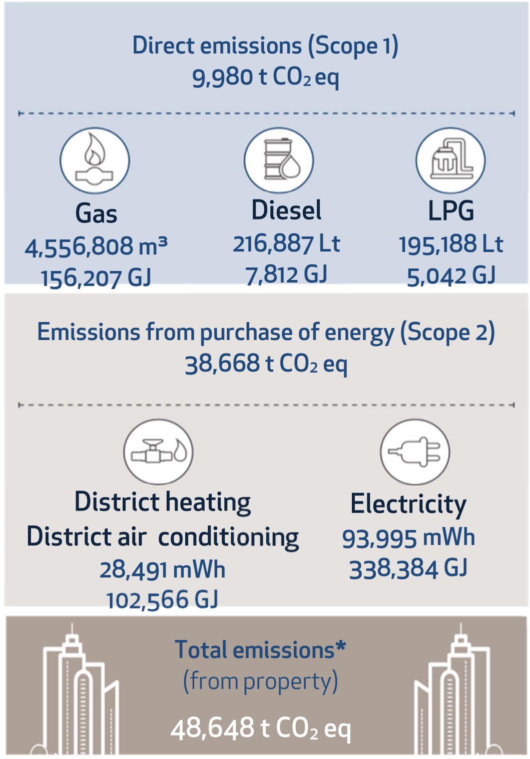
Since 2015, electricity supply contracts signed envisage that **100% of power supplied in Italy is from renewable sources**.

The reporting of indirect emissions (Scope 3) include those generated by employee travel and transfers (equal to 4,313 tonnes CO_2 eq, marking a decrease of 10% over 2018) and those generated by the transfers of customers with telematics devices (equal to 7,478,795 tonnes CO_2 eq).

The process of certification and surveillance according to the ISO 50001 standard by the independent body which periodically evaluates the management and operating procedures concerned the commitment to cut electricity and thermal consumption every year. The data relating to the scope of the ISO Certification, which includes the headquarters, properties for third party use and properties for settlement activities ("CLG" or Group Settlement Centres), show a total annual reduction in consumption of 4.0% for 2019.

Consumption was also impacted by actions to improve the efficiency of IT structures, one of the main sources of energy consumption after the heating and cooling systems. The server virtualisation process, which has now been completed, has made it possible to reduce the consumption of electricity to power and cool IT equipment by roughly 26,435 MWh/Year, corresponding to around 8,526 tonnes of CO_2 avoided.

As regards additional environmental impacts, the use of the water resource is primarily linked to hygienic uses; in limited cases it is also used for technological purposes in air conditioning systems. For hygienic uses, the water comes from the mains system or other water service management companies.
The total consumption in 2019 amounted to roughly 1.2 million m^3: water consumption was determined based on actual use for the diversified companies (around 600k m^3 can be attributed to the hotels) and for the large operating site buildings, including the foreign offices of the Serbian company DDOR Novi Sad, with the use of an estimation process for the other insurance offices.



* The scope of interest compared to the 2018 reporting period was expanded, with the inclusion of the operating sites of the Medical business, while consumption and emissions were not reported for the Banking business offices, as the sale of Unipol Banca to BPER Banca was completed on 31 July 2019, or for the operating sites of the company CarServer, acquired by UnipolSai in the second half of 2019. Therefore, for 2019, the consumption of electricity, gas and other energy sources for all other buildings over which Unipol has direct control is accurately determined, from the operating sites, to the diversified companies, such as Tenute del Cerro and Marina di Loano, and also the properties in which the UNA Group carries out its activities and the offices in Serbia.

Unipol, through document dematerialisation and internal recycling policies, is committed to reducing **paper consumption**: all of the paper acquired meets the requirements of the ECOLABEL environmental certification, quality certification ISO 9001:2008, FSC (Forest Stewardship Council) and ECF (Elemental Chlorine Free). In addition, in April 2019, the "recycled paper" project was introduced across all Group Companies, including in the sales network, leading to the gradual replacement of pure cellulose white paper with recycled paper purchased from the only European company in the sector with a "Cradle to Cradle®" certification on sustainability.
For **waste management**, the Group is following the directives of the various Municipalities for the collection and disposal of waste, as a result adjusting processes and procedures and proceeding where possible with its recovery or regeneration; in the course of 2019, for the Group offices, the recovery of waste paper by companies specialised in recycling and/or municipalised companies continued, and in 2020 services are expected to be optimised with the use of IT platforms to organise waste collection.

provided by GHG Protocol. Lastly, with reference to Scope 1 emissions deriving from consumption by the company fleet, the 2018 DEFRA (UK Department for Environment, Food & Rural Affairs) coefficients were used.

With respect to the collection of toner, the procedure in place for the Group offices has been extended to all agencies. Waste considered hazardous (neon tubes, batteries, etc.) are disposed of separately in the appropriate manner, in accordance with regulations in force, through specialised firms and in line with the rules on compulsory record keeping.

Management of environmental impacts

DIRECT IMPACTS

Area	Policy	Action
Energy	Building consumption monitoring and reduction	Completion of the monitoring scope for insurance business premises
		ISO 50001 and Energy Audits to identify efficiency improvement action
	Optimisation of employee mobility	Commuting Plan for the reduction of impacts from transport (traffic flows study, promotion of public transport, train, bike sharing, carpooling, infomobility)
Water	Definition of consumption reduction actions	Monitoring expansion
		Infrastructure works to reduce consumption
Consumption of materials	Consumption monitoring and reduction	Dissemination of internal environmental awareness
		Promotion of separate waste collection
	Dematerialisation	Adoption of technological opportunities to reduce paper consumption (digitalisation, digital signature)
	Purchase of low-impact materials	Strengthening and extension of ecological criteria in procurement tenders

INDIRECT IMPACTS

Area	Policy	Action
Environmental impacts of policyholders and investments	Promotion of products and services that reduce customers' environmental impact	Support and promotion of green economy through specific products, direct investments and lines of credit
Environmental impact of suppliers	Engagement and reduction of suppliers' environmental impact	Experimentation of best practices and know-how
		Start-up of the ESG risk control system throughout the entire supply chain

Shared value: the impacts generated by the Unipol Group

NFS

Satisfaction of security and social well-being requirements

Against the increasing social and healthcare assistance and pension needs of the population, the Unipol Group aims to consolidate its leadership in the healthcare segment and its important role in the pension segment by developing an increasingly integrated offer of Welfare and Life products and enhancing it with services, with a particular focus on those oriented towards prevention.
To confirm its role as a central player in the process of integrating public and private welfare, in 2019 Unipol reached **11.3% of Italian citizens** with its welfare (Health and Life) coverage (up by more than one percentage point compared to 2018[14]).

From the perspective of healthcare solutions, the Group is committed to boosting accessibility to services by trying out innovative customer management and care models as well as through IoT and telemedicine, and by developing the network of affiliated medical facilities.
As regards non-insurance products and services, trials are under way to improve the quality of life of customers, reflected in a focus on personalised diets and exercise, as well as higher awareness of prevention, treatment and symptom evaluation.
To facilitate access to prevention and treatment, the Group has placed further attention on SiSalute Cards, which can be used for medical visits and exams and to access physical therapy services at discounted rates at affiliated medical facilities, and thus represent an instrument to protect the health of individuals, making it possible to rapidly access high-quality healthcare facilities at below-market rates. At 31 December 2019, SiSalute had sold over 35k Cards.

The Unipol Group has retained its leading position in the supplementary pension sector.
At 31 December 2019, with the subsidiary UnipolSai Assicurazioni, it managed 25 mandates for **Occupational Pension Funds** (two more than at the end of 2018), of which 19 for accounts "with guaranteed capital and/or minimum return", for a total of €4,777m (of which €4,093m with guarantee).
At 31 December 2019, the assets of the **Open Pension Funds** managed by UnipolSai and BIM (UnipolSai Previdenza FPA, Fondo Pensione Aperto BIM Vita) reached a total of €908m (+6.6% compared to 2018) with 42,277 members.
The "Bilanciato Etico" segment, one of the seven segments of the UnipolSai Previdenza Open Pension Fund, invests its €71.7m in assets in a diversified portfolio of primarily bonds and, marginally, equity instruments in the Eurozone which are fully managed according to ESG criteria.

Training continued to be provided to the 773 (end of 2019) **Family Welfare Specialists**, specialised in providing consulting to families regarding Individual Life and General Class Individuals line (Accidents, Health) products and services; a new organisational structure consisting of **Welfare Consultants** was also created, to support the network in the development of Welfare Plans dedicated to entrepreneurs, their companies and their employees.

The Group also meets security needs with new property protection services. In 2019, it sold 11,200 policies with telematic devices to protect homes from the risk of theft or detect smoke, flooding and gas leaks.

Support in the transition towards more efficient, safe and sustainable mobility

TCFD

Unipol's contribution to safer mobility takes shape first and foremost in the services connected to **telematics** applied to Vehicles. The more than 4m customers with black boxes installed represent 44% of the total MV portfolio; aside from more rapid and effective claim management, they benefit from automatically sent assistance, as well as emergency responders when required, thanks to geolocation and automatic data acquisition, which makes it possible to rapidly identify the potential severity of accidents to send the most appropriate responders.
The installation of black boxes is also connected to an incentive to reduce vehicle use and rely on other means of transport with less of an impact on the environment to meet mobility requirements. Indeed, the "KM&Servizi" product includes a "mileage" based rate option, in which the premium is calculated on a series of parameters, one of which is the kilometres driven.

[14] The figure reported in the 2018 Integrated Report is 10.7% coverage of the Italian population. In 2019, an IT system development made it possible to improve the quality of the data used to make this calculation, completely eliminating estimations in favour of the use of only precise data and thus avoiding any possibility of double counting between policyholders in the welfare area and in the pension area. The precise figure relating to 2018 was then reconstructed and this calculation methodology will be used from now on.

In 2019, the Group expanded its mobility and connected services offerings to strengthen its capacity to respond to the overall and diversified needs of those who travel by car.

The acquisition of **Car Server**, the sixth Italian operator in long-term rental (as well as one of the businesses that is most active in electric mobility) provides a further drive to the innovative long-term rental service proposed by the UnipolSai Agencies, aiming to offer private individuals the possibility to transition from ownership to use of a vehicle while maintaining their merit category and taking advantage of a number of services.
The UnipolSai App has been integrated with the possibility to pay for parking in major Italian cities, as well as fines and road taxes. This application provides notices about weather alerts that may cause damage to individuals and property.
In the initiatives already carried out and those soon to be implemented, the Group primarily adopts a partnership approach with public and private parties alike, in order to boost the opportunities made available to customers and the value shared with stakeholders.

Linear has developed the **BestDrivers** project to raise driver awareness of driving risks and promote a safe approach. An App, which can be downloaded free of charge, evaluates the driver's style behind the wheel by considering factors like distraction, aggressive driving and excessive speed. Within the application, users are able to monitor their trips and reports regarding their driving behaviour; a bonus system provides incentives to safe drivers. The App, available since spring 2019, has been downloaded by over 50,000 drivers.

Contribution to the growth of the country, supporting SME development and increasing insurance knowledge

TCFD

The Group's corporate customers are for the most part SMEs, in keeping with the fabric of Italian business. To meet the needs of these companies, the Group is increasingly integrating its offer with services and conditions which, on one hand, promote and support prevention, understood as an approach which facilitates the continuation of conditions of insurability of the individual players and overall sustainability for the Company, and on the other hand facilitate the recovery of economic activity in the case of a claim compromising it, recognising this as a key element for the competitiveness of the players involved. The areas of intervention on which the new products, new guarantees and new services are focused very often relate to the risks that have recently become priorities in the concerns of businesses and the system overall, and which are growing in frequency, such as risks connected to climate change and cyber risk.

With respect to the first topic, some of the solutions developed or strengthened in 2019 include:
- the new **product for agricultural and agri-tourism companies**, which provides insurance coverage for climate events which are now striking the crops of policyholders even in geographical areas that were not subject to these concerns in the past, and includes a "special organic indemnity" which recognises a supervaluation of 20% of the compensation for organic products;
- the "**Energia Sole**" insurance product for companies that generate energy from renewable sources, a solution aiming to enable and support the companies that contribute most to the transition towards a low carbon-emission economy. It simultaneously covers all renewable sources and may be a solution for energy communities;
- the "**Pronta Ripresa**" guarantee, which makes companies affiliated with the Company that are specialised in Disaster Recovery and Business Continuity available to policyholders, thus reducing indirect economic damages.

In terms of prevention, UnipolSai has developed a predictive model capable of warning customers in advance regarding the risk of strong hail, strong wind, rain and snow by sending alert messages through the UnipolSai App or SMSs, and has made available for use on tablets or smartphones the **CRAM Tool**, an instrument for the self-assessment of climate risks designed to help Italian SMEs deal with extreme weather events, used at the end of 2019 by more than 6,000 users.

In relation to the **risk of cyber attacks**, the Group has developed increasingly broad and detailed guarantees, which are able to significantly mitigate their consequences through concrete interventions and indemnities for a broad range of cases. These include, for example, indemnity for expenses incurred to resolve software malfunctions and restore damaged files in the case of cyber attacks, indemnity for the removal from the internet of information which is harmful to one's reputation or for the undue use of data in the case of file intrusions, and also (like in the case of the product for generators of photovoltaic energy) indemnity for damages to plants, even if deriving from cyber damages.

For **Third Sector Entities**, fundamental players in maintaining the social fabric, there is a new dedicated product designed for associations and organisations, which is broken down into five macro areas, or uniform groups of activities aggregated based on the economic and social purposes they pursue: volunteerism, amateur sport, social relationships and culture, childhood and other temporary duration events. At the end of 2019, the UnipolSai "Terzo Settore" policy had earned premiums of €2.7m.

The Group is continuing to invest in training and in the recruitment within the UnipolSai Agencies of individuals specialised in providing consulting to businesses and professionals, or **Business Specialists**; at the end of 2019, there were 649 of these professionals, of which 154 hired in 2019.

Support to the realisation of the 2030 Agenda and contribution to combatting the climate emergency

TCFD

Beyond the contribution provided to goals 3, 8 and 11, as described above, Unipol contributes to the fulfilment of the 2030 Agenda overall through its activities and decisions in the insurance realm and in investments, as well as with the positions that it takes as a large Group in our society; amongst the SDGs, particular attention is placed on those aiming to combat climate change, perceived both internally and externally as a priority and an urgent issue.

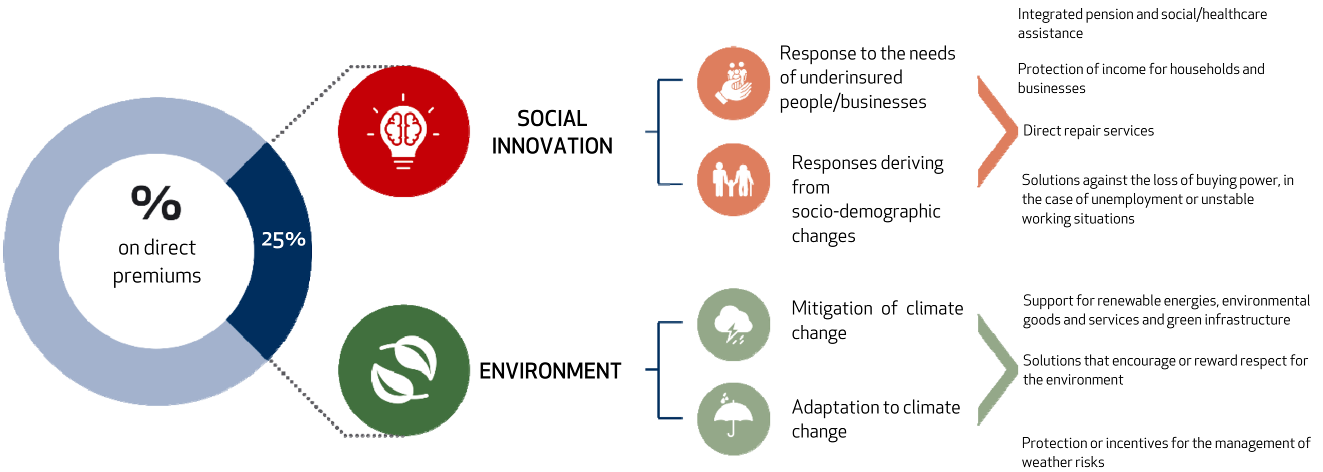
Products and services with social and environmental value

The Group contributes to reaching the Sustainable Development Goals by identifying distinctive insurance solutions that integrate economic growth and socio-environmental value.

In 2019, the premiums from the sale of these policies amounted to €2,416m, representing 25.5% of direct premiums[15] (**up by 2.9 percentage points** compared to the previous year).

To be classified as a "sustainable solution", a product or service must be capable of responding to social requirements by improving people's lives, having a positive environmental impact or responding to climate concerns.

The impact of products and services with social and environmental value



To ensure greater granularity, this representation does not include premiums relating to telematic devices. The impacts of black boxes, as also highlighted in the previous chapters, regard both social aspects (in terms of security and combatting fraud) and environmental ones (promotion of sustainable behaviours through mileage based rates).

[15] For more significance, the percentage is calculated on the total of direct premiums for Non-Life products and on premiums relating to the corresponding product families for Life products.

The impacts of climate change on the insurance business

Climate change is generating increasing effects on the core insurance business. After 2018, which was impacted by damages caused by the "Vaia" storm in North-Eastern Italy, the year 2019 was also characterised by the significant results of **adverse weather events** on the Non-Life claims frequency, which was however absorbed for the most part by reinsurance cover. On 31 December 2019, the combined ratio, net of reinsurance, was 94.2% (as in 2018). This includes 4.1% linked to atmospheric events (3.9% in the previous year), particularly hail events in summer 2019 which struck urban areas with a strong UnipolSai insurance penetration. To combat the risk of an increase in technical risk due to the increasing frequency and severity of claims, as a result of climate change, in 2019 the Group committed:

- to launch a specific **Project ("Atmospheric Events")** intended to equip the Group with tools (capital and pricing models, additional alert and prevention systems, new reinsurance cover) capable of supporting the development of products and the underwriting process in a market characterised by increasing demand;
- to adjust the **reinsurance strategy** to take into account emerging risks, also through the development of an innovative reinsurance tool (Atmos Re I) dedicated to the "annual aggregate" cover of natural disasters that are average in extent, for which an automatic algorithm was developed for the temporary aggregation of events enabling investors as well as reinsurers to follow their trends in real time.

Insurance skills to support system resilience

In 2019, UnipolSai continued to be committed to the **LIFE DERRIS** project, a public-private partnership with which Unipol has activated a consolidated process for the engagement of SMEs (UnipolSai customers and others), the public administration (Municipalities and Regions) and representative organisations (Chambers of Commerce and trade associations) on the risks linked to climate change and possible prevention and risk management interventions for companies. This project is intended to boost the awareness of all players regarding risks that are still highly underestimated and provide specific climate change risk management skills by organising training meetings, designing *webtraining* videos and developing a climate risk self-assessment web tool that is available free of charge. In 2019, 4 training meetings were organised (in Almese, Avigliana, Bassiano and Milan). Aside from the users of the CRAM Tool mentioned above, more than 270,000 people were informed about this topic through a UnipolSai campaign on the LinkedIn platform in December 2019.

The climate impact of the investment portfolio

The Unipol Group is fully committed to providing its contribution to achieving the goals of the 2015 Paris Agreement[16] and is gradually structuring tools that support the diagnosis of its climate impacts and the definition of objectives for improvement within an evolving context. In this sense, investment activities are a fundamental area for oversight and intervention for a financial sector company, both with a view to reducing the impacts of its portfolio and to support the economic system in the transition towards a low-carbon emission economy.

This is why, although there is still no shared methodology at global level for calculating climate risk and assessing opportunities for financial portfolios, in 2019 the Unipol Group initiated a process of measuring the *Carbon Footprint* and the future alignment with the objectives of the Paris Agreement (*Climate alignment*) of its financial portfolio, in order to manage and monitor the alignment of its investment model with global climate change **mitigation targets**. The measurement was performed with the support of Carbon4 Finance[17].

Amongst the multiple metrics subject to analysis, the main ones are addressed in this Report[18]:

- Intensity of induced emissions (Scope 1, Scope 2 and Scope 3), measured for Corporate Shares and Bonds in tCO2e/M€ enterprise value and for Government Bonds in tCO2e/M€ GDP;
- *Climate Alignment*, or the contribution of the activities of issuing companies and countries to global warming, expressed in temperature, so as to highlight the portfolio's forward-looking alignment with international climate objectives

Projecting the CO_2 emissions of the Group's total portfolio at 2030, on the basis of the national contribution determined for each country and given the current asset allocation and selection of issuers, the *Climate Alignment* is 2.1°C, due to the prevalence in the Unipol portfolio of government bonds and, amongst these, of bonds issued by European countries. The point of reference to be observed to define the path of development in this area is the 2015 Paris Climate Agreement, which has the long-term goal of limiting the increase in the global average temperature to well below the threshold of 2 °C above pre-industrial levels, and of continuing efforts to limit that increase to 1.5

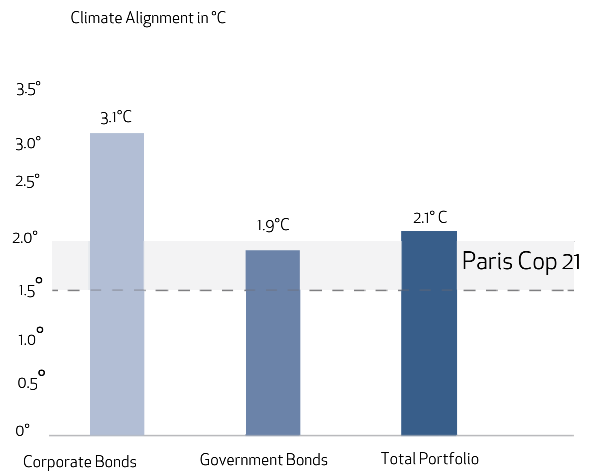
[16] The Paris Agreement is an agreement between the member states of the United Nations Framework Convention on Climate Change (UNFCCC); the long-term objective is to limit the increase in the average global temperature to well below the threshold of 2 °C over pre-industrial levels, and to continue efforts to limit that increase to 1.5 °C, since this would substantially cut the risks and effects of climate change.

[17] Carbon4 Finance belongs to the Carbon 4 group, a leading independent consulting firm specialised in low carbon strategies and adaptation to climate change. Carbon4 Finance is the spin-off company focusing on providing climate data solutions to investors and credit institutions.

[18] Details on the methodologies used and detailed results are provided in the 2019 Sustainability Report of the UnipolSai Group and on the website www.unipol.it

°C[19]. A particular point of attention regards the potential contribution to warming of the corporate bond portfolio which, in line with the commitments undertaken in the new policy governing investment processes, will be subject to monitoring and interventions so as to reduce the impact currently predicted.

Climate impacts of the investment portfolio



Intensity of induced emissions

Corporate Bonds	159.18 tCO2/ M€ invested
Government Bonds	85.39 tCO2/M€ in debt acquired
Total Portfolio	92.93 tCO2/M€ amount invested

As regards the composition of the portfolio, the Group has calculated how much of its investments relates to "*carbon-related" assets*.

"Carbon-related" assets in the Corporate portfolio *	Amount (in €m)	% of Total porfolio**	% of Corporate portfolio**
TOTAL	996	1.8%	7.4%
of which SHARES	105.8	0.2%	0.8%
of which CORPORATE BONDS	890.2	1.6%	6.6%

*"Carbon-related" assets refer (according to the definition provided by the TCFD Recommendation) to those linked to the Energy and Utilities sectors (according to the Global Industry Classification Standard - GICS sector classification), excluding Water Utilities and Independent Energy Producers (PPI) and Renewable Energy Producers.
**The percentage refers to the portfolio of listed securities of the Unipol Group at 30 September 2019.

The growing awareness determined by this measurement process supports the implementation of the Group's climate strategy on investments, the most important elements of which are represented below within a systematic overview.

[19] To have a point of reference with respect to the current global situation, the Intergovernmental Panel on Climate Change (IPCC) has estimated that, if emissions continue to rise at current rates, the temperature increase could reach 4°C above pre-industrial levels in 2100 (RCP 8.5); if instead only limited containment actions are implemented, with the increase in emissions until 2080 and then their reduction (RCP 6.0), the increase could exceed 3°C.

Integration	Investment	Limits to exposure	Active Shareholder base	Support	Disclosure
Integration of ESG factors, including environmental ones, in the assessment of investments for all asset classes as of 2012. Since 2019, the "SRI Investment Policy" (see the "The monitoring of social, environmental and governance risks" section) with an improvement in control over risks and opportunities linked to climate change.	Target increase from 326m to 600m (+84%) between 2019 and 2021, of thematic investments, of which roughly 70% contributes to combatting the climate emergency (see next paragraph).	Exclusion from new investments of companies linked to mining and coal-fired power generation. (see "The monitoring of social, environmental and governance risks" section).	Participation in collective engagement initiatives such as Climate Action 100+ (as of 2017) to engage the companies that generate the most greenhouse gas emissions, and assessment in the coming years of extending the commitment to other forms of pressure towards a low-emission economy. Active engagement through side letters with Real Asset and Private Equity Funds.	Support and active participation in initiatives promoting a low carbon economy: i - CDP Investors ii - Talanoa call For Action iii - UN PRI iv - Global Compact v - Italian Sustainable Finance Forum.	Disclosures relating to TCFD and CDP. Inclusion in the disclosure to members and potential members of supplementary pension plans of the climate impacts of products starting from 2020.

Investment decisions for SDGs and combatting climate change

The management of the Group's financial portfolio creates shared value through the *Responsible Asset Management* lever.

In this area, aside from defining and implementing the internal policy supporting the SRI approach (see details in the Governance Chapter, "The monitoring of social, environmental and governance risks"), Unipol has a structure dedicated to making and managing **alternative investments**, which include *private equity, real assets and hedge funds*, selected through dedicated *due diligence* aiming to identify activities that are significant for SRI purposes. The process requires not only traditional financial analyses, but also the analysis of socio-environmental and governance criteria and the mapping of sustainability risks that may have a reputational impact. Investments with these characteristics grew overall by **18.1%** in 2019, and those for **combatting climate change** by **22.8%**; in this area, the Strategic Plan calls for reaching €600m invested in support of the 2030 Agenda in 2021.

In the table below, the investments are classified on the basis of their positive impact on the different SDGs.

Thematic and Impact Investments

Issue	Value € mln	SDGs
Renewable energy, eco-efficiency	274.2	7, 13
Sustainable mobility	33.4	11
Digital networks and Infrastructures	23.0	9
Sustainable forest management	22.5	15

Issue	Value € mln	SDGs
Residential care and social assistance	19.0	3
Sustainable Consumption and Production	5.4	12
Sociale Housing	3.2	11
Training and culture	2.4	4
Water	2.2	6

TOTAL € 385.3 mln

Strengthening of reputation

The trust built over time by the Unipol Group is considered a fundamental asset to continue to successfully evolve within an insurance business in which trust constitutes the foundation of development possibilities.

Unipol started its Reputation Management programme in 2014, progressively structuring internal controls until formalising (in early January 2020) an **integrated governance model** which clearly identifies the processes to be implemented and the parties involved, with a view to even further increasing the efficiency of the management of the Group's reputation and reputational risk.

Specifically, two dedicated bodies were established:

- The **Reputation Network**, consisting of managers of the corporate areas overseeing Group relationships with all internal and external stakeholders, which has the task of guaranteeing the proactive management of reputation and reputational risk, contributing to developing the reputational culture within the Group, and reputational index accountability, included within the company's incentive system (see "Remuneration system and incentives" section);
- the **Operational Reputation Management Team**, consisting of Media Relations and the Emerging and Reputational Risk function, which coordinates the Unipol Group's Reputation Management activities (also as regards the impact of ESG factors on reputation, see "The monitoring of social, environmental and governance risks" section).

The proactive management of reputational risk hinges on the prompt reporting of any signs of risk linked to the company's values and *core business,* which can find space in the media, including social media, or within day-to-day operations.
As a result of this structured approach, the reputational index of the Unipol Group with public opinion in Italy, measured according to the Reputation Institute's **RepTrak®** analysis model, grew in 2019 to 69.7[20] (+0.7 points over 2018) on a 100-point scale. This value falls within a "moderate" reputational segment.
The points of strength of the Unipol reputation, in the perception of citizens, are its products and services, which are considered reliable; the prompt management of claims and the high level of customer assistance; the search for and development of technological solutions; capital strength and strong outlooks for growth.

Reputational indexes have also risen significantly with employees (reaching 81.4), agents (89.4) and customers (77.2).

For a detailed analysis illustrating the strategic and proactive approach to emerging and reputational risks, please refer to the "Reputational & Emerging Risk Observatory" and "Reputation Management" sections on the unipol.it website..

Positioning in ESG ratings

The increase in reliability and trust can also be measured through the non-financial assessments of the ESG rating agencies that evaluate the actions of Unipol Gruppo and UnipolSai Assicurazioni from the perspective of sustainability performance, or on the basis of the ESG practices deployed by the Companies. The scores obtained from the main ESG rating agencies constitute an external, independent recognition of the quality and transparency of the information provided.
These scores are reflected in the presence of Group Company securities in more than 20 SRI indexes belonging to the following series:

COMPANY	UNIPOLSAI ASSICURAZIONI SpA	UNIPOL GRUPPO SpA
SERIES OF SRI INDEXES IN WHICH THE SECURITY IS PRESENT	STOXX	STOXX
	Solactive ISS	Standard Ethics
	FTSE4Good	ECPI
	Standard Ethics	
	ECPI	
	S&P	

In 2019, UnipolSai received an **EE+ rating**[21] (up compared to the previous EE) from Standard Ethics, an independent provider of sustainability ratings requested by the company.

The Group is also present in the portfolios of the main Pension Funds, which represent international best practices in terms of sustainability in investment choices; these include for example the Norwegian sovereign fund Government Pension Fund Global, the French FRR - Fonds de Reserve pour le Retraites, the Californian government pension fund CalPERS (which have both Unipol Gruppo and UnipolSai Assicurazioni securities in the portfolio) and CPP – Canada Pension Fund (which invests in UnipolSai Assicurazioni.

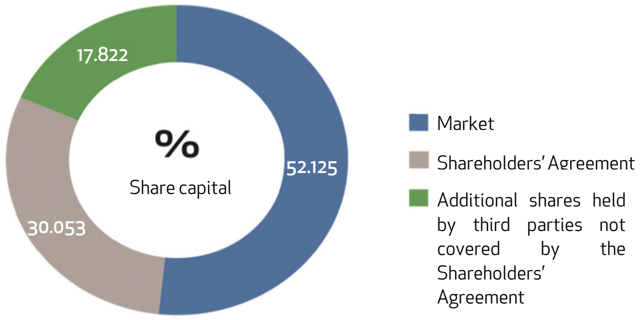
[20] The index is the average of the monthly surveys performed throughout the year
[21] On a scale of 9 steps running from F to EEE, with the latter representing the best rating.

GOVERNANCE

NFS TCFD

Corporate Governance

No significant changes to the Company's main shareholders occurred in 2019.
The list of direct Shareholders with more than 3% of the ordinary share capital at 31 December 2019 is as follows:
Coop Alleanza 3.0 Soc. Coop.;
Holmo S.p.A.;
Nova Coop Soc. Coop.;
Cooperare S.p.A.;
Coop Liguria Soc. Coop. di Consumo.



SHAREHOLDERS' MEETING
The Shareholders' Meeting is the body that expresses the will of the company via its resolutions; the resolutions it passes in compliance with the law and the By-Laws, including the numbers abstaining or against. The Board of Directors considers the Shareholders' Meeting, even in the presence of a broad diversification of the methods for communication with Shareholders, a significant moment for fruitful dialogue between the Directors and Shareholders, also in compliance with regulations on price sensitive information.

BOARD OF DIRECTORS

CHAIRMAN
Legally represents the Company and exercises the powers laid out in the By-Laws.

CHIEF EXECUTIVE OFFICER/ GROUP CEO
Responsible for the operating guidance of the Company and the Group, in line with the general programmatic and strategic policies defined by the Board of Directors.

Board of Statutory Auditors
Exercises supervision over observance of the law and the By-Laws, respect for the principles of proper management.

Independent auditors
PricewaterhouseCoopers S.p.A., the external auditor responsible for the legally-required audit of the accounts.

Chairman's Committee
Carries out an advisory and support role in identifying development policies and the guidelines of the Company's and the Group's strategic and operating plans.

Appointments and Corporate Governance Committee
Carries out a propositional and advisory role in the identification of the optimal composition of the Board of Directors and in the definition of the Company's corporate governance system.

Control and Risk Committee
Provides a judgment to the Board of Directors on the definition of the guidelines of the Internal Control and Risk Management System, to ensure that the main risks facing the Company and the Group (including ESG risks and, first and foremost, those linked to the climate), are correctly identified, and adequately measured, managed and monitored.

Related Party Transactions Committee
Carries out an advisory, discussion and propositional role with respect to transactions with related parties, in compliance with the provisions of current regulations.

Remuneration Committee
Carries out an investigative, propositional and advisory role regarding remuneration.

Sustainability Committee
Appointed to establish sustainability guidelines and the operational coordination necessary for fully achieving the sustainability goals. Supports the administrative body in defining the model for identifying, assessing and managing the main ESG risks, including in particular those linked to the climate.

Ethics Committee
Carries out advisory, propositional and decision-making functions relating to the content and purposes of the Group's Code of Ethics, for which it is the main manager, along with the Ethics Officer, for its promotion, proper interpretation and implementation.

For detailed information on the duties and responsibilities of the Sustainability Committee, please refer to the Report on Corporate Governance and Ownership Structures, available in the "Governance" section of the Unipol Group's website.

BOARD OF DIRECTORS

The Board of Directors is vested with the broadest powers for the ordinary and extraordinary management of the Company. Therefore, it is able to carry out all deeds, including disposals, that it deems appropriate to achieve the corporate purpose, excluding only those that the law expressly places under the responsibility of the Shareholders' Meeting.

MEMBERS OF THE BOARD OF DIRECTORS APPOINTED BY THE SHAREHOLDERS' MEETING OF 18 April 2019 (*)

Chairman **Stefanini Pierluigi**
(a) Vice Chairman **Dalle Rive Ernesto**
AD / Group CEO / DG **Cimbri Carlo**

(a) **Alemagna** Paolo
Balducci Gianmaria
Datteri Roberta
De Luise Patrizia
Desiderio Massimo

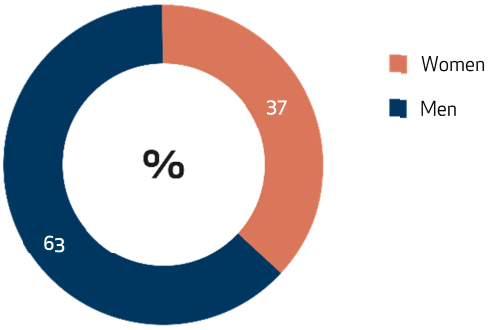
(a) **Ferrè** Daniele
Gualtieri Giuseppina
Morara Pier Luigi
Mundo Antonietta
(a) **Pacchioni** Milo

Pasquariello Maria Antonietta
Trovò Annamaria
(a) **Turrini** Adriano
Zambelli Rossana
(a) **Zini** Carlo

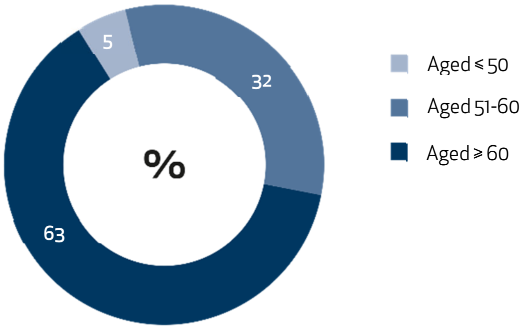
Executive | Non-executive | Independent, per Code and Consolidated Law on Finance (1) | Independent solely per Consolidated Law on Finance

(1) Indicates whether the Director has been classified by the Board of Directors as independent in accordance with the criteria laid out by the Corporate Governance Code and at the same time meets the independence requirements established by Art. 148, paragraph 3 of the Consolidated Law on Finance.
(a) Director excluded, with reference to 2019, from the group of independent directors given that, taking into account the "Fit&Proper Policy" and the current shareholding structure of Unipol, all company directors that are: i) members of the Management Committee of the shareholders' agreement that connects certain Unipol shareholders or ii) key representatives of the Company's major shareholder, are herein not considered as independent.
(*) At the date on which this Report was drafted, the administrative body consisted of 18 Directors, following the premature demise of Director Francesco Berardini.

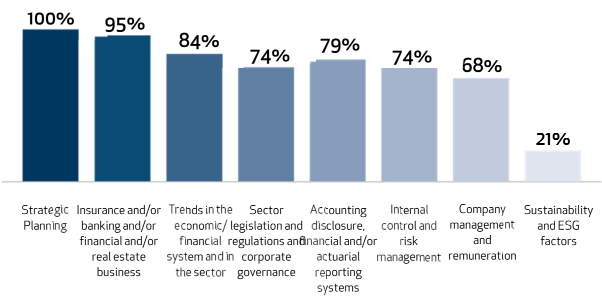
BoD - Breakdown by gender (b)



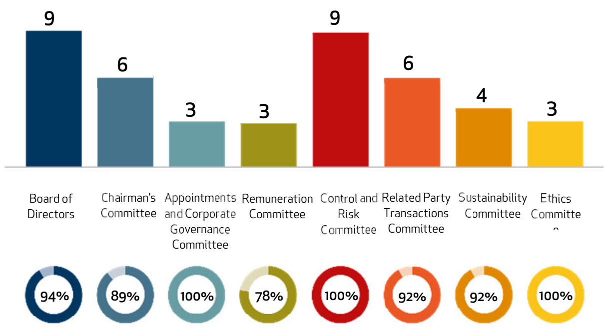
BoD - Breakdown by age (b)



Skills (b)



Number of meetings and attendance rate (c)



(b) Referring to the Board of Directors in office as of 18 April 2019.
(c) Referring to all of 2019.

For detailed information, please refer to the Report on Corporate Governance and Ownership Structures, available in the "Governance" section of the Unipol Group's website.

Internal Control and Risk Management System

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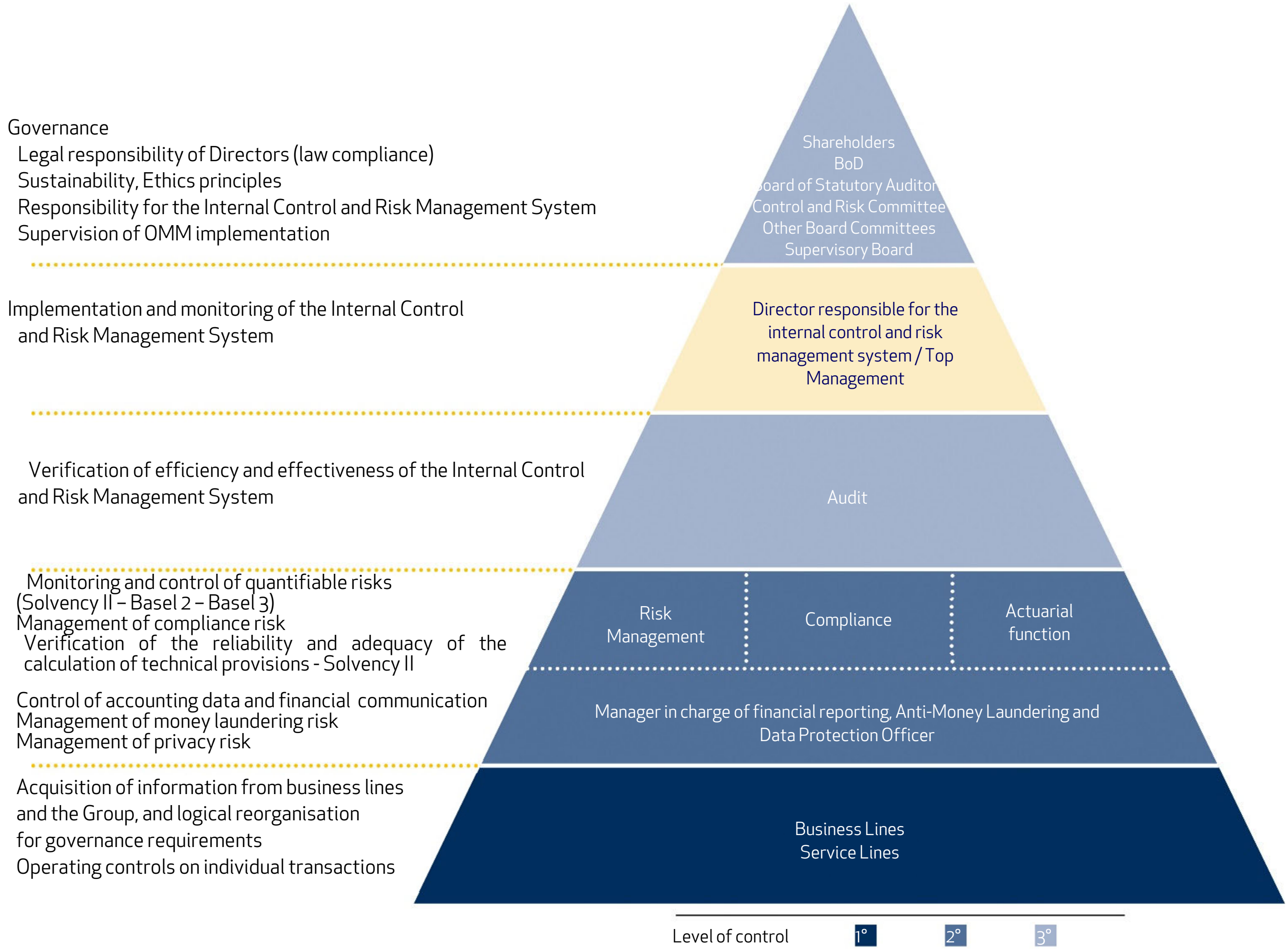
The internal control and risk management system (the "System") is a key element in the overall corporate governance system. It consists of a set of rules, procedures and organisational structures aimed to ensure constant oversight for the identification, governance and control of risks connected to the activities performed and allow for the sound and prudent management of the Group[22].
The following scheme shows, in simplified form, the Group's Risk and Control Governance Model.

The Risk and Control Governance Model



For a detailed description of the Internal Control and Risk Management System, please refer to the "Annual Report on Corporate Governance and Ownership Structures for 2019", available in the "Governance" section of the Unipol Group's website.

[22] The guidelines for the definition of the Unipol Group's internal control and risk management system are set forth in the Group Directives on the corporate governance system defined by the Unipol Board of Directors, which are periodically updated.

Through the Internal Control and Risk Management System and through the adoption of corporate policies and guidelines, the Group measures and manages the risks to which it is exposed, also as a result of its own strategic decisions, taking into account the various business areas and the different applicable regulations.
In particular, the "**Risk Management Policy**" indicates the risk management strategies and objectives of the Group and the companies in scope. In addition, the risk management process is defined with reference to the identification, assessment, control and mitigation of risks, as are the roles and responsibilities of the company's bodies and structures involved in the process.
The identification, evaluation and monitoring of the risks are carried out on ongoing basis to take into account the changes occurred both in the nature and size of the business and in the market context, and whether new risks arise or the existing ones change.

The entire organisation is called upon to actively contribute to the effectiveness of the Internal Control and Risk Management System. The Company Bodies and top management of the Group companies promote the dissemination of a culture of control which, at all levels, makes staff aware of their role, also in reference to the control activities, and encourages the involvement of all company departments in pursuing the business objectives and creating value.

The monitoring of social, environmental and governance risks ("ESG risks")

The control of ESG risks is ensured at general level by the Group's corporate governance system described above, with a first level of organisational and operational oversight mechanisms adopted to implement the internal regulatory system, in addition to the second-level controls performed by Compliance and Anti-Money Laundering, Risk Management and the Actuarial Function, and the third-level controls performed by Audit, each for its own area of responsibility.

Specifically, in the course of 2019 the work performed to identify and control ESG risks reached an additional level of maturity and detail with respect to previous years.
Indeed, with the 2019-2021 Strategic Plan, the Group has undertaken to take further steps forward in the integration of environmental, social and governance factors within company strategies and processes, in terms of the development of opportunities as well as risk management. With reference to the commitments made in the Plan with regard to the management of ESG risks, they have been included, in the first place, in the Risk management system adopted by the Group.
As part of its most recent update in June 2019, the **Risk Management Policy** was integrated with the inclusion of such risks in the taxonomy of those shared by the entire Group and with the identification of the **seven most important ESG risk areas**: climate change, the increase in social polarisation, socio-demographic change, the technological evolution of society, the violation of human and workers' rights, environmental damage and negative impacts on the environment and conduct in violation of business integrity.
In addition, in the Risk management policy, the Group expects to integrate **ESG risk control** within the management of the individual risk categories, in such a way as to ensure management at all stages of the value creation process and mitigate the emergence of any associated reputational risks.
In light of this, ESG risks and the relative control methods have been integrated within the Specific risk management policies which govern the performance of the Group's activities in fundamental areas (see table below). Underlying this integration model is the **classification of risks in the various economic sectors**, performed on the basis of a proprietary methodology founded on the analysis and application of a large variety of sources; this classification contains general indications on the exposure of each economic sector to the various categories of ESG risk and, in this manner, supports the assessment of risk connected to relationships with the various parties operating in the relative sectors.

Underwriting policies - Non-Life Business and Life Business TCFD	With reference to the sectors that present potential high exposure to ESG risks, the Underwriting policy - Non-Life Business includes two possible approaches: • **exclusion** from the parties and/or risks that the Group insures, when the sectors to which potential customers belong have ESG risks that are not compatible with the Unipol Group's approach to sustainability and risk management objectives. This takes place, for example, for companies that derive a predominant or significant part of their revenues from **coal mining** activities and for those that adopt unconventional mining practices; • the initiation of an **assessment** process that results in a decision on whether to move forward with the commercial relationship with the potential customer, once the ESG risks connected to the methods for managing activities within a series of sensitive sectors are considered. The Underwriting Policy - Life Business identifies, in relation to investment products, specific limitations in relation to sectors whose risk of generating negative impacts on ESG factors (and the resulting reputational risk) make them incompatible with the approach to sustainability and the risk management objectives of the Unipol Group. The sectors excluded are the same as those set forth in the Underwriting policy - Non-Life Business.
Investment policy TCFD	The Investment policy formalises the need to take **elements linked to ESG aspects** into consideration in selecting companies in which to invest, and establishes **exclusions** as regards the companies and countries in which it is possible to make investments. The Policy then defines a specific approach for the management of risks connected to climate change (in particular transition risks), calling for the Group: • to support the transition towards a low carbon emission economy through responsible investments, evaluating investments in various asset classes with a view to contributing to the reduction of CO_2 emissions; • to perform selective exclusions, in particular **excluding a priori from new investments those in Companies linked to mining / the generation of electricity from thermal coal.**
Outsourcing and supplier selection policy	The Outsourcing and supplier selection policy requires fair and responsible stakeholder management requirements to be evaluated within supplier selection criteria. Suppliers must make a commitment to respect the **Supplier Code of Conduct** for responsible procurement (or the "Code"), adopted at the end of 2018 and inspired by the principles of the *United Nations Global Compact* and ISO20400[23]. The Code outlines what Unipol expects from its suppliers on the protection of human and workers' rights, protection of the environment and the fight against corruption and envisages - amongst other aspects - the right of Unipol to check the supplier's processes and structures to verify their compliance, as well as apply penalty mechanisms if they continue not to comply with the Code. Suppliers, with the exception of Public Administrations and independent contractors, whether or not they are members of professional associations, are asked to sign the Code when they sign or renew their contracts. At the end of 2019, contracts including the Supplier Code of Conduct covered 40% of total purchase expenses.

For details on the Policies referred to above, please refer to the "Sustainability" section of the Unipol Group's website.

For the application of the Policies, an assessment process specifically regarding the monitoring of ESG risks has been defined, which, for the management of critical or doubtful cases, involves multiple players within the company (the Sustainability Function, the Operational Reputation Management Team) and envisages the possibility of calling the **ESG Task Force (the "Task Force").** The latter, established in

[23] ISO standard which provides orientations to organisations, irrespective of their business or size, on the integration of sustainability within their purchases

2019, began operating in the early months of 2020, and consists of key functions[24] for understanding ESG impacts within business decisions. The Task Force will have the duty, in particularly relevant cases due to their potential impact or the size of the potential agreement/investment, to understand and evaluate the concrete implications of ESG factors in underwriting and investment activities and to define decisions consistent with the company's vision with respect to the cases presented.
In parallel and in line with the integration of ESG risks in the Group's Policies, the **ESG Risks Interfunctional Working Group[25]** has defined new, detailed mapping of these risks and the relative oversight mechanisms (the "map", see table below), updated and streamlined to guarantee integration with the overall system, which includes risks linked to environmental, social and governance factors, broken down into seven risk areas.
To facilitate reading, the risks suffered and the risks generated are highlighted differently on the map.
The risks suffered consist of events that represent a risk for the Group, which has no levers to influence their occurrence, but can only act to oversee them, preventing or mitigating their consequences, or to transform them into opportunities; the risks generated instead represent events the triggering causes of which are directly connected to Group operations, with respect to which the Group has levers to prevent their occurrence or mitigate their consequences should they occur.
On the basis of a significance assessment, the map indicates the risks connected to the Group's core business.

[24] Non-Life and Claims Technical Division, Welfare and Life Division, Finance Department, Chief Risk Officer, Chief Innovation Officer, Sustainability.
[25] Body consisting of the Audit, Compliance and Anti-Money Laundering, Risk Management and Sustainability Functions, whose objective is to identify the potential social, environmental and governance risks to which the Group is exposed, map the controls targeted at managing these risks and suggest possible improvement actions.

Risk areas connected to ESG factors	Risk	Topics in the materiality matrix	Main regulatory and strategic controls in place
Climate change - Physical risks TCFD	Increase in technical risk and credit risk due to the increase in the frequency and severity of claims linked to the consequences of climate change (acute and chronic physical risks) Time horizon: medium term[26]	Actions for adaptation to and mitigation of climate change Solutions that incentivise socially responsible and sustainable behaviours	• Sustainability policy • Risk management policy • Reinsurance and other risk mitigation techniques policy • Operational risk management policy • Business continuity policy • Guidelines for the management of credit risk assumption activities • Underwriting Policy - Non-Life Business and Life Business • Provisions Policy - Non-Life Business and Life Business • *2019-2021 Strategic Plan, "Evolution of technical excellence" and "Shared value and sustainable development" areas*
	Non-insurability of risks linked to climate due to low resilience of society Time horizon: medium term[5]	Actions for adaptation to and mitigation of climate change	
	Damages to property and assets of the Group and Business continuity risk for Group sites and agencies / relating to the interruption of the supply chain (operational risk) Time horizon: medium term[5]	Actions for adaptation to and mitigation of climate change	
Climate change - Transition risks TCFD	Decrease in the value of the investment portfolio relating to companies not meeting expectations with regard to the path of transition towards a low CO_2 emission economy (financial risk) Time horizon: medium term[5]	Actions for adaptation to and mitigation of climate change	• Sustainability policy • Risk management policy • Investment policy • Underwriting Policy - Non-Life Business and Life Business • Integrated Reputation Management System • *2019-2021 Strategic Plan, "Shared value and sustainable development" area*
	Negative impact on the Group's reputation due to the underwriting of insurance contracts and investment in companies whose process of transition towards a low CO_2 emission economy is deemed insufficient by stakeholders (reputational risk) Time horizon: short term[5]	Contribution to sustainable development in the various spheres of influence (investments, customers, suppliers)	
Technological evolution of society	Increased vulnerability of IT systems to outside attacks	Data protection and leveraging	• Sustainability policy • Risk management policy • Information security policy • Operational risk management policy • Business continuity policy • Organisational, Management and Control Model • Charter for equal opportunities and equality at work • *2019-2021 Strategic Plan, "People and Technology" area*
	Decline in employment in specific roles and skills mismatches	Development of human capital Relations with the agency network	
Socio-demographic change	Impacts of the ageing population on the sustainability of the risk assumed in the welfare and pension areas	Financial inclusion and financial education Product and service innovation Solutions that incentivise socially responsible and sustainable behaviours	• Sustainability policy • Risk management policy • Underwriting Policy - Non-Life Business and Life Business • Provisions Policy - Non-Life Business and Life Business • *2019-2021 Strategic Plan, "Beyond Insurance" (particularly the Welfare Ecosystem) and "Shared value and sustainable development" areas*
Increase in social polarisation	Reduction of insurability for the most vulnerable segments of our society	Financial inclusion and financial education Product and service innovation	

Key:

Risks suffered Risks generated

- Aaaaa Regulatory controls
- *Bbbbb Strategic controls*

[26] As regards the time horizon of the risks linked to climate change:
- Short-term corresponds to the time span of the business plan and therefore of operational and financial planning;
- Medium-term corresponds to the time span of the Unipol Group's Emerging & Reputational Risks Observatory, that of identifying external risks and opportunities that could have an impact on the business model and on the business strategy;
- Long-term corresponds to the period until 2050, which is one of the main tipping points outlined in the special report of the IPCC (2018) and in the most recent strategy of the European Commission ("A clean planet for all", 2018).

Risk areas connected to ESG factors	Risk	Material topic	Regulatory and strategic controls in place
Human and workers' rights violations	Discriminatory statements or conduct in communications and in offerings	Fairness in the sale of products and services Enhancement of diversity (gender, generational, disability) customer centricity	• Charter of Values and Code of Ethics (signed by agents) • Charter for equal opportunities and equality at work • Sustainability policy • Risk management policy • Underwriting Policy - Non-Life Business and Life Business • Investment policy • Outsourcing and supplier selection and Code policies • Policy and further internal regulation on the protection of personal data • Policy on the management of conflicts of interest - insurance segment • Policy on insurance and reinsurance distribution • Policy on the management of conflicts of interest - insurance segment • Policy regarding product governance and control - Non-Life and Life Businesses • Operational risk management policy • Policy on authorisations and powers • Health and safety management system manual • Organisational, Management and Control Model • Code of Good Practice • Sector and supplementary agreements • Procedures for managing the company website and web services • Procedures relating to the performance of clinical activities • Clinical risk management procedures
	Improper or disrespectful use of data	Data protection and leveraging	
	Incorrect actions on labour law risks	Development of human capital Sharing of a common corporate culture	
	Incorrect actions on occupational health and safety	Sharing of a common corporate culture	
	Discriminatory statements or conduct in personnel management	Enhancement of diversity (gender, generational, disability)	
	Violation of human or workers' rights, or on other sensitive social and governance topics, by the Group, the agency network or the supply chain	Fair and transparent business competition Contribution to sustainable development in the various spheres of influence (investments, customers, suppliers) Relations with the agency network	
	Incorrect actions on respect for human or workers' rights, or on other sensitive social and governance topics, at companies insured or investee companies	Contribution to sustainable development in the various spheres of influence (investments, customers, suppliers)	
	Low control over safety in clinics and medical centres	Risk and control culture	
Environmental damage and negative impact on the environment	Incorrect actions on environmental topics that are relevant for the Group	Fair and transparent business competition	• Charter of Values and Code of Ethics (signed by agents) • Sustainability policy • Risk management policy • Underwriting Policy - Non-Life Business and Life Business • Investment policy • Outsourcing and supplier selection and Code policies • Operational risk management policy • Sector and supplementary agreements • Organisation, Management and Control Model
Conduct in violation of business integrity	Social degradation in the area of Group-owned real estate	Fair and transparent business competition	• Charter of Values and Code of Ethics (signed by agents) • Sustainability policy • Risk management policy • Policy on the management of conflicts of interest - insurance segment • Policy on insurance and reinsurance distribution • Money laundering and terrorist financing risk management policy • Directives on the Group's Corporate Governance System • Key Function Policies • Policy regarding product governance and control oversight mechanisms - Non-Life and Life • Policy on the protection of personal data • Operational risk management policy • Organisational, Management and Control Model • Policy on authorisations and powers • Procedures and operating guides governing transactions with related parties, intercompany counterparties and associated parties • Real estate guidelines • Guidelines and further internal regulation on the management and communication of privileged information
	Lack of transparency, clarity and integrity in relationships with customers and other stakeholders	Fair and transparent business competition Fairness in the sale of products and services Development of partnerships with public and private players	
	Non-compliance with rules in force (corruption, money laundering, tax, free competition, privacy, labour law)	Fair and transparent business competition Risk and control culture Farsightedness in responsible capital and remuneration management	
	Ineffective response to regulatory changes	Fair and transparent business competition Risk and control culture	

Protection of personal data

The Unipol Group holds a significant amount of personal information of its customers, relating to various aspects of their lives, and such data is destined to increase as a result of the growing spread of new connected devices; their protection is a fundamental commitment to protect the rights and freedoms of the natural persons to which such data refer.
To this end, within the Unipol Group a detailed system has been defined consisting of policies, procedures and technological infrastructure which, *inter alia*, establishes security, technical and organisational techniques to guarantee the protection of personal data from the risks threatening them, such as those of data loss, theft, destruction or alteration, abusive access or unauthorised disclosure, and to ensure the prompt restoration of data availability and access in the case of incidents.

The **Policy on the protection of personal data** defines the general guidelines of the Unipol Group on the protection of natural persons with regard to the processing of personal data, specifying the organisational model (organisation and roles, people, culture and responsibilities), the operating model (processes, rules and documentation) and the architectural model (technologies and tools) structured for that purpose.
Through this system, the Group implements Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "GDPR"), which introduced significant new elements in the protection of personal data, calling for, *inter alia*, the verification of activities according to risk assessment parameters and the effectiveness of the measures adopted in this regard.
In the course of 2019, Unipol, with the support of the Group's Data Protection Officer ("DPO") – who performs the activities under his responsibility for the Parent and for its subsidiaries with registered office in Italy – evaluated the effectiveness and efficiency of the oversight mechanisms, processes and organisational system implemented following the amendments introduced by the GDPR, in order to guarantee that it personal data management complies with regulations in force and is transparent with respect to data subjects. This also took place through audit activities intended to evaluate, with specific analyses, the compliance of processes and procedures with regulatory provisions, paying particular attention to the preliminary assessments performed in the case of processing entailing high risk for the rights and freedoms of data subjects.

In the course of 2019, several limited episodes (24) of *data breaches*[27] as defined by the GDPR took place in the Group companies. All of the cases were promptly managed and resolved by the competent data controller companies. In just two cases it was necessary to promptly notify the Data Protection Authority: in one, based on a preliminary investigation initiated and in consideration of all information transmitted, the Authority reported that the event described was not a personal data privacy violation and, therefore, it closed the investigation, while it did not follow up on the other case. The remaining cases were not reported, as they had no risks for the data subjects.

In 2019, 6 complaints were received regarding the protection of personal data, all from private parties, which were promptly answered.

E-learning training courses were provided on *privacy*, and in particular on the topic of the new European Regulation (GDPR), in addition to specific classroom courses; at the end of 2019, more than 90% of the employees of the companies operating in Italy were reached, while abroad, *for the company operating in Serbia, 27% of employees participated in the course on the local privacy regulations.*

To increase widespread awareness on the matter, the provision of *e-learning* training courses continued for the Group's agency network (the course was started by 60% of agents, and of these 87% had completed it at 31 December 2019) and the sub-agency network (where training coverage reached 59%) as well.

The **Information security policy** defines the guidelines on *cyber security*, calling for the adoption of suitable physical, logical and procedural security measures aiming to guarantee appropriate and consistent protection to the information processed in the IT systems throughout the entire life cycle.
To control cyber risk, access control and antimalware and antispam solutions are used on central systems and user and mobile workstations, in addition to data backup/restoration and disaster recovery procedures, prevention and intrusion detection systems. The constant monitoring of systems, access and operations makes it possible to track and promptly manage incidents according to various levels of severity.

[27] According to the GDPR, a data breach is a security violation that leads to the accidental or unlawful destruction, loss, alteration or unauthorised disclosure of, or access to, the personal data transmitted, stored or otherwise processed.

The IT infrastructure and web applications are periodically subject to *penetration testing/vulnerability assessments*. UnipolSai is certified according to the ISO27001 international standard[28] for the advanced electronic signature service.
In 2019, to boost awareness on cyber security, both employees (4,415 people trained for a total of more than 15,900 hours of training) and agents (9,551 people for more than 41,600 hours) were involved in dedicated training courses.

The system for monitoring risks connected to the management and use of data is complemented by the **Data governance policy**, which defines guidelines for the effective governance of data throughout its lifecycle within the Unipol Group. *Data Governance* is the set of processes, methodologies, roles and technologies which on one hand allows for the formal management of data informational assets, establishing clear responsibility for them, and on the other offers opportunities to employ the intrinsic value of the company's informational assets to support business strategies and objectives.

The Organisation and Management Model pursuant to Italian Legislative Decree 231/2001

Unipol Gruppo's OMM, updated in 2018, is composed of a General Part as well as 12 Special Parts, each dedicated to a category of crime that could theoretically take place within the Company.

CRIMES			
1) Offences against Public Administration	2) Corporate offences	3) Administrative crimes and offences relating to insider dealing, market abuse and market manipulation	4) Crimes of receiving stolen goods, money laundering, self-laundering and crimes for the purposes of terrorism or subversion of the democratic order
5) Cyber-crimes	6) Crimes in violation of occupational health and safety regulations	7) Organised crime and transnational offences	8) Environmental offences
9) Copyright offences	10) Offences of employment of third country citizens without a regular permit	11) Incitement to not give statements or provide false statements to judicial authorities	12) Unlawful intermediation and job exploitation

In the Special Parts of the OMM, the specific principles of conduct and principles of control for preventing the commission of each type of crime previously indicated are laid out in detail.
The OMMs of the Unipol Group companies call for the same oversight mechanisms and control tools.

The Model is disseminated to employees through the company intranet; subsequent updates of the Model are disclosed to all employees through a company communication sent via email.

Following the approval of the *Whistleblowing* Procedure, the Group activated an IT platform through which personnel (employees and those who operate on the basis of a relationship, even in a form other than employment, which determines their inclusion within the company organisation) may report relevant unlawful conduct pursuant to Decree 231/01, deeds or facts which could constitute violations of the OMM, as well as violations of other precisely defined regulations[29], with methods that guarantee the full confidentiality of the reporting party's identity and, in general, the content of the report[30].

The duty of supervising the functioning and observance of the OMM and handling its updating is entrusted to the Supervisory Board (SB) consisting of three members of the Control and Risk Committee, independent non-executive directors, and a further two members represented by members of the company's Top Management responsible for the Compliance Function and the Auditing Function.

For further details on the OMM, please refer to the "Governance" section of the Unipol Group's website

[28] The ISO/IEC 27001 standard is an international standard that defines the requirements to set up and manage the information security management system, and includes aspects relating to logical, physical and organisational security.
[29] Reference is made to (i) Regulation (EU) no. 596/2014 relating to market abuse ("MAR"), (ii) Italian Legislative Decree no. 231 of 21 November 2007 on preventing the use of the financial system for money laundering and terrorist financing, (iii) Italian Legislative Decree no. 209 of 7 September 2005 ("Private Insurance Code"), (iv) Italian Legislative Decree no. 58 of 24 February 1998 ("Consolidated Law on Finance").
[30] The IT platform adopted by the Group makes it possible to (i) manage reports in pseudonymised form and (ii) keep track of the relative information in encrypted form. Access to the latter is limited to identified members of the company structures responsible for receiving, reviewing and evaluating whistleblowing reports.

Anti-corruption

The processes of the Group and the companies that are part of it are subject in the course of the year to *assessments* by the control functions and Model 231 Monitoring to identify the relevant areas at risk for the purposes of Italian Legislative Decree 231/2001. The analysis is performed on **all processes mapped** and results in a matrix, which is constantly updated and cross-references individual processes with the risk of the crimes to which they are exposed; during this process, a specific assessment is performed on the risk of corruption.

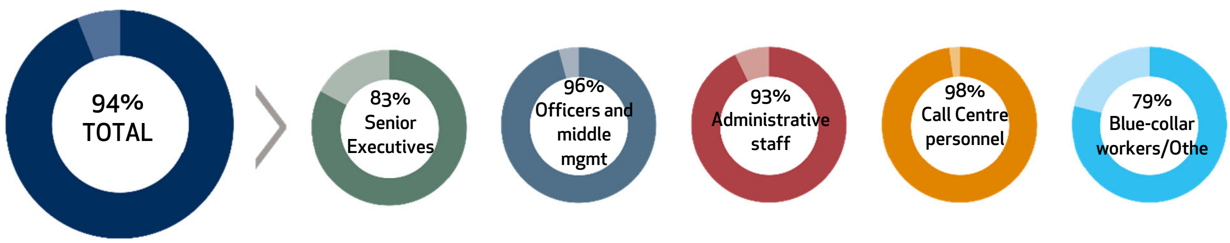
With respect to the **105 processes analysed** in relation to the Parent, 12 were evaluated in 2019 as sensitive to the risk of corruption (11% of the total); for UnipolSai Assicurazioni, there were 143 processes mapped and analysed, with 44 subject to the assessment of sensitivity to the risk of corruption (31%).

The oversight and control mechanisms put into place to combat corruption are defined in the OMM in Special Part 1, with reference to crimes in relations with the Public Administration, and in Special Part 2 with reference to the crime of corruption between private parties laid out in the Civil Code.

As regards the companies operating in Serbia, provisions have been included in their By-Laws and Code of Ethics that envisage a duty to avoid conflicts of interest. For UnipolRe, operating in Ireland, so as to more effectively combat corruption the signatory powers approved by the Board of Directors envisage two signatures for any transaction.

In 2019, based on available information, Unipol Gruppo and the Unipol Group companies did not incur costs for any penalties pursuant to Legislative Decree 231/2001 deriving from charges for crimes of corruption.
In 2019, the Group made significant investments in training to strengthen awareness about the risk of corruption, updating and providing new courses on the matter for the companies Unipol Gruppo, UnipolSai, UniSalute, ARCA, Villa Donatello, UNA Group, Linear, SIAT, Marina di Loano and Tenute del Cerro.

Percentage of employees specifically trained on anti-corruption policies and procedures in Italy*



*The data do not include the company CarServer, acquired by UnipolSai in the second half of 2019.

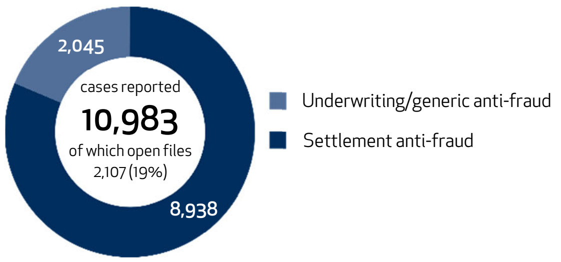
To ensure effective implementation of the OMM, agents were asked to acknowledge it, which was done in 50% of cases.
The contracts that the Group enters into with suppliers include a clause in which the suppliers undertake to respect the OMM, under penalty of termination of the contract.
Viewing the OMM is certified for suppliers enrolled in the Suppliers Register, which accounted for 38% of the total in 2019.

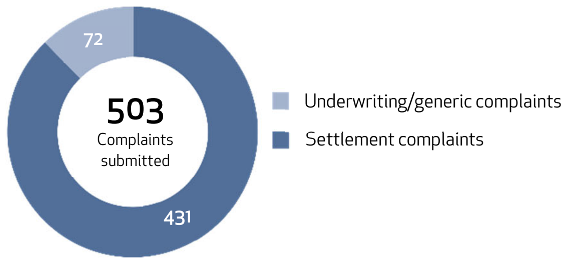
Anti-fraud

Combatting fraud is fundamental for the insurance business, not only in the interest of the Company, but also and especially to protect customers with good conduct.
The UnipolSai **Anti-fraud** Function carries out its activity of preventing, intercepting and combating fraudulent conduct perpetrated to the detriment of the Company as well as the other Group Companies without their own dedicated independent structure; the activity concerns combatting fraud in the underwriting as well as settlement processes.

In 2019 a new Anti-fraud engine was adopted, which introduced innovative technological solutions in data management, artificial intelligence and predictive learning, making the process even more efficient and allowing for the automatic identification of suspicious claims and an analysis of relationships between the various parties involved in the claims.
During the year, integrating the work carried out by the Group's Legal and Anti-fraud departments, the Special Areas of the Claims Department analysed around 30k reports of suspect claims in the settlement phase. According to the results of the investigations, the claims managed by the Special Areas are reported to the Anti-fraud Department for possible criminal action, closed with no further action, concluded with a reduced settlement or settled in full if proving genuine.

Anti-fraud: Cases reported, verifications, complaints





Protection of fair competition

Through its Code of Ethics, the Unipol Group commits to operating in favour of a market in which free competition is guaranteed, abstaining from practices that may potentially be anti-competitive.
Unipol puts that commitment into practice by structuring internal processes and procedures that guarantee the necessary oversight mechanism and controls, and with monitoring activities and the internal dissemination of new regulations that are relevant for the activities performed by the Group companies, aiming to verify compliance with standards as well as identify possible areas for new business activities. This is joined by a constant commitment to *advocacy* in light of proposed laws and public consultation initiatives, and on any other deed or document published by the Authorities with possible effects on the Group and its stakeholders.

The regulations analysed on competition include the "Provisions on class-action lawsuits" (Law no. 31 of 12 April 2019) which, effective as of 19 April 2020, will replace provisions of law in force, currently contained in the Consumer Code, governing the possibility of lodging a collective suit, which until this point has been limited to the protection of consumer interests; adjustment of national regulations to Regulation (EU) 2015/2424 on the European Union trademark (Italian Legislative Decree no. 15 of 20 February 2019); the "Growth Decree" (Italian Decree Law no. 34 of 30 April 2019) containing a series of measures for companies for the re-launch of the national economy; Consob's informational note no. 1 of 28 February 2019 on the initial application of new elements concerning the non-financial statement, set forth in the 2019 budget law.

Sanctions

There were a total of 2,696 IVASS interventions against UnipolSai and the Group's other insurance companies operating in Italy in the course of 2019, down compared to 3,293 in the previous year.

It should be highlighted that, at the date of this document, a new regulation applied by the Supervisory Authority is in force in relation to offences taking place after 1 October 2018, for which the administrative sanction goes from a minimum of €30k to a maximum of 10% of turnover, while offences committed until 30 September 2018 and confirmed subsequently by IVASS are subject to the system in force previously, characterised by a well-defined grid that includes days of delay and the amount of the relative sanctions.

At 31 December 2019, there were 64 IVASS sanctions against the Group's insurance companies, for a total of €381k. In relation to complaints submitted by customers pursuant to IVASS Regulation no. 46/2016, UnipolSai Assicurazioni alone handled, together with its agents, 2,290 complaints (+16% over the same period of 2018); of these 76% were rejected.

In relation to respect for environmental legislation, no fines or non-monetary penalties were imposed for damages caused to the environment as a result of the operations of Group companies and health and safety.

Capital requirements

Capital management

Capital management policy

The capital management strategies and objectives of the Unipol Group are outlined in the "Capital management and dividend distribution policy", which describes the reference context and the process for managing capital and distributing dividends also in terms of the roles and responsibilities of the players involved. The document also identifies the principles of capital management and the distribution of dividends or other elements of own funds, in line with the capital return objectives and the risk appetite defined by the Board of Directors.

The general aims pursued by the "Capital management and dividend distribution policy" are:

- ex ante definition of the return objectives on allocated capital, consistent with the profitability targets and in line with the risk appetite;
- maintaining a sound and efficient capital structure, considering growth targets and risk appetite;
- outlining the capital management process for the definition of procedures to ensure, inter alia, that:
  - the elements of own funds, both at the time of issue and subsequently, satisfy the requirements of the applicable capital regime and are correctly classified;
  - the terms and conditions for each element of own funds are clear and unequivocal;
- ex ante definition of a sustainable flow of dividends, in line with the profit generated, free cash flow and risk appetite, identifying and documenting any situations in which the postponement or cancellation of distributions from an element of own funds could arise;
- outlining the dividend distribution process for the definition of procedures to ensure sound and efficient capital management, considering that the growth and profitability targets are in line with the risk appetite;
- defining the roles, responsibilities and reporting in relation to capital management and the distribution of dividends or other elements of own funds.

The capital management and dividend distribution process is divided into five steps, in close relation with other corporate processes:

- final measurement of available capital and the capital required;
- preparation of the mid-term capital management plan;
- monitoring and reporting;
- management action on capital, including any contingency measures;
- distribution of dividends or other elements of own funds.

Insurance Sector

Activities by the competent corporate organisations of the Group were carried out in 2019 in compliance with Solvency II regulations and the supervisory provisions issued by IVASS.
As regards the calculation of the capital requirement, it is worth noting that, by means of measure 0113852/18 of 24 April 2018 and following the application for authorisation submitted by Unipol Gruppo SpA, IVASS authorised the use of a partial internal model for calculating the Group solvency capital requirement, effective from assessments relating to the annual requirement at 31 December 2017. The companies UnipolSai and Arca Vita SpA received authorisation to use the partial internal model for calculating the solvency capital requirement, effective from valuations regarding the annual requirement at 31 December 2016.

NFS

Remuneration system and incentives

Every year, based on guideliness issued by the Parent on Group Remuneration Policies, the Unipol Group Companies adopt Remuneration Policies approved by the Boards of Directors of the Companies and by the respective Shareholders' Meetings, to guarantee fair remuneration, adequate to the role, responsibilities, degree of professionalism and individual skillset, in compliance with legal and regulatory provisions and consistent with sustainable performance requirements.
The essential principles for determining remuneration are a sound and prudent risk management policy, internal fairness, meritocracy and benchmarking with the reference markets.

Annual **non-executive Director** compensation is fixed; they also receive attendance fees for participation in each board meeting and shareholders' meeting as well as reimbursements for expenses incurred to carry out their official duties. However, they receive no variable remuneration component.

Manager remuneration includes fixed and variable components. The parameters for the assignment of the variable remuneration component defined in relation to the 2019 Remuneration Policies are summarised below.

VARIABLE COMPONENT

Prerequisites for the recognition of any incentive are the continuing presence of positive economic results and the minimisation of risk factors, in addition to the presence of a dividend capability, i.e. the presence of conditions, in terms of economic performance and minimum solvency requirements of the Unipol Group for the eventual distribution of a dividend to Unipol shareholders.

The Bonus is broken down as 50% in a Short Term Incentive (STI) and 50% in a Long Term Incentive (LTI) (becoming 40% and 60% in the variable remuneration).

Short Term Monetary Incentive

In addition to entry gates linked to Group and individual Company results, each recipient is assigned four short-term objectives on an annual basis.
The sum of the weights obtained from combining the objectives determines the Individual Performance Level.
For the Short Term Incentive, 50% is attributed in monetary form and 50% in the form of financial instruments consisting of Unipol ordinary shares and UnipolSai ordinary shares.

Long Term Incentive

For the Long Term Incentive 50% is assigned in monetary form and 50% based on a closed financial instrument-based remuneration plan, which involves the distribution of Unipol ordinary shares and UnipolSai ordinary shares in the three-year period 2023-2025 (five-year period 2023-2027 for the Unipol Gruppo Chief Executive Officer and Group CEO and for the Executive Level Managers).
The LTI is paid based on the achievement of Unipol Group profit indicators, the Unipol solvency capital requirement target, growth in the value of the Unipol share over the three year period and performance of the Group's reputational index in the three-year period 2019-2021.

The reputational index trend has a weight of 5% on the amount of the LTI Bonus. The objective to be reached is a Reputational Profile* of the Unipol Group over the applicable three-year period (understood as the average of the monthly measurements) which is higher than that recorded by the Financial-Insurance Sector as a whole during the same period.

*Value calculated and measured on the basis of the Reputation Institute's RepTrak® model.

For detailed information, please refer to the Remuneration Report, available in the "Governance" section of the Unipol Group's website.

With respect to the wage differentials between men and women please note, as regards fixed remuneration, that there has been an improvement in the gap recorded in previous years, which is more significant for management figures (Managers and Officers/middle management), for which the gap has been reduced by roughly 3 percentage points.
The data recorded in the Group show a pay gap between men and women that is significantly smaller than the average gap of the insurance sector in which, even with high employment of women[31], female managers have an average Gross Annual Remuneration roughly 8% lower than that of men, while it is around 17% lower for women who are not managers[32].

Remuneration differences by gender and by employment category*

Differences relating to median values of gross annual fixed remuneration of employees

-4%	-5%	-8%	+3%	-6%
Senior Executives	Officers and middle managers	Administrative staff	Call Centre personnel	Blue-collar workers/Other

Differences relating to median values of total gross annual remuneration of employees (fixed and variable parts)

-2%	-6%	-8%	+3%	-6%
Senior Executives	Officers and middle managers	Administrative staff	Call Centre personnel	Blue-collar workers/Other

*The figures exclude the foreign companies Arca Vita International, DDOR, DDOR Auto, DDOR Re and Unipol Re.

[31] This refers to sectors in which the employee population consists of at least 40% women.
[32] Sector remuneration survey

UNIPOL GROUP PERFORMANCE

Exercise by UnipolSai of the put option on Unipol Banca and UnipolReC and agreement about the granting of a loan by UnipolSai

On 7 February 2019, the Board of Directors of UnipolSai Assicurazioni S.p.A. ("UnipolSai") resolved to exercise the put option relating to 27.49% of the share capital of Unipol Banca S.p.A. ("Unipol Banca") and UnipolReC S.p.A. ("UnipolReC"), held by the holding company Unipol Gruppo S.p.A. ("Unipol") by virtue of the option contract signed on 31 December 2013 between Unipol and the former Fondiaria-Sai S.p.A.
On 14 February 2019, UnipolSai notified Unipol of its exercise of the option right; the transfer of the shares was completed on 1 March 2019 against payment by Unipol of a total consideration of €579.1m, calculated on the basis of the option contract. Based on the outcome of the put option, the direct investment held by Unipol in Unipol Banca and in UnipolReC stood at 85.24% of the respective share capital. UnipolSai has maintained ownership of the remaining shares of these companies (14.76% of the respective share capital). UnipolSai also granted to Unipol, within the scope of the afore-mentioned put option, a 5-year loan of €300m, also repayable early, at an interest rate of the 3-month Euribor plus a spread of 260 basis points. For Unipol, the aforementioned loan is targeted at maintaining a high level of financial flexibility with an important available liquidity buffer.

Sale of Unipol Banca to BPER Banca and acquisition of NPL portfolios

On 31 July 2019 - with all conditions precedent set forth in the contract being met and, in particular, with the necessary authorisations having been received from the competent Supervisory Authorities - the extraordinary transaction relating to the Group's banking sector, in execution of the agreements entered into on 7 February 2019 between Unipol and UnipolSai, on one hand, and BPER Banca SpA ("BPER"), along with the subsidiary Banco di Sardegna SpA ("Banco di Sardegna") on the other hand, was completed within a single context.

In particular:
- Unipol and UnipolSai sold their holdings to BPER representing the entire share capital of Unipol Banca (which in turn controls Finitalia SpA), respectively 85.24% and 14.76% of the capital, at the total price of €220m, divided pro rata between the two sellers as approximately €187.5m and €32.5m, respectively;
- UnipolReC in turn acquired two separate non-performing loan portfolios, one owned by BPER and the other by Banco di Sardegna (the "Portfolios"), for a gross carrying amount of around €1.2bn, against a final price of €102m which takes into account the effects of credit management activities from the assessment reference date up to 31 July 2019.

With this transaction, the Unipol Group completed the process of requalification of its strategy in the banking sector, by exiting from the direct business of a medium sized bank, in order to take on the role of major investor of one of the main Italian banking groups.

It also increased the scale of operations of UnipolReC, which became a financial intermediary registered pursuant to Art. 106 of the Consolidated Law on Banking, enhancing its expertise in credit recovery.

On 25 September 2019, following the authorisation granted by the competent Supervisory Authority, BPER Banca SpA filed and entered in the Modena Register of Companies the project for the merger of Unipol Banca SpA into BPER Banca SpA ("BPER Banca"). The deed of merger, signed on 15 November 2019, entered into effect on 25 November 2019, with continuity as part of BPER Banca of all Unipol Banca SpA accounts existing prior to the merger.

Mergers and spin-offs within the Group

In June 2019 the Boards of Directors of UnipolSai and the subsidiaries concerned, insofar as they were respectively responsible, approved the following mergers and spin-offs (the "Transactions") involving UnipolSai and its wholly-owned subsidiaries:

- project for the merger by incorporation of Pronto Assistance SpA into UnipolSai;
- project for the full spin-off of Ambra Property Srl in favour of UnipolSai, UNA SpA Group and Midi Srl;
- project for the partial spin-off of Casa di Cura Villa Donatello SpA in favour of UnipolSai, as well as the full spin-off of Villa Ragionieri Srl in favour of the Company itself and of Casa di Cura Villa Donatello SpA.

The Transactions are part of a project for streamlining and simplifying the structure of the Unipol Group which aims to:

- simplify and further boost the efficiency of the industrial management and administrative, capital and financial organisation of the companies within the Group, eliminating duplications of structures and skills, today placed in companies or company complexes for which the prerequisites for autonomous management and/or income generating capacity have progressively stopped being met;
- concentrate into UnipolSai, or under its direct control, assets or corporate structures functional to the pursuit of the strategic objectives set forth in the 2019-2021 Business Plan.

By communication dated 16 October 2019, pursuant to Art. 201 et seq., Italian Legislative Decree no. 209 of 7 September 2005 and Art. 23 et seq. of ISVAP Regulation no. 14/2008, IVASS granted authorisation to UnipolSai Assicurazioni for the merger by incorporation of Pronto Assistance SpA into UnipolSai Assicurazioni and for the spin-offs, with partial transfer of the company complex to UnipolSai Assicurazioni, of Ambra Property, Villa Ragionieri and Casa di Cura Villa Donatello.

On 21 January 2020, after concluding the required corporate procedures, the deed of merger and the deeds relating to the spin-offs were signed. Following their registration in the respective Registers of Companies, these transactions became legally effective from 1 February 2020. They became effective for accounting and tax purposes as of 1 January 2020 as regards the merger and total spin-offs of Ambra Property and Villa Ragionieri, and as of 1 February 2020 as regards the partial spin-off of Villa Donatello.

Again in June 2019, the Board of Directors of the subsidiaries UniSalute and UniSalute Servizi approved, within their areas of competence, the proportional partial spin-off of UniSalute Servizi, with transfer to a NewCo of the business consisting in the provision of specialist medical-healthcare services. The proportional partial spin-off was completed on 1 October 2019, with the simultaneous setup of "Centri Medici Dyadea". On 20 December 2019, UnipolSai acquired 100% of the share capital of Centri Medici Dyadea from UniSalute at the price of €5.1m.
Following the spin-off, UniSalute Servizi focuses its activities on the marketing, promotion and management of social and healthcare assistance services, whilst Centri Medici Dyadea is a network of clinics that guarantees quality healthcare in the area of Bologna.

Acquisition of Car Server

On 1 August 2019, UnipolSai finalised the acquisition of 100% of the share capital of Car Server SpA ("Car Server" at the price of €96m.
Car Server is one of the leading operators on the Italian market for long-term company fleet rental and business mobility management in general. With this transaction, the Group has laid the groundwork for implementation of the 2019-2021 Strategic Plan as regards the mobility ecosystem.

Trade Union agreement regarding Personnel

As part of the implementation of the 2019-2021 Business Plan, on 18 July 2019 a trade union agreement was signed regarding voluntary pre-retirement arrangements for employees meeting pension requirements by the end of 2023.
The agreement of 18 July 2019 envisaged early retirement for a maximum of 760 individuals, but as over 800 subscribed to the option, on 20 November 2019 a further trade union agreement was signed that will allow all employees subscribing to access the arrangements envisaged in the previous agreement. For further information, please refer to the section "Other Information".

Repayment of subordinated liabilities

On 24 July 2019, in application of the contractual repayment plan, UnipolSai arranged repayment of the first of five annual instalments in equal amounts of €80m of the Restricted Tier 1 subordinated loan disbursed on 24 July 2003 by Mediobanca - Banca di Credito Finanziario SpA for a total nominal amount of €400m, maturing on 24 July 2023.

"Always one step ahead": the leadership and innovation of UnipolSai Assicurazioni at the heart of the multimedia advertising campaign

In 2019, UnipolSai Assicurazioni was back on air with the new multimedia advertising campaign "Always one step ahead".
Through creativity that effectively combines corporate and product elements, at the same time the campaign emphasises the leadership, expertise and reliability of UnipolSai and its innovative vocation that is consolidated by the offer of insurance solutions combined with state-of-the-art technology services.
With an authoritative and reassuring mood and sophisticated cinematographic processing, the campaign advertises two products dedicated to the world of cars:

- the Unibox digital device for cars, the satellite device linked to the KM&Servizi MV policy, which offers a series of functions such as call-out when needed of tow trucks and emergency assistance, and which allows the premium to be modelled according to driving style;
- the innovative UnipolSai App, which offers direct management of car details via smartphone or tablet: from the km travelled to routes, and the most sophisticated high-value added services, all readily to hand, such as the option of tow truck call-out and real-time monitoring of its route.

A major advertising project for which Alessandro Gassmann was chosen as the key protagonist and with strong scheduling of 30-second and 15-second TV advertisements on all the main national networks, in addition to a presence on digital channels, radio and press with creative integration over the various media.

Operating performance

In 2019 the Unipol Group achieved a **consolidated net profit** of €1,087m, including the non-recurring effects of net income on first-time consolidation applying the equity method of the BPER Group (for €421m) and the extraordinary expense associated with the signing of Trade Union agreements for the Solidarity Fund and other leaving incentives for approximately €66m, net of tax effects (€95.5m gross of taxes).
Note that in 2018, the Group reported a profit of €628m, including the non-recurring effects of the capital gain of €309m from disposal of the investment in Popolare Vita and the negative effects of the decision to sell the investment held in Unipol Banca for €338m. Excluding the effects of the aforementioned non-recurring components from the two periods under review, and restating the consolidated profits on a like-for-like basis, i.e. for 2018 excluding the contribution to the result of Popolare Vita, Unipol Banca and their subsidiaries, the consolidated net profit for 2019 would be €732m, up significantly (+19.5%) on the €613m recorded in the previous year.

At 31 December 2019, **direct insurance premiums**, gross of reinsurance, totalled €14,014m, a considerable increase on 2018 on a like-for-like basis (€12,245m, +14.4%), particularly in the Life business (+36.2%).

Direct **Non-Life** premiums in 2019 amounted to €8,167m (€7,953m at 31/12/2018, +2.7%). The MV business amounted to €4,178m (-0.1%) while in the Non-MV business, the premiums reached €3,989m, up by 5.8%, thanks mostly to significant growth in the Health business (+11.2%).
The increase in Non-Life turnover concerned both UnipolSai, which recorded 1.3% growth with premiums for €6,990m, as well as, more notably, the Group's other major companies: UniSalute's premiums amounted to €448m (+9.3%); Linear, the other main company of the Group operating in the MV segment, totalled €184m in premiums (+2.4%); SIAT, which focuses on the Marine Vessels segment, recorded premiums for €137m (+7.7%). The Non-Life bancassurance segment had very good performance, with Arca Assicurazioni achieving premiums of €136m (+13.1%) and Incontra Assicurazioni recording premiums of €185m (+35.8%) thanks especially to the placement of new Health products by the Unicredit network.
In terms of the Non-Life loss ratio trend, in the MV TPL segment the technical performance continued to be characterised by compression in the average premium due to market competition, counteracted by positive performances as concerns the frequency as well as the average cost of claims, due in particular to the benefits of digital (40% of vehicles insured by UnipolSai are fitted with the black box) and the cost savings permitted by the network of authorised repair shops, managed by the subsidiary Auto Presto&Bene, to which a growing number of claims are routed.
After a 2018 affected by damage caused by storm "Vaia", 2019 was also characterised by a significant loss ratio due to weather-related events of considerable impact not only on the Fire and Other damage to property business, but also on Land Vehicle Hulls as a result of hail storms that hit numerous towns and cities in Italy. The economic effects of the loss ratio from weather-related events were in part reabsorbed by reinsurance, and consequently the combined ratio of the Group, net of reinsurance, stood at 94.2% (93.7% direct business combined ratio), in line with the 94.2% at 31 December 2018 (94.4% direct business combined ratio). The loss ratio, including the balance of the other technical items, stood at 66.3% (66.8% at 31/12/2018) and the expense ratio at 27.9% of premiums earned (27.4% at 31/12/2018), also reflecting a product mix more centred on products other than MV TPL with higher commission rates (the expense ratio of direct business to premiums written stood at 27.7%; 27.2% at 31/12/2018).
The pre-tax result for the Non-Life segment was €901m, up compared to €730m at 31 December 2018, positively affected by the growth in volumes and a stronger contribution from investment properties. The results for the two periods, normalised and on a like-for-like basis, were €810m for 31 December 2019 compared to €727m at 31 December 2018.

In the **Life segment**, on a like-for-like basis the Unipol Group posted a significant growth in turnover thanks to the attractiveness of the performance offered by insurance products linked to segregated funds and to deposits, for around €640m, associated with the addition of two new closed pension funds. Direct premiums amounted to €5,847m at 31 December 2019 (+33.0% compared to 31/12/2018, +36.2% on a like-for-like basis).
UnipolSai posted €4,080m in direct premiums (+30.4%) while in the bancassurance channel, in particular, Arca Vita confirmed its strong growth and, jointly with the subsidiary Arca Vita International, recorded direct premiums for €1,676m, up 55.6% compared to 31 December 2018.
New business in terms of APE, net of non-controlling interests, amounted to €493m (€397m at 31/12/2018 on a like-for-like basis, +24.2%), of which €401m contributed by traditional companies and €91m by bancassurance companies.
The normalised pre-tax profit for the Life segment was €236m, down compared to the €299m recorded on a like-for-like basis in 2018, to which a particularly strong financial income had contributed.

As regards the **management of financial investments**, 2019 was still characterised by geo-political tensions and, in Italy, by political instability which in August led to a new Government being formed. In September the ECB again dropped the cost of borrowing by 10 basis points and launched a package of measures that included the relaunch, until further notice, of securities purchases on the market. All of this led in the second part of the year to keeping the interest rates and spreads on Italian government bonds low and an upward trend in the share markets. In this context, the gross profitability of the Group's insurance financial investments portfolio remained at significant levels with returns on invested assets equal to 3.65% (3.79% in 2018), of which 3.29% relating to the coupons and dividends component.

Real estate management continued to focus on the renovation of a number of properties, particularly the high-end areas of Milan, in order to seek out opportunities to increase value or generate income, as well as structures intended for business use. Note the signing in December of a preliminary agreement for the sale of the building known as Torre Velasca (MI) at a total sale price of €160m (notarisation is planned by the end of 2020).

The **other sectors** where the Group operates showed positive performances, particularly the hotel sector, which allowed the UNA Group to close the year with a profit of €4m.
The pre-tax profit for the Real Estate, Holding and Other Businesses sectors was €160m (-€84m net of the non-recurring effects of first-time consolidation of the BPER Group), an improvement compared to the loss of €166m at 31 December 2018. This improvement reflected the significant realisation values on Unipol Gruppo financial investments and better results from the Group's diversified and real estate companies. Note in particular the positive performance of UnipolReC, which recorded a significant net profit of around €12m.

At 31 December 2019, **consolidated shareholders' equity** amounted to €8,305m (€6,327m at 31/12/2018). The main factors increasing shareholders' equity were linked to the profit for the period, corroborated by the effects of first-time consolidation of the BPER Group, and the considerable growth in the reserve on AFS securities, due in particular to the decrease in interest rates. **Shareholders' equity attributable to the owners of the Parent** amounted to €6,687m (€5,032m at 31/12/2018).

As regards the ratio of own funds to capital required, the **Group's solvency ratio** at 31 December 2019, calculated in application of the Partial Internal Model, was 182%, up compared to 163% of 31 December 2018, also in relation to the positive performance of the financial markets during the year.

Condensed Consolidated Operating Income Statement broken down by business segment

Amounts in €m	Non-Life business Dec-19	Dec-18	% var.	Life business Dec-19	Dec-18	% var.	Insurance Sector Dec-19	Dec-18	% var.
Net premiums	7,822	7,593	*3.0*	5,440	3,876	*40.4*	13,262	11,469	*15.6*
Net commission income	(2)	(1)	*n.s.*	16	18	*(11.5)*	13	17	*(20.4)*
Financial income/expense (**)	651	441	*47.7*	1,198	1,639	*(26.9)*	1,849	2,080	*(11.1)*
Net interest income	*312*	*356*		*1,065*	*1,116*		*1,377*	*1,471*	
Other income and charges	*339*	*58*		*94*	*56*		*433*	*114*	
Realised gains and losses	*1*	*113*		*69*	*476*		*70*	*588*	
Unrealised gains and losses	*(1)*	*(85)*		*(30)*	*(8)*		*(31)*	*(94)*	
Net charges relating to claims	(5,070)	(4,965)	*2.1*	(6,097)	(4,602)	*32.5*	(11,167)	(9,568)	*16.7*
Operating expenses	(2,254)	(2,146)	*5.0*	(244)	(241)	*1.2*	(2,498)	(2,388)	*4.6*
Commissions and other acquisition costs	*(1,751)*	*(1,687)*	*3.8*	*(113)*	*(109)*	*3.6*	*(1,864)*	*(1,797)*	*3.8*
Other expenses	*(503)*	*(459)*	*9.6*	*(131)*	*(132)*	*(0.8)*	*(634)*	*(591)*	*7.2*
Other income/charges	(246)	(192)	*(28.3)*	(87)	(68)	*(28.6)*	(333)	(259)	*(28.4)*
Pre-tax profit (loss)	**901**	**730**	*23.5*	**226**	**621**	*(63.7)*	**1,127**	**1,351**	*(16.6)*
Income taxes	(164)	(194)	*(15.4)*	(59)	(87)	*(32.3)*	(223)	(281)	*(20.6)*
Profit (loss) from discontinued operations									
Consolidated profit (loss)	**737**	**536**	*37.5*	**166**	**534**	*(68.8)*	**904**	**1,070**	*(15.5)*
Profit (loss) attributable to the Group									
Profit (loss) attributable to non-controlling interests									

(*) The real estate sector only includes Group real estate companies
(**) excluding net gains and losses on financial instruments at fair value through profit or loss for which investment risk is borne by customers (index- and unit linked) and arising from pension fund management

The factors that marked the economic performance of the Group included the following:

- **direct insurance premiums**, gross of reinsurance, totalled €14,014m (€12,349m at 31/12/2018, +13.5%; +14.4% on a like-for-like basis). Non-Life direct premiums amounted to €8,167m (€7,953m at 31/12/2018, +2.7%) and Life direct premiums amounted to €5,847m (€4,396m at 31/12/2018, +33%, +36.2% on a like-for-like basis), of which €393m related to investment products in the Life business (€508m at 31/12/2018);
- **net premiums earned**, net of reinsurance, amounted to €13,262m (€11,469m at 31/12/2018, +15.6%; on a like-for-like basis +16.7%), of which €7,822m in the Non-Life business (€7,593m at 31/12/2018, +3%;) and €5,440m in the Life business (€3,876m at 31/12/2018, +40.4%; on a like-for-like basis +44.2%);
- **net charges relating to claims**, net of reinsurance, were €11,167m (€9,568m at 31/12/2018, +16.7%; +18.2% on a like-for-like basis), of which €5,070m in the Non-Life business (€4,965m at 31/12/2018, +2.1%) and €6,097m in the Life business (€4,602m at 31/12/2018, +32.5%; +36.1% on a like-for-like basis), including €183m of net income on financial assets and liabilities at fair value (net charges of €105m at 31/12/2018);
- **operating expenses** amounted to €2,692m (€2,514m at 31/12/2018). In the Non-Life business, operating expenses amounted to €2,254m (€2,146m at 31/12/2018), €244m in the Life business (€241m at 31/12/2018), €191m in the Holding and Other Businesses sector (€132m at 31/12/2018) and €22m in the Real Estate sector (€22m at 31/12/2018);
- the **combined ratio**, net of reinsurance, of the Non-Life business was 94.2% (94.2% at 31/12/2018);

Banking Sector			Holding and Other businesses Sector			Real Estate Sector (*)			Intersegment elimination		Total Consolidated		
Dec-19	Dec-18	% var.	**Dec-19**	Dec-18	% var.	**Dec-19**	Dec-18	% var.	**Dec-19**	Dec-18	**Dec-19**	Dec-18	% var.
											13,262	11,469	15.6
			8	7	4.2			(35.0)	(8)	(8)	13	16	(19.8)
			301	(54)	n.s.	(33)	(40)	17.0	(13)	(17)	2,104	1,969	6.8
			(49)	*(78)*		*(5)*	*(6)*				*1,323*	*1,387*	
			276	*(9)*		*14*	*15*		*(13)*	*(17)*	*709*	*103*	
			101	*31*			*1*				*171*	*620*	
			(27)	*2*		*(42)*	*(50)*				*(100)*	*(142)*	
											(11,167)	(9,568)	16.7
			(191)	(132)	44.3	(22)	(22)	0.1	20	28	(2,692)	(2,514)	7.1
									1		*(1,864)*	*(1,796)*	3.8
			(191)	*(132)*	44.3	*(22)*	*(22)*	0.1	*19*	*28*	*(828)*	*(718)*	15.3
			92	74	23.7	6	1	n.s.	1	(3)	(234)	(187)	(24.7)
			209	**(104)**	n.s.	**(49)**	**(61)**	20.3			**1,287**	**1,185**	8.6
			18	18	(3.8)	5	10	(53.4)			(201)	(252)	(20.5)
	(305)											(305)	
	(305)	n.s.	**227**	**(86)**	n.s.	**(44)**	**(51)**	13.4			**1,087**	**628**	73.0
											903	*401*	
											184	*227*	

- **net gains on investments and financial income** from financial assets and liabilities (excluding net gains on financial assets and liabilities at fair value relating to Life business) amounted to €2,104m (€1,969m at 31/12/2018);
- the **pre-tax profit (loss)** amounted to €1,287m (€1,185m at 31/12/2018);
- **taxes** for the period represented a net expense of €201m (expense of €252m at 31/12/2018);
- net of €184m profit attributable to non-controlling interests, the **profit attributable to the owners of the Parent** at 31 December 2019 was €903m (profit of €401m at 31/12/2018); the normalised profit attributable to the owners of the Parent was €569m (€440m as the normalised profit and on a like-for-like basis at 31/12/2018).

Insurance Sector performance

Overall, the Group's insurance business closed with a **pre-tax profit of €1,127m** (€1,351m at 31/12/2018, -16.6%; €1,046m the normalised figure and on a like-for-like basis, +2%), of which €901m related to the Non-Life business (€730m at 31/12/2018, +23.5%), including €176m deriving from the first time consolidation according to the equity method of the investment in BPER Banca, and €226m from the Life business (€621m at 31/12/2018, -63.7%; €299m as the normalised figure and on a like-for-like basis, -20.9%).

At 31 December 2019, **Investments and cash and cash equivalents** of the Insurance sector totalled €64,685m (€57,965m at 31/12/2018), €16,783m of which was from Non-Life business (€15,613m at 31/12/2018) and €47,902m from Life business (€42,353m at 31/12/2018).

Technical provisions amounted to €57,567m (€53,223m at 31/12/2018), of which €15,067m in the Non-Life business (€15,212m at 31/12/2018) and €42,500m in the Life business (€38,011m at 31/12/2018).

Financial liabilities amounted to €5,852m (€4,955m at 31/12/2018), of which €2,133m in the Non-Life business (€1,581m at 31/12/2018) and €3,719m in the Life business (€3,374m at 31/12/2018).

Total premiums (direct and indirect premiums and investment products) at 31 December 2019 amounted to €14,298m (€12,557m at 31/12/2018), an increase of 13.9% (+14.8% on a like-for-like basis). Non-Life premiums amounted to €8,451m (€8,161m at 31/12/2018, +3.6%) and Life premiums amounted to €5,847m (€4,397m at 31/12/2018, +33%; on a like-for-like basis +36.2%), of which €393m related to investment products (€508m at 31/12/2018).

All Non-Life premiums of the Group insurance companies are classified under insurance premiums, as they meet the requirements of the IFRS 4 standard (presence of significant insurance risk).
As for Life premiums, investment products at 31 December 2019, for €393m, related to Class III (Unit- and Index-Linked policies) and Class VI (pension funds).

Direct premiums amounted to €14,014m (€12,349m at 31/12/2018, +13.5%; on a like-for-like basis +14.4%), of which Non-Life premiums totalled €8,167m (+2.7%) and Life premiums €5,847m (+33%; on a like-for-like basis +36.2%).

Amounts in €m	**31/12/2019**	*% comp.*	31/12/2018	*% comp.*	*% var.*
Non-Life direct premiums	8,167	*58.3*	7,953	*64.4*	*2.7*
Life direct premiums	5,847	*41.7*	4,396	*35.6*	*33.0*
Total direct premium income	**14,014**	***100.0***	**12,349**	***100.0***	***13.5***

Non-Life and Life indirect premiums totalled €285m at 31 December 2019 (€208m at 31/12/2018), €284m of which referred to premiums from Non-Life business (€208m at 31/12/2018) and €0.4m to the Life business (€0.4m at 31/12/2018).

The increase in the Non-Life business is due to the contribution from UnipolRe, a Group company specialised in the reinsurance business which has further developed its activities with companies outside the Group since the previous year.

Amounts in €m	**31/12/2019**	*% comp.*	31/12/2018	*% comp.*	*% var.*
Non-Life indirect premiums	284	*99.9*	208	*99.8*	*36.9*
Life indirect premiums		*0.1*		*0.2*	*(4.1)*
Total indirect premiums	**285**	***100.0***	**208**	***100.0***	***36.9***

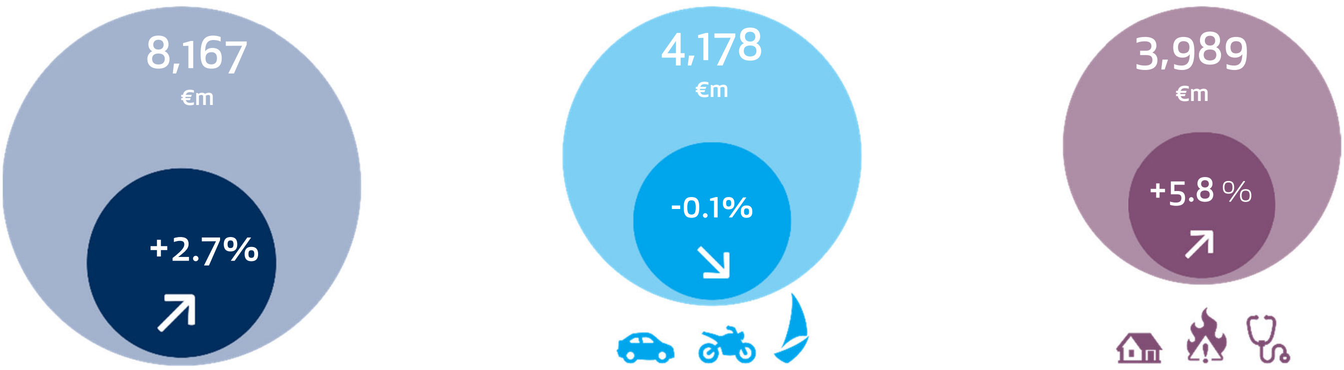
Group **premiums ceded** totalled €463m (€422m at 31/12/2018), €448m of which from Non-Life premiums ceded (€408m at 31/12/2018) and €14m from Life premiums ceded (€14m at 31/12/2018). The retention ratios remained essentially unchanged both in the Non-Life and Life businesses.

Amounts in €m	**31/12/2019**	*% comp.*	31/12/2018	*% comp.*	*% var.*
Non-Life ceded premiums	448	*96.9*	408	*96.7*	*9.8*
Retention ratio - Non-Life business (%)	*94.7%*		*95.0%*		
Life ceded premiums	14	*3.1*	14	*3.3*	*4.4*
Retention ratio - Life business (%)	*99.7%*		*99.6%*		
Total premiums ceded	**463**	***100.0***	**422**	***100.0***	***9.7***
Overall retention ratio (%)	*96.7%*		*96.5%*		

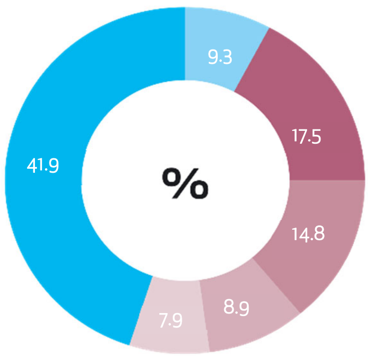
At 31 December 2019 the premiums ceded generated an overall positive result for reinsurers, both in the Non-Life and in the Life businesses.

Non-Life business

Total Non-Life premiums (direct and indirect) at 31 December 2019 were €8,451m (€8,161m at 31/12/2018, +3.6%). **Direct business** premiums alone amounted to €8,167m (€7,953m at 31/12/2018), up by 2.7%.



Non-Life business direct premiums



Amounts in €m	31/12/2019	%	31/12/2018	%	% var.
Land, sea, lake and river motor vehicles TPL (classes 10 and 12)	3,422		3,479		(1.7)
Land Vehicle Hulls (class 3)	756		703		7.6
Total premiums - Motor Vehicles	**4,178**	**51.2**	**4,183**	**52.6**	**(0.1)**
Accident and Health (classes 1 and 2)	1,431		1,337		7.0
Fire and Other damage to property (classes 8 and 9)	1,211		1,176		3.0
General TPL (class 13)	727		701		3.7
Other classes	620		557		11.3
Total premiums - Non-M-V	**3,989**	**48.8**	**3,770**	**47.4**	**5.8**
Total Non-Life direct premiums	**8,167**	**100.0**	**7,953**	**100.0**	**2.7**

In the **MV segment**, MV TPL premiums were €3,422m, down by 1.7% on 31 December 2018, still due to compression in the average premium as a result of market competition. An increase of 7.6% was instead reported in the Land Vehicle Hulls class with premiums equal to €756m (€703m at 31/12/2018). The **Non-MV segment,** with premiums of €3,989m, recorded 5.8% growth.

Non-Life claims

In terms of the Non-Life loss ratio trend, the MV TPL segment recorded a further improvement both in terms of the frequency as well as the average cost of claims, due in particular to the benefits of digital (40% of vehicles insured by UnipolSai are fitted with the black box) and the cost savings permitted by the network of authorised repair shops, managed by the subsidiary Auto Presto&Bene, to which a growing number of claims are routed.
2019 was again characterised by a significant loss ratio due to weather-related events of considerable impact not only on the Fire and Other damage to property business, but also on Land Vehicle Hulls as a result of hail storms that hit numerous towns and cities in Italy. The economic effects of the loss ratio from weather-related events were in part reabsorbed by reinsurance.

The number of claims reported, without considering the MV TPL class, reported a 12.0% increase, due to the Health class (+14.7%) in particular.

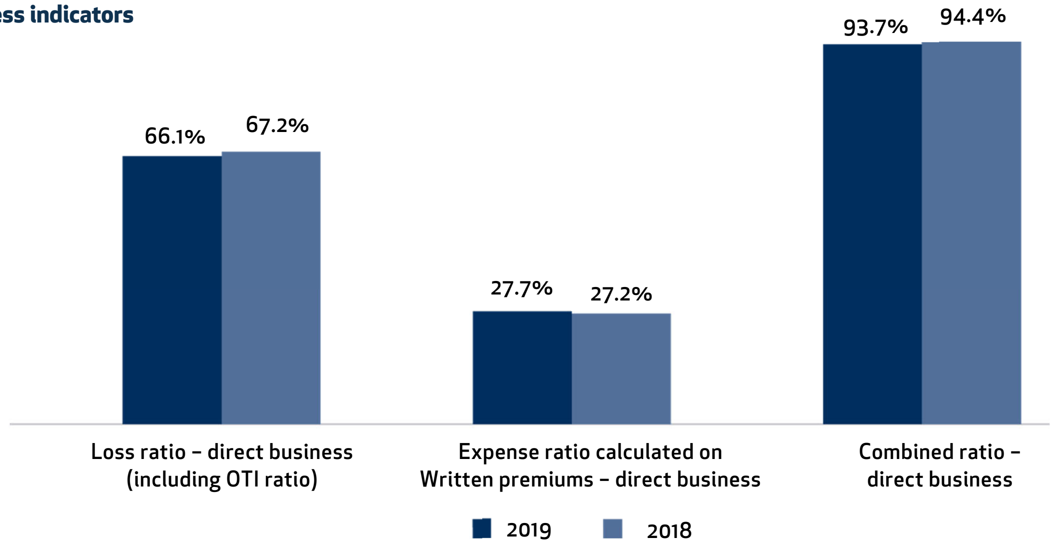
Number of claims reported (excluding MV TPL)

	31/12/2019	31/12/2018	*var.%*
Land Vehicle Hulls (class 3)	362,632	321,710	*12.7*
Accident (class 1)	135,264	130,940	*3.3*
Health (class 2)	4,273,662	3,727,327	*14.7*
Fire and Other damage to property (classes 8 and 9)	334,751	328,981	*1.8*
General TPL (class 13)	93,521	96,452	*(3.0)*
Other classes	549,428	528,703	*3.9*
Total	**5,749,258**	**5,134,113**	***12.0***

As regards the MV TPL class, where the CARD agreement is applied[33], in 2019 cases relating to "fault" claims (Non-Card, Debtor Card or Natural Card) reported totalled 636,005, down by 0.8% (641,116 in 2018).
Claims that present at least one Debtor Card claims handling were 369,577, down (-0.5%) with respect to the same period of the previous year.
Handler Card claims were 482,502 (including 108,261 Natural Card claims, i.e. claims between policyholders at the same company), down by 1.3% compared to the previous year. The settlement rate in 2019 was 82.3%, down from the same period of last year (82.8%).
The weight of cases to which the Card agreement may be applied (both Handler Card and Debtor Card claims) out of total cases (Non-Card + Handler Card + Debtor Card) in 2019 was equal to 84.3% (84.2% in 2018).
The average cost (amount paid plus amount reserved) for claims reported and handled (including claims reported late) further declined by 0.6% in 2019 (-2.2% in 2018). The average cost of the amount paid out rose by 6.2% (-1.1% in 2018).

[33] CARD - Convenzione tra Assicuratori per il Risarcimento Diretto: Agreement between Insurers for Direct Compensation: MV TPL claims may be classified as one of three cases of claims managed:
- Non-Card claims: claims governed by the ordinary regime, to which CARD is not applied;
- Debtor Card claims: claims governed by CARD where "our" policyholder is fully or partially liable, which are settled by the counterparty's insurance companies, to which "our" insurance company must pay a flat rate pay-out ("Debtor Flat Rate");
- Handler Card claims: claims governed by CARD where "our" policyholder is fully or partially not liable, which are settled by "our" insurance company, to which the counterparty's insurance companies must pay a flat rate pay-out ("Handler Flat Rate").
However, it must be noted that this classification is a simplified representation because, in reality, each individual claim may contain damages included in each of the three above-indicated cases.

Non-Life business indicators



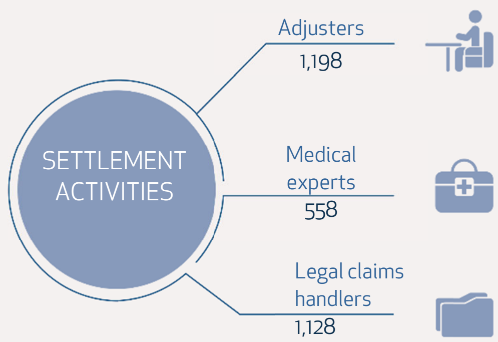
The net profit (loss) from the claims experience for the main classes is provided in the following table (in €m):

Non-Life business	**Net breakdown at 31/12/2019**	Net breakdown at 31/12/2018
MV TPL (classes 10 and 12)	170	150
Land Vehicle Hulls (class 3)	10	16
General TPL (class 13)	159	110
Other Classes	245	212
TOTAL	**583**	**487**

Settlement performance

Settlement activity involves various parties, with whom partnership agreements have been established in the area, who operate applying the key values of our services

- FAIRNESS
- EFFICIENCY
- QUALITY



New products

2019 saw tariff adjustments mostly relating to the MV TPL and Land Vehicle Hulls segments, in addition to updates to incorporate IVASS instructions on the simplification of insurance contracts.

The Vehicle "Dynamic Pricing" project also continued for the Km&Servizi product, which envisages the application of differentiated discounts, also by province, to personalise premiums based on technical results both at new issue and renewal stages. In addition, during 2019 the mass offer on this portfolio was structured in a more complete and comprehensive manner, on a portion of the "High Value" portfolio integrating - at renewal stage - guarantees considered more suited to a customer target selected as potentially requiring more extensive and complete insurance coverage.
An increasing number of drivers are now satisfied users of the black boxes of UnipolSai which, in addition to a discount on the Motor, Theft and Fire policy, provide other high value-added services such as:
- data collection and processing based on engine-running time of the vehicle, the kilometres travelled and the detection of any crashes or mini-crashes;
- alarms sent directly to the appointed assistance company in the event of crashes detected of a certain severity;
- speed limit, car finder, target area;
- a Voice device, including hands-free usage, that offers access to travel information and electronic bodyguard services as well as the ability to contact the appointed assistance company with immediate GPS location of the vehicle.

With around 100k new devices installed every month, at the end of 2019 UnipolSai reached the milestone of over 4m black boxes installed in vehicles and integrated with the MV TPL policy. This significant result bears witness to the leadership of UnipolSai not only in Italy, but also at European level.

As regards the Non-MV Non-Life price list, note the following action taken in 2019:
- new UnipolSai Agricoltura&Servizi product, targeting agricultural and agri-tourism companies, that has the following strengths:
  - Damage to property insurance, also in All Risks format;
  - coverage for Earthquake and Flood;
  - protection of agricultural revenue, if activities are interrupted following an indemnifiable claim of damage to property, theft, electrical/electronic phenomena and breakdowns, catastrophe events and digital protection;
  - supervaluation of 20% of the indemnity - granted without additional premiums - for claims relating to damage to property, theft and catastrophe events affecting agricultural products certified as organic, recognising the added value of such businesses in terms of sustainability;
  - Digital protection (cyber risks), which provides an assistance service in addition to specific reimbursements in case of "cyber attack";
  - a Quick recovery service which, in the event of a damage to property claim, envisages the rapid intervention of technicians specialised in emergency response and rescue, and in clean-up and restoration of damaged property, with a view to avoiding or limiting the worsening of the damage.
  - a Direct repair service which, if the estimated amount of the damage is not more than €5,000, envisages action by a network of authorised repair specialists which will arrange direct repair of the damage;
- new UnipolSai Terzo Settore product, designed and created for associations and organisations that pursue the third sector's typical objectives of solidarity and social utility. The product is broken down into five Macro Areas, or uniform groups of activities aggregated based on related social purposes: volunteerism, amateur sport, social relationships and culture, childhood and, lastly, other temporary duration events/demonstrations. The key strengths and innovative qualities of the product include:
  - streamlining of the insurance product mix for the reference target market, through a single standardised multi-risk product;
  - granular offer suited to fully and flexibly satisfy Third Sector insurance requirements;
  - simplification and speeding up, for the agencies, of the preventive and issuing process;
  - coverage dedicated to temporary risks.
- new Tutela Sisma product, marketed by Incontra Assicurazioni from October, which offers insurance coverage against direct damage from a significant event such as an earthquake can cause to the home with the guarantee subject to an existing mortgage on the property. The product insures against material and direct damage to the building caused by:
  - earthquake;
  - fire, explosion and blasts following an earthquake;
  - earthquake of volcanic origin.

  Also included are the expense for demolition, clearance and disposal of waste from the damage and expense relating to redesign of the building.

Lastly, for Non-MV business, during the second half of 2019 a review was undertaken of the regulatory and tariff characteristics of certain products for IDD (Insurance Distribution Directive) purposes, without significant changes being made to the text of the legal provisions.

Non-Life premiums of the main Group insurance companies

The direct premiums of **UnipolSai**, the Group's main company, stood at €6,990m (+1.3%), of which €3,927m in the MV classes (-0.3%) and €3,063m in the Non-MV classes (+3.6%).

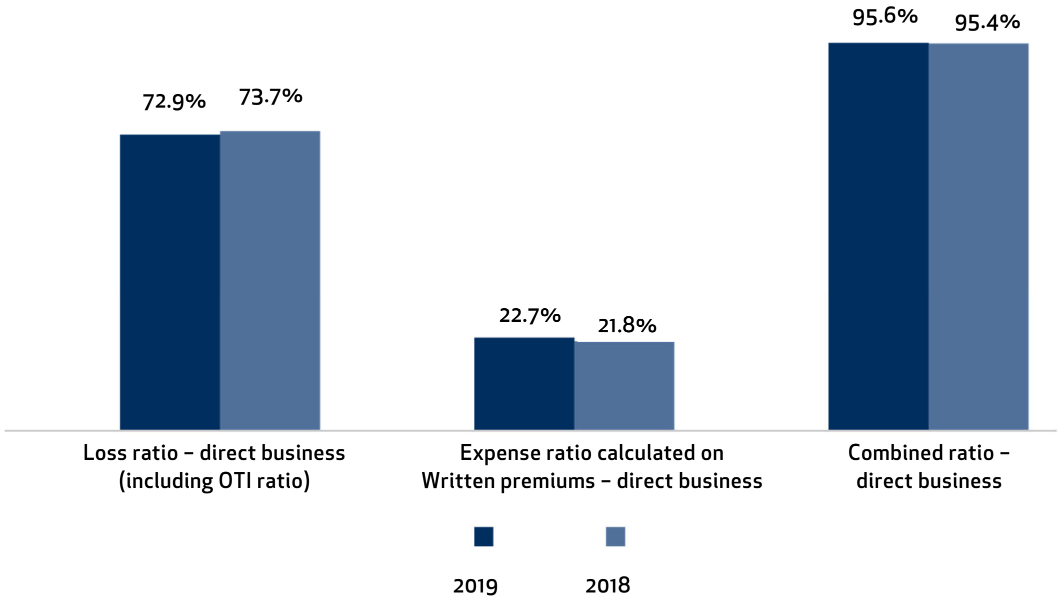
UnipolSai Assicurazioni Spa - Non-Life business direct premiums

Amounts in €m	**31/12/2019**	*% comp.*	31/12/2018	*% comp.*	*% var.*
Land, sea, lake and river motor vehicles TPL (classes 10 and 12)	3,209		3,272		*(1.9)*
Land Vehicle Hulls (class 3)	718		668		*7.4*
Total premiums - Motor Vehicles	**3,927**	***56.2***	**3,940**	***57.1***	***(0.3)***
Accident and Health (classes 1 and 2)	806		792		*1.8*
Fire and Other damage to property (classes 8 and 9)	1,148		1,120		*2.5*
General TPL (class 13)	710		686		*3.6*
Other classes	399		361		*10.6*
Total premiums - Non-M-V	**3,063**	***43.8***	**2,958**	***42.9***	***3.6***
Total Non-Life premiums	**6,990**	***100.0***	**6,898**	***100.0***	***1.3***

In the **MV** classes, €3,209m related to premiums in the MV TPL class and Sea, Lake and River Vessels TPL class (€3,272m at 31/12/2018, -1.9%).
In the **MV** sector, premiums continued to decrease for MV TPL due to lower average premium, most of which offset by the increase in Land Vehicle Hulls premiums.

2019 was also characterised by initiatives aimed at improving the settlement processes for claims related to the MV sector such as, for example, the use of the Black Box which represents an innovative way of providing information within the process of electronic settlements, in particular by verifying consistency between the details claimed and the actual dynamics of the event. The project launched in partnership with Alfaevolution also continued, aiming to improve the effectiveness of the boxes and increase the available dataset. The new Real Time 2.0 pilot process was implemented in 2019, which envisages the opening of a claim from the moment of a crash detected in black box data, at the same time triggering initial contact with the policyholder to open the claim and anticipating the information collection stage. This process was later extended to all the agencies in Lazio, Apulia, Sicily, Campania, Tuscany, Emilia-Romagna, Veneto, Piedmont and Lombardy, plus a number of agencies in Umbria, Marche and Abruzzo, sensitised through dedicated meetings. Also note the continued activity in 2019 to improve the criteria adopted to identify fraud through use of the Anti-fraud Engine, which identifies potentially fraudulent claims so that they may be channelled to the dedicated settlement structure and the use of the CPM (Medical Report Centre), i.e. a service provided to the claimant who has suffered modest injuries and that provides the option of a legal-medical visit directly at the offices of UnipolSai in order to reach an immediate settlement.

MV TPL indicators - UnipolSai



In addition to existing services and those released in past years (personal agency information, personal policy status, identification of the nearest workshop and direct calls to public assistance numbers, section dedicated to "Your claims", claim tracking), in 2019 the UnipolSai App was enhanced with the option of booking a medical check-up at Medical Report Centres (CPMs) and Medical Booking Services (SPMs) and to activate the recovery process for policyholder reports on debtor Card claims.

In the **Non-MV** business, the growth in premiums is spread across the various segments and classes, confirming the trend recorded during the year. The technical result for the segment was an improvement on the previous year, with major contributions from General TPL and Assistance business. To offer an innovative service to customers, similarly to what has been done for the MV Classes for years, a process of "direct repair intervention" was established for General Classes (Piped Water, Research and Damage Repair, Weather, Plates and Electrical) to repair the damage without the Customer having to pay anything, and with consequent elimination of the excess, where present. Direct Repairs in Electrical claims, launched in 2019, are carried out through specialist companies which offer an estimate of the damage, also through the use of the repurchase values of any assets damaged as indicated by external databases.

UniSalute, the top health insurance company in Italy by number of customers managed, specialised in the Healthcare segment (Health and Assistance), continued to successfully expand activities based on its business model, with premiums (including indirect business) totalling €489.2m (€501.9m at 31/12/2018), down by 2.5%. Among the main agreements that were executed by UniSalute over the period, to be noted are those with Fondo Sanimoda, EBM (Ente Bilaterale Metalmeccanici), Fondo Sanipro, Intesa Sanpaolo and Lidl.
The number of claims reported rose by 15.3%, from 3,340,648 in 2018 to 3,851,034 in the period under review.
2019 also posted a profit of €34.2m (€40.3m at the end of 2018), down by approximately 15.1%.

Linear, a company specialised in direct sales (online and call centre) of MV products, in 2019 generated a profit of €9.8m (€9.4m at 31/12/2018). Total gross premiums, amounting to €184.2m, recorded a 2.4% increase on 2018, particularly in the Land Vehicle Hulls class (+5.7%). The partnership for the sale of Home Assistance insurance with Hera, an Italian multiutility based in Bologna, recorded premiums written for €1.9m in 2019. Contracts in the portfolio at the end of 2019 were close to 628k units (+5.4%), an all-time high for the Company.

SIAT recorded a €0.1m profit in 2019 (€0.7m at 31/12/2018) with total gross premiums (direct and indirect) at €159.8m (€148.5m in 2018). The increase in new business is mainly due to the Hulls segment, which saw a major growth in business relating to sportscraft, particularly medium-large sized craft, and in foreign business, as well as increased insurance coverage relating to boatyards affected by order book trends and the start of new constructions.

Arca Assicurazioni achieved a net profit at 31 December 2019 of €27.8m (-6.9%), recording direct premiums for €136m (+13.1%), with a significant increase in the Non-MV classes (+18.1%) and a more limited growth in the MV segment (+2.3%). The breakdown of the portfolio among the distribution channels is almost totally focused on the banking channel which, at 31 December 2019, recorded 98.3% of the total Non-Life premiums. Overall, the banking channel recorded a 13.9% increase in premiums compared to the previous year, with premiums written totalling approximately €134m.

Incontra Assicurazioni recorded a €9.7m profit at 31 December 2019 (profit of €6.8m at 31/12/2018), with premiums equal to €185m, up compared to the previous year (€136m in 2018), mainly concentrated in the Health and Pecuniary Losses classes (respectively 56% and 32% of the total gross premiums written). At 31 December 2019, the volume of total investments reached €256m (€194m at 31/12/2018), almost entirely concentrated in available-for-sale financial assets, while gross technical provisions amounted to €325m (€251m at 31/12/2018). The ratio between gross technical provisions and premiums written was approximately 176%.

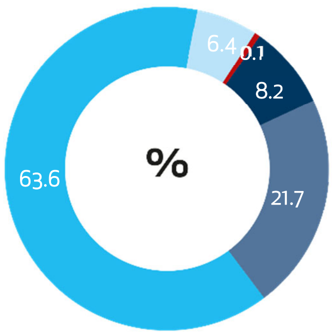
Pronto Assistance, active in placing assistance services insurance policies in the home, health, MV and business sectors, customisable so as to meet the customer's needs, closed 2019 with a profit of €1.1m (€4.3m recorded in 2018). 2019 posted total premiums amounting to €168.6m (€143.1m at 31/12/2018), with an increase of approximately 17.8% mainly referred to the indirect business taken by Group companies. As mentioned previously, the company was merged into UnipolSai Assicurazioni with effect from 1 February 2020.

DDOR Novi Sad recorded a €7.3m profit (Non-Life and Life businesses) at 31 December 2019 (up from €5.3m at 31/12/2018) following a growth in premiums (Non-Life and Life businesses), from €95.3m at the end of 2018 (of which €80.7m in the Non-Life segment) to €100.9m at 31 December 2019 (of which €85.3m in the Non-Life business). The main macro-economic indicators showed the continuation of economic stability in Serbia, thanks also to the several reforms enacted in the previous years by the local government. Based on preliminary Serbian Chamber of Commerce figures, it is estimated that the company will remain among the sector leaders, with growth in premiums of 5.7% in the Non-Life segment and 6.7% in the Life segment.

Life business

Total Life premiums (direct and indirect) were €5,847m (€4,397m at 31/12/2018, +33%; +36.2% on a like-for-like basis). The **direct premiums**, which represent almost all of the premiums, are broken down as follows:

Life business direct premiums



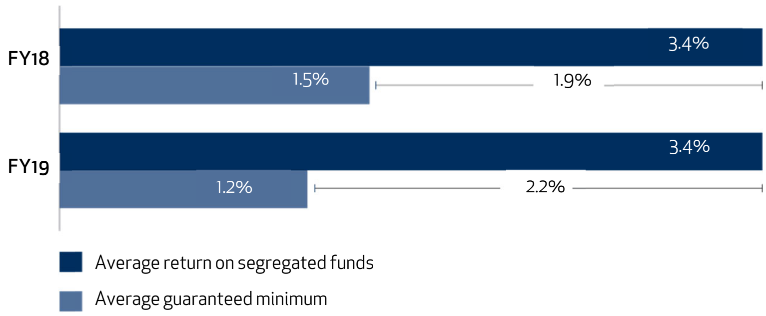
Amounts in €m	**31/12/2019**	%	31/12/2018	%	%
Total premium income					
I - Whole and term Life insurance	3,717	*63.6*	2,812	*64.0*	*32.2*
III - Unit-linked/index-linked policies	375	*6.4*	512	*11.6*	*(26.9)*
IV - Health	6	*0.1*	4	*0.1*	*37.6*
V - Capitalisation insurance	481	*8.2*	406	*9.2*	*18.6*
VI - Pension funds	1,268	*21.7*	663	*15.1*	*91.3*
Total Life business direct premium income	**5,847**	***100.0***	**4,396**	***100.0***	***33.0***
- of which Life investment products	*393*	*100.0*	*508*	*100.0*	*(22.6)*

At 31 December 2019, the direct premium volume was equal to €5,847m, an increase of 33% with respect to 31 December 2018 (+36.2% on a like-for-like basis). Investment products, totalling €393m (€508m at 31/12/2018), were primarily related to class III.

At 31 December 2019, new business in terms of **APE**, net of non-controlling interests, amounted to €493m (€397m at 31/12/2018, +24.2%), of which €91m contributed by bancassurance companies (+54.4% on a like-for-like basis) and €401m by traditional companies (+18.9%).

The **expense ratio** for Life direct business stood at 3.8% (5.2% at 31/12/2018).

Returns on Segregated Funds and guaranteed minimums



Pension Funds

The Unipol Group retained its leading position in the supplementary pension market, despite a difficult competitive scenario.
At 31 December 2019, with the subsidiary UnipolSai Assicurazioni, it managed a total of 25 mandates for **Occupational Pension Funds** (19 of them for accounts "with guaranteed capital and/or minimum return"). On the same date resources under management totalled €4,777m (€4,093m with guaranteed capital). At 31 December 2018, a total of 23 occupational pension funds were managed (17 of them for accounts "with guaranteed capital and/or minimum return") and resources came to €3,830m (of which €3,223m with guaranteed capital).

At 31 December 2019, the assets of the **Open Pension Funds** managed by UnipolSai and BIM (UnipolSai Previdenza FPA, Fondo Pensione Aperto BIM Vita) reached a total of €908m with 42,277 members. At 31 December 2018, the Open Pension Funds managed total assets of €852m and a total of 43,218 members.

New products

In 2019, UnipolSai, continuing with its allocation of new investments in order to optimise flows and returns, updated the offers of the main revaluable products managed as segregated funds.
In particular, since April 2019, the class I Investment product with single premium, UnipolSai Investimento Garantito, has been available on the market. It features the possibility of making additional payments, to remodel surrender penalties, to introduce a new overhead bracket and a new variable management fee according to Active Premium Accumulation (Cumulo Premi Attivi - CPA).
The update and expand the Protection offer, from October 2019 the UnipolSai Vita product was replaced with the new term life insurance UnipolSai Vita Premium. The new product is more competitive and offers greater flexibility due to the updating of demographic bases and expansion of the underwriting limits. In addition, the range of accessory guarantees available was completed by introducing the option to add insurance coverage for serious illnesses.
To complete the offer dedicated to Protection, at the end of November 2019 the new UnipolSai Vita Serena product was launched, specifically dedicated to coverage for cases of disease-related death. This product has a structure similar to that of the product covering death for any reason, but is dedicated to guaranteed capital of a lower amount.

Life premiums of the main Group insurance companies

Direct premiums for **UnipolSai** were equal to €4,080m (€3,129m at 31/12/2018, +30.4%). Class VI Pension Funds, with premiums totalling €1,264m, rose by 92.2%. Premiums for the class I traditional policies were also up, which with €2,200m (+18.8%) represent 53.9% of total premiums, and those for class V capitalisation policies (+21.4%).

UnipolSai Assicurazioni Spa - Life business direct premiums

	Amounts in €m	**31/12/2019**	*% comp.*	31/12/2018	*% comp.*	*% var.*
I	Whole and term life insurance	2,200	*53.9*	1,852	*59.2*	*18.8*
III	Unit-linked/index-linked policies	129	*3.2*	220	*7.0*	*(41.0)*
	- of which investment products	*129*	*3.2*	*219*	*7.0*	*(41.1)*
IV	Health	6	*0.1*	4	*0.1*	*37.6*
V	Capitalisation insurance	481	*11.8*	396	*12.7*	*21.4*
VI	Pension funds	1,264	*31.0*	658	*21.0*	*92.2*
	- of which investment products	*26*	*0.6*	*27*	*0.9*	*(3.6)*
Total Life business		**4,080**	***100.0***	**3,129**	***100.0***	***30.4***
- of which investment products		*155*	*3.8*	*246*	*7.9*	*(37.0)*

The **individual policy** sector recorded a 16.6% growth compared to 31 December 2018. The increase is positively conditioned by the increase in single Class I premiums, confirming the appeal for the UnipolSai Investimento Garantito product, and the increase in Class V premiums. In 2019, detrimentally affected by a largely unfavourable market, new Class III business was down (-45.0%). Among the Multisegment products, the excellent performance of the Pip UnipolSai Previdenza Futura continued.
Again in the individual sector, Class IV premiums continued to increase (+51.8%) which, albeit not significant in absolute terms, shows a growing interest in products that guarantee coverage for risks other than death, such as those with long-term care coverage and coverage against the onset of serious illnesses, an additional cover that can be combined with the term life product.

Premiums on **collective policies** showed a strong increase compared with the same period of the previous year (+53.9%), due to the growth of Class VI (+96.6%).

In the bancassurance channel, the **Arca Group** (Arca Vita and Arca Vita International) recorded direct premiums amounting to €1,676m (+55.6%). The volume of total investments amounted to €11,123.8m (€8,921.5m at 31/12/2018). The profit of Arca Vita, net of dividends collected from the subsidiaries, was €31.4m (+4.2%), and that of Arca Vita International was €0.7m (-60.1%).

BIM Vita recorded a profit of €1.8m at the end of 2019, up compared to 31 December 2018 (€1.5m). Gross premiums written amounted to €56.2m (around €52.6m at 31/12/2018). The volume of total investments amounted to €638m (€608.6m at 31/12/2018).

Reinsurance

Unipol Group reinsurance policy

With regard to the risks underwritten in the Non-Life business, the reinsurance strategy proposed the same cover structures in place in 2018, maximising the effectiveness of the most operational of the main non-proportional treaties. The renewal for 2019 took place in continuity with those expiring, with a number of improvements from a risk mitigation perspective.

At Group level, the following cover was negotiated and acquired in 2019:

- excess of loss treaties for the protection of MV TPL, General TPL, Fire (by risk and by event), Land Vehicle Hulls weather, Theft, Accident and Transport portfolios;
- stop loss treaty for the Hail class;
- proportional treaties for Technological risk (C.A.R. - Contractors' All Risks -, Erection all Risks and Decennale Postuma - Ten-year Building Guarantee), Bonds (the retention of which is then protected by a "risk attaching" excess of loss), Aviation, Accident, Hulls and TPL, (the retention of which is protected by a "loss attaching" excess of loss), Assistance, Legal Expenses, "D & O" and "Cyber" TPL.

Furthermore, in 2019 a CAT-bond type Insurance-Linked Securities (ILS) transaction was executed: in particular, UnipolSai signed a reinsurance agreement with "Atmos Re I Dac", an Irish special purpose reinsurance vehicle, which in turn arranged the issue of CAT-bonds, fully subscribed by institutional investors.
The purpose of this instrument is annual protection against anomalies in the frequency of small and medium-sized catastrophe events (Flood, Weather, Excessive Snow).

The risks underwritten in the Life business in 2019 are mainly covered at Group level with two proportional treaties, one for individual risks and one for collective risks in excess of the risk premium. Retention is protected with a non-proportional cover in excess of loss by event that regards the Life and/or Accident classes. There are also two proportional covers for LTC guarantees, one proportional cover for Individual Serious Illnesses and one for Weighted Risks.

To minimise counterparty risk, reinsurance coverage continued to be spread out and placed with the major professional reinsurers that have been given a high credit rating by major rating agencies, in order to provide a comprehensive and competitive service. With regard to the risks of: Assistance, Legal Expenses and part of Transport classes, these were instead ceded to specialised reinsurers and/or specialist Group companies.

Real Estate Sector performance

The main **income statement figures for the Real Estate sector are summarised below**:

Income Statement - Real Estate Sector

Amounts in €m	**31/12/2019**	31/12/2018	*% var.*
Gains on other financial instruments and investment property	26	26	*(0.7)*
Other revenue	35	37	*(7.0)*
Total revenue and income	**60**	**63**	***(4.4)***
Losses on other financial instruments and investment property	(59)	(65)	*(10.1)*
Operating expenses	(22)	(22)	*0.1*
Other costs	(28)	(36)	*(22.6)*
Total costs and expenses	**(109)**	**(124)**	***(12.2)***
Pre-tax profit (loss) for the year	**(49)**	**(61)**	***20.3***

The pre-tax result at 31 December 2019 was a loss of €49m (-€61m at 31/12/2018), after having applied property write-downs and depreciation of €59m (€73m at 31/12/2018).

Investments and cash and cash equivalents of the Real Estate sector (including instrumental properties for own use) totalled €1,423m at 31 December 2019 (€1,303m at 31/12/2018), consisting of investment property amounting to €760m (€586m at 31/12/2018) and properties for own use totalling €612m (€603m at 31/12/2018).

Financial liabilities, at 31 December 2019, totalled €232m (€329m at 31/12/2018).

Group real estate business[34]

During the year, the Group continued to renovate its owned property assets in order to subsequently leverage the refurbished properties with a view to leasing or use for business purposes. The projects are characterised by the use of technologies designed to maximise energy savings, including by relying on renewable energy.

The main projects, partially started in previous years, have been concentrated in the Milan area, and include:

- continued construction of a new multi-storey headquarters building in Piazza Gae Aulenti (Porta Nuova Garibaldi area). The project entails building an approximately 100 metre tall elliptical office tower. The architect's choice of an elliptical shape allows the tower to blend into an already strongly built-up area. The tower will be built with a view to ensuring the best certification in terms of energy and water saving and the ecological quality of the interior spaces (LEED Platinum certification);
- conclusion of works for the completion of a headquarters building in via De Castillia (Porta Nuova-Garibaldi area). Composed of two interconnected units, the building is characterised for its modern style and the use of innovative materials capable of reducing local air pollution. The property was inaugurated by an event held in December as part of the Christmas festivities;
- completion of the interiors of Torre Galfa, Via Fara 41, a 31-storey building in a central location in Milan, which will become a multifunctional building with a hotel in the first 13 storeys and luxury residential apartments for temporary use in the remaining storeys. It must be noted that for the portion of Torre Galfa to be used as hotel and temporary accommodations, leasing agreements have already been signed. The top floor of the Tower will be occupied by a restaurant-bar; the lower level will be occupied by a fitness facility. In September, at the 27th Real Estate Scenarios Forum, Torre Galfa received an award in the "Design excellence in real estate" category. This award is dedicated to companies which, through innovative projects, enhance Italian cities by improving the quality of life;
- continuation of the renovation works on a building to be used as a hotel in Via De Cristoforis (Hotel UNA Esperienze Milano De Cristoforis). The project provides for the construction of a luxury hotel with more than 170 rooms, restaurant, bistro, cocktail and lounge bar, terrace for events, garden area, fitness services, Spa and a convention centre with flexible meeting spaces. A modern re-engineering of the original design of the facades has considerably improved the building's energy performance, strongly focusing on sustainability and energy savings.

[34] The scope of the disclosure on Group real estate business also includes properties owned by the companies in sectors other than the Real Estate sector.

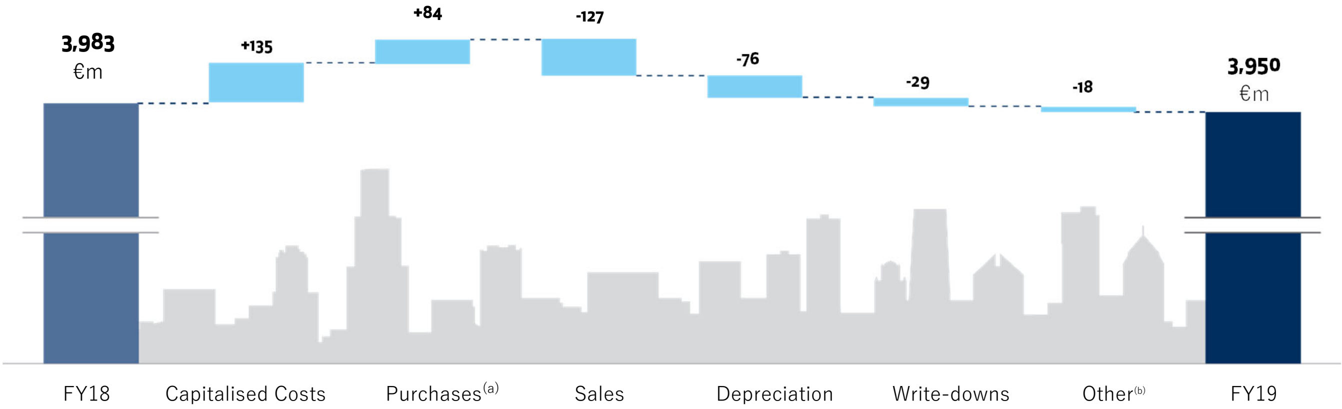
During the second half of the year, Hotel Principi di Piemonte, located on Via Gobetti, Turin, reopened after major renovation works which involved in particular the facades, in order to reduce the environmental impact of the structure as regards energy consumption, and an internal restryling that has made the environments more comfortable, safeguarding the historic features of the building.
Other residential and office property requalification activities were developed in various Italian cities in order to subsequently generate income through leasing.

As regards sales, of note during the year was the sale of a number of properties and land for a significant amount, located respectively in Milan (offices and land in Trenno), Sesto San Giovanni (healthcare facility), Florence (hotel and residential properties), Genoa (various uses), as well as the sales of properties located in Via Ciro Menotti and Via In Arcione in Rome, Via Pantano, Via Monti, Via De Missaglia (the Le Terrazze complex) and Via Castellanza in Milan, and Via Grossi/Vinci/Cellini in Turin.
A preliminary sale agreement was signed in December for the property in Piazza Velasca, Milan ("Torre Velasca"), finalisation of which is expected in the second half of 2020.
Lastly, note the purchases made by certain Group companies in relation to properties for use as headquarters in Milan and Padua, for use as a hotel in Barberino del Mugello (FI), and in Bologna one property for industrial use and one for residential use.

Porta Nuova Project
There were no changes compared to the financial statements of the previous year.
Therefore, it is estimated that the remaining collections, expected in an additional two tranches in July 2023 and April 2025, will guarantee the recovery of the remaining investment, totalling €11.4m at 31 December 2019, plus additional proceeds, the quantification of which is currently uncertain as it relates to the outcome of the guarantees issued to the purchaser.

Evolution of the real estate assets (*)

(*Amounts in €m*)



(a) 118 completed at 31 December 2019 (169 in 2018)

(*) Operating figures

The balance of €3,950m at 31 December 2019 includes properties managed directly by Group companies for €3,624m, properties held for sale for €189m and €137m investments in real estate funds managed by third parties.

Holding and Other Businesses Sector Performance

The main income statement figures of the Holding and Other Businesses sector are shown below:

Income Statement - Holding and Other Businesses Sector

Amounts in €m	**31/12/2019**	31/12/2018	% var.
Commission income	8	8	*7.6*
Gains (losses) on financial instruments at fair value through profit or loss	6		*n.s.*
Gains on investments in subsidiaries, associates and interests in joint ventures	277		*n.s.*
Gains on other financial instruments and investment property	151	62	*143.9*
Other revenue	245	219	*12.0*
Total revenue and income	**688**	**288**	***138.8***
Losses on other financial instruments and investment property	(134)	(115)	*16.4*
Operating expenses	(191)	(132)	*44.3*
Other costs	(153)	(145)	*6.0*
Total costs and expenses	**(479)**	**(392)**	***22.0***
Pre-tax profit (loss) for the year	**209**	**(104)**	***n.s.***

Pre-tax profit at 31 December 2019 amounted to €209m (-€104m at 31/12/2018). It should be noted that the profit at 31 December 2019 includes €244m deriving from the effects of first-time consolidation according to the equity method of the investment held in BPER Banca.
The items Other revenue and Other costs include revenue and costs for secondment of personnel and for services provided to and received from companies of the Group belonging to other sectors, eliminated during the consolidation process.

At 31 December 2019 the **investments and cash and cash equivalents** of the Holding and Other Businesses sector (including properties for own use for €148m) were €2,442m (€2,604m at 31/12/2018).

Financial liabilities amounted to €2,481m (€2,237m at 31/12/2018) and mainly consist of the following:
- for €1,813m by three senior bond loans issued by Unipol with a total nominal value of €1,817m (€1,804m at 31/12/2018, nominal value unchanged);
- for €636m by loans payable in place with the subsidiary UnipolSai by Unipol and UnipolReC (€377m at 31/12/2018), subject to netting outside the segment.

In 2019, the companies of the area continued their activities focusing on commercial development, with continuous attention to improving the efficiency of the different operating platforms.

As regards the hotel sector, revenue on a like-for-like basis generated by the subsidiary **UNA Group** increased by 4.6% since 2018, from approximately €122.1m (adjusted to exclude the structures not in the portfolio in 2019) to about €127.8m, due to improvements in terms of occupancy and average daily rate. The company closed the year with a profit of around €4m compared to a loss of €3.5m in 2018.

Casa di Cura Villa Donatello closed 2019 with revenue of €26.4m, up by around 13.6% compared to 2018 (€23.3m). Revenue trends show a continuation of the positive performance in the core business, for hospitalisation (hospital stays and outpatient surgery) as well as clinic activities (visits and diagnostics). The company recorded a profit of €0.3m, up slightly compared to 2018.

As regards agricultural activities, the sales of bottled wine by the company **Tenute del Cerro** generated a 12.9% increase compared to the figure at 31 December 2018, from €6.8m to €7.7m. Total revenue showed an approximate 7.5% increase compared to 2018, from €8.7m to €9.4m.

The pre-tax profit that the holding company **Unipol** recorded at 31 December 2019 was €264m (€55m at 31/12/2018) and includes dividends collected from Group companies, netted in the consolidation process, of €344m (€311m at 31/12/2018), interest expense on bonds issued of €61m (€61m at 31/12/2018), expense of €11m from commitments undertaken in the sale contract to BPER Banca SpA of the entire investment in Unipol Banca and expense for €28m relating to any loyalty bonuses due to Key Managers as defined in the Unipol Group Remuneration Policies.

Asset and financial performance

Investments and cash and cash equivalents

At 31 December 2019, Group **Investments and cash and cash equivalents** totalled €67,757m, after reclassifying €189m in properties held for sale to the item Non-current assets or assets of a disposal group held for sale pursuant to IFRS 5 (€59,445m at 31/12/2018):

Investments and cash and cash equivalents - Breakdown by business segment

Amounts in €m	**31/12/2019**	*% comp.*	31/12/2018	*% comp.*	*% var.*
Insurance sector	64,685	*95.5*	57,965	*97.5*	*11.6*
Holding and other businesses sector	2,442	*3.6*	2,604	*4.4*	*(6.2)*
Real Estate sector	1,423	*2.1*	1,303	*2.2*	*9.2*
Intersegment eliminations	(794)	*(1.2)*	(2,428)	*(4.1)*	*(67.3)*
Total Investments and cash and cash equivalents	**67,757**	***100.0***	**59,445**	***100.0***	***14.0***

The breakdown by investment category is as follows:

Amounts in €m	**31/12/2019**	*% comp.*	31/12/2018	*% comp.*	*% var.*
Property (*)	**3,624**	***5.3***	**3,634**	***6.1***	***(0.3)***
Investments in subsidiaries, associates and interests in joint ventures	**1,003**	***1.5***	**74**	***0.1***	***n.s.***
Held-to-maturity investments	**455**	***0.7***	**460**	***0.8***	***(1.1)***
Loans and receivables	**4,007**	***5.9***	**3,921**	***6.6***	***2.2***
Debt securities	3,471	*5.1*	3,410	*5.7*	*1.8*
Deposits with ceding companies	63	*0.1*	33	*0.1*	*92.3*
Other loans and receivables	472	*0.7*	478	*0.8*	*(1.3)*
Financial assets at at amortised cost	**516**	***0.8***	**490**	***0.8***	***5.3***
Loans and receivables from bank customers	516	*0.8*	490	*0.8*	*5.3*
Available-for-sale financial assets	**48,620**	***71.8***	**43,439**	***73.1***	***11.9***
Financial assets at fair value through OCI	**689**	***1.0***	**663**	***1.1***	***3.9***
Financial assets at fair value through profit or loss	**7,836**	***11.6***	**6,498**	***10.9***	***20.6***
of which held for trading	284	*0.4*	288	*0.5*	*(1.4)*
of which at fair value through profit or loss	7,466	*11.0*	6,206	*10.4*	*20.3*
of which mandatorily at fair value	86	*0.1*	5	*0.0*	*n.s.*
Cash and cash equivalents	**1,007**	***1.5***	**265**	***0.4***	***n.s.***
Total investments and cash and cash equivalents	**67,757**	***100.0***	**59,445**	***100.0***	***14.0***

(*) including properties for own use

Transactions carried out in the year[35]

Again in 2019, in line with previous years, investment policies adopted the general criteria of prudence and of preserving asset quality over the medium/long term.
In this respect, operations were geared towards reaching profitability targets consistent with the asset return profile and with the trend in liabilities over the long-term, and the maintenance of a high-quality portfolio through a process of selecting issuers on the basis of their diversification and strength, placing particular attention on the liquidity profile.

The **bond segment** was the main focus of operations, mainly affecting Italian government bonds and non-government bonds, applying a medium/long-term investment approach.
The exposure to government bonds during the year recorded an increase of around €782m. Within the Government segment a policy was adopted for their replacement with the purchase of Italian government bonds following the sale of securities issued by other European countries. In particular, the Parent liquidated entirely the core Government bonds and the securities issued by supranational European entities, with medium-long term maturity, following the purchase of Italian Government bonds; the maturity of the purchased securities are consistent with the maturity of the liabilities of Unipol Gruppo. As regards insurance portfolios, to be noted is the increase in the exposure to Italian government bonds following the sale of Government bonds, primarily Spanish, an activity carried out in the first quarter of the year.
The non-government component of bonds remained unchanged overall, though with some sector-level differentiation: the Life business saw an increase of €495m, whilst the Non-Life business recorded a decline of €493m which mainly involved financial issuers.

Asset portfolio simplification activities continued in 2019. There was a €158m overall reduction in exposure to Level 2 and 3 structured bonds.

	31/12/2019			31/12/2018			*variation*	
Amounts in €m	Carrying amount	Market value	Implied +/-	Carrying amount	Market value	Implied +/-	*Carrying amount*	*Market value*
Structured securities - Level 1	40	40		42	40	(2)	*(2)*	
Structured securities - Level 2	517	497	(20)	607	540	(68)	*(90)*	*(42)*
Structured securities - Level 3	164	138	(25)	232	193	(39)	*(68)*	*(54)*
Total structured securities	**721**	**676**	**(45)**	**881**	**773**	**(108)**	***(160)***	***(97)***

Share exposure increased during 2019 by around €546m. The higher exposure referred to European securities on the Eurostoxx 50 index or European sector indexes. For the remainder, transactions were broken down based on ETFs (Exchange Traded Funds) representing sector share indexes. Almost all equity instruments belong to the main European share indexes. The put options on the Eurostoxx50 index were also revalued on the equity portfolio, by maturity and value for the year, in order to mitigate volatility and preserve the value of the portfolio.

Exposure to **alternative funds**, a category that includes Private Equity Funds, Hedge Funds and investments in Real Assets, amounted to €777m, a net decrease of €117m, mostly due to the sale of most of the exposure to Hedge Funds.

[35] The scope of the disclosure on financial transactions, in terms of the breakdown of investments, does not include investments the risk of which is borne by the policyholders and customers and, in terms of companies, does not include the foreign companies Ddor and DDor Re and the banking sector companies, the investment values of which are of little significance on the whole within the Group's overall portfolio.

Breakdown of financial investments by type

(excluding financial assets for which investment risk is borne by policyholders/customers and arising from pension fund management)

Currency transactions were carried out primarily to hedge the currency risk of outstanding equity and bond positions.

The overall ***duration*** was 6.56 years for the Group, up on the 5.93 years recorded at the end of 2018. The Non-Life *duration* in the Group insurance portfolio was 3.86 years (3.09 years at the end of 2018); the Life duration was 7.64 years (7.15 years at the end of 2018). The Holding and Other Businesses *duration* was 0.30 years, down compared to the end of last year (1.44 years) following settlement of almost the entire government bonds portfolio.

The fixed rate and floating rate components of the bond portfolio amounted respectively to 87.9% and 12.1%. The government component accounted for approximately 71.2% of the bond portfolio whilst the *corporate* component accounted for the remaining 28.8%, split into 21.7% *financial* and 7.1% *industrial* credit.
90.3% of the bond portfolio was invested in securities with ratings above BBB-. 3.4% of the total is positioned in classes AAA to AA-, while 12.9% of securities had an A rating. The exposure to securities in the BBB rating class was 74% and includes Italian government bonds which make up 57.3% of the total bond portfolio.

Net gains on investments and financial income

The breakdown of net gains (losses) on investments and financial income is shown in the table below:

Net investment income

Amounts in €	**31/12/2019**	31/12/2018	*% var.*
Gains/losses on investment property	(13)	(38)	*67.1*
Gains/losses on investments in subsidiaries and associates and interests in joint ventures	545	314	*73.7*
Net gains on held-to-maturity investments	19	21	*(10.9)*
Net gains on loans and receivables	97	126	*(23.3)*
Net gains on financial assets recognised at amortised cost	33	33	*1.5*
Net gains on available-for-sale financial assets	1,805	1,723	*4.8*
Net gains on financial assets at fair value through OCI	68	5	*n.s.*
Net gains on financial assets at fair value through profit or loss (*)	(283)	(49)	*n.s.*
Balance on cash and cash equivalents	1	1	*24.6*
Total net gains on financial assets, cash and cash equivalents	**2,273**	**2,135**	***6.5***
Net losses on held-for-trading financial liabilities and at fair value through profit or loss (*)	(1)		
Net losses on other financial liabilities	(168)	(166)	*1.3*
Total net losses on financial liabilities	**(169)**	**(166)**	***1.8***
Total net gains (*)	**2,104**	**1,969**	***6.8***
Net gains on financial assets at fair value (**)	439	(243)	
Net losses on financial liabilities at fair value (**)	(256)	138	
Total net gains on financial instruments at fair value (**)	**183**	**(105)**	
Total net gains on investments and net financial income	**2,287**	**1,864**	***22.7***

(*) excluding net gains and losses on financial instruments at *fair value* through profit or loss for which investment risk is borne by customers (index- and unit-linked) and arising from pension fund management
(**) net gains and losses on financial instruments at *fair value* through profit or loss for which investment risk is borne by customers (index- and unit-linked) and arising from pension fund management

Net gains at 31 December 2019 amounted to €2,104m and included net gains for €421m deriving from the effects of first-time consolidation according to the equity method of the interest with significant influence in BPER Banca.
It should be noted that the net gains at 31 December 2018 (€1,969m) included a capital gain of €309m, under the item Gains/losses on investments in subsidiaries, associates and interests in joint ventures resulting from the sale of Popolare Vita.

Impairment losses on financial instruments classified in the Available-for-sale asset category amounted to €21m (€27m at 31/12/2018). The item Gains/losses on investment property included €32m in depreciation and €34m in write-downs (respectively €32m and €59m at 31/12/2018).

Shareholders' equity

At 31 December 2019, Shareholders' equity amounted to €8,305m (€6,327m at 31/12/2018), recording an increase both in shareholders' equity attributable to the owners of the Parent (+€1,655m) and in non-controlling interests (+€323m).

Shareholders' equity attributable to the owners of the Parent amounted to €6,687m (€5,032m at 31/12/2018) and was broken down as follows:

Amounts in €m	**31/12/2019**	31/12/2018	*variation in amount*
Share capital	3,365	3,365	
Capital reserves	1,639	1,729	*(90)*
Income-related and other equity reserves	(127)	(478)	*351*
(Treasury shares)	(3)	(6)	*3*
Reserve for foreign currency translation differences	4	4	
Gains/losses on available-for-sale financial assets	936	65	*871*
Gains/losses on financial assets at fair value through OCI	9	(34)	*43*
Other gains or losses recognised directly in equity	(38)	(14)	*(24)*
Profit (loss) for the year	903	401	*501*
Total shareholders' equity attributable to the owners of the Parent	**6,687**	**5,032**	*1,655*

The main changes over the year were as follows:
- a decrease of €129m due to dividend distribution;
- an increase of €914m as a result of the increase in the provisions for Gains and losses on available-for-sale financial assets and on financial assets measured at fair value through other comprehensive income;
- an increase of €903m in profit for 2019.

Shareholders' equity attributable to non-controlling interests was €1,617m (€1,294m at 31/12/2018). The main changes over the year were as follows:
- a decrease of €92m for payment of dividends to third parties;
- an increase of €219m as a result of the increase in the provisions for Gains and losses on available-for-sale financial assets and on financial assets measured at fair value through other comprehensive income;
- an increase of €184m due to profit attributable to non-controlling interests.

Treasury shares

At 31 December 2019, the treasury shares held by Unipol and its subsidiaries totalled 953,413 (2,003,299 at 31/12/2018), of which 336,332 held directly. Changes concerned:
- 2,312,735 shares assigned to entitled parties in execution of the compensation plans based on financial instruments;
- 2,351 shares held by Finitalia (ceded on 31 July 2019);
- 1,265,200 ordinary shares acquired in execution of the compensation plans based on financial instruments.

Reconciliation statement for the Group result for the year and shareholders' equity showing the corresponding figures for the Parent

In accordance with Consob Communication 6064293 of 28 July 2006 the statement reconciling the Group result for the year and shareholders' equity, including the corresponding figures for the Parent, is shown below:

Amounts in €m	Share capital and reserves	Profit (loss) for the year	**Shareholders' equity at 31/12/2019**
Parent balances in accordance with Italian GAAP	**5,383**	**284**	**5,667**
IAS/IFRS adjustments to the Parent's financial statements	68	2	70
Differences between net carrying amount and shareholders' equity and profit (loss) for the year of consolidated investments, of which:	192	1,260	1,452
- Translation reserve	*(3)*		*(3)*
- Gains or losses on available-for-sale financial assets and at fair value through OCI	*2,298*		*2,298*
- Other gains or losses recognised directly in equity	*3*		*3*
Consolidation differences	1,117		1,117
Intragroup elimination of dividends	460	(460)	
Other adjustments (securities, etc.)	(2)	1	(2)
Consolidated balances - portion attributable to the owners of the Parent	**7,218**	**1,087**	**8,305**
Non-controlling interests	1,433	184	1,617
Consolidated total	**5,785**	**903**	**6,687**

Technical provisions and financial liabilities

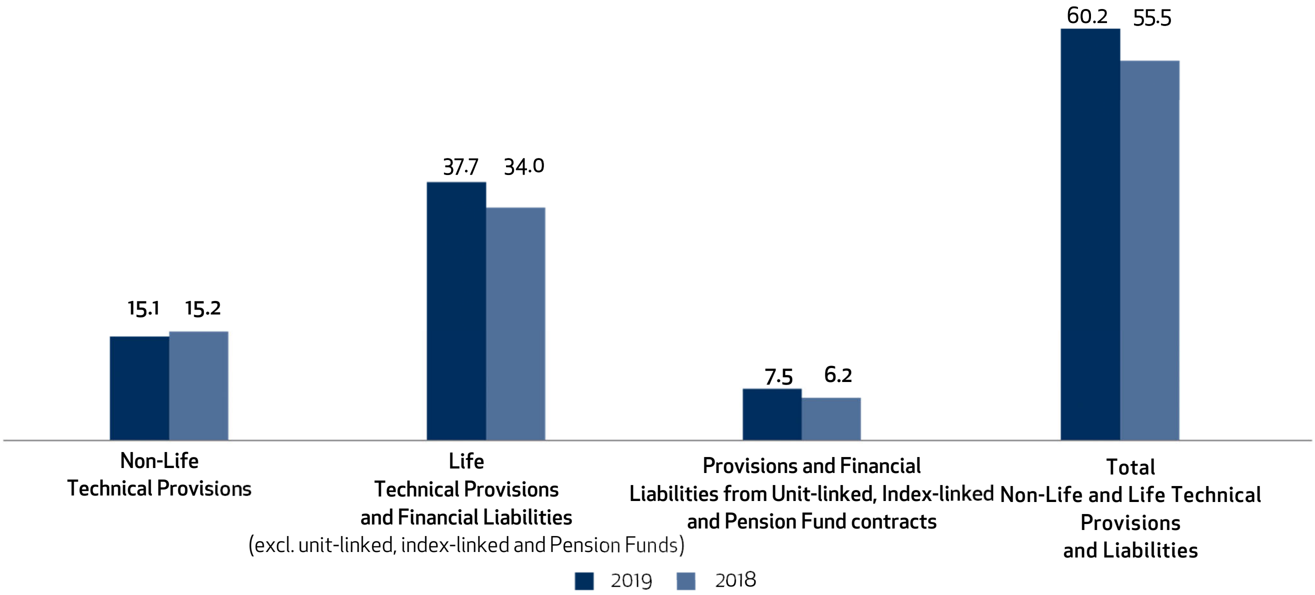
At 31 December 2019, technical provisions amounted to €57,567m (€53,223m at 31/12/2018). Financial liabilities amounted to €7,772m (€6,922m at 31/12/2018).

Technical provisions and financial liabilities

Amounts in €m	**31/12/2019**	31/12/2018	% var.
Non-Life technical provisions	15,067	15,212	(1.0)
Life technical provisions	42,500	38,011	11.8
Total technical provisions	**57,567**	**53,223**	**8.2**
Financial liabilities at fair value	**2,914**	**2,539**	**14.8**
Investment contracts - insurance companies	*2,662*	*2,261*	*17.7*
Other	*253*	*278*	*(9.2)*
Financial liabilities at amortised cost	**4,858**	**4,382**	**10.8**
Subordinated liabilities	*2,168*	*2,247*	*(3.5)*
Payables to bank customers			
Interbank payables			
Other	*2,690*	*2,135*	*26.0*
Total financial liabilities	**7,772**	**6,922**	**12.3**
Total	**65,339**	**60,145**	**8.6**

Breakdown of Non-Life and Life reserves

(Amounts in €bn)



Unipol Group Debt

For a correct representation of the accounts under examination, information is provided below of financial debt only, which is the total amount of the financial liabilities not strictly associated with normal business operations. Therefore, liabilities constituting operating debt, i.e. liabilities directly or indirectly associated with assets, are excluded.

Group debt structure

Amounts in €m	**31/12/2019**	31/12/2018	*variation in amount*
Subordinated liabilities issued by UnipolSai	2,168	2,247	*(80)*
Debt securities issued by Unipol	1,813	1,804	*9*
Other loans	517	165	*352*
Total debt	**4,498**	**4,216**	***281***

With reference to the **Subordinated liabilities**, all issued by UnipolSai, the change is mainly due to the repayment made on 24 July 2019, as per the contractually envisaged repayment plan, of the first tranche of €80m on the Restricted Tier 1 loan originally for €400m, disbursed in July 2003 by Mediobanca - Banca di Credito Finanziario SpA to Fondiaria-SAI SpA and maturing 24 July 2023.

The **Debt securities issued by Unipol**, net of intragroup subscriptions, totalled €1,813m and related to three senior unsecured bonds listed on the Luxembourg Stock Exchange, with a total nominal value of €1,817m.

Other loans, standing at €517m (€165m at 31/12/2018), refer primarily to:

- the loan obtained for the acquisition of properties and for improvement works by the Closed Real Estate Fund Athens R.E. Fund for a nominal value of €170m disbursed, through the company Loan Agency Service Srl, by a pool of 13 banks including Unipol Banca (merged into BPER Banca in 2019) for a nominal value of €10m;
- the financial liabilities deriving from the present value of future lease payments due for lease agreements accounted for on the basis of IFRS 16.

OTHER INFORMATION

Transactions with related parties

The "Procedure for related party transactions" (the "**Related Parties Procedure**"), prepared in accordance with Art. 4 of Consob Regulation no. 17221 of 12 March 2010 and subsequent amendments (the "**Consob Regulation**"), was most recently updated by Unipol's Board of Directors on 7 November 2019, following opinion in favour by the Related Party Transactions Committee (the "**Committee**"), with effect from that date.
In turn, the Board of Statutory Auditors of the Company expressed its opinion in favour on the compliance of the Related Parties Procedure with the principles indicated in the Consob Regulation.

The Related Parties Procedure - published on Unipol's web site (www.unipol.it) in the *Governance/Related Party Transactions* section - defines the rules, methods and principles that ensure the transparency and substantive and procedural fairness of the transactions with related parties executed by Unipol, either directly or through its subsidiaries.

The Procedure is published in the "Corporate Governance/ Related party transactions" section of the Unipol Group's website (www.unipol.it).

With regard to related party transactions, note that on 1 March 2019, Unipol:

- acquired the investments held in Unipol Banca S.p.A. ("**Unipol Banca**") and in UnipolReC S.p.A. ("**UnipolReC**"), equal to 27.49% of the respective share capitals, following a resolution adopted by the Board of Directors of UnipolSai Assicurazioni S.p.A. ("**UnipolSai**" or the "**Company**") regarding its exercise of the put option for the same investments, in compliance with a put/call option agreement signed by Unipol and the former Fondiaria-Sai S.p.A. on 31 December 2013;
- within the scope of the aforementioned put option, signed a loan agreement with the subsidiary UnipolSai, approved by the Board of Directors of the Company on 7 February 2019, which provides for the granting, by the Company, of an unsecured loan amounting to €300m, at an interest rate equal to the 3-month Euribor plus 260 basis points. The signing of the loan agreement falls under the scope of exemptions from the application of procedural rules dictated by the Consob Regulation, pursuant to the Related Parties Procedure, since this was a transaction carried out with a subsidiary.

The exercise of the put option and the granting of the loan have been, in turn, approved by the Board of Directors of UnipolSai on 7 February 2019, with a previous reasoned favourable opinion issued by the Company's Related Party Transactions Committee. For additional information on this matter, see the Information Document concerning Transactions of Major Significance with Related Parties, drawn up by UnipolSai pursuant to Art. 5 of the Consob Regulation and posted on 14 February 2019 on the website www.unipolsai.com, in the *Governance/Related Party Transactions* section.

Furthermore, on 27 May 2019, Unipol acquired 282,743,682 UnipolSai shares from the subsidiary Unipol Finance S.r.l., at the price of €2.269 each, equal to the price posted at the close of trading on 27 May, for a total of €641.5m ("**Purchase of UnipolSai shares**"). The Purchase of UnipolSai shares falls under the scope of exemptions from the application of procedural rules dictated by the Consob Regulation, pursuant to the Related Parties Procedure, since it was a transaction carried out with a subsidiary.

Lastly, as part of the reorganisation of the Unipol Group banking sector as reported herein, on 31 July 2019 Unipol arranged the full early repayment to the subsidiary Unipol Banca S.p.A. of the residual debt, originating from early termination of the indemnification agreement, relating to a specific non-performing loan portfolio of the Bank following the spin-off of the latter in 2017, for a total, including accrued interest, of €462,375,000.

As regards the disclosure required by IAS 24 and Consob Communication DEM/6064293/2006, please refer to paragraph 5.6 - Transactions with Related Parties in the Notes to the financial statements.

* * *

In addition, for the sake of complete disclosure, it should be emphasised that the reorganisation of the banking sector of the Unipol Group, illustrated previously under the paragraph "Unipol Group Performance", involved (i) the sale to BPER Banca ("**BPER**") by Unipol and, to the extent of its responsibility, by UnipolSai of the investments held in Unipol Banca and, indirectly, in Finitalia S.p.A. and (ii) the

purchase by UnipolReC of two separate non-performing loan portfolios, one owned by BPER and one by its subsidiary Banco di Sardegna S.p.A., to which the procedural and decision-making processes, established for transactions of "Major Significance" in internal procedures on related party transactions, were voluntarily applied. The Transaction was therefore submitted for the review to the Unipol Committee, which, on 6 February 2019, issued its reasoned opinion in favour.
UnipolSai and UnipolReC have also, on a voluntary basis and within their areas of competence, submitted the transaction for approval to, respectively, the Related Party Transactions Committee and the Committee for the management of transactions with associated parties, in both cases applying the procedures for transactions of "Minor Significance". The aforementioned Committees issued their opinions in favour on 6 February 2019.

Solvency II solvency position

The values relating to own funds and to the solvency capital requirement, calculated on the basis of the information available as of today, are illustrated below:

In €m	**Total**
Own funds eligible to cover the Solvency Capital Requirement	7,748.4
Tier 1 - unrestricted	*5,727.6*
Tier 1 - restricted	*1,016.8*
Tier 2	*986.2*
Tier 3	*17.8*
Solvency Capital Requirement	4,251.2
Ratio between Eligible own funds and Solvency Capital Requirement	**1.82**

The solvency situation of the Group will be subject to a specific disclosure to the market and to the Supervisory Authority by 19 May 2020, as part of the publication of the Solvency and Financial Condition Report (SFCR) envisaged in Art. 359 of Regulation (EU) 35/2015.

Report on corporate governance and ownership structures pursuant to Art. 123-bis of Legislative Decree 58 of 24 February 1998.

The information required by the Art. 123-bis, Legislative Decree 58 of 24 February 1998 as amended is included in the Annual Report on *corporate governance*, approved by the Board of Directors and published together with the Management Report.

The annual Corporate Governance report is available in the "Governance/Corporate Governance System" Section on the Company's website (www.unipol.it).

Ethics Report

NFS

General considerations

2019 saw the role of the Charter of Values and Code of Ethics consolidated in the Unipol Group as inescapable points of reference for the growth and success of an innovative, transparent and socially responsible culture common to all employees, agents and partners within the Group and with all stakeholders. The Ethics Department focused its commitment on the obligations regarding its institutional reference role on respect for the Charter of Values and Code of Ethics of the Group for all its stakeholders, as well as on the training project for managers and for internal and external staff. As regards reports received regarding alleged violations of the Code of Ethics, in one case only a minor violation of the Charter of Values and Code of Ethics was found. Therefore, the general consistency between the principles stated in the Code and company operations was confirmed.

Activities carried out and launched in 2019 with reference to the Charter of Values and the Code of Ethics

In 2019, the Ethics Committee met on 7 February, 21 June and 13 December. The main activities carried out related to the following issues:

a) Reporting and requests

The Code of Ethics allows reports to be sent by anyone by writing to the Ethics Officer via ordinary post or by sending an e-mail to responsabile.etico@unipol.it and may concern criticisms, suggestions, requests for opinions/information and alleged violations of the Code of Ethics. In 2019, 143 reports and requests were received in the dedicated e-mail inbox, compared to 111 in 2018. The significant rise is due to the increase in reports of a "complaint" nature (106) and to various contacts of a generic nature (22), while those attributable specifically to alleged violations of the Charter of Values and Code of Ethics (9) or requests for opinions from the Ethics Officer (6) remained essentially stable. More specifically:

- *reports related to alleged, specific violations of the Code of Ethics*: these were dealt with in accordance with the Code and with consolidated practices, bringing to light only one minor violation of the Charter of Values and Code of Ethics, in relation to which the Ethics Officer, after informing the Chairman of the Ethics Committee, notified the conclusions to the relevant department for measures to be adopted as necessary. The other cases submitted in accordance with the Code were examined and assessed by the Ethics Officer who, on ascertaining the absence of violations, arranged their closure, in compliance with Committee Regulations, discussing the most delicate situations with the Chairman;
- *requests for opinions/information:* these matters addressed to the Ethics Officer on matters within his/her specific competence were handled (consistency between business-related situations and the value system);
- *reports of a "complaint" nature:* reports concerning commercial or settlement inefficiencies, delays and disputes relating to Group companies were handled, as well as those presented by employees regarding internal inefficiencies or other problems. Normally, these did not relate to matters within the strict competence of the function, which is generally limited to informing the reporting entity of having assigned the matter to the Complaints and Specialist Assistance to Customers Department. If the complaint contains general references to the Code of Ethics (not sufficient to constitute a true notification of a violation) and in cases deemed appropriate, the Ethics Officer cooperates with the Complaints Department in preparing the response. In this domain, no situations were identified in 2019 in which the reference to the Code of Ethics was grounded.

b) Training

In order to ensure complete dissemination of awareness of the Charter of Values and the Code of Ethics within the Group, for 2019/2020 the Department has planned to implement an online training plan for employees, agents and agency personnel. The plan was launched in partnership with "Unica-Unipol Corporate Academy" and is currently at
advanced definition stage, with the involvement of all structures concerned, with a view to extensive sharing of the chosen learning methods and presentation of the topics covered. A key objective is to encourage internal and external staff to progress from theoretical and passive learning about the Code of Ethics to involved reflection on the
values and principles contained in the Unipol Charter of Values, stimulating their translation into real everyday application.
In 2020, following the launch of the campaign on company Intranets (Futur@ for employees and Ueba for the agencies), the course will be provided in e-learning format. The plan will extend the training on ethics-related issues to the entire corporate population, operating alongside the classroom training that began in 2017 and which to date has involved approximately 1,450 line managers out of a total of around 1,800.

For detailed information, please refer to the full Ethics Report, available in the "Sustainability" section of the Unipol Group's website.

Communication on Progress Global Compact

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Table of contents relating to relevant information for the United Nations Global Compact

The Unipol Group has adopted the principles of the Global Compact, promoting conduct consistent with the international standards on human rights, gender balance, environmental protection, anti-corruption, transparency and fairness in business and in business management, through continuous improvement methods and practices. In order make it easier to track the relevant contents for Communication on Progress, the following table has been prepared, which identifies, for each principle, the links to the GRI Standard, to the chapters of the 2019 Integrated Report (outcome measurements are indicated in the chapter "Shared value: the impacts generated by the Unipol Group") as well as the website www.unipol.it. For detailed information on the United Nations CoP 2019, please refer to the "Sustainability" section of the Unipol Group's website.

Global Compact Areas	Global Compact Principles	GRI STANDARDS		Page reference in the Annual Integrated Report	Link
Principles on Human Rights	**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights within their respective spheres of influence. **Principle 2:** Businesses should make sure they are not complicit in human rights abuses, including indirectly.	GRI102-09 GRI102-15 GRI102-16 GRI102-17	GRI102-30 GRI408-01 GRI412-03 GRI-FS11	Pages 14-15: "Unipol Group Vision, Mission and Values" Pages 29: "Future orientation in the use of capital" - "Instability and Polarisation" Pages 40: "The creation of value" - "Capital performance" - "Financial capital" Pages 46-49: "The creation of value" - "Capital performance" - "Human capital" Pages 66-74: "Governance" - "Internal Control and Risk Management System" Pages 111: "Other information" - "Ethics Report"	• Unipol Group Identity Vision, Mission and Values • Policies • ESG risk management
Labour principles	**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. **Principle 4:** Businesses should uphold the elimination of all forms of forced and compulsory labour. **Principle 5:** Businesses should uphold the effective abolition of child labour. **Principle 6:** Businesses should uphold the elimination of discrimination in respect of employment and occupation.	GRI102-06 GRI102-07 GRI102-08 GRI102-09 GRI102-16 GRI102-22 GRI102-30 GRI102-35 GRI102-41 GRI201-03	GRI204-01 GRI205-02 GRI305-03 GRI401-01 (b) GRI403-02 GRI403-03 GRI403-09 GRI 404-01 GRI 404-02 GRI405-01 GRI405-02	Pages 14-15: "Unipol Group Vision, Mission and Values" Pages 29-30: "Future orientation in the use of capital" Pages 33-34: "Material topics" Pages 46-49: "The creation of value" - "Capital performance" - "Human capital" Pages 53: "The creation of value" - "Capital performance" - "Social and relational capital" Pages 66-74: "Governance" - "Internal Control and Risk Management System" Pages 77-78: "Governance" - "Remuneration system and incentives" Pages 111: "Other information" - "Ethics Report"	• Unipol Group Identity Vision, Mission and Values • Shared Value • ESG risk management
Environmental Principles	**Principle 7:** Businesses should support a precautionary approach to environmental challenges. **Principle 8:** Businesses should undertake initiatives to promote greater environmental responsibility. **Principle 9:** Businesses should encourage the development and diffusion of environmentally friendly technologies.	GRI102-09 GRI102-11 GRI102-15 GRI102-30 GRI201-01 GRI302-01	GRI303-03 GRI305-01 GRI305-02 GRI305-03 GRI305-04 GRI307-01 GRI-FS14	Page 30: "Future orientation in the use of capital" - "Climate change" Pages 40: "The creation of value" - "Capital performance" - "Financial capital" Pages 54-56: "The creation of value" - "Capital performance" - "Natural capital" Pages 57-63: "The creation of value" - "Shared value: the impacts generated by the Unipol Group" Pages 64-71, 73: "Governance" - "Internal Control and Risk Management System"	• Reputational & Emerging Risk Observatory • Results and Strategy • Policies • Shared Value • Climate change • ESG risk management • Derris Project
Anti-Corruption Principles	**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.	GRI102-09 GRI102-29 GRI102-30 GRI102-43 GRI 205-1 GRI 205-2	GRI 205-3 GRI 206-1 GRI 417-3 GRI 418-1 GRI 419-1 GRI-FS11	Pages 14-15: "Unipol Group Vision, Mission and Values" Pages 33-34: "Material topics" Pages 66-71, 73-74 "Governance" - "Internal Control and Risk Management System" Pages 111: "Other information" - "Ethics Report"	• Unipol Group Identity Vision, Mission and Values • Anti-corruption Procedures • Policies • ESG risk management

Business outlook

The global economy is continuing to show signs of a general slowdown, even if certain unknowns relating to the US-China "tariffs war" and Brexit appear to have stabilised or are in the process of doing so. Vice versa, the first part of 2020 was characterised by negative repercussions on growth of the economy generated for the most part by the worldwide extension of the COVID-19 (Coronavirus) epidemic. The infection from Coronavirus, recently qualified as a pandemic by the World Health Organisation, indeed led to precautionary measures being adopted in China, which were then extended to many other countries, including Italy, to combat the spread of the epidemic. The size of the pandemic, in terms of temporal duration and extension, is currently difficult to estimate, and it is likewise difficult to reliably quantify the negative repercussions that it will have on the global economic cycle.

In our country, GDP figures below expectations were recorded in the fourth quarter of 2019, confirming the vulnerability of Italy's economy in a context of weak growth in the international economy, and the spread as of the end of February of the health emergency situation led many observers to a considerable downwards review of the 2020 growth forecasts, previously expected to be around +0.5%. Some are now even expecting negative growth.

As regards the financial markets, the Central Banks continue to implement easing policies, without fear of serious risk of inflation, that keep interest rates low, whilst the main stock markets have been strongly volatile due to worries that the measures launched in many countries, including Italy, with the aim of combating the spread of the epidemic, will halt the global economy. Indeed, this public health emergency is unleashing highly negative trends in the stock indexes at the end of February 2020, along with an increase in the spread between Italian government bonds and the German Bund.

All this may reflect on our financial investments and on the financial management, which continues to be aimed at the consistency of assets and liabilities, with a view to maintaining a proper risk-return profile of the portfolio and pursuing selectively an adequate diversification of the risks.

With regard to the trends of the insurance business, starting from the last week of February, due to the increasingly stringent government provisions on the movement of people, there has been a reduction in the signing of new contracts and, with reference to the Non-Life classes, a reduction in claims as well.
In the hotel business, this public health emergency is likely to have a more significant impact, although this will depend on its duration, which currently cannot be predicted.
In any event, the Group has initiated several specific actions to support our customers and agents residing in the areas hardest hit most by the ongoing epidemic, as well as to protect our employees throughout the country.

Excluding currently unforeseeable events and lasting and significant impacts of the ongoing health emergency on the economic cycle as well as the financial markets, the consolidated operating result for the current year is expected to remain positive, in line with the objectives defined in the 2019-2021 Business Plan.

Bologna, 19 March 2020

The Board of Directors

Synoptic table with non-financial information

Subjects of Italian Legislative Decree 254/2016	Material Issue	Relevant GRI Topic *
Material topics (Art. 3 par.1)		GRI 102: General disclosures (v. 2016)
Organisation and management model (Art. 3, par. 1a)	Product and service innovation; Development of partnerships with public and private players; Customer centricity; Farsightedness in responsible capital and remuneration management; Group relations with the agency network	GRI 102: General disclosures (v. 2016)
Business policies, results, indicators (Art. 3, par. 1b)	Fair and transparent business competition; Fairness in the sale of products and services	GRI 102: General disclosures (v. 2016)
	Relations with the local community; Profitability of the Group's activities; Responsible supply chain management	GRI 200 Economic: GRI 201: Economic performance (v. 2016); GRI 203: Indirect economic impacts (v. 2016); GRI 204: Procurement practices (v. 2016)
	Financial inclusion	SECTOR SPECIFIC ASPECT - SOCIETY: Product Portfolio; Active Ownership; Local Communities
Main risks (Art. 3, par. 1c)	Risk and control culture; Farsightedness in responsible capital and remuneration management	GRI 102: General disclosures (v. 2016)
Energy resources, water resources, emissions Impact on the environment, health and safety (Art. 3, par. 2a; (Art. 3, par. 2b; Art. 3, par. 2c)	Actions for the adaptation to and mitigation of climate change; Contribution to sustainable development in the various spheres of influence	GRI 300 Environmental: GRI 302: Energy (v. 2016); GRI 303 Water and effluents (v. 2018); GRI 305: Emissions (v. 2016); GRI 307: Environmental compliance (v. 2016)
		GRI 200 Economic: GRI 201: Economic performance (v. 2016); GRI 203: Indirect economic impacts (v. 2016); GRI 204: Procurement practices (v. 2016)
Human Resource management and gender balance (Art. 3, par. 2d)	Development of human capital; Sharing of a common corporate culture; Diversity management	GRI 102: General disclosures (v. 2016); GRI 400 Social: GRI 401: Employment (v. 2016); GRI 402: Labour/Management relations (v. 2016); GRI 403: Occupational health and safety (v. 2018); GRI 404: Training and education (v. 2016); GRI 405: Diversity and equal opportunity (v. 2016)
Respect for human rights (Art. 3, par. 2e)	Risk and control culture; Data protection and leveraging	GRI 102: General disclosures (v. 2016)
		GRI 400 Social: GRI 406: GRI 408: Child labour (v. 2016); GRI 412: Human rights assessment (v. 2016)
Fight against corruption (Art. 3, par. 2f)	Fair and transparent business competition	GRI 200 ECONOMIC: GRI 205: Anti-corruption (v. 2016) GRI 206: Anti-competitive behaviour (v. 2016) GRI 400 SOCIAL: GRI 419: Socioeconomic compliance (V. 2016)
	Fair and transparent business competition; Fairness in the sale of products and services	GRI 400 SOCIAL: GRI 417: Marketing and labelling (V. 2016); GRI 418: Customer privacy (V. 2016)
Reporting standard adopted (Art. 3, par. 3, 4 and 5)		GRI 102: General disclosures (v. 2016)
Diversity among members of the administration bodies (Art. 10 par.1 letter a)	Diversity management	GRI 102: General disclosures (v. 2016)

GRI Disclosure	Page reference of the Integrated Report	SDGs
102-40, 102-42, 102-43, 102-44, 102-45, 102-46, 102-47, 102-48, 102-49	Page 12: "Consolidated Non-Financial Statement pursuant to Italian Legislative Decree no. 254/2016" Pages 31-35: "Risks, opportunities and strategy" - "Mission Evolve": the 2019-2021 strategies" - "Stakeholder engagement tools and processes"; Pages 35-36: "Risks and opportunities" - "Mission Evolve": the 2019-2021 strategies" - "Material topics"	
102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-8, 102-9, 102-10, 102-11, 102-12, 102-13	Pages 16-17: "The Unipol Group" - "Activities and sectors"; Pages 18-19: "The Unipol Group" - "Group highlights" Pages 46-49: "The creation of value" - "Capital performance" - "Human capital"; Pages 50-54: "The creation of value" - "Capital performance" - "Social and relational capital"; Pages 59-62: "The creation of value" - "Shared value: the impacts generated by the Unipol Group" - Support to the realisation of the 2030 Agenda and contribution to combatting the climate emergency; Pages 66-75: "Governance" - "Internal Control and Risk Management System"	
102-14, 102-18, 102-22, 102-23, 102-29	Pages 8-9: "Letter from the Chairman and Letter from the Chief Executive Officer" Pages 29-30: "Future orientation in the use of capital" Pages 64-65: "Governance" - "Corporate Governance" Pages 57-63: "The creation of value" - "Shared value: the impacts generated by the Unipol Group"	
201-1, 203-2, 204-1	Pages 40-41: "The creation of value" - "Capital performance" - "Financial Capital" Pages 50-54: "The creation of value" - "Capital performance" - "Social and relational capital"	
FS07, FS08, FS11, FS14	Pages 40-41: "The creation of value" - "Capital performance" - "Financial Capital" Pages 57-63: "The creation of value" - "Shared value: the impacts generated by the Unipol Group"	
102-11, 102-15	Pages 29-30: "Future orientation in the use of capital" Pages 32-33: "Mission Evolve": the 2019-2021 strategies – "The Unipol Group's climate strategy" Pages 66-75: "Governance" - "Internal Control and Risk Management System"	
302-1, 303-3, 305-1, 305-2, 305-3, 305-4, 307-1	Pages 54-56: "The creation of value" - "Capital performance" - "Natural capital" Page 75: "Governance" - "Internal Control and Risk Management System" - "Sanctions"	
201-1, 203-2, 204-1	Pages 40-41: "The creation of value" - "Capital performance" - "Financial Capital" Pages 50-54: "The creation of value" - "Capital performance" - "Social and relational capital"	
401-1 (b), 403-1, 403-2, 403-5 403-9 404-1, 404-2, 405-1, 405-2, 102-35	Pages 46-49: "The creation of value" - "Capital performance" - "Human capital" Pages 64-65: "Governance" - "Corporate Governance" Pages 77-78: "Governance" - "Remuneration system and incentives"	
102-16, 102-17	Pages 14-15: "The Unipol Group" - "Unipol Group Vision, Mission and Values" Pages 64-68: "Governance" - "Internal Control and Risk Management System" - The monitoring of social, environmental and governance risks ("ESG risks"); Pages 110-111: "Other information" - "Ethics Report" and "CoP"	
408-1, 412-3	Pages 67-71: "Governance" - "Internal Control and Risk Management System" - "The monitoring of social, environmental and governance risks ("ESG risks")"	
205-1, 205-2, 205-3, 206-1, 419-1 417-3, 418-1	Pages 72-73: "Governance" - "Internal Control and Risk Management System" - "Personal data protection" Page 74: "Governance" - "Internal Control and Risk Management System" - "Anti-corruption" Page 75: "Governance" - "Internal Control and Risk Management System" - "Sanctions"	
102-50, 102-51, 102-52, 102-53, 102-54, 102-55, 102-56	Page 12: "Consolidated Non-Financial Statement pursuant to Italian Legislative Decree no. 254/2016" Pages 114-115: "Synoptic table with non-financial information"	
102-18, 102-22, 102-35	Pages 64-65: "Governance" - "Corporate Governance" Pages 66-75: "Internal Control and Risk Management System" Pages 77-78: "Governance" - "Remuneration system and incentives"	

* These also include the Disclosures on Management Approach (GRI 103-1, 103-2, 103-3) reported in the Integrated Report or available in the "Sustainability" section of the website www.unipol.it for individual material aspects.

Summary table of climate change-related disclosures (TCFD)

TCFD Area	Specific Topic	Page reference of the Integrated Report
Governance	a. Board Oversight	Pages 64-75: "Governance" - "Corporate Governance" - "Internal Control and Risk Management System"
	b. Management's Role	Pages 66-75: "Governance" - "Internal Control and Risk Management System"
Strategy	a. Risks and Opportunities	Pages 35-36: "Material topics" Pages 57-63: "The creation of value" - "Shared value: the impacts generated by the Unipol Group" Pages 66-75: "Governance" - "Internal Control and Risk Management System"
	b. Impact on Organization	Pages 29-30: "Future orientation in the use of capital" Pages 32-33: "Mission Evolve": the 2019-2021 strategies – "The Unipol Group's climate strategy"
	c. Resilience of Strategy	Pages 29-30: "Future orientation in the use of capital"
Risk Management	a. Risk ID & Assessment Processes	Pages 66-75: "Governance" - "Internal Control and Risk Management System"
	b. Risk Management Processes	Pages 66-75: "Governance" - "Internal Control and Risk Management System"
	c. Integration into Overall Risk Management	Pages 66-75: "Governance" - "Internal Control and Risk Management System"
Indicators and Objectives	a. Climate-Related Metrics	Pages 54-56: "The creation of value" - "Capital performance" - "Natural capital" Pages 59-62: "The creation of value" - "Shared value: the impacts generated by the Unipol Group" - "Support to the realisation of the 2030 Agenda and contribution to combatting the climate emergency"
	b. Scope 1,2,3 GHG Emissions	Pages 54-56: "The creation of value" - "Capital performance" - "Natural capital" Pages 59-62: "The creation of value" - "Shared value: the impacts generated by the Unipol Group" - "Support to the realisation of the 2030 Agenda and contribution to combatting the climate emergency"
	c. Climate-Related Targets	Pages 32-33: "Mission Evolve": the 2019-2021 strategies – "The Unipol Group's climate strategy"

Glossary

ALM: Asset and Liability Management, referring to the integrated management of assets and liabilities for the purpose of allocating resources in such a way as to optimise the risk/return ratio.

Ambassadors: employees who gave Unipol a reputational assessment higher than 80 points and also expressed a strategy alignment higher than 80 points

APE – Annual Premium Equivalent: the new Life business expressed in APE is a measurement of the volume of business relating to new policies and corresponds to the sum of periodic premiums of new products and one tenth of single premiums. This indicator is used to assess the business along with the in force value and the Life new business value of the Group.
Premium retention ratio is the ratio of premiums retained (total direct and indirect premiums net of premiums ceded) to total direct and indirect premiums. Investment products are not included in calculating this ratio.

ASviS - Italian Alliance for Sustainable Development: set up in 2016, on the initiative of the Unipolis Foundation and the "Tor Vergata" University of Rome, whose objective is to increase awareness in Italian society, economic entities and institutions, of the importance of the 2030 Agenda for sustainable development and to empower them to achieve the Sustainable Development Goals.
The Alliance currently incorporates more than 200 of the most important institutions and networks of civil society, such as associations representing social parties (business, trade union and Third Sector associations), networks of associations of civil society which concern specific objectives (health, economic well-being, education, labour, quality of the environment, gender equality, etc.), associations of regional authorities, universities and public and private research centres, and the associated networks, associations of entities active in the worlds of culture and information, foundations and networks of foundations, Italian entities belonging to international associations and networks active in sustainable development matters.

BS OHSAS 18001: international standard specifying the requirements for an occupational health and safety management system that allows an organisation to control its occupational health and safety risks and improve its performance.

Business model: an organisation's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the organisation's strategic purposes and create value over the short, medium and long term. (International <IR> Framework).

BVPS – Book Value Per Share: ratio between the Group's Shareholders' equity and the total number of shares.

Capital: stocks of value on which all organisations depend for their success. Used as inputs to the business model, and are increased, decreased or transformed through the organisation's business activities and outputs. The capitals are categorised in the IR Framework as financial, productive, intellectual, human, social and relational, and natural. (International <IR> Framework).

CARD - Convenzione tra Assicuratori per il Risarcimento Diretto - Agreement between Insurers for Direct Compensation:
MV TPL claims may be classified as one of three cases of claims managed:
- Non-Card claims: claims governed by the ordinary regime, to which CARD is not applied;
- Debtor Card claims: claims governed by CARD where "our" policyholder is fully or partially liable, which are settled by the counterparty's insurance companies, to which "our" insurance company must pay a flat rate pay-out ("Debtor Flat Rate");
- Handler Card claims: claims governed by CARD where "our" policyholder is fully or partially not liable, which are settled by "our" insurance company, to which the counterparty's insurance companies must pay a flat rate pay-out ("Handler Flat Rate").

However, it must be noted that this classification is a simplified representation because, in reality, each individual claim may contain damages included in each of the three above-indicated cases.

CAWI - *Computer Assisted Web Interviewing:* statistical survey method carried out via web.

Combined ratio : indicator that measures the balance of Non-Life technical management, represented by the sum of the loss ratio and the expense ratio.

COP21: the twenty-first Conference of the Parties to the Climate Change Agreement, the Paris climate conference of December 2015 in which 195 countries adopted the first universal and legally binding agreement on the world's climate.

CSI (Customer Satisfaction Index): overall satisfaction index based on 13 factors pertaining to two macro areas: Relations with agents and Service provided by the company. The sum of weighted scores obtained for each of the 13 factors determines the arithmetic mean representing the overall CSI.

CS OVERALL (Customer Satisfaction Overall for retail and companies): an indicator of overall satisfaction with the reference company (sole or main) that takes into account all aspects of the relationship (policies subscribed, personnel, service, innovation, reputation, etc.). It is calculated by using a 6-step numeric scale from 3 to 8, where 3 is the lowest score, 6 is satisfactory and 8 is the highest score. The percentage score is calculated on the two highest scores on the scale.

CSR: Corporate Social Responsibility, in economic and financial terms, is the area relating to implications of an ethics nature in the strategic business vision. It is a demonstration of the willingness of large, medium and small enterprises to efficiently manage problems with a social and ethics impact internally and in their areas of operation.

Environmental, social and governance (ESG): an acronym that refers to the organisational aspects of a company, linked to environmental, social and good governance policies, objectives and implementation procedures.

EPS – Earning per share: ratio between the Group's net profit and the total number of shares.

Expense ratio: percentage indicator of the ratio of total operating expenses to premiums written as far as direct business is concerned, and the premiums as far as retained business, net of reassurance, is concerned

FSB - Financial Stability Board, the international body that controls and formulates recommendations on the global financial system.

FTSE4Good Index: the index evaluates the performances of companies that are globally recognised for their high standards of social responsibility. The index is reviewed twice per year, in March and in September, to include any new companies and instead exclude any that have not maintained the required sustainability standards.

Global Compact: United Nations initiative launched in 2000 to encourage companies all over the world to adopt sustainable policies, comply with corporate social responsibilities and publicly disclose the results of the actions undertaken. Envisages compliance with the 10 Principles divided into 4 areas: Human Rights, Labour, Environment, Anti-corruption.
To date, over 18,000 companies from 157 countries worldwide have adopted the initiative, in support of the United Nations' Sustainable Development Goals (SDGs) for 2030.

Non-Financial Statement (NFS): a separate or consolidated statement of a non-financial nature as envisaged in Italian Legislative Decree no. 254 of 30 December 2016, which introduced new transparency obligations to Italian law in line with the European regulations on environmental and social issues, human resources, respect for human rights, the fight against active and passive corruption, which are relevant taking into account the activities and characteristics of the company._

Inputs: the capitals (resources and relationships) that an organisation draws upon for its business activities. (International <IR> Framework).

IPCC - Intergovernmental Panel on Climate Change: the scientific body of the United Nations that is responsible for assessing climate change, its implications and potential future risks, as well as proposing options for adaptation and mitigation.

ISO 50001: a voluntary international standard that provides organisations of any size with a system for optimising the energy performance of all of their processes and for promoting more efficient energy management.

ESG Guidelines: Guidelines for the ex ante assessment of ESG risks that could arise in the business processes (investments, recruitment, credit), annexed to the related Policies and useful to supporting correct assessment of the risks in line with the sustainability guidelines.

Loss ratio: primary indicator of the cost-effectiveness of operations of an insurance company in the Non-Life business. This is the ratio of the cost of claims for the period to premiums for the period.

Materiality: a matter is material if it could substantively affect the organisation's ability to create value in the short, medium or long term. (International <IR> Framework).

MRO (Main Refinancing operations): open market operations carried out by the Eurosystem.

MSCI ESG Index: the index supports the evaluation of the environmental, social and governance (ESG) investments and helps institutional investors to perform a more effective benchmarking for the performances of ESG investments.

NPS (Net Promoter Score): an indicator that measures the proportion of product/service "promoters" vs. "detractors".
It is based on the question "Would you recommend the company to your best friend?". The answers are rated on a scale of 0 to 10.
The indicator is calculated by subtracting the percentage of detractors from the percentage of promoters.

OTI (Other Technical Items) ratio: ratio of the sum of the balance of other technical charges/income and the change in other technical provisions to net premiums for the period.

Outcomes: the internal and external consequences (positive and negative) for the capitals as a result of an organisation's business activities and outputs (International <IR> Framework).

Outputs: an organisation's products and services, and any by-products and waste. (International <IR> Framework).

PRI: principles promoted in 2006 by the United Nations to favour the spreading of sustainable and responsible investment amongst institutional investors, which are signed and implemented by financial sector companies. The companies commit to incorporating ESG concerns within investment analyses and decision-making processes, as well as their company policies and practices.

UNEP - United Nations Environment Programme is the main global environmental authority which establishes the global environmental agenda, promotes consistent implementation of environmental approaches to sustainable development within the UN system and acts as the authoritative defender of the global environment.

Reputation Index: an index developed by the Reputation Institute to measure and manage the reputation of companies and their brands as a lever for business growth, valid at international level.

ROE – Return on Equity: ratio between the Group's net profit for the year and the average of the Group's Shareholders' equity (calculated as the semi-sum of Net Shareholders' equities at the start and end of the period), excluding Other comprehensive income (expense) (OCI).

Scope of GHG emissions: classification of the organisational confines in which the direct and indirect GHG (*Greenhouse Gas*) emissions generated by an organisation's activities are produced. There are 3 classes of *Scopes: Scope 1, Scope 2 and Scope 3*. The classification derives from the *World Resources Institute* (WRI) and the World Business Council for Sustainable Development (WBCSD). Scope 1 refers to direct GHG emissions from installations owned or controlled by the organisation. Scope 2 refers to indirect GHG emissions deriving from the generation of electricity, steam energy, heating and cooling, imported and consumed within the organisation. Scope 3 refers to other indirect emissions not covered by Scope 2, such as emissions associated with business travel.

SDGs- Sustainable Development Goals: the 2030 Agenda for Sustainable Development is a plan of action for people, the planet and prosperity, signed in September 2015 by the governments of 193 UN member states. It encompasses 17 Sustainable Development Goals - SDGs - as listed below:

Goal 1:
End poverty in all its forms everywhere.

Goal 2:
End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

Goal 3:
Ensure healthy lives and promote well-being for all at all ages.

Goal 4:
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Goal 5:
Achieve gender equality and empower all women and girls.

Goal 6:
Ensure availability and sustainable management of water and sanitation for all.

Goal 7:
Ensure access to affordable, reliable, sustainable and modern energy for all.

Goal 8:
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Goal 9:
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Goal 10:
Reduce inequality within and among countries.

Goal 11:
Make cities and human settlements inclusive, safe, resilient and sustainable.

Goal 12:
Ensure sustainable consumption and production patterns.

Goal 13:
Take urgent action to combat climate change and its impacts.

Goal 14:
Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

Goal 15:
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Goal 16:
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Goal 17:
Strengthen the means of implementation and revitalize the global partnership for sustainable development.

SDSN-Bertelsmann Index: index prepared by the Sustainable Development Solutions Network (SDSN) and the Bertelsmann Foundation using 62 basic indicators for an evaluation of how far Italy is from conditions of economic, social, environmental and institutional sustainability in relation to the SDGs.

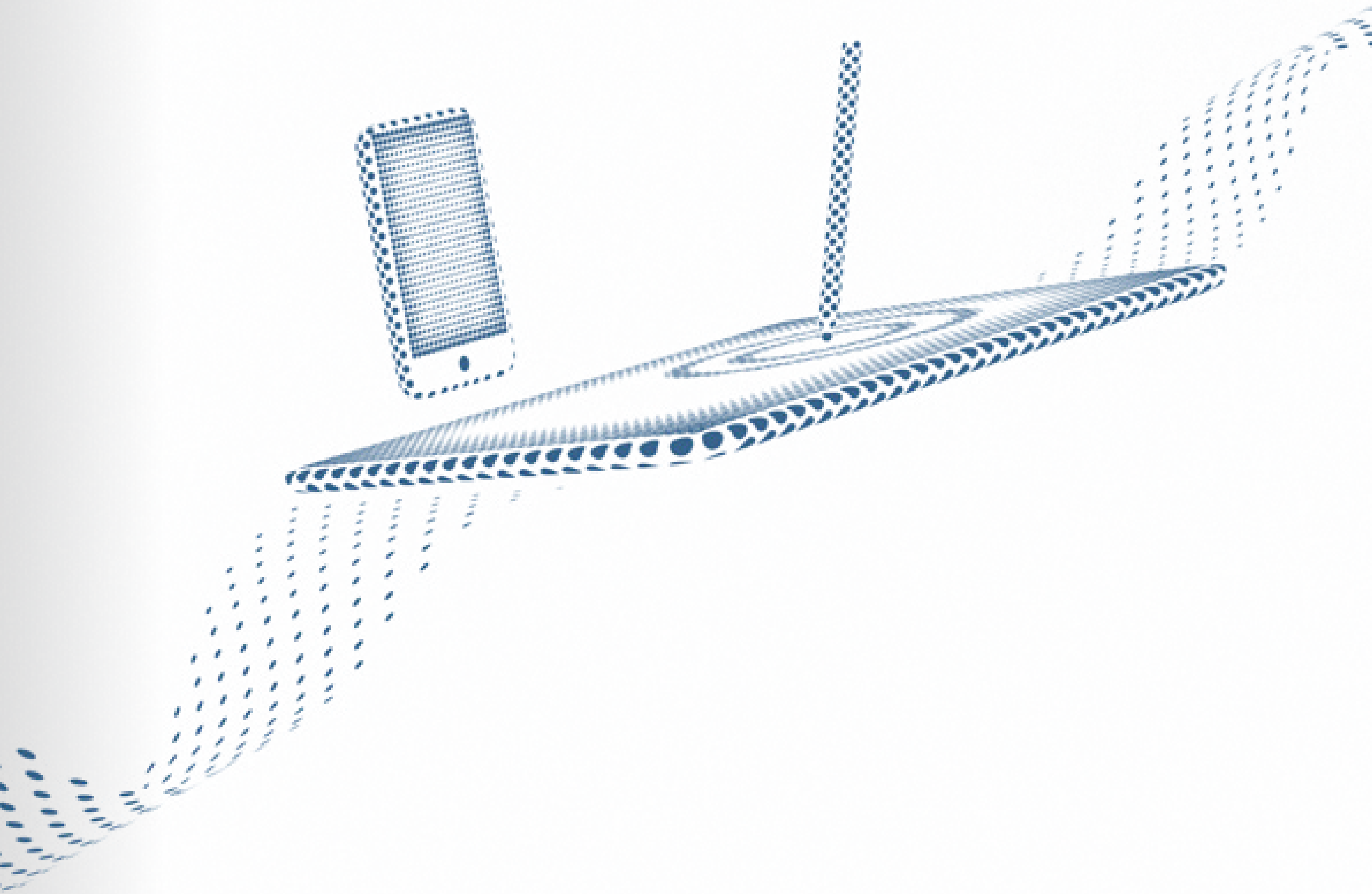
SRIs: the sustainability indexes or SRIs are summary indexes that monitor the performance trends of a basket of companies listed in the Stock Exchange in accordance not only with financial and economic criteria, but also criteria relating, as applicable, to environmental, social and good corporate governance aspects, employed by investors that intend to adopt sustainable and responsible investment (SRI) strategies.
Sustainable and responsible investment refers to a medium/long-term investment strategy which, in assessments of companies and institutions, combines financial analysis with environmental, social and good governance analysis so as to create value for the investor and for the company as a whole.

TCFD - Task Force on Climate-related Financial Disclosures develops voluntary and consistent recommendations on climate-related financial risks to be used by companies in providing information to investors, lenders, insurers and other interested parties

TEG - Technical Expert Group on Sustainable Finance - The Commission has established this group to assist in particular in the development of a standardised classification system for sustainable business activities, an EU green obligations standard, methods for low carbon emissions indicators and metrics for reporting on climate change issues

TLTRO - Targeted Long Term Refinancing Operations: financial interventions carried out by the European Central Bank, introduced for the first time during the sovereign debt crisis that took place in Eurozone countries. Under the TLTRO programme, 4-year loans with very low interest rates are disbursed through auctions to Eurozone banks, with a view to injecting liquidity into the real economy. Indeed, banks are required to use this liquidity to support lending to small and medium sized enterprises.

Value Creation: the process that results in increases, decreases or transformations of the capital caused by the organisation's business activities and outputs. (International <IR> Framework).



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CONSOLIDATED FINANCIAL STATEMENTS AT 31.12.2019

Statement of Financial Position

Assets

		Amounts in €m	31/12/2019	31/12/2018
1	INTANGIBLE ASSETS		2,012.1	1,955.3
1.1	Goodwill		1,625.0	1,581.7
1.2	Other intangible assets		387.1	373.5
2	PROPERTY, PLANT AND EQUIPMENT		2,484.2	1,887.4
2.1	Property		1,633.2	1,637.2
2.2	Other tangible assets		851.1	250.2
3	TECHNICAL PROVISIONS - REINSURERS' SHARE		989.6	982.0
4	INVESTMENTS		65,116.9	57,543.0
4.1	Investment property		1,991.1	1,996.7
4.2	Investments in subsidiaries, associates and interests in joint ventures		1,003.4	74.5
4.3	Held-to-maturity investments		454.6	459.6
4.4	Loans and receivables		4,006.6	3,921.0
4.4bis	Financial assets at amortised cost		516.1	490.1
4.5	Available-for-sale financial assets		48,620.0	43,439.2
4.5bis	Financial assets at fair value through OCI		689.5	663.3
4.6	Financial assets at fair value through profit or loss		7,835.6	6,498.5
4.6.1	*Held-for-trading financial assets*		*283.8*	*288.0*
4.6.2	*Financial assets at fair value*		*7,465.6*	*6,205.5*
4.6.3	*Other financial assets mandatorily at fair value*		*86.1*	*5.0*
5	SUNDRY RECEIVABLES		3,184.0	2,762.2
5.1	Receivables relating to direct insurance business		1,456.2	1,365.5
5.2	Receivables relating to reinsurance business		260.8	137.3
5.3	Other receivables		1,467.1	1,259.4
6	OTHER ASSETS		1,308.0	12,186.3
6.1	Non-current assets or assets of a disposal group held for sale		189.2	10,758.3
6.2	Deferred acquisition costs		101.2	98.1
6.3	Deferred tax assets		510.9	944.3
6.4	Current tax assets		3.9	23.8
6.5	Other assets		502.7	361.9
7	CASH AND CASH EQUIVALENTS		1,007.0	264.6
	TOTAL ASSETS		**76,101.9**	**77,580.8**

Statement of Financial Position

Shareholders' equity and liabilities

		Amounts in €m	31/12/2019	31/12/2018
1	SHAREHOLDERS' EQUITY		**8,304.6**	**6,326.7**
1.1	**attributable to the owners of the Parent**		**6,687.5**	**5,032.4**
1.1.1	Share capital		3,365.3	3,365.3
1.1.2	Other equity instruments			
1.1.3	Capital reserves		1,639.4	1,729.4
1.1.4	Income-related and other equity reserves		(127.2)	(478.0)
1.1.5	(Treasury shares)		(3.4)	(6.1)
1.1.6	Reserve for foreign currency translation differences		4.1	4.0
1.1.7	Gains or losses on available-for-sale financial assets		936.2	64.7
1.1.7bis	Gains or losses on financial assets at fair value through OCI		8.5	(34.5)
1.1.8	Other gains or losses recognised directly in equity		(37.9)	(13.9)
1.1.9	Profit (loss) for the year attributable to the owners of the Parent		902.5	401.4
1.2	**attributable to non-controlling interests**		**1,617.1**	**1,294.3**
1.2.1	Share capital and reserves attributable to non-controlling interests		1,196.4	1,052.3
1.2.2	Gains or losses recognised directly in equity		236.6	15.2
1.2.3	Profit (loss) for the year attributable to non-controlling interests		184.1	226.8
2	PROVISIONS		**476.9**	**357.1**
3	TECHNICAL PROVISIONS		**57,567.3**	**53,223.3**
4	FINANCIAL LIABILITIES		**7,772.0**	**6,921.7**
4.1	Financial liabilities at fair value through profit or loss		2,914.4	2,539.3
4.1.1	*Financial liabilities held-for trading*		*252.6*	*278.3*
4.1.2	*Financial liabilities at fair value*		*2,661.8*	*2,261.0*
4.2	Financial liabilities at amortised cost		4,857.7	4,382.4
5	PAYABLES		**1,012.6**	**804.4**
5.1	Payables arising from direct insurance business		164.7	160.9
5.2	Payables arising from reinsurance business		96.6	86.8
5.3	Other payables		751.3	556.7
6	OTHER LIABILITIES		**968.4**	**9,947.6**
6.1	Liabilities associated with disposal groups held for sale		3.3	9,200.8
6.2	Deferred tax liabilities		83.0	8.9
6.3	Current tax liabilities		50.9	27.4
6.4	Other liabilities		831.2	710.5
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**76,101.9**	**77,580.8**

Income Statement

		Amounts in €m	**31/12/2019**	31/12/2018
	1.1	Net premiums	13,262.5	11,469.0
	1.1.1	*Gross premiums earned*	*13,715.8*	*11,892.4*
	1.1.2	*Earned premiums ceded to reinsurers*	*(453.3)*	*(423.4)*
	1.2	Commission income	34.6	39.4
	1.3	Gains and losses on financial instruments at fair value through profit or loss	(100.7)	(153.5)
	1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	545.7	314.8
	1.5	Gains on other financial instruments and investment property	2,433.0	2,194.5
	1.5.1	*Interest income*	*1,486.5*	*1,548.4*
	1.5.2	*Other income*	*218.6*	*173.4*
	1.5.3	*Realised gains*	*655.1*	*449.7*
	1.5.4	*Unrealised gains*	*72.7*	*23.0*
	1.6	Other revenue	807.3	633.8
1		**TOTAL REVENUE AND INCOME**	**16,982.4**	**14,498.0**
	2.1	Net charges relating to claims	(11,349.9)	(9,463.2)
	2.1.1	*Amounts paid and changes in technical provisions*	*(11,658.4)*	*(9,778.9)*
	2.1.2	*Reinsurers' share*	*308.5*	*315.7*
	2.2	Commission expense	(21.4)	(22.9)
	2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	(0.3)	(0.9)
	2.4	Losses on other financial instruments and investment property	(591.0)	(490.6)
	2.4.1	*Interest expense*	*(169.1)*	*(170.4)*
	2.4.2	*Other charges*	*(40.2)*	*(40.1)*
	2.4.3	*Realised losses*	*(180.0)*	*(141.3)*
	2.4.4	*Unrealised losses*	*(201.8)*	*(138.8)*
	2.5	Operating expenses	(2,691.5)	(2,514.1)
	2.5.1	*Commissions and other acquisition costs*	*(1,863.9)*	*(1,796.4)*
	2.5.2	*Investment management expenses*	*(130.1)*	*(120.9)*
	2.5.3	*Other administrative expenses*	*(697.5)*	*(596.7)*
	2.6	Other costs	(1,040.9)	(821.1)
2		**TOTAL COSTS AND EXPENSES**	**(15,695.1)**	**(13,312.7)**
		PRE-TAX PROFIT (LOSS) FOR THE YEAR	**1,287.4**	**1,185.2**
3		Income taxes	(200.7)	(252.4)
		PROFIT (LOSS) FOR THE YEAR AFTER TAXES	**1,086.6**	**932.9**
4		PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		(304.6)
		CONSOLIDATED PROFIT (LOSS)	**1,086.6**	**628.2**
		of which attributable to the owners of the Parent	*902.5*	*401.4*
		of which attributable to non-controlling interests	*184.1*	*226.8*

Comprehensive Income Statement

Amounts in €m	**31/12/2019**	31/12/2018
CONSOLIDATED PROFIT (LOSS)	**1,086.6**	**628.2**
Other income items net of taxes not reclassified to profit or loss	**9.4**	**(43.8)**
Change in the shareholders' equity of the investees	0.9	(8.5)
Change in the revaluation reserve for intangible assets		
Change in the revaluation reserve for property, plant and equipment		
Gains and losses on non-current assets or disposal groups held for sale		
Actuarial gains and losses and adjustments relating to defined benefit plans	(2.2)	(0.2)
Gains or losses on equity instruments at fair value through OCI	9.4	(35.1)
Reserve deriving from variation on credit risk on financial liabilities at fair value through profit or loss		
Other items	1.3	(0.0)
Other income items net of taxes reclassified to profit or loss	**1,102.6**	**(872.7)**
Change in the reserve for foreign currency translation differences	0.2	0.2
Gains or losses on available-for-sale financial assets	1,090.5	(883.6)
Gains or losses on financial assets (other than equity instruments) at fair value through OCI	(0.5)	0.6
Gains or losses on cash flow hedges	9.9	10.1
Gains or losses on hedges of a net investment in foreign operations		
Change in the shareholders' equity of the investees	2.5	
Gains and losses on non-current assets or disposal groups held for sale		
Other items		
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	**1,112.0**	**(916.5)**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (EXPENSE)	**2,198.6**	**(288.3)**
of which attributable to the owners of the Parent	*1,793.1*	*(262.7)*
of which attributable to non-controlling interests	*405.5*	*(25.6)*

Statement of Changes in Shareholders' equity

	Amounts in €m	**Balance at 31/12/2017**	Changes to closing balances	Amounts allocated	Adjustments from reclassificati on to profit or loss	Transfers	Changes in investments	**Balance at 31/12/2018**
Equity attributable to the owners of the Parent	Share capital	3,365.3						3,365.3
	Other equity instruments							
	Capital reserves	1,729.4						1,729.4
	Income-related and other equity reserves	78.5	(47.3)	(451.6)			(57.6)	(478.0)
	(Treasury shares)	(25.7)		19.6				(6.1)
	Profit (loss) for the year	(345.8)		875.4		(128.2)		401.4
	Other comprehensive income (expense)	684.4	18.9	(405.4)	(329.8)		52.2	20.4
	Total attributable to the owners of the Parent	**5,486.1**	**(28.4)**	**38.1**	**(329.8)**	**(128.2)**	**(5.4)**	**5,032.4**
Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	1,522.6	(1.8)	(180.9)			(287.6)	1,052.3
	Profit (loss) for the year	176.8		165.3		(115.3)		226.8
	Other comprehensive income (expense)	267.6	0.7	37.4	(238.3)		(52.2)	15.2
	Total attributable to non-controlling interests	**1,966.9**	**(1.1)**	**21.9**	**(238.3)**	**(115.3)**	**(339.9)**	**1,294.3**
Total		**7,453.0**	**(29.6)**	**60.0**	**(568.0)**	**(243.5)**	**(345.2)**	**6,326.7**

	Amounts in €m	**Balance at 31/12/2018**	Changes to closing balances	Amounts allocated	Adjustments from reclassificati on to profit or loss	Transfers	Changes in investments	**Balance at 31/12/2019**
Equity attributable to the owners of the Parent	Share capital	3,365.3						3,365.3
	Other equity instruments							
	Capital reserves	1,729.4		(90.1)				1,639.4
	Income-related and other equity reserves	(478.0)		356.2			(5.5)	(127.2)
	(Treasury shares)	(6.1)		2.7				(3.4)
	Profit (loss) for the year	401.4		630.1		(129.0)		902.5
	Other comprehensive income (expense)	20.4	(0.0)	923.4	(38.5)		5.6	910.9
	Total attributable to the owners of the Parent	**5,032.4**	**(0.0)**	**1,822.4**	**(38.5)**	**(129.0)**	**0.1**	**6,687.5**
Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	1,052.3		134.7			9.5	1,196.4
	Profit (loss) for the year	226.8		48.8		(91.6)		184.1
	Other comprehensive income (expense)	15.2	(0.0)	232.5	(5.4)		(5.6)	236.6
	Total attributable to non-controlling interests	**1,294.3**	**(0.0)**	**416.0**	**(5.4)**	**(91.6)**	**3.8**	**1,617.1**
Total		**6,326.7**	**(0.0)**	**2,238.4**	**(43.9)**	**(220.5)**	**3.9**	**8,304.6**

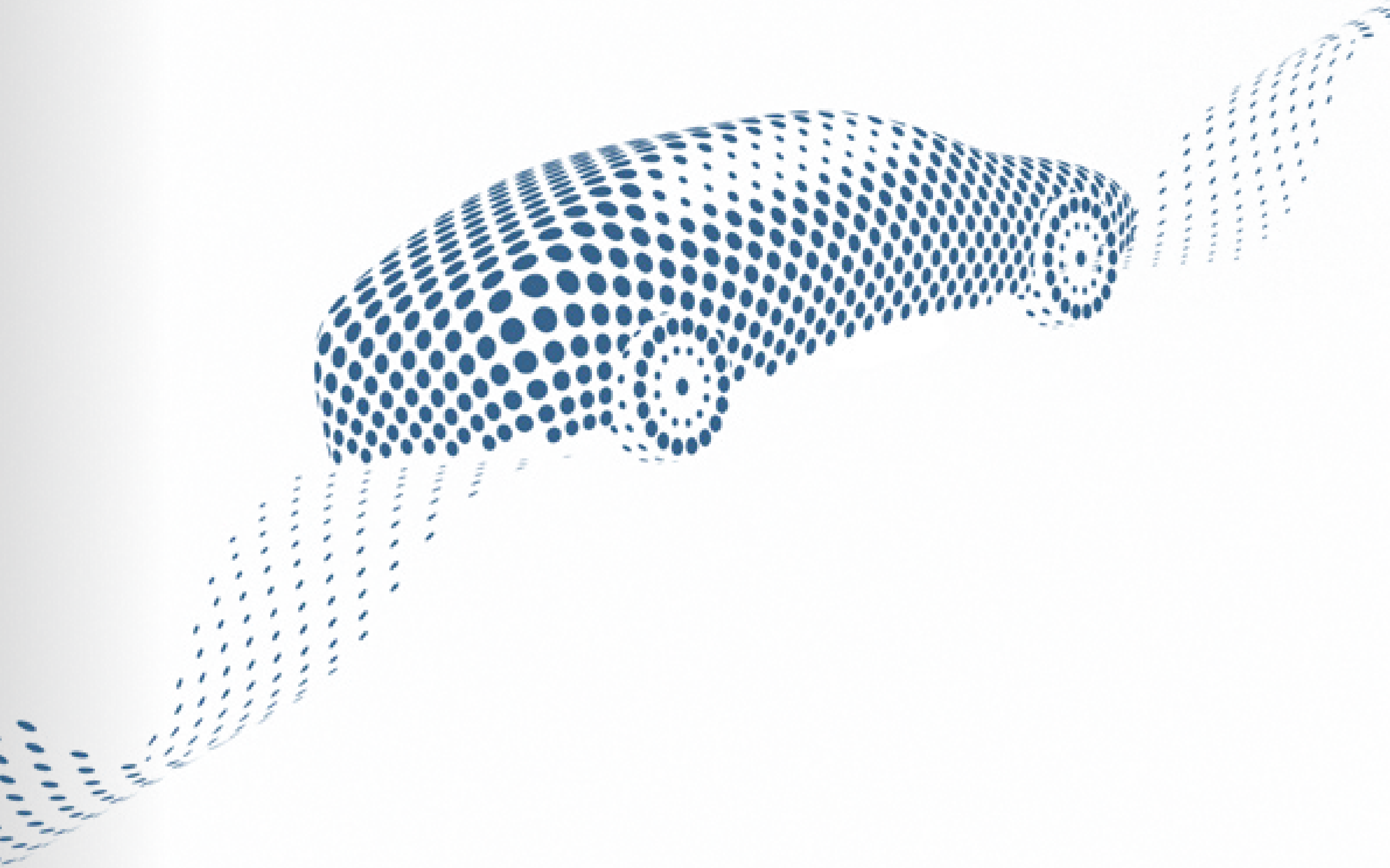
Statement of Cash Flows (indirect method)

Amounts in €m	31/12/2019	31/12/2018
Pre-tax profit (loss) for the year	**1,287.4**	**1,185.2**
Change in non-monetary items	**1,307.1**	**898.8**
Change in Non-Life premium provision	186.5	169.3
Change in claims provision and other Non-Life technical provisions	(348.3)	(537.5)
Change in mathematical provisions and other Life technical provisions	4,498.2	57.1
Change in deferred acquisition costs	(3.1)	(13.1)
Change in provisions	119.9	(30.4)
Non-monetary gains and losses on financial instruments, investment property and investments	(1,676.8)	643.0
Other changes	(1,469.2)	610.2
Change in receivables and payables generated by operating activities	**34.9**	**(239.6)**
Change in receivables and payables relating to direct insurance and reinsurance	(276.0)	(24.4)
Change in other receivables and payables	310.9	(215.2)
Paid taxes	**(34.4)**	**(280.6)**
Net cash flows generated by/used for monetary items from investing and financing activities	**(1,041.8)**	**1,370.7**
Liabilities from financial contracts issued by insurance companies	300.1	111.0
Payables to bank and interbank customers		654.2
Loans and receivables from banks and interbank customers	(26.0)	1,160.9
Other financial instruments at fair value through profit or loss	(1,316.0)	(555.3)
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	**1,553.0**	**2,934.5**
Net cash flow generated by/used for investment property	(84.3)	(37.1)
Net cash flow generated by/used for investments in subsidiaries, associates and interests in joint ventures (*)	(199.4)	10.2
Net cash flow generated by/used for loans and receivables	(105.5)	242.9
Net cash flow generated by/used for financial assets at amortised cost	14.8	
Net cash flow generated by/used for held-to-maturity investments	9.4	81.2
Net cash flow generated by/used for available-for-sale financial assets	(85.0)	(1,408.5)
Net cash flow generated by/used for financial assets at fair value through OCI	(578.6)	(643.7)
Net cash flow generated by/used for property, plant and equipment and intangible assets	(217.9)	(131.3)
Other net cash flows generated by/used for investing activities	162.7	606.0
TOTAL NET CASH FLOW GENERATED BY/USED FOR INVESTING ACTIVITIES	**(1,084.0)**	**(1,280.3)**
Net cash flow generated by/used for equity instruments attributable to the owners of the Parent		
Net cash flow generated by/used for treasury shares	5.0	9.2
Dividends distributed attributable to the owners of the Parent	(129.0)	(128.2)
Net cash flow generated by/used for share capital and reserves attributable to non-controlling interests	(91.6)	(115.3)
Net cash flow generated by/used for subordinated liabilities and equity instruments	(80.0)	196.7
Net cash flow generated by/used for financial liabilities at amortised cost	474.9	(1,941.1)
TOTAL NET CASH FLOW GENERATED BY/USED FOR FINANCING ACTIVITIES	**179.3**	**(1,978.7)**
Effect of exchange rate gains/losses on cash and cash equivalents		
CASH AND CASH EQUIVALENTS AT 1 JANUARY (**)	358.8	683.2
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	648.4	(324.4)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (***)	1,007.2	358.8

(*)The figure of 2019 includes the difference between the price paid for the purchase of Car Server (€96.1) and the cash and cash equivalents transferred as a result of the acquisition (€23.4m).

(**) Include cash and cash equivalents of non-current assets or those of a disposal group held for sale (2019 €94.2m, 2018 €51.7m).

(***) Include cash and cash equivalents of non-current assets or those of a disposal group held for sale (2019 €0.2m, 2018 €94.2m).



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NOTES TO THE FINANCIAL STATEMENTS

1. Basis of presentation

The Unipol Group, consisting of the Parent Unipol Gruppo ("Unipol") and its subsidiaries, operates in all Non-Life and Life insurance and reinsurance and capitalisation business; it may issue investment contracts and may set up and manage open pension funds, in compliance with the provisions of Art. 9 of Italian Legislative Decree 124 of 21 April 1993 and subsequent amendments.
It also carries out real estate, and to a lesser extent, financial, hotel, agricultural and healthcare activities.

The Parent Unipol, head of the Unipol Insurance Group, is a joint-stock company with registered office in Bologna (Italy) and is listed on the Milan Stock Exchange.

The Unipol Group's Consolidated Financial Statements were drawn up in accordance with Art. 154-ter of Italian Legislative Decree 58/1998 (Consolidated Law on Finance) and of ISVAP Regulation no. 7 of 13 July 2007, as amended. They conform to the IAS/IFRS standards issued by the IASB and endorsed by the European Union, along with the interpretations issued by IFRIC, in accordance with the provisions of Regulation (EC) no. 1606/2002 in force on the closing date of the financial statements.

The Consolidated Financial Statements consist of:
- statement of financial position;
- income statement and comprehensive income statement;
- statement of changes in shareholders' equity;
- statement of cash flows;
- notes to the financial statements;
- tables appended to the notes to the financial statements.

The layout conforms to the provisions of ISVAP Regulation no. 7 of 13 July 2007, Part III as amended, relating to the layout of the consolidated financial statements of insurance and reinsurance companies that must adopt international accounting standards.

The information requested by Consob Communications DEM/6064293 of 28 July 2006 and DEM/11070007 of 5 August 2011 is also provided.

The Consolidated Financial Statements are drawn up on the assumption that the company will continue as a going concern, in application of the principles of accrual accounting, materiality and truthfulness of accounting information, in order to provide a true and fair view of the equity-financial position and economic result, in compliance with the principle of the prevalence of the economic substance of transactions over their legal form.
The going concern assumption is considered to be confirmed with reasonable certainty given that companies belonging to the Unipol Group have sufficient resources to ensure that they will continue to operate for the foreseeable future. In addition, the liquidity risk is deemed to be very remote.

The layout of the financial statements offers a comparison with the figures of the previous year. Where necessary, in the event of a change to the accounting standards, measurement or classification criteria, the comparative data are re-stated and reclassified in order to provide homogeneous and consistent information.

The presentation currency is the euro and all the amounts shown in the financial statements and these notes are in €m, except when specifically indicated, rounded to one decimal place; therefore the sum of the individual amounts is not always identical to the total.

The Consolidated Financial Statements of Unipol are subject to an audit by the independent auditors PricewaterhouseCoopers SpA (PwC), the company tasked with performing the legally-required audit of the consolidated financial statements for the 2012/2020 period.

Consolidation scope

The Unipol Group's Consolidated Financial Statements at 31 December 2019 have been drawn up by combining the figures of the Parent Unipol and those of the 57 direct and indirect subsidiaries (IFRS 10). At 31 December 2018 a total of 61 companies were consolidated on a line-by-line basis. Subsidiaries deemed to be too small to be of relevance are excluded from the line-by-line consolidation.

There are no jointly-controlled interests.

Associates, in which the investment percentage ranges between 20% and 50%, and subsidiaries considered immaterial (22 companies), are measured using the equity method (IAS 28) or maintained at the carrying amount. At 31 December 2018, a total of 22 associates and subsidiaries were considered immaterial.

Investments consolidated on a line-by-line basis and those measured using the equity method are listed in the tables showing the Consolidation scope and Details of unconsolidated investments, respectively, which are appended to these Notes.

Changes in the consolidation scope compared with 31 December 2018 and other transactions

On 1 March 2019, after UnipolSai exercised the put option, pursuant to the put/call option contract signed on 31 December 2013 between the former Fondiaria-SAI SpA and Unipol Gruppo, 246,726,761 shares of Unipol Banca (27.49% of the company's share capital) and 79,766,325 shares of UnipolReC SpA (27.49% of the company's share capital) were transferred from UnipolSai to Unipol Gruppo. At 31 December 2019, Unipol Gruppo therefore held 85.24% of the share capital of UnipolReC and the remained was held by UnipolSai.

On 31 July, the entire investment in Unipol Banca, direct portion (85.24%) and indirect portion (14.76%) were sold to BPER Banca. As a result of the sale of Unipol Banca, Finitalia, a 100% subsidiary of Unipol Banca, was also deconsolidated.

Again on 31 July, as part of the arrangements with BPER Banca:
- UnipolSai acquired the interests held by Unipol Banca and Finitalia in UnipolSai Servizi Consortili (USSC) with a nominal value of €1,040 each (for a total of 4,000 shares), accounting for 0.04% of the share capital. Consequently, the interest of UnipolSai in USSC rose from 98.23% to 98.27%;
- UnipolSai Finance acquired the entire interest held by Unipol Banca in Promorest Srl for a nominal €5.2m, equal to 49.92% of the share capital, and the interest in SCS Azioninnova SpA comprising 6,000 shares representing 42.85% of the share capital.

On 27 May 2019, Unipol acquired 282,743,682 UnipolSai shares over the counter from the subsidiary Unipol Finance S.r.l., at the price posted at the close of trading, for a total outlay of €641.6m

On 1 August 2019, UnipolSai acquired the entire share capital of Car Server, with subsequent acquisition of indirect control of its 100% subsidiaries, Immobiliare C.S. Srl and Gieffe Srl Gestione Flotte. The latter was later merged into the parent Car Server with effect from 13 December 2019.

On 1 October 2019, the partial spin-off became effective of Unisalute Servizi Srl to the beneficiary newco Centri Medici Dyadea Srl, originally a subsidiary of Unisalute SpA, then sold by the latter to UnipolSai on 20 December 2019.

On 14 October 2019, following conclusion of the voluntary liquidation procedure, the associate Penta Domus SpA was cancelled from the Register of Companies.

On 15 October 2019, Unipol Finance Srl acquired 9,443,258 UnipolSai shares over the counter, at the close of trading price, from UnipolSai Nederland B.V. for a total of €23.1m.
On 18 October 2019, Unipol Finance Srl acquired 601,967 UnipolSai shares on the regulated market for a total of €1.5m.
On 14 November 2019, Unipol Finance Srl acquired 38,454,775 UnipolSai shares over the counter, at the close of trading price, from UnipolSai Finance SpA for a total of €102.4m.
After the aforementioned transactions, Unipol Finance Srl held 48,500,000 UnipolSai shares, equal to 1.71% of the share capital, with a carrying amount of €126.9m.

Acquisition of an interest with significant influence in BPER

In June 2019, due to the fact that the equity investment in BPER was increased to a total of 19.97% of the Bank's share capital, and also taking into account the relevant transactions already performed and in place between the Unipol Group and BPER itself, the Unipol Group qualified its interests held as interests with significant influence. Later, in August 2019, following the finalisation of certain BPER capital

transactions for which the shareholders' meeting procedure had begun in the months prior, the Unipol Group acquired further BPER shares on the market in order to restore the previously held interest of 19.97%. As a result of the different classification of the total investment in this company, the derecognition of the investment in BPER shares became applicable with recognition of the interests with significant influence at fair value at the acquisition date.
More precisely:

- BPER interests held by Unipol Gruppo (10.10% of the share capital) and UnipolSai (9.87% of the share capital), until June, respectively, among Financial assets measured at fair value through other comprehensive income (FVOCI), for a total value of €178m, and among Available-for-sale financial assets (AFS), for a total amount of €174m, increased by the additional shares purchased in August for €23m, were derecognised from the Statement of Financial Position. Against this derecognition, a loss from sale of AFS securities, totalling €62m, was recognised in the consolidated Income Statement, corresponding to the difference between purchase cost and AFS securities (€236m) and the market value of the same at the derecognition date;
- As envisaged by IAS 28, the interest with significant influence in BPER was recognised, at equity, under item Investments in subsidiaries, associates and interests in joint ventures.

Note that the fair value of identifiable BPER assets and liabilities at the acquisition date was quantified as €4,291m, calculated by making a number of adjustments to Shareholders' Equity attributable to the owners of the Parent recognised in the consolidated Statement of Financial Position at 30 June 2019 (€4,444m). In particular, the adjustments referred to:

- the elimination of unidentifiable assets, such as goodwill explicit and implicit in the value of the investments consolidated according to the equity method (€377m);
- the incremental effects on Shareholders' Equity attributable to BPER Group owners (€224m) deriving from the aforementioned capital transactions finalised in July 2019 on the shares attributable to the non-controlling interests held by Fondazione di Sardegna in Banco di Sardegna.

The value of interests of the Unipol Group in BPER determined as above (€858m) was higher than the purchase cost of the interests with significant influence, which corresponds to the market value of BPER shares at the date of the first measurement at equity plus the later purchases in August (€374m). This positive difference (€483m) was recognised as non-recurring income, under Gains on investments in subsidiaries, associates and interests in joint ventures. Also taking into account the aforementioned loss realised on AFS securities, the first-time consolidation at equity of the interest in BPER had a positive impact on the consolidated Income Statement for a total of €421m.

Information about business combinations

As reported previously, on 1 August 2019 UnipolSai finalised the acquisition of 100% of the share capital of Car Server SpA at the price of €96.1m. Car Server is one of the leading operators on the Italian market for long-term company fleet rental and business mobility management in general.

The values of the assets and liabilities acquired, calculated on the consolidated accounting position of Car Server at 30 June 2019, are reported below:

Amounts in €m	30/06/2019
Other intangible assets	2.4
Property, plant and equipment	609.1
Available for sales	0.5
Other receivables	96.1
Deferred tax assets	10.1
Other assets	5.1
Cash and cash equivalents	6.8
Other financial liabilities	(588.5)
Other payables	(86.2)
Current tax liabilities	(0.7)
Other liabilities	(1.9)
Total Net identifiable assets	**52.8**

The values of the assets acquired and the liabilities assumed are still considered provisional and may be recalculated within 12 months of the acquisition, as laid out in IFRS 3. On the basis of these values, the difference between the acquisition cost (€96.1m) and the net identifiable assets led to the recognition of goodwill for €43.3m.
Note that Car Server made a positive contribution to the consolidated profit for a total of €9.8m and, if the acquisition of control had coincided with the start of 2019, this contribution would have been €15m.

Transactions carried out on the share capital and other transactions

On 30 July 2019, Unipol Gruppo and UnipolSai, proportionally based on their respective percentage interests in UnipolReC SpA, made a capital contribution for a total of €102m to provide UnipolReC with the funding necessary to purchase the NPL portfolio from the BPER Banca Group, envisaged in the framework agreement signed on 7 February 2019 as part of the extraordinary transaction concerning the banking sector. This purchase was finalised on 31 July, at the same time as the sale of Unipol Banca.

On 26 June, 23 September and 5 December, UnipolReC made three capital contributions in favour of Unipol Reoco for a total of €1.3m, to provide the subsidiary with the funding necessary to conclude the sale procedures without auction on properties on which it had submitted a bid.

UnipolSai made capital contributions in favour of Meridiano Secondo Srl as follows:
- €53.4m for purchase of the property at Via Sassetti 27, Milan, and completion of the renovation works;
- €8.8m for payments associated with the commencement of construction works for the Unipol Tower.

On 18 April 2019, UnipolSai subscribed to the share capital increase, with share premium, of the subsidiary Meridiano Secondo Srl for €102.7m through contribution of a property at Via De Castillia 23, Milan.

During 2019, the Shareholders' Meeting of Unisalute resolved upon a share capital increase that was not fully subscribed by the minority shareholders (other than the parent UnipolSai) holding option rights. Following the non-subscription of all shares offered on option, UnipolSai increased its own percentage investment from 98.53% to 98.99%.

Reporting date

The reporting date of the Consolidated Financial Statements is 31 December 2019, the date the separate financial statements of the Parent Unipol closed. All the consolidated companies closed their financial statements at 31 December with the exception of the following:

- the subsidiaries Unipol Finance Srl, Unipol Investment SpA, UnipolPart I SpA and the associate Pegaso Finanziaria SpA close their financial year on 30 June and prepare interim financial statements in reference to the reporting date for the consolidated financial statements;
- the associate Fin.Priv Srl closes its financial year on 30 November.

The consolidated financial statements were drawn up using restatements of the separate financial statements of the consolidated companies, adjusted to comply with IAS/IFRS standards, as applied by the Parent Unipol and approved by the Boards of Directors of the companies concerned.

Basis of consolidation

Companies consolidated on a line-by-line basis

This method provides for the consolidation on a line-by-line basis of the assets, liabilities, gains and losses of the consolidated companies as from the date they were acquired, with the carrying amount of the investment being offset against the corresponding amount of the shareholders' equity of each individual subsidiary and, in the case of investments not wholly owned, the separate recognition of the amount of the equity and the profit or loss for the year attributable to non-controlling interests.
The amount of equity attributable to non-controlling interests is recognised under shareholders' equity as "Share capital and reserves attributable to non-controlling interests", whilst the corresponding share of consolidated profit or loss is shown under "Profit (loss) for the year attributable to non-controlling interests".
The financial statements of the subsidiaries are consolidated on a line-by-line basis with the exception of small subsidiaries, for which the equity method is used. Six special purpose companies were also consolidated on a line-by-line basis. These were the vehicles used by Unipol Banca to carry out securitisations which, although not subsidiaries, are consolidated as set forth in IFRS 10.

Goodwill

If the cost of acquiring investments in subsidiaries and associates exceeds the fair value of the identifiable assets, liabilities and contingent liabilities, the excess amount is recognised as goodwill under intangible assets.
This goodwill represents a payment made in the expectation of future economic benefits arising from assets that cannot be identified individually and recognised separately.
In the years after the year of acquisition, goodwill is measured at cost, net of any impairment losses accumulated.
Ancillary acquisition costs are recognised in the income statement during the year in which the costs are incurred or the services provided.

Under IFRS 10.23 changes in investments in subsidiaries that do not lead to a loss of control are recognised as equity transactions. Any positive difference between the proportion of net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary and the fair value of the price paid or received is recognised directly in profit for the period and allocated to the members of the holding company.

Companies measured using the equity method

When this method is used the carrying amount of the investment is adjusted to the corresponding portion of shareholders' equity, including the profit/loss for the year and all the adjustments made when consolidation is on a line-by-line basis. Any difference between the portion of shareholders' equity acquired and the fair value of the price paid (goodwill) is recognised in the carrying amount of the investment.

Elimination of intragroup transactions

The amounts receivable and payable between companies included in the consolidation scope, the gains and losses relating to transactions carried out between these companies and the profits and losses resulting from transactions carried out between these companies and not yet realised with parties external to the Group are eliminated during the preparation of Consolidated Financial Statements.

Segment reporting

Segment reporting is provided according to the provisions of IFRS 8 and structured on the basis of the major business segments in which the Group operated in the year reported in these consolidated financial statements and in the previous year:

- Non-Life insurance business;
- Life insurance business;
- Banking business;
- Real estate business;
- Holding and other businesses.

Segment reporting is carried out by separately consolidating the accounting items for the individual subsidiaries and associates that belong to each identified segment, eliminating intragroup balances between companies in the same segment and cancelling, where applicable, the carrying amount of the investments against the corresponding portion of shareholders' equity.
In the column "Intersegment eliminations", the intragroup balances between companies in different sectors are eliminated.
This rule does not apply in the following cases:

- investment relations between companies in different sectors, since the elimination of the investment takes place directly in the sector of the company that holds the investment, while any consolidation difference is attributed to the sector of the investee;
- collected dividends, eliminated in the sector of the company that collects the dividend;
- realised profits and expenses, since the elimination takes place directly in the sector of the company that realises the capital gain or loss.

No segment reporting based on geographical area has been provided since the Group operates mainly at the national level and there appears to be no significant diversification of risks and benefits, for a given type of business activity, based on the economic situation of the individual regions.

The segment reporting layout conforms to the provisions of ISVAP Regulation no. 7/2007.

2. Main accounting standards

New accounting standards

The newly issued accounting standards and amendments to previous ones, effective from 1 January 2019, are listed below. Of the new elements of interest for the Unipol Group note the entry into force of IFRS 16 "Leases", the first-time application of which, commented on below, had little relevance for the Group's financial position, with no impact on shareholders' equity at the transition date.
As regards the other regulatory developments that entered into force as of 1 January 2019 summarised below, no impact is worth reporting.

IFRS 16 – Leases

On 13 January 2016 the IASB issued IFRS 16 "Leases", endorsed through Regulation (EU) 2017/1986. IFRS 16 defines the accounting requirements for the recognition, measurement and presentation of lease agreements, replacing IAS 17 and the related interpretations. The main new aspect introduced by IFRS 16 refers to the accounting method for leases payable, which are no longer divided into finance (contracts whereby the lessee substantially assumes all risks and rewards of ownership of the leased asset) and operating (lease agreements other than finance leases) leases, but are instead subject, with the exception of specific contractual types mentioned below, to a single accounting model similar to that envisaged in IAS 17 for finance leases. For lessee/user companies, this different accounting representation (the "financial method") results in an increase in tangible assets recognised in the financial statements (right-of-use assets), an increase in liabilities (the financial debt on the leased assets), a reduction in lease costs and an increase in financial costs (to remunerate the financial debt) and amortisation (for the time distribution of right-of-use assets).
On the other hand, the introduction of IFRS 16 did not entail any changes compared to the previous situation with reference to the accounting of:

- leases receivable, for which IFRS 16 retains the same differentiation between operating and finance leases as IAS 17;
- leases payable qualified as finance leases, for which IFRS 16 confirmed the application of the same accounting method (financial method) as that already set forth under IAS 17 in force previously.

Scope of application for the Unipol Group

The Unipol Group applied the IFRS 16 standard for the accounting of leases payable, that are contracts based on which, against the payment of a consideration, a user obtains the right to control the use of a specified asset for a determined period of time. In particular, by availing itself of the faculty envisaged by IFRS 16, paragraph 5, the Unipol Group applied the financial method to leases payable, except for the following types of agreement:

- contracts with a duration equal to or lower than 12 months, or ("short term");
- contracts concerning low value assets.

These types of contracts were subject to the accounting method pursuant to paragraphs 6 and 7 of IFRS 16 which, in continuity with what was set forth in IAS 17 in force previously for operating leases, required the recognition in the income statement of the expense for lease payments on a straight-line basis for the term of the contract or through another systematic method if it is more representative of the benefits enjoyed by the lessee.

Transition

In the transition phase, the Unipol Group availed itself of the faculty and transitional provisions, as per appendix C of IFRS 16.
In particular, the Unipol Group recognised the impacts on equity resulting from the first-time application of the new standard, without restating the previous years, in application of the faculty envisaged in appendix C of IFRS 16 (par. C5 b)).
Furthermore, for each lease payable to be accounted for under the new provisions set forth in paragraphs 22-49 of IFRS 16, at the date of initial adoption the value of the financial liability corresponding to the present value of the future lease payments due for the term of the contract was recognised in item 4.2 Financial liabilities measured at amortised cost. In application of a specific right set forth in par. C8 b) ii) of IFRS 16, a tangible asset representing the right of use of the tangible asset being leased was recognised against that liability in the same amount.
The rights of use noted above were recognised in items 2.1 Property, 2.2 Other tangible assets and 4.1 Investment property, based on the nature and purpose of the leased asset.
With respect to accounting options adopted, it is noted that, at the first-time application date, the Shareholders' Equity of the Unipol Group underwent no changes by effect of the adoption of the new IFRS 16 standard.

As regards the quantitative impact of first-time application, note that at the transition date rights of use were recognised for €40.3m under the item Property, €23.1m under Other tangible assets and €4.2m under Investment property, with Financial liabilities measured at amortised cost recognised for an equal amount, i.e. a total of €67.6m.

Amendments to IAS 19 - Employee benefits

On 13 March 2019, Regulation (EU) 2019/402 was issued, adopting the amendments to IAS 19 "Employee Benefits" on "plan amendment, curtailment or settlement". These amendments aim to clarify how service costs are calculated when a change is made to a defined benefit plan.

Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 - Annual Improvements to IFRSs - 2015-2017 Cycle

On 15 March 2019 Regulation (EU) 2019/412 was published in the Official Journal, adopting the "Annual improvements to IFRSs - 2015-2017 Cycle", which introduced several amendments with respect to the corresponding standards:
- IFRS 3 "Business Combinations": when an entity obtains control of a business that is a joint operation, it must remeasure previously held interests in that business at fair value;
- IFRS 11 "Joint Arrangements": in this case, when an entity obtains control of a business that is a joint operation, it is not required to remeasure the previously held interests at fair value;
- IAS 12 "Income Taxes": an entity must recognise income taxes deriving from dividends in the income statement and the comprehensive income statement, in line with the accounting approach for the dividends to which the taxes refer;
- IAS 23 "Borrowing Costs": in order to determine capitalisable borrowings costs, an entity needs to exclude from the calculation of the generic weighted average cost of debt the share of costs referring specifically to loans obtained to acquire or develop an asset until it becomes ready for use or for sale.

Amendments to IFRS 9 Financial Instruments - Prepayment features with negative compensation

On 22 March 2018, Regulation (EU) 2018/498 was issued, adopting the Amendments to IFRS 9 "Financial Instruments - Prepayment Features with Negative Compensation", which aims to clarify the classification of certain financial assets with early repayment, subject to application of IFRS 9, at amortised cost or at fair value through other comprehensive income (FVOCI).

IFRIC 23 Uncertainty over Income Tax Treatments

On 23 October 2018, Regulation (EU) 2018/1595 was published, adopting the interpretation IFRIC 23 "Uncertainty over Income Tax Treatments" which provides indications on how uncertainty regarding the tax treatment of a given phenomenon should be reflected in income tax accounting.

Amendments to IAS 28 Investments in Associates and Joint Ventures

On 8 February 2019 Regulation (EU) 2019/237 was issued, adopting the amendments to IAS 28 "Investments in Associates and Joint Ventures", which the IASB had published on 12 October 2017, to clarify that for long-term receivables from an associate or joint venture which, in effect, form part of the net investment in the associate or joint venture, the provisions of IFRS 9 must be applied.

New accounting standards not yet in force

The documents published by the International Accounting Standards Board listed below could be significant for the Group, but are still not applicable since they have not yet been endorsed by the European Union or have not yet entered into force at the reporting date.

IFRS 17 – Insurance contracts

On 18 May 2017, the IASB published the new IFRS 17 standard, aimed at improving investors' understanding of risk exposure, as well as of profitability and financial exposure of insurers by defining measurement and accounting standards of insurance products. IFRS 17 will supersede IFRS 4, an interim standard issued in 2004, which envisaged the application of local accounting practices, which entailed a difficult comparison of financial results of companies.

Very briefly, the new IFRS 17 standard will introduce the following new aspects:
- change in aggregation criteria of insurance contracts: the new accounting model envisages an increase in the number of portfolios of insurance contracts that bear similar characteristics (so-called Units of Account), according to which the financial and equity components should be determined;
- market-consistent values: insurance liabilities shall be measured at current values (based on updated information), weighted for their possible realisation;
- explicit measurement of risk adjustment: it shall be estimated in a distinct way from liabilities related to cash flows estimated to fulfil contract obligations undertaken;
- recognition of the estimated profit that is implicit in the insurance contracts in portfolio: the so-called "Contractual service margin" (CSM), estimated as the difference between the premiums collected by the company and the aggregate contract charges undertaken, including risk adjustment. This amount, if positive, i.e. in case of non-onerous contracts at the subscription date, will be recognised in the income statement over the entire period of the insurance coverage, with the function of suspending the expected profit;
- profit or loss based on margins: a new way of disclosing profit in the income statement was introduced by envisaging a recognition based on margin (divided by subscription assets and investment assets);
- disclosure: to complete information reported in the income statement and in the statement of financial position, various statements shall be drawn up showing the changes occurred during the year related to the single components making up the insurance liabilities.

The date of entry into force, initially established by the standard, was 1 January 2021 (with early application only if the entity had already adopted IFRS 9 and IFRS 15). Based on feedback received, on 14 November 2018 the IASB proposed a one-year postponement of the entry into force of IFRS 17 (i.e. to 1 January 2022), also extending the option to IFRS 9 in order to align the dates of entry into force of the two accounting standards for the insurance sector.

In recent months, the IASB continued its discussions with stakeholders to assess a number of targeted amendments to IFRS 17. As a result of this process, on 26 June 2019 the IASB issued the Exposure Draft containing some Amendments to IFRS 17, the main amendments being:
- optional exclusion of loans that transfer significant insurance risk,
- exclusion of credit cards that have insurance coverage embedded;
- release of the CSM (Contractual Service Margin) relating to investment components in the general accounting model;
- extension of the scope of application of the risk mitigation option;
- accounting for onerous contracts underlying reinsurance contracts;
- additional simplifications in the period of transition to the new IFRS 17;
- presentation in the financial statements of receivables and payables deriving from insurance contracts, broken down by portfolio rather than grouped.

On 24 September 2019, at the end of the public consultation on the aforementioned Amendments, EFRAG approved the Final Comment Letter to provide official feedback on the amendments proposed by the IASB. This document specified the need to take further action on the standard for a number of issues particularly sensitive for the European market (e.g. Annual Cohorts, Transition, Reinsurance, etc.) in addition to the request to further postpone the date of entry into force of the standard to 1 January 2023, again envisaging the early application option.

As a result of the numerous comments received from various stakeholders, the IASB planned an intense schedule of meetings with the aim of preparing further amendments ready for issue of the new and final text of IFRS 17 by mid-2020.

The Unipol Group has been strongly committed to planning for the future application of IFRS 17 since 2017, with extensive involvement of the main corporate functions. After a thorough assessment to determine the impact of this standard and measuring the gaps in terms of processes, IT systems, accounting, actuarial calculations, business and risk, at the beginning of 2018 the IFRS 17 transition project was launched which, under the guidance of UnipolSai, has gradually also involved the other insurance companies in the Group, with a view to implementing a single data processing and management model within the Group, leveraging common policies, processes and IT applications. With regard to definition of the standard, the final draft of which is still in progress, the Unipol Group is closely following the debate at national and international level, participating where possible, and hopes for favourable implementation of the remarks put forward by EFRAG.

IFRS 3 Amendments - Definition of a business

On 22 October 2018 (endorsed by EFRAG on 28 March 2019), the IASB issued the document "Definition of a business" which contains clarification on determining whether a transaction is the acquisition of a business or of a group of activities that does not satisfy the definition of business pursuant to IFRS 3. The amendments apply to acquisitions after 1 January 2020.

IAS 1 and IAS 8 Amendments - Definition of material

On 31 October 2018, the IASB published "Definition of Material" (amendment to IAS 1 and IAS 8), which describes the definition of "material" as part of the general measurement criteria for disclosures to be provided in the financial statements. This amendment, adopted on 29 November 2019 through Regulation (EU) 2019/2104, applies to financial statements with reporting date on or after 1 January 2020. However, early application is allowed.

IBOR - Amendments to IAS 39, IFRS 9 and IFRS 7 - Financial Instruments

On 26 September last year, the IASB issued a number of amendments to the standards IFRS 9, IAS 39 and IFRS 7 with the name of removing uncertainties deriving from the reform of the IBOR (Inter Bank Offered Rate) indexes, allowing a certain easing of deadlines envisaged in the standards mentioned during the period prior to the change in benchmark indexes. The amendments introduced mainly refer to hedge accounting practices and related disclosures.
The above amendments, adopted by Regulation (EU) 2020/34 on 15 January 2020, apply from 1 January 2020.
As part of this same project, the IASB is assessing the publication of additional amendments to the international accounting standards for periods after the effective change in the IBOR benchmark indexes.

The accounting standards and the most significant criteria used in drawing up the Consolidated Financial Statements are described below.

The paragraph numbers are the same as those of the corresponding items in the Statement of Financial Position and Income Statement, which are laid out in accordance with ISVAP Regulation no. 7/2007.

Statement of financial position

Assets

1 Intangible assets - IAS 38

In accordance with the provisions of IAS 38, the only intangible assets that may be capitalised are those that can be identified and controlled by the company and from which the company will derive future financial benefits.

The following assets are recognised as intangible assets with a finite life:
- goodwill paid for the acquisition of Non-Life and Life portfolios: the value of the policies acquired is calculated by estimating the present value of the future cash flows of the existing policies. The Group amortises this value throughout the expected average residual life. This valuation is reviewed annually;
- costs incurred for the acquisition of software licences, amortised over three years;
- trademarks acquired within a business combination;
- costs incurred for consultancy on major projects for the development and implementation of IT systems, including customisation of the corresponding software, amortised over five or ten years according to its estimated useful life.

Projects under development are not amortised until the year in which they are first used.

Goodwill paid when companies are acquired or merged is also included among intangible assets, as already mentioned in the previous paragraph Basis of consolidation (also provisionally, determined on the basis of IFRS 3). As this goodwill has an indefinite useful life, it is not amortised, but it is tested for impairment at least once a year, or each time there is any indication of impairment; durable impairments are recognised in the income statement and cannot be reversed in subsequent years.

2 Property, plant and equipment - IAS 16 and IFRS 16

The item includes properties used for business purposes, plant, other machines and equipment owned by the Group and rights of use acquired through lease contracts for the use of a tangible asset, except for contracts with a duration equal to or less than 12 months or referring to assets of a modest unit value.

For recognising and measuring this category of assets the Group has adopted the cost model, which systematically depreciates the asset's depreciable amount over its useful life. With reference to property, plant and equipment deriving from right of use recognition, as envisaged in IFRS 16, the initial recognition value corresponds with the present value of future payments to the lessor over the contractual duration of the lease, also including amounts due to the lessor for the exercise of any purchase option on the asset if such exercise is considered reasonably certain.
Depreciation, which is carried out each year on a straight-line basis, begins when the asset is available and ready for use and ends when the asset has come to the end of its useful life (which in the case of property is estimated at 33.4 years). In the case of wholly-owned properties (land and buildings) depreciation is carried out only on the building.

Consolidated real estate companies include in the carrying amount the borrowing costs incurred for loans specifically for acquiring and renovating property, if this can be justified.

The costs of improvements and conversions are capitalised if they result in an increase in the useful life or the carrying amount of the assets.

Assets that suffer impairment losses are written down.
The carrying amount of property acquired as a result of business combinations is reassessed on the basis of the current value on the date of acquisition.

3 Technical provisions - Reinsurers' share - IFRS 4

This item includes reinsurers' liabilities arising from reinsurance contracts governed by IFRS 4.

4 Investments

4.1 Investment property - IAS 40

This item includes property or rights of use (IFRS 16) held either to earn rental income or for capital appreciation or for both.
Investment property is recognised by applying the cost method, as allowed by IAS 40 (an alternative to the *fair value* method).
If the final recoverable amount of property is estimated to be less than the carrying amount (or zero) it is depreciated annually on a straight-line basis, based on the recoverable amount and the estimated useful life (33.4 years). This generally applies to properties that are instrumental by nature, such as hotels, shopping centres, and office buildings.
If the recoverable amount of the property is estimated to exceed the carrying amount, no depreciation is applied. For the Group this is the case with residential property. In the case of wholly-owned properties (land and buildings) depreciation is carried out only on the building.

The costs of improvements and conversions are capitalised if they result in an increase in the carrying amount, the useful life or the profitability of the assets.

Assets that suffer impairment losses are written down. The market value is determined at least once a year by means of expert appraisals conducted by outside companies.

The carrying amount of property acquired as a result of business combinations is reassessed on the basis of the current value on the date of acquisition.

4.2 Investments in subsidiaries, associates and interests in joint ventures - IAS 28

This item includes investments in associates as defined in IAS 28 and investments in subsidiaries that because of their size are considered immaterial, which are measured using the equity method or at cost.

Financial assets - IAS 32 and 39 - IFRS 7, 9 and 13

With effect from 2018, the year in which the conditions of Regulation (EU) 2017/1998 came into force for the parent companies of financial conglomerates, the Unipol Group exercised the option of deferring the application of IFRS 9 solely for the insurance sector. Specifically, therefore, the following were applied in these consolidated financial statements:

- IAS 39 in reference to financial instruments held by UnipolSai and its subsidiaries;
- IFRS 9 for financial instruments held by the remaining entities included in the consolidation scope (mainly consisting of the Parent and the other financial entities), and to calculate the shareholders' equity of associates required to apply IFRS 9 in their separate financial statements.

It should be mentioned that the Group recognises financial transactions on the value date.

4.3 Held-to-maturity investments – IAS 39

Investments in securities held to maturity are recognised at amortised cost, net of any impairment losses.
This category includes bonds that the Group intends and is in a financial position to hold to maturity, for example most of the fixed-yield bonds acquired to match special Life tariffs.

If a substantial number of securities in this category are sold early (or reclassified), all the remaining securities must be reclassified as Available-for-sale financial assets and the category cannot be used for the next two financial years.

4.4 Loans and receivables – IAS 39

Receivables in this category consist of agreements for which the Group holds a right to the cash flows arising from the loan agreement. They are characterised by fixed or determinable payments and are not listed on an active market.
This category includes mortgages and loans provided to the insurance companies, reinsurers' deposits, loan repurchase agreements, term deposits exceeding 15 days, receivables for agents' reimbursements, unlisted debt securities not held for sale which the Group intends to hold for the foreseeable future, including bonds reclassified following application of IAS 39 paragraphs 50D and 50E.

In accordance with the provisions of IAS 39, loans and receivables must be initially recognised at their *fair value*, which corresponds to the amount granted including the transaction costs and the commissions and fees chargeable directly. Following the initial recognition receivables are measured at the amortised cost, which is represented by the initial carrying amount net of repayments, plus or minus any difference between the initial amount and the amount on maturity because of amortisation calculated in accordance with the criterion of effective interest method and less any impairment loss or reduction due to non-recoverability.
Applying the effective interest rate method enables the financial effect of a loan transaction to be spread evenly over its expected life, which makes financial sense. In fact, the effective interest rate is the rate that discounts all the future cash flows of the loan and establishes a present value corresponding to the amount granted including all the transaction costs and income pertaining to it. When the cash flows and the contractual term of the loan are being estimated, all the contractual terms that can affect the amounts and the maturity dates (for instance, early repayments and the various options that may be exercised) are taken into account but not the losses expected on the loan. Following initial recognition, for the whole life of the loan the amortised cost is determined by continuing to apply the effective interest rate fixed at the start of the transaction (original interest rate). This original interest rate does not vary over time and is also used in the case of any contractual amendments to the interest rate or events as a result of which the loan has in practice stopped bearing interest (for instance, due to insolvency proceedings).

The amortised cost method is applied only to loans with an original term of at least eighteen months, on the assumption that in the case of shorter loans the application of this method does not involve significant changes to the financial effect. Loans with a term of less than eighteen months and those that have no fixed maturity date and revocable loans are therefore measured at their historical cost.

On the reporting date for each set of annual or interim financial statements, the loans are assessed to identify those for which there is objective evidence of impairment due to events that have occurred after their initial recognition.

Receivables assigned are eliminated only if the assignment involves the substantial transfer of the risks and rewards pertaining to the receivables. If this is not the case, receivables continue to be recognised even though ownership of them has been legally transferred.
The presumption is that all the risks and rewards are substantially transferred if the assignment involves transferring at least 90% of them. On the other hand, the presumption is that all the risks and rewards are substantially retained if the assignment involves transferring no more than 10% of them.
If the assignment does not involve either transferring or retaining a substantial percentage of the risks and rewards (in the event that the Group retains more than 10% but less than 90% of the risks/rewards), the receivables are eliminated provided the Group retains no control over them. Otherwise, the fact that some control over the receivables assigned is retained means that they are maintained in the financial statements in proportion to the level of residual involvement.

4.4 bis - Financial assets measured at amortised cost – IFRS 9

This financial statements item includes financial assets that meet both the following conditions:
- the financial asset is held within the context of a new business model that has the objective to collect contractual cash flows (HTC - Held to Collect);
- contractual terms of financial assets generate, at predetermined maturity, cash flows representing only principal and interests on the residual capital that meet the Solely Payments of Principal and Interest (SPPI) condition.

The initial recognition of these financial assets is carried out when the Group becomes a party in the contractual terms of the financial instrument, which usually coincides with the date of settlement. The value of the initial recognition is equal to the fair value of the financial instrument, which generally corresponds to the related purchase cost, including directly chargeable transaction costs or income.

After the initial recognition, these assets are measured at amortised cost by using the effective interest method, as well as net of impairment loss.

For the purpose of quantifying impairment, financial assets (other than Purchased or Originated Credit Impaired assets or "POCI" which have shown signs of impairment since the date of initial recognition) are classified in three stages (credit rating).

- Stage 1: financial assets qualified as "performing", for which a significant increase in credit risk has not been recognised with respect to the initial recognition date. As permitted by IFRS 9, with reference to debt securities, regardless of the identification of a significant increase in credit risk, in Stage 1 the Unipol Group includes also financial assets that, at the measurement date, were in any case qualified as "at low credit risk" (i.e. "Low credit risk exemption");
- Stage 2: financial assets qualified as "performing", for which a significant increase in credit rating has been recognised with respect to the initial recognition date;
- Stage 3: impaired financial assets.

In reference to POCIs, the amortised cost and related impairment loss are calculated in a different manner based on an effective interest rate adjusted for credit risk, calculated by taking into account the initial expected loss in the estimated future cash flows.

The impairment is determined:

- on the basis of expected losses in the next 12 months for assets allocated to Stage 1;
- on the basis of expected losses over the useful life of the instrument for assets allocated to Stages 2 and 3 and for POCIs.

4.5 Available-for-sale financial assets – IAS 39

Investments classified as available-for-sale financial assets are measured at *fair value*. The differences with respect to the carrying amount must be recognised in the shareholders' equity in a specific reserve for unrealised gains/losses (net of tax). In the event of sale or impairment established as a result of impairment testing, unrealised gains or losses accumulated in the shareholders' equity until that time are transferred to the income statement.
Information on how the *fair value* is determined is provided in the section "*Fair value* measurement criteria – IFRS 13".

The amortised cost of the debt securities in this category calculated using the effective rate of return is recognised in the income statement. The comparison with the *fair value* is made after the proportion of the amortised cost for the year has been recognised.

This category includes debt securities, equity securities, UCITS units, and investments deemed to be of strategic importance (less than 20% of the share capital, of commercial or corporate strategic importance).

Impairment policy for financial assets adopted by the Unipol Group

IAS 39, paragraph 58, provides for companies to carry out assessments on each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.
In order to determine whether a financial asset or a group of financial assets shows signs of impairment, a regular impairment test must be carried out. Indicators of a possible impairment are, for instance, the issuer's significant financial difficulties, failure to pay the full amount of interest or principal, the possibility of the beneficiary becoming bankrupt or entering into another insolvency proceeding and the disappearance of an active market for the asset.
Pursuant to paragraph 61 of IAS 39, a "significant or prolonged" decline in the fair value of an equity instrument below its cost must be considered as "objective evidence of impairment".
IAS 39 does not define the two terms "significant" and "prolonged" but implies, partly on the basis of an IFRIC guideline, that their meaning should be left to the directors' judgement, whenever annual or interim financial statements must be prepared under IAS, provided that the meaning is determined in a reasonable manner and complies with paragraph 61 of IAS 39.

The Group has defined as "significant" a reduction of more than 50% in the market value of available-for-sale financial assets with respect to the initial recognised value and as "prolonged" the permanence of market value at levels below the initially recognised amount for more than 36 months.

Therefore, for equity instruments, the impairment test is carried out by selecting all the instruments to which at least one of the following conditions applies:

a) the market price has remained below the initially recognised amount for the last 36 months;

b) the impairment on the reporting date is more than 50% of the initial recognition amount.

The impairment of these instruments is deemed to be confirmed and the total change in *fair value* is recognised in the income statement, with elimination of gains or losses on the underlying available-for-sale financial assets.

For debt securities, whenever payment of a coupon or repayment of principal is late or missed and this is confirmed by the custodian bank, the Group Finance Department immediately notifies the Risk Management Department, so that the latter can carry out the assessments within its competence on the need to recognise an impairment on these instruments.

4.5 bis - Financial assets measured at fair value through other comprehensive income (FVOCI) – IFRS 9

Debt securities or loans, fulfilling both conditions, are recognised in this category:
- the financial assets are held within the context of a new business model that has the objective to both collect contractual cash flows and sell financial assets (HTCS - Held to Collect & Sell), and;
- contractual terms of financial assets generate, at predetermined maturity, cash flows representing only principal and interests on the residual capital that meet the SPPI condition.

The initial recognition of these financial assets is carried out at the date in which the Group becomes a party in the contractual terms of the financial instrument, which usually coincides with the date of settlement. The value of the initial recognition is equal to the fair value of the instrument, which generally corresponds to the related purchase cost, including transaction costs or income that are directly chargeable to the same.
After the initial recognition, these assets continue to be measured at fair value. The interest component resulting from the application of the amortised cost method, as well as impairment losses resulting from the measurement of credit risk, are included in the income statement, while gains and losses resulting from changes in fair value are recognised directly in Shareholders' equity under "Gains or losses on financial assets (other than equity instruments) measured at fair value through other comprehensive income".
In the event the asset is cancelled, accrued gains and losses due to changes in fair value are recognised through profit or loss.
As regards details on determining of impairment losses, reference is made to the previous item.

Equity instruments that meet the following conditions are also classified under the category Financial assets measured at fair value through other comprehensive income:
- they are not equity investments in subsidiaries, associates or jointly controlled entities;
- they are not held for trading nor represent a potential consideration for a business combination, pursuant to IFRS 3;
- an irrevocable option was exercised for their designation at fair value through other comprehensive income.

Any gains or losses consequent to the change in fair value are disclosed directly in Shareholders' equity under the item "Gains or losses on equity instruments measured at fair value through other comprehensive income".
Specifically, the accounting of equity instruments, classified under category FVOCI, is different from the one applicable to debt securities classified under the same category, for the following reasons:
- the impairment requirements of IFRS 9 are not applicable to equity instruments;
- all exchange differences are recognised in the OCI reserve;
- the values recorded in OCI (Other Comprehensive Income) are never reclassified to income statement (not even for cancellation/netting);
- only dividends are recognised through profit or loss.

4.6 Financial assets at fair value through profit or loss - IAS 39 and IFRS 9

Investments in this category are recognised at fair value and the differences (positive or negative) between *fair value* and carrying amount are recognised through profit or loss.
Information on how the *fair value* is determined is provided in the section "*Fair value* measurement criteria – IFRS 13".

There are three further sub-items:
- held-for-trading financial assets, which includes debt securities and equity instruments, mainly listed, credit positions in derivative contracts and structured financial instruments where the embedded derivative would have to be separated if they were classified in a different category;

- financial assets to be recognised at fair value through profit or loss, mainly consisting of assets linked to financial liabilities measured at fair value such as investments related to policies issued by insurance companies where the investment risk is borne by the policyholders and those arising from pension fund management.
- financial assets mandatorily measured at fair value through profit or loss (FVTPL): this category includes all financial assets that do not meet the classification criteria at amortised cost or fair value, with changes recognised in comprehensive income statement (FVOCI), that are not financial assets designated at fair value or held-for-trading financial assets[36].

The initial recognition of such financial assets is carried out at the date in which the entity becomes a party of the contractual terms related to the financial instruments, usually coinciding with the settlement date for the debt securities and equity instruments, and at the subscription date for derivatives, for a value equal to the fair value of the financial instrument, without considering transaction costs or income that are directly recognised in the income statement.
After the initial recognition, these assets are measured at fair value and changes in value are recognised in the income statement.

Derivatives

Derivatives are initially recognised at the purchase cost representing the *fair value* and subsequently measured at *fair value*. Information on how the *fair value* is determined is provided in the section "*Fair value* measurement criteria – IFRS 13".

Derivatives may be acquired for "trading" or "hedging" purposes. For hedging transactions, IAS 39 sets out cumbersome and complex rules to assess, by preparing appropriate documentation, the effectiveness of the hedge from the time it is activated and throughout its entire term (*hedge accounting*).

All derivatives are placed in the category "Financial assets at *fair value* through profit or loss".

Reclassifications of financial assets – IAS 39

If an available-for-sale financial asset is transferred to the held-to-maturity investments category, the *fair value* recognised on the date of transfer becomes its new cost or amortisable cost. Any previous gain or loss on this asset that has been recognised directly in equity is recognised through profit or loss throughout the remaining useful life of the investment held to maturity using the effective interest method.

If a financial asset is no longer held for sale or repurchased in the short term (although the financial asset may have been acquired or held mainly for sale or repurchase in the short term), it may be transferred from *fair value* through profit or loss if the following requirements are met:
- the circumstances are very unusual (IAS 39, paragraph 50B), or
- the asset to be reclassified would have come under "loans and receivables" (if the financial asset had not had to be classified as held for trading when initially recognised) and the entity has the intention and the ability to hold the financial asset for the foreseeable future or to maturity (IAS 39, paragraph 50D).

A financial asset classified as available for sale that would have come under loans and receivables (if it had not been designated as available for sale) may be transferred from "available for sale" to "loans and receivables" if the entity has the intention and the ability to hold the financial asset for the foreseeable future or to maturity (IAS 39, paragraph 50E).

If an entity reclassifies a financial asset from *fair value* through profit or loss or from "available for sale", it must reclassify the financial asset at its *fair value* on the date of reclassification and the gain or loss already recognised in the income statement must not be reversed. The *fair value* of the financial asset on the date of reclassification becomes its new cost or amortised cost (IAS 39, paragraphs 50C and 50F).

In the case of a financial asset reclassified from "available for sale", the previous gain or loss on the asset recognised directly in the equity must be amortised in the income statement throughout the asset's remaining useful life using the effective interest method.

If the entity has reclassified a financial asset from *fair value* through profit or loss or from "available for sale", the following is some of the information that must be provided (IFRS 7):

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[36] Definitions and accounting methods envisaged in IFRS 9 for financial assets at fair value and held-for-trading financial assets (sub-items 4.6.1 and 4.6.2 in the Consolidated Statement of Financial Position) are substantially consistent with those already envisaged in IAS 39.

- the amount reclassified from and to each category;
- for each year until it is derecognised, the carrying amount and the *fair value* of all financial assets reclassified during the current and preceding year;
- whether a financial asset was reclassified in accordance with paragraph 50B of IAS 39, however unusual the situation, and the facts and the circumstances of the unusual situation;
- for the financial year in which the financial asset was reclassified, the *fair value* gain or loss on the financial asset;
- for each year after reclassification (including the year in which the financial asset was reclassified) until the financial asset is derecognised, the *fair value* gain or loss that would have been recognised if the financial asset had not been reclassified.

Reclassifications of financial assets – IFRS 9

With reference to debt securities, reclassifications among other categories of financial assets are limited to cases in which there is a change to the business model for financial asset management and forward-looking recognition is applied, i.e. without adjusting any economic component recognised previously. The reclassification of equity instruments is not permitted.

Accounting of structured bonds issued by special purpose vehicles (SPVs)

The Group invests in notes issued by SPVs with rather similar purposes and management methods as those that characterise investments in structured and unstructured bonds, made as part of the ordinary financial management of resources derived from normal business. This financial management is characterised, in relation to the Group's business sector, by a special degree of complexity, which requires, under certain circumstances, the subscription of financial assets with specific characteristics (e.g. in terms of maturity, creditworthiness and payoff) that are not always easy to find on the financial markets. The investment opportunities offered via SPVs also make it possible, owing to their specific nature, to expand the range of financial investments available.

The Unipol Group classifies and records the bonds issued by SPVs based on the instructions provided in IAS 39, deeming the circumstance that they have been issued by SPVs irrelevant, in consideration of the fact that the SPV is, in fact, considered merely a technical instrument through which to structure complex financial instruments whose risk/return profile is essentially evaluated by jointly taking into consideration the contracts that govern the notes issued by the SPV, the associated derivative contracts (generally *swap agreements*) and any other contractual clauses such as financial guarantee or similar clauses, or yet other "ancillary" clauses which may, in theory, make provision, when given conditions are satisfied, for the liquidation of the securities. The SPVs whose bonds are held by the Unipol Group in fact, consistently replicate, with the arranger, the positions they assume with noteholders, as the risks or returns of the transaction cannot be retained within it.

Therefore, investments in notes issued by SPVs are accounted for on the basis of IAS 39, with the same criteria applied for the investments in structured and unstructured bonds, with particular regard to the presence of embedded derivatives and valuations regarding any segregation. In fact, an entity must only consolidate an SPV in the event the entity exercises control over it pursuant to IFRS 10, paragraphs 6 and 7.

The Unipol Group, with regard to bonds issued by SPVs in the portfolio at 31 December 2019, does not exercise any form of control over the SPVs, in the sense that it is not able to govern the management process of the SPVs (which, in fact, is defined by the arrangers of the investment transaction in which the Group participates by subscribing the notes and other relevant contracts) and does not obtain any benefits from the SPVs other than those strictly dependent on the formally subscribed financial instrument. The Group holds the notes issued by the SPV and can only dispose of these autonomously, as it does not have the power to dispose of the financial instruments held by the vehicle. It is reasonable to infer, from this, that the Group holds no form of control of the SPVs pursuant to IFRS 10.

In cases where, through the SPV internal segments, which segregate the risks and benefits of issues, the majority of said risks and benefits are transferred to the Unipol Group, the consolidation of the segments would lead to the need to replace the debt securities issued by the SPV and subscribed by the Group with a financial asset which, in terms of the associated risks and returns, exactly replicates the financial profile of the *notes* cancelled as a result of the consolidation.
In fact, the segments consistently replicate, with the arranger, the positions the latter assume with *noteholders*, as the risks or benefits of the transaction cannot be retained within it. The result is that the financial asset to be recognised due to the consolidation of the segments would have, substantively speaking and therefore for the purposes of classification and measurement pursuant to IAS 39, characteristics identical to those of the notes cancelled as a result of the consolidation of said segment; the result being that, in the case of consolidation of segments in which the risks/benefits of the asset pertain fully to the Unipol Group, there would be no substantive effects on the accounting representation of the transaction, essentially confirming the fact that, in effect, the SPVs are technical

instruments for realising an investment in financial assets with characteristics which are, for all intents and purposes, equivalent to those of the notes issued by the SPV itself and segregated in the segment.

5 Sundry receivables

Sundry receivables are recognised at their nominal value and subsequently assessed at their estimated realisable value.

The item Sundry receivables includes receivables due within twelve months, in particular Receivables relating to direct insurance business, Receivables relating to reinsurance business and Other receivables, such as trade receivables and tax receivables.

6 Other assets

6.1 Non-current assets or assets of a disposal group held for sale - IFRS 5

This item includes Non-current assets held for sale and any discontinued operations as defined by IFRS 5.

Assets held for sale are recognised at the carrying amount or *fair value*, whichever is the lower, less costs to sell.
If an investment in a subsidiary consolidated using the line-by-line method is to be sold within the time limit set by IFRS 5, all the assets of the company to be sold are reclassified as "Non-current assets or assets of a disposal group held for sale" in the consolidated statement of financial position (item 6.1 of the Assets) and the liabilities are similarly reclassified under the single item "Liabilities associated with disposal groups" (item 6.1 of the Liabilities). Both items appear in the consolidated financial statements net of intragroup transactions with the company to be sold.

If a group continues to operate in the business of the company to be sold, income statement items relating to the assets held for sale or disposal groups are recognised in accordance with the normal rules of consolidation on a line-by-line basis.

6.2 Deferred acquisition costs

This item includes acquisition costs for multiyear insurance contracts, paid in advance and amortised on a straight-line basis over the maximum life of the contracts.

6.3 Deferred tax assets - IAS 12

This item includes deferred tax assets based on the deductible temporary differences between the carrying amounts and the amounts for tax purposes of the assets and liabilities of the individual consolidated companies and on the consolidation adjustments. If there are any tax losses, deferred tax assets are also recognised provided there is a probability that taxable income for which they can be used will be available in future.
Deferred taxes are based on the tax rates applied at the end of the year or on the rates that are expected to be applied in the future according to the information available at the end of the financial year.

If assets are revalued solely for tax purposes and relate neither to a revaluation of the carrying amount for a previous year nor to one that is to be carried out in a subsequent year, the tax effects of the adjustment for tax purposes must be recognised in the income statement.

Deferred tax assets and liabilities, distinguished by type of tax, are offset at the level of single Group company or at the consolidated level, within the limits of the scope of the tax consolidation agreement set up by Unipol.

6.4 Current tax assets - IAS 12

This item includes assets related to current taxation.

6.5 Other assets

Among other things, this item includes prepayments and accrued income and deferred commission expense for investment contracts with no discretionary participation feature, as these are additional costs incurred to acquire the contract, amortised on a straight-line basis over the whole life of the contract.

7 Cash and cash equivalents - IAS 7

Cash and cash equivalents include cash on hand, cash in current accounts available on demand, and term deposits for periods not exceeding 15 days.

Liabilities

1 Shareholders' equity - IAS 32

1.1.1 Share capital

The item includes the share capital of the ultimate consolidating company.

1.1.3 Capital reserves

This item includes in particular the share premium reserve of the company that carries out the consolidation. It includes the direct costs of issuing equity instruments, net of tax, and any commission income, net of tax, received for the sale of option rights not exercised by shareholders.

1.1.4 Income-related and other equity reserves

In addition to the income-related and other reserves of the consolidating company, this item includes in particular gains or losses arising from the first-time application of IAS/IFRS (IFRS 1), gains or losses resulting from changes in accounting standards or accounting estimates (IAS 8), equalisation and catastrophe provisions eliminated under IFRS 4, provisions arising from equity-settled share-based payment transactions (IFRS 2) and consolidation reserves.

1.1.5 Treasury shares

This item includes the equity instruments of the undertaking that draws up the consolidated financial statements owned by the undertaking itself and the consolidated companies. The item was negative. The gains or losses resulting from their subsequent sale are recognised as changes in shareholders' equity.

1.1.6 Reserve for foreign currency translation differences

The item includes the exchange rate differences to be charged to shareholders' equity pursuant to IAS 21, whether they arise from transactions in foreign currency or from conversion into the currency of presentation of the financial statements stated in foreign currency.

1.1.7 Gains or losses on available-for-sale financial assets

This item includes gains or losses on available-for-sale financial assets, net of tax and amounts pertaining to policyholders as a result of the application of shadow accounting.

1.1.7 bis Gains or losses on financial assets measured at fair value through other comprehensive income

This item includes gains or losses on financial assets measured at fair value through other comprehensive income, net of related taxes.

1.1.8 Other gains or losses recognised directly in equity

This item includes, *inter alia*, gains or losses on cash flow hedges, revaluation reserves of property, plant and equipment and intangible assets and gains or losses on financial assets measured at fair value through other comprehensive income.

2 Provisions - IAS 37

Provisions are made for risks and charges only when they are deemed necessary to meet an obligation arising from a past event and when it is likely that the amount of resources required can be reliably estimated.

3 Technical provisions - IFRS 4

Classification of insurance contracts

According to IFRS 4 insurance contracts are contracts that transfer significant insurance risks. Such contracts may also transfer financial risks.
An insurance risk is significant if, and only if, there is a reasonable possibility that the occurrence of the insured event will cause a significant change in the current value of the insurer's net cash flows.
Investment contracts are contracts that transfer financial risks but involve no significant insurance risks.
Some insurance and investment contracts may include discretionary participation features.

As for the Non-Life sector, all the policies in the portfolio were classified as insurance contracts.

As regards the Life sector, the principal criteria used for classifying Life products as insurance policies were:
- the presence of a significant insurance risk, i.e. the reasonable possibility that the occurrence of the insured event would give rise to the payment of significant "additional benefits" compared with those that would have been payable if the insured event had not taken place. The criteria for identifying the presence of significant insurance risk are structured as follows:
  - above 10% the contract is an insurance contract;
  - under 5% the contract is a financial contract;
  - between 5% and 10% specific product analyses are carried out;
- the presence of options or guarantees, such as the coefficient of conversion into a guaranteed rate annuity.

Some contracts provide for discretionary participation features (DPF) i.e. the policyholder's right to receive a benefit in addition to the guaranteed minimum. The benefit must fulfil specific contractual terms and represent a significant part of the total payments. In particular, contracts subject to revaluation and linked to segregated funds were classified as investment products with DPF and were therefore measured and recognised as insurance contracts.

A contract classified as an insurance contract continues to be an insurance contract until terminated, whereas under certain circumstances an investment contract may be subsequently classified as an insurance contract.

However, the following types of contract were classified as investment contracts with no DPFs. For this reason, according to paragraph 3 of IFRS 4, contracts of this type do not produce premiums but are measured and recognised in accordance with IAS 39:
- index-linked, where the sum insured in the event of death corresponds to the value of the asset plus a small percentage;
- unit-linked, where the sum insured in the event of death corresponds to the NAV plus a small percentage;
- mixed, where funding is specific and the technical rate is zero;
- capital redemption, where funding is specific and the technical rate is zero;
- pension funds with guaranteed benefit when the policy matures or when certain events occur.

In the case of unit-linked products the loading and the acquisition commissions for the asset management service are recognised and amortised separately over the life of the contract. In the case of index-linked policies, which are not managed over time but only administered, these deferments are not necessary.

Non-Life business technical provisions

Premium provision

The direct insurance premium provision is established analytically for each policy using the pro rata temporis method, as provided by paragraph 5 of Annex no. 15 to ISVAP Regulation no. 22 of 4 April 2008 (former ISVAP Regulation no. 16 of 4 March 2008 as amended), on the basis of the gross premiums written less acquisition commissions and the other acquisition costs that are chargeable directly, with the exception of risks included in the Credit class for contracts stipulated or renewed on or before 31 December 1991, for which the calculation criteria provided in Annex 15-bis to the same Regulation no. 22 as amended. In the case of long-term contracts the amount of amortisation for the year is deducted.
Under certain conditions the premium provision also includes the premium provision for unexpired risks, calculated in accordance with the simplified method laid down in paragraph 6 of Annex no. 15 to ISVAP Regulation no. 22 of 4 April 2008, which is based on the expected loss ratio for the year, adjusted on a prospective basis.
The total amount allocated to this provision is sufficient to meet costs arising from the portion of risk pertaining to subsequent years.
The reinsurers' share of the premium provisions is calculated by applying to the premiums ceded the same criteria as those used for calculating the premium for direct insurance business provision.

Ageing provision

The ageing provision, intended to cover the deterioration of the risk as the age of the policyholders rises, is calculated on the basis of the flat-rate method provided for by Art. 44, paragraph 3 of Annex no. 15 of ISVAP Regulation no. 22 of 4 April 2008 as amended, to the extent of 10% of the gross premiums written of the year pertaining to contracts having the characteristics given under paragraph 43, paragraph 1 of the Annex.

Claims provision

The direct claims provision is ascertained analytically by estimating the presumed cost of all the claims outstanding at the end of the year and on the basis of prudent technical valuations carried out with reference to objective elements, in order to ensure that the total amount set aside is enough to meet the claims to be settled and the relative direct expenses and settlement expenses.
The figures ascertained in this way were analysed and checked by Head Office. Subsequently, in order to take account of all reasonably foreseeable future charges, actuarial-statistical methods are used to determine the final level of the claims provision.
The claims provision also includes the amounts set aside for claims incurred but not reported, based on past experience of IBNR for previous years.
The reinsurers' share of the claims provision reflects the sums recovered from them to meet the reserves, the amounts being laid down in the individual policies or in the contracts.

Provision arising from the adequacy test for Non-Life technical provisions

The Non-Life technical provisions have been subjected to the test provided for by IFRS 4 (Liability Adequacy Test - LAT).

In order to monitor the adequacy of the premium provision, the supplementary provision for Unexpired Risks is calculated for each individual company and class of business using the simplified method provided for in paragraph 6 of Annex no. 15 to ISVAP Regulation no. 22 of 4 April 2008. As claims for the year are measured at final cost and not discounted, future payment flows can be deemed to have implicitly taken place (LAT on the claims provision).

Life business technical provisions

The amount recognised is calculated in accordance with the provisions of Art. 36 Italian of Legislative Decree 209 of 7 September 2005 (Insurance Code) and Annex no. 16 of ISVAP Regulation no. 22 of 4 April 2008 (former ISVAP Regulation no. 21 of 28 March 2008, as amended).

Mathematical provisions

The mathematical provision for direct insurance is calculated analytically for each contract on the basis of pure premiums, with no deductions for policy acquisition costs, and by reference to the actuarial assumptions (technical interest rates, demographic models of death or disability) used to calculate the premiums on existing contracts. The mathematical provision includes the portion of pure premiums related to the premiums accrued during the year. It also includes all the revaluations made under the terms of the policy and is never less than the surrender value. In accordance with the provisions of Art. 38 of Italian Legislative Decree 173/1997, technical provisions, which are set up to cover liabilities deriving from insurance policies where the yield is based on investments or indices for which the policyholder bears the risk, and provisions arising from pension fund management, are calculated by reference to commitments made under these policies and to the provisions of Art. 41 of Italian Legislative Decree 209 of 7 September 2005.

Under Art. 38, paragraph 3, of Italian Legislative Decree 173/1997, the mathematical provision includes provisions set up to hedge the risk of mortality in insurance contracts in Class III (as laid down in Art. 2, paragraph 1, of Italian Legislative Decree 209 of 7/9/2005), which provide a benefit should the insured party die during the term of the contract.
In the case of insurance contracts in Class III and VI the mathematical provision also includes the provisions set up to fund guaranteed benefits on maturity or when certain events occur (as laid down in Art. 2, paragraph 1, of Italian Legislative Decree 209 of 7/9/2005). The mathematical provision also includes an additional provision for demographic risk. To this regard, it was decided to add to the provisions to be set up to cover commitments undertaken with the policyholders, in compliance with Annex 14, paragraph 36 of ISVAP Regulation no. 22 of 4 April 2008 after having verified a variance between the demographic bases used to calculate the principals forming the annuities and table A62 prepared by ANIA.

Furthermore, an additional provision was set up to cover the possible variance between the expected rates of return on the assets held as a hedge against the technical provisions and commitments by way of levels of financial guarantees and adjustments made to the benefits provided under the policies.

As laid down in Art. 36, paragraph 3, of Italian Legislative Decree 209 of 7 September 2005, the provision for amounts payable includes the total amount needed to cover payment of benefits that have fallen due but not so far been paid, surrendered policies and claims not yet paid.

Other technical provisions consist almost entirely of amounts set aside for operating expenses and are calculated on the basis of the provisions of paragraph 17 of Annex 14 of ISVAP Regulation no. 22 of 4 April 2008.

The liability adequacy test required by IFRS 4 was also carried out to verify that the technical provisions are adequate to cover the present value of future cash flows related to insurance contracts.
The test was performed by projecting the cash flows and taking into account the following elements:
- guaranteed services by guarantee line, projected on the basis of contractual conditions;
- trend in the existing portfolio relating to recurring payment aspects, contract expiry, policyholder mortality and propensity to redemption;
- costs and revenues associated with portfolio management and liquidation.

Provision for *shadow accounting*

The shadow accounting technique set out in IFRS 4 enables the unrealised losses and/or gains on the underlying assets to be recognised as technical provisions for insurance or investment contracts that offer discretionary participation features as if they had been realised. This adjustment is recognised in the shareholders' equity or the income statement depending on whether the losses or gains in question are recognised in the shareholders' equity or the income statement.
Net losses are recognised in the provision for deferred financial liabilities to policyholders only after the guaranteed minimum has been reached, otherwise the company continues to bear them in full. Losses are quantified using a financial prospective method in line with Annex 14, paragraph 32 of ISVAP Regulation no. 22 of 4 April 2008, amended and supplemented by IVASS measure no. 53 of 6 December 2016.
Applying shadow accounting enables the value mismatch between technical provisions and related assets to be mitigated and is therefore deemed to be more representative of the economic substance of the transactions in question.

4 Financial liabilities - IAS 39 – IFRS 9

This item includes the financial liabilities at *fair value* through profit or loss and the financial liabilities measured at amortised cost.

4.1 Financial liabilities at fair value through profit or loss

The financial liabilities in this category are subdivided into two further sub-items:

- held-for-trading financial liabilities, which include negative items on derivatives;
- financial liabilities to be measured at *fair value* through profit or loss, which include the financial liabilities related to contracts issued by insurance companies where the investment risk is borne by the policyholders, when the insurance risk is not significant, and where there is no discretionary participation feature.

4.2 Financial liabilities at amortised cost

This item includes deposits received from reinsurers, debt securities issued, financial liabilities for future payments to lessors following the recognition of right of use on property, plant and equipment in application of IFRS 16, other loans obtained and liabilities on Life policies with a financial content where the insurance risk is not significant and there is no discretionary participation feature (some types of product matched by specific funding).

5 Payables

Payables includes Payables arising from direct insurance business, Payables arising from reinsurance business and Other payables, such as trade payables, payables for policyholders' tax due, payables for post-employment benefits, sundry tax payables and social security charges payable.

Payables are recognised at their nominal value.

Employee benefits - IAS 19

Post-employment benefits accrued by 31 December 2006 that were not transferred to external bodies in accordance with the provisions of Italian Legislative Decree 252/05 on supplementary pension schemes come under the category of employee benefits classified as a defined benefits plan. The amount due to employees is therefore calculated using actuarial techniques and discounted at the reporting date, using the "Projected unit credit method" (a method based on benefits accrued in proportion to length of employment).
The same method is used to establish the effects of other defined benefits for employees for the post-employment period.

Actuarial gains and losses relating to obligations deriving from defined benefit plans are recorded under Other comprehensive income (expense).
Future cash flows are discounted on the basis of the market yield curve, recorded at the end of the year, for corporate bonds issued by issuers with high credit standing.

The service cost and net interest are recognised in the Income statement.

Net interest is calculated by applying to the net value of liabilities for defined benefits existing at the start of the year the one-year interest rate taken from the yield curve used to discount the liability at the end of the previous year.

6 Other liabilities

6.1 Liabilities associated with disposal groups - IFRS 5

Please see above for the corresponding asset item.

6.2 Deferred tax liabilities - IAS 12

Deferred tax liabilities are recognised whenever there is a taxable temporary difference, except in the cases provided for in paragraph 15 of IAS 12.
Deferred tax liabilities must be measured using the tax rates that are expected to apply during the year in which the tax liability will be paid off, based on the ruling tax rates (and tax legislation) or those in force at the reporting date. If tax rates change, despite being prior year items, the deferred taxes recalculated in accordance with the new rates are recognised under Income tax in the income statement or under equity reserves to which the temporary variations in question apply.

With regard to the offsetting of deferred tax assets and liabilities, reference should be made to the previous paragraph "6.3 Deferred tax assets - IAS 12" in the section on Assets.

6.3 Current tax liabilities

This item includes current tax payables.

6.4 Other liabilities

This item includes, inter alia, accrued expense and deferred income, accruals for commissions on premiums under collection and deferred commission income related to investment contracts with no discretionary participation feature required in advance for the contract-administration service or for the investment-management service, amortised on a straight-line basis over the life of the contract or, in the case of whole-life contracts, over the "expected" life of the contract.

Income Statement

1 Revenue and income

1.1 Net premiums

This item includes the premiums related to insurance contracts and financial instruments that include discretionary participation features, net of reinsurance.
Premiums are recognised at the time they are due. The total for the year is obtained by adding the premium provision.

1.2 Commission income

This item includes commission income for financial services provided. It includes fees pertaining to the year, related to Life assurance contracts classified as financial liabilities. In the case of unit-linked policies, in particular, acquisition fees for the asset management service provided have been recognised and deferred throughout the term of the contract.

1.3 Gains and losses on financial instruments at fair value through profit or loss

This item includes realised gains and losses, interest, dividends, charges and positive and negative changes in value of financial assets and liabilities at *fair value* through profit or loss.

1.4 Gains on investments in subsidiaries, associates and interests in joint ventures

This item includes investments in subsidiaries, associates and interests in joint ventures recognised in the corresponding asset item.

1.5 Gains on other financial instruments and investment property

This item includes gains on investments that do not come under the previous two categories. It mainly includes interest income on Loans and receivables and on securities classified as available-for-sale financial assets and held to maturity, other investment income, including dividends and rental income from investment property, and realised gains on the sale of financial assets or liabilities and investment property.

1.6 Other revenue

This item includes income arising from the sale of goods, the provision of services other than those of a financial nature and the use by third parties of the company's property, plant and equipment and other assets. It also includes other net technical income on insurance contracts, exchange rate differences allocated to the income statement as per IAS 21, realised gains and reversals of impairment losses on property, plant and equipment and other assets.

2 Costs and expenses

2.1 Net charges relating to claims

This item includes the amounts paid during the year for claims, matured policies and surrendered policies, as well as the amount of the changes in technical provisions related to contracts that fall within the scope of IFRS 4, net of amounts recovered and outwards reinsurance.

2.2 Commission expense

This item includes commission expense for financial services received. It includes commission expense arising from banking business and commissions on Life assurance contracts classified as financial liabilities. In particular, acquisition commissions paid for the placement of unit-linked policies are amortised throughout the term of the contract to meet deferred acquisition loadings.

2.3 Losses on investments in subsidiaries, associates and interests in joint ventures

This item includes losses on investments in subsidiaries, associates and interests in joint ventures recognised in the corresponding asset item.

2.4 Losses on other financial instruments and investment property

This item includes losses from investment property and financial instruments other than investments and financial instruments classified as "Assets at *fair value* through profit or loss". It mainly includes interest expense on financial liabilities, other investment expense, costs relating to investment property such as condominium expenses and maintenance expenses that do not increase the value of the investment property, losses realised as a result of the derecognition of financial assets or liabilities and investment property, depreciation and impairment losses.

2.5 Operating expenses

This item includes commissions and other acquisition costs relating to insurance contracts, investment management expenses, other administrative expenses, and depreciation and amortisation (overheads and personnel expenses that are not allocated to losses relating to claims, insurance contract acquisition expenses or investment management expenses).

2.6 Other costs

This item mainly includes other net technical charges relating to insurance contracts, additional amounts set aside during the year, exchange rate differences to be allocated to the income statement under IAS 21, realised losses and depreciation and amortisation relating to property, plant and equipment and intangible assets, not allocated to other cost items.

3 Income tax for the year

Pursuant to Art. 117 et seq. of Italian Presidential Decree 917/1986, for the years 2018-2019-2020, the Parent Unipol has chosen the IRES tax consolidation regime, as consolidating company, with UnipolSai and other subsidiaries, meeting legal requirements, taking part as consolidated companies. Unipol has signed an agreement with these companies regulating the financial and procedural aspects governing the regime in question, recognising in its financial position the effects of the transfer of the IRES taxable income of the consolidated companies, calculated pursuant to the law, keeping into account the applicable consolidation adjustments and the tax credits accrued.

Tax for the year is calculated according to current tax regulations and recognised among costs for the year on an accrual basis and represents:

- the charges/income for current taxes;
- the amounts of deferred tax assets and liabilities arising during the year and usable in future years;
- for the portion due for the year, the deduction of deferred tax assets and liabilities generated in previous years.

Deferred tax assets and liabilities are calculated on the basis of the temporary differences (arisen or deducted during the year) between the profit (loss) for the year and the taxable income and on the consolidation adjustments. In respect of tax losses prior to the applicable period of tax consolidation, deferred tax assets are recognised to the extent in which said losses can be reasonably used against future IRES-taxable income. IRAP for the year is also recognised under Income tax.

4 Profit (loss) from discontinued operations

The item includes:

- profit and loss from discontinued operations, as defined by IFRS 5, net of tax effects; and
- the capital gain or capital loss, net of tax effects, recognised following the fair value measurement net of costs to sell, or disposal of assets in the group of assets held for sale that constitute the discontinued operations.

Foreign currency transactions - IAS 21

Items expressed in foreign currencies are treated in accordance with the principles of multicurrency accounting.
Monetary elements in foreign currency (units of currency owned and assets or liabilities that must be received or paid in a fixed or ascertainable number of units of currency) are translated using the exchange rate applicable at the end of the year.
Non-monetary elements measured at historical cost in foreign currency are translated using the exchange rate applicable on the date of the transaction.
Non-monetary elements measured at *fair value* in a foreign currency are translated using the exchange rates applicable on the date on which the *fair value* is determined.
Exchange rate differences arising from the settlement of monetary elements are recognised in the income statement. Exchange rate differences arising when non-monetary elements are measured are allocated to the profit (or loss) for the year or to other comprehensive income (expense) depending on whether the profit (or loss) to which they relate is recognised in the profit (loss) for the year or in other comprehensive income (expense), respectively.

Share-based payments - IFRS 2

The Group pays additional benefits to senior executives under a closed share-based compensation plan under which Unipol Ordinary shares and UnipolSai Ordinary shares are granted if specific targets are achieved (*Performance shares*). As laid down by IFRS 2 – Share-based payments, these plans form part of the beneficiaries' remuneration. The charge must be recognised through profit or loss, with a balancing item - for Unipol Ordinary shares only - recognised directly in equity (Reserve arising from equity-settled share-based payment), on the basis of the *fair value* of the instruments allocated on the grant date, the charge being spread over the period provided for in the scheme.

Earnings per share - IAS 33

Basic earnings per share are calculated by dividing the profit allocated to holders of ordinary shares in the Parent Unipol by the weighted average number of ordinary shares outstanding during the year.
Diluted earnings per share are calculated by dividing the profit allocated to holders of ordinary shares in the Parent Unipol by the weighted average number of any additional ordinary shares that would be outstanding if all the potential ordinary shares with dilutive effect were converted. If the result is negative, the loss (basic and diluted) per share is calculated.

Use of estimates

The application of certain accounting standards implies significant elements of judgment based on estimates and assumptions which are uncertain at the time they are formulated.
It is believed that the assumptions made are appropriate and, therefore, that the financial statements have been drafted clearly and give a true and fair view of the statement of financial position, income statement and statement of cash flows.

In order to formulate reliable estimates and assumptions, reference has been made to past experience, and to other factors considered reasonable for the case in question, based on all available information. However, we cannot exclude that changes in these estimates and assumptions may have a significant effect on the statement of financial position and income statement as well as on the potential assets and liabilities reported in the financial statements for disclosure purposes, if different elements emerge with respect to those considered originally.

The estimates mainly concern:
- technical Life and Non-Life provisions;
- assets and liabilities measured at fair value (particularly for level 2 and 3 financial instruments);
- the analyses targeted at identifying any impairment of intangible assets (e.g. goodwill) booked to the financial statements (impairment test);
- the quantification of provisions for risks and charges and provisions for employee benefits.

For information on the methods used to determine the items in question and the main risk factors, please refer to the sections containing a description of the measurement criteria.

Fair value measurement criteria - IFRS 13

IFRS 13 provides guidelines to the measurement at *fair value* of financial instruments and non-financial assets and liabilities already required or permitted by other accounting standards (IFRS). This standard:
a) defines *fair value*;
b) groups into a single accounting standard the rules for measuring *fair value*;
c) enriches financial statement information.

The standard defines *fair value* as the sale price of an asset based on an ordinary transaction or the transfer price of a liability in an ordinary transaction on the main reference market at terms applicable at the measurement date (*exit price*).
Fair value measurement assumes that the transaction relating to the sale of assets or transfer of liabilities can take place:
- on the main listing market;
- if there is no listing market, on the market most advantageous for the assets and liabilities to be measured.

When a market price is not observable, the measurement methods which maximise the use of observable parameters and minimise the use of non-observable parameters must mainly be used.

IFRS 13 also defines a *fair value* hierarchy based on the level of observability of the inputs contained in measurement techniques used to measure *fair value*.

IFRS 13 governs the *fair value* measurement and the associated disclosure also for assets and liabilities not measured at *fair value* on a recurring basis in the statement of financial position. For these assets and liabilities, *fair value* is calculated for financial statement disclosure purposes. It should also be noted that since said assets and liabilities are not generally exchanged, the calculation of their *fair* *value* is based primarily on the use of internal parameters not directly observable on the market, with the sole exception of listed securities classified as "Held-to-maturity investments".

Fair value measurement criteria

The table below summarises the methods to calculate the *fair value* for the different macro categories of financial instruments, receivables and property.

		Mark to Market	Mark to Model and other
Financial Instruments	**Bonds**	CBBT contributor - Bloomberg Other contributor - Bloomberg	Mark to Model Counterparty valuation
	Listed shares and investments, ETFs	Reference market	
	Unlisted shares and investments		DCF DDM Multiples
	Listed derivatives	Reference market	
	OTC derivatives		Mark to Model
	UCITS	Net Asset Value	
Receivables			Trade receivables (Mark to Model) Other receivables (carrying amount)
Property			Appraisal value

In compliance with IFRS 13, the market price is used to determine the *fair value* of financial instruments, in the case of instruments traded in liquid and active markets (Mark to Market).

"Liquid and active market" means:
a) the regulated market in which the instrument subject to measurement is traded and regularly listed;
b) the multilateral trading system (MTF) in which the instrument subject to measurement is traded or regularly listed;
c) listings and transactions performed on a regular basis, i.e. high-frequency transactions with a low bid/*offer spread*, by an authorised intermediary (hereinafter "contributor").

In the absence of available prices on a liquid active market, valuation methods are used which maximise the use of observable parameters and minimise the use of non-observable parameters. These methods can be summarised in Mark to Model valuations, valuations by counterparty or valuations at the carrying amount in connection with some non-financial asset categories.

Mark to Market valuations

With reference to shares, listed investments, ETFs and listed derivatives, the Mark to Market valuation corresponds to the official valuation price of the market.

For bonds, the sources used for the Mark to Market valuation of financial assets and liabilities are as follows:
- the primary source is the CBBT price provided by data provider Bloomberg;
- where the price referred to the previous point is unavailable, an internal scoring model is used, which makes it possible to select liquid and active contributors on the basis of pre-defined parameters.

For UCITS the *Net Asset Value* is the source used.

Mark to Model valuations

The Group uses valuation methods (Mark to Model) in line with the methods generally used by the market.

The objective of the models used to calculate the *fair value* is to obtain a value for the financial instrument consistent with the assumptions that market participants would use to quote a price, assumptions that also concern the risk inherent in a particular valuation technique and/or in the inputs used. To ensure the correct Mark to Model valuation of each category of instrument, adequate and consistent valuation models must be defined beforehand as well as reference market parameters.

The list of the main models used within the Unipol Group for Mark to Model pricing of financial instruments is provided below:

Securities and interest rate derivatives:
- Discounted cash flows;
- Black;
- Black-Derman-Toy;
- Hull & White 1, 2 factors;
- Libor Market Model;
- Longstaff & Schwartz;
- Kirk.

Securities and inflation derivatives:
- Discounted cash flows;
- Jarrow-Yildirim.

Securities and share, index and exchange rate derivatives:
- Discounted cash flows;
- Black-Scholes.

Securities and credit derivatives:
- Discounted cash flows;
- Hazard rate models.

The main observable market parameters used to perform Mark to Model valuations are as follows:
- interest rate curves for reference currency;
- interest rate volatility surface for reference currency;
- CDS spread or Asset Swap spread curves of the issuer;
- inflation curves for reference currency;
- reference exchange rates;
- exchange rate volatility surface;
- share or index volatility surface;
- share reference prices;
- reference inflation curves.

The main non-observable market parameters used to perform Mark to Model valuations are as follows:
- correlation matrices between exchange rates and risk factors;
- historical volatility;
- benchmark spread curves constructed to assess bonds of issuers for which the prices of the bonds issued or CDS curves are unavailable;
- credit risk parameters such as the recovery rate;
- delinquency or default rates and prepayment curves for ABS-type financial instruments.

With reference to bonds in those cases when, even on the basis of the results of the Scoring Model, it is not possible to measure an instrument using the Mark to Market method, the *fair value* is obtained on the basis of Mark to Model type valuations. The different valuation models referred to above are chosen according to the instrument characteristics.

For OTC derivative contracts, the models used are consistent with the risk factor underlying the contract. The *fair value* of OTC interest rate derivatives and OTC inflation-linked derivatives is calculated on the basis of Mark to Model type valuations, acknowledging the rules set in IFRS 13.
As regards derivatives on which a collateralisation agreement is provided (Credit Support Annex) between the companies of the Unipol Group and the authorised market counterparties, the EONIA (Euro OverNight Index Average) discount curve is used.
As regards uncollateralised derivatives, CVA (Credit Valuation Adjustment) and DVA (Debit Valuation Adjustment) adjustments are made. It should be noted that, at 31 December 2019, almost all derivative positions represented collateralised contracts for which CSA agreements are in place with the counterparties involved in the trading.

As regards unlisted shares and investments for which a market price or an appraisal by an independent expert is not available, the valuations are performed mainly on the basis of (i) equity methods, (ii) methods based on the discounting of future profit or cash flows, i.e. Discounted Cash Flow (DCF) or Dividend Discount Model (DDM), (the so-called "excess capital" version) (iii) if applicable, methods based on market multiples.

As regards unlisted UCITS, Private Equity Funds and Hedge Funds, the *fair value* is calculated as the Net Asset Value at the financial statement date provided directly by the fund administrators.

The carrying amount is used for other loans.

With reference to properties, the *fair value* is measured on the basis of the appraisal value provided by independent experts, in compliance with current legal provisions.

Counterparty valuations

For financial assets and liabilities which do not fall into the categories of instruments valued on a Mark to Market basis and for which there are no consistent and validated valuation models available for the purposes of measuring *fair value*, the valuations provided by the counterparties that could be contacted to liquidate the position are used.

Unique characteristics of the fair value measurement for structured bonds and SPV structured bonds

Bond issues that incorporate a derivative contract which modifies the cash flows generated by the host contract are considered structured bonds. The measurement of structured bonds requires the representation and separate valuation of the host contract and of embedded derivative contracts.
The measurement of structured bonds makes use of models consistent with the breakdown into elementary components (host contract and embedded derivatives) and with the risk factor underlying said contract.

For structured bonds, the valuation of elementary components follows the criteria defined above for the calculation of *fair value*, which makes provision for use of Mark to Market valuation if available, or of the Mark to Model approach or counterparty price in the case in which the Mark to Market-type price is not available.
Bonds issued by a Special Purpose Vehicle secured by collateral and whose flows paid are generated by an interest rate swap contract in place between the vehicle and the swap counterparty (usually the arranger of the transaction) are considered SPV structured bonds.
The measurement of SPV structured bonds requires the representation and separate valuation of the following elements:
- collateral issue of the vehicle;
- interest rate swap agreement between the vehicle and arranger;
- any other optional components or CDS agreements included in the vehicle.

For SPV structured bonds the valuation of collateral follows the criteria defined previously for the calculation of the *fair value*, which makes provision for the use of the Mark to Market approach if available, or the Mark to Model approach or the counterparty price in the case in which the Mark to Market type price is not available.
The valuation of the interest rate swap agreement provides for the discounting of future cash flows on the basis of the different discount curves, based on the existence or not of a collateralisation agreement (Credit Support Annex) between the vehicle and swap counterparty. In particular, if the derivative contract is collateralised using available securities included in the SPV's assets, the future cash flows of the interest rate swap agreement are discounted using the EONIA discount curve; while if there is no collateralisation

agreement, use is made of CVA (Credit Valuation Adjustment), DVA (Debit Valuation Adjustment) and FVA (Funding Valuation Adjustment), as appropriate.

Criteria for determining the fair value hierarchies

Assets and liabilities measured at *fair value* are classified on the basis of the hierarchy defined by IFRS 13. This classification establishes a *fair value* hierarchy based on the degree of discretionary power used, giving priority to the use of observable market parameters, as these are representative of the assumptions that market participants would use in the pricing of assets and liabilities.

Assets and liabilities are classified on the basis of the criterion used to determine *fair value* (Mark to Market, Mark to Model, Counterparty) and on the basis of the observability of the parameters used, in the case of the Mark to Model valuation:

- Level 1: this category includes assets and liabilities valued on a Mark to Market basis, with CBBT price source and with contributor prices that meet the minimum requirements to ensure that these prices can be used in active markets;
- Level 2: this category includes assets and liabilities valued on a Mark to Market basis, but which cannot be classified in the previous category, and assets the *fair value* of which is obtained with a consistent pricing model with observable market parameter inputs;
- Level 3: this category includes assets and liabilities for which the variability of the estimate of the pricing model may be significant due to the complexity of the pay-off or, if a consistent and validated model is available, the parameters needed for the valuation are not observable. This category also includes bonds which do not meet the requirements defined in the scoring test (see the paragraph "Mark to Market valuations") and for which a Mark to Model valuation is not possible. Lastly, this category also includes loans and investment property.

Fair value measurement on a recurring basis

Process for *fair value* measurement on a recurring basis
The measurement of financial instruments is a preliminary activity for risk monitoring, integrated asset and liability management and the drafting of the financial statements for the year.
The *fair value* measurement of financial instruments on a recurring basis is structured into different stages and is carried out, in compliance with the principles of separateness, independence and responsibility of the departments, at the same time, and independently, by the Finance Department and the Risk Management Department of Unipol Gruppo, using the measurement criteria defined in the previous paragraph.
When the independent valuations of financial assets and liabilities have been carried out by the two Departments involved in the pricing process, a check is performed for significant deviations, which refer to deviations of more than 3% in terms of absolute value. In the event of deviations of more than 3%, the reasons for the differences identified are analysed and, when the outcomes of the comparison are known, the price to be used for financial statement valuation purposes is determined.

Fair value measurement on a recurring basis through non-observable parameters (Level 3)
The classification of financial assets and liabilities at Level 3 adheres to a prudential approach; this category mainly includes the following types of financial instruments:

- unlisted equity instruments or investments for which a market price or an appraisal drafted by an independent expert is not available; valuations are performed on the basis of the methods indicated previously;
- shares in private equity funds, hedge funds and unlisted UCITS units for which information on the financial instruments held in the relative portfolios is not available and which could, as such, include financial instruments valued on a Mark to Model basis using non-observable parameters;
- bonds valued on a Mark to Model basis using non-observable parameters (correlations, benchmark spread curves, recovery rate);
- bonds valued with a counterparty price on a Mark to Model basis using non-observable parameters;
- ABS type bonds for which a Mark to Market valuation is not available;
- derivative instruments valued on a Mark to Model basis using non-observable parameters (correlations, volatility, dividend estimates);
- bonds which do not meet the requirements defined in the scoring test (see the paragraph "Mark to Market valuations") and for which a Mark to Model valuation is not possible.

Fair value measurement on a non-recurring basis in compliance with the disclosure requirements of other standards

Consistent with the provisions of IFRS 13, *fair value* is measured also for assets and liabilities not measured at *fair value* on a recurring basis in the statement of financial position and when the disclosure on *fair value* has to be provided in the Notes to the financial statements in compliance with other international accounting standards. Since these assets and liabilities are usually not exchanged, the calculation of their *fair value* is based primarily on the use of internal parameters not directly observable on the market. This category mainly includes the following types of financial instruments:

- bond issues valued on a Mark to Market basis (level 1);
- bond issues and loans valued on a Mark to Model basis using non-observable parameters (benchmark spread curves) (level 3);
- short-term payables with a duration of less than 18 months and Certificates of Deposit at amortised cost (level 3);
- impaired loans and receivables from bank customers measured at amortised cost, net of analytical valuations (level 3);
- other receivables valued at carrying amount (level 3);
- investment property valued on the basis of the appraisal value determined by independent experts in compliance with the provisions of the applicable legislation. The approach to assigning appraisal mandates is based on the non-exclusive assignment of assets; there is usually a three-year rotation in the assignment of experts.

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3. Notes to the Statement of Financial Position

Comments and further information on the items in the statement of financial position and the changes that took place compared to balances at 31 December of the previous year are given below (the numbering of the notes relates to the mandatory layout for the preparation of the statement of financial position).

In application of IFRS 5, assets and liabilities held for sale are shown respectively under items 6.1 in Assets and 6.1 under Liabilities. As regards Non-current assets or assets of a disposal group held for sale, please refer to Chapter 5 Other information, paragraph 5.5, for more information on their composition and measurement criteria.

ASSETS

1 Intangible assets

Amounts in €m	**31/12/2019**	31/12/2018	*variation in amount*
Goodwill	**1,625.0**	**1,581.7**	***43.3***
resulting from business combinations	1,624.8	1,581.6	*43.3*
other	0.2	0.2	
Other intangible assets	**387.1**	**373.5**	***13.5***
portfolios acquired under business combinations	90.3	127.4	*(37.1)*
software and user licences	278.5	228.8	*49.7*
other intangible assets	18.3	17.3	*1.0*
Total intangible assets	**2,012.1**	**1,955.3**	***56.8***

1.1 Goodwill

This item, equal to €1,625.0m (€1,303.2m of which relating to the Non-Life business and €321.9m relating to the Life business) includes €1,581.7m from goodwill resulting from business combinations in previous years and €43.3m from goodwill recognised during the year following the acquisition of Car Server, calculated provisionally as permitted by IFRS 3. Reference should be made to the Basis of presentation, "Information about business combinations" section, of these Notes for further details of the accounting method for the Car Server acquisition.

Goodwill with an indefinite useful life recorded in the financial statements was tested for impairment in accordance with the procedure specifically approved by Unipol's Board of Directors. For information on the criteria used for the tests, please refer to paragraph 5.13 of Chapter 5 of this document, "Other information".

1.2 Other intangible assets

The item, totalling €387.1m (€373.5m in 2018), is composed primarily of the residual value of the Life and Non-Life portfolios acquired as a result of business combinations, equal to €90.3m (€127.4m in 2018), and costs incurred for purchasing software, licences, consultancy and the customisation of software programs for €278.5m (€228.8m in 2018) and other intangible assets for €18.3m (€17.3m at 31/12/2018).

In relation to the item Portfolios acquired as a result of business combinations, the decrease with respect to 31 December 2018, amounting to €37.1m, is due to amortisation for the year, of which €20.3m on the values related to the Non-Life (€25.3m at 31/12/2018) and €16.8m to the Life portfolios (€21.3m at 31/12/2018).

2. Property, plant and equipment

At 31 December 2019, Property, plant and equipment, net of accumulated depreciation, amounted to €2,484.2m (€1,887.4m in 2018), €1,633.2m of which was property for own use (€1,637.2m in 2018) and €851.1m was other tangible assets (€250.2m in 2018).

Properties for own use

Amounts in €m	Gross carrying amount	Accumulated depreciation	Net carrying amount
Balance at 31/12/2018	**1,969.5**	**(332.4)**	**1,637.2**
Increases	100.1		100.1
Decreases	(77.0)		(77.0)
Depreciation for the year		(41.9)	(41.9)
Other changes in provisions		14.8	14.8
Balance at 31/12/2019	**1,992.6**	**(359.5)**	**1,633.2**

The increases refer to purchases, incremental expenses and to assets measured using the financial method pursuant to IFRS 16.
The decreases include write-downs for €16.6m.

The current value of properties for own use, €1,733.4m, was based on independent expert appraisals.

Other tangible assets

Amounts in €m	Office furniture and machines	Movable assets entered in public Registers	Plant and equipment	Other tangible assets	Total
Balance at 31/12/2018	**326.2**	**4.7**	**348.0**	**11.2**	**690.0**
Increases	54.1	1,078.7	48.5	3.1	1,184.4
Decreases	(2.2)	(87.3)	(29.4)	(1.7)	(120.8)
Balance at 31/12/2019	**378.1**	**996.0**	**367.0**	**12.6**	**1,753.7**
Accumulated depreciation at 31/12/2018	**264.5**	**3.3**	**171.8**	**0.2**	**439.8**
Increases	42.4	427.1	32.7	0.1	502.3
Decreases	(2.2)	(12.7)	(24.5)	(0.1)	(39.5)
Accumulated depreciation at 31/12/2019	**304.7**	**417.7**	**180.0**	**0.2**	**902.6**
Net amount at 31/12/2018	**61.6**	**1.4**	**176.2**	**11.1**	**250.2**
Net amount at 31/12/2019	**73.4**	**578.2**	**187.1**	**12.4**	**851.1**

The increases in gross assets and accumulated depreciation include the values recognised on the acquisition of Car Server, respectively €982.6m and €396.6m, for a net value of €585.9m.

3. Technical provisions - Reinsurers' share

The balance of the item at 31 December 2019 amounted to €989.6m (€982m in 2018). Details are set out in the appropriate appendix.

4. Investments

At 31 December 2019, total Investments (Investment property, Equity investments and Financial assets) amounted to €65,116.9m (€57,543m in 2018), broken down as follows:

Amounts in €m	**31/12/2019**	% comp.	31/12/2018	% comp.	% var.
Investment property	1,991.1	3.1	1,996.7	3.5	(0.3)
Investments in subsidiaries, associates and interests in joint ventures	1,003.4	1.5	74.5	0.1	n.s.
Financial assets (excl. those at fair value through profit or loss)	54,656.8	83.9	49,266.3	85.6	10.9
Held-to-maturity investments	*454.6*	0.7	*459.6*	0.8	(1.1)
Loans and receivables	*4,006.6*	6.2	*3,921.0*	6.8	2.2
Financial assets at amortised cost	*516.1*	0.8	*490.1*	0.9	5.3
Available-for-sale financial assets	*48,620.0*	74.7	*43,439.2*	75.5	11.9
Financial assets at fair value through OCI	*689.5*	1.1	*663.3*	1.2	3.9
Held-for-trading financial assets	*283.8*	0.4	*288.0*	0.5	(1.4)
Financial assets mandatorily at fair value	*86.1*	0.1	*5.0*	0.0	n.s.
Financial assets at fair value through profit or loss	7,465.6	**11.5**	6,205.5	**10.8**	**20.3**
Total Investments	**65,116.9**	**100.0**	**57,543.0**	**100.0**	**13.2**

4.1 Investment property

Amounts in €m	Gross carrying amount	Accumulated depreciation	**Net carrying amount**
Balance at 31/12/2018	**2,234.2**	**(237.5)**	**1,996.7**
Increases	268.9		268.9
Decreases	(244.1)		(244.1)
Depreciation for the year		(34.3)	(34.3)
Other changes in provisions		3.9	3.9
Balance at 31/12/2019	**2,259.0**	**(267.9)**	**1,991.1**

The increases refer primarily to purchases and incremental expenses.
The decreases refer to sales of €209.6m and to net write-downs of €18.1m.

The current value of Investment property, €2,167.8m, was based on independent expert appraisals.

4.2 Investments in subsidiaries, associates and interests in joint ventures

At 31 December 2019, Investments in subsidiaries, associates and interests in joint ventures amounted to €1,003.4m (€74.5m in 2018). The item includes the interest with significant influence in BPER Banca for €910.1m.

Financial assets - items 4.3, 4.4, 4.4bis, 4.5, 4.5bis and 4.6
(excluding Financial assets at fair value through profit or loss)

Amounts in €m	**31/12/2019**	*% comp.*	31/12/2018	*% comp.*	*% var.*
Held-to-maturity investments	**454.6**	***0.8***	**459.6**	***0.9***	***(1.1)***
Listed debt securities	422.6		427.6		*(1.2)*
Unlisted debt securities	32.0		32.0		*(0.0)*
Loans and receivables	**4,006.6**	***7.3***	**3,921.0**	***8.0***	***2.2***
Unlisted debt securities	3,471.4		3,409.9		*1.8*
Deposits with ceding companies	62.9		32.7		*92.3*
Other loans and receivables	472.3		478.4		*(1.3)*
Financial assets at amortised cost	**516.1**	***0.9***	**490.1**	***1.0***	***5.3***
Loans and receivables from bank customers	516.1		490.1		*5.3*
Available-for-sale financial assets	**48,620.0**	***89.0***	**43,439.2**	***88.2***	***11.9***
Equity instruments at cost	4.8		8.8		*(45.3)*
Listed equity instruments at fair value	516.7		589.4		*(12.3)*
Unlisted equity instruments at fair value	197.3		196.7		*0.3*
Listed debt securities	44,582.6		39,588.2		*12.6*
Unlisted debt securities	407.3		467.3		*(12.8)*
UCITS units	2,911.4		2,588.8		*12.5*
Financial assets at fair value through OCI	**689.5**	***1.3***	**663.3**	***1.3***	***3.9***
Listed equity instruments at fair value	240.1		84.1		*185.5*
Listed debt securities	449.4		579.2		*(22.4)*
Held-for-trading financial assets	**283.8**	***0.5***	**288.0**	***0.6***	***(1.4)***
Listed debt securities	90.6		93.4		*(2.9)*
Unlisted debt securities	3.5		24.7		*(86.0)*
UCITS units	6.1		9.4		*(35.1)*
Derivatives	183.6		160.5		*14.4*
Financial assets at fair value through profit or loss	**86.1**	***0.2***	**5.0**	***0.0***	***n.s.***
Listed debt securities	10.5		4.1		*153.3*
UCITS units	75.7		0.8		*n.s.*
Total financial assets	**54,656.8**	***100.0***	**49,266.3**	***100.0***	***10.9***

Details of **Financial assets at fair value through profit or loss** by investment type:

Amounts in €m	**31/12/2019**	% comp.	31/12/2018	% comp.	% var.
Financial assets at fair value through profit or loss	**7,465.6**	**100.0**	**6,205.5**	**100.0**	**20.3**
Listed equity instruments at fair value	164.6	*2.2*	179.6	*2.9*	*(8.4)*
Listed debt securities	4,374.4	*58.6*	3,494.4	*56.3*	*25.2*
Unlisted debt securities	2.3	*0.0*	1.3	*0.0*	*73.6*
UCITS units	2,576.4	*34.5*	2,195.7	*35.4*	*17.3*
Other financial assets	347.9	*4.7*	334.5	*5.4*	*4.0*

The information required by paragraphs 12 and 12A of IFRS 7 is contained in the appendix "Details of reclassified financial assets and their effects on the income statement and comprehensive income statement".
For information on *fair value*, reference should be made to paragraph 5.7 of Section 5 "Other information" of these Notes to the financial statements.

5. Sundry receivables

Amounts in €m	**31/12/2019**	31/12/2018	% var.
Receivables relating to direct insurance business	1,456.2	1,365.5	*6.6*
Receivables relating to reinsurance business	260.8	137.3	*90.0*
Other receivables	1,467.1	1,259.4	*16.5*
Total sundry receivables	**3,184.0**	**2,762.2**	**15.3**

The item Other receivables included:
- tax receivables amounting to €710.4m (€573.5m at 31/12/2018);
- substitute tax receivables on the mathematical provisions totalling €302.6m (€296.1m at 31/12/2018);
- trade receivables amounting to €212.4m (€140.7m at 31/12/2018);
- payments made as cash collateral against derivative payables totalling €166.8m (€196.0m at 31/12/2018).

In relation to the receivable from Avvenimenti e Sviluppo Alberghiero Srl (a wholly-owned subsidiary of Im.Co.) totalling €103.2m before the value adjustments (of which €101.7m as advances paid by the former Milano Assicurazioni pursuant to a contract for the purchase of future property pertaining to a property complex in Rome, Via Fiorentini), already significantly written down in previous years, note that on 31 December 2019 this receivable was fully written down. Though possible recovery initiatives may still be adopted, with effect from 2019, in fact, further value adjustments were made for €11.4m, equal to the net carrying amount of the receivable at 31 December 2018.

6. Other assets

Amounts in €m	**31/12/2019**	31/12/2018	*% var.*
Non-current assets or assets of a disposal group held for sale	189.2	10,758.3	*(98.2)*
Deferred acquisition costs	101.2	98.1	*3.2*
Deferred tax assets	510.9	944.3	*(45.9)*
Current tax assets	3.9	23.8	*(83.8)*
Other assets	502.7	361.9	*38.9*
Total other assets	**1,308.0**	**12,186.3**	***(89.3)***

The significant decrease in non-current assets or assets of a disposal group held for sale is attributable mainly to finalisation of the sale, on 31 July 2019, of 100% of the equity investment in Unipol Banca.

Deferred tax assets are shown net of the compensation carried out, pursuant to IAS 12, with the corresponding taxes (IRES or IRAP) recorded in deferred tax liabilities.

The item "Other assets" includes, *inter alia*, deferred commission expense on contracts not included in the scope of application of IFRS 4 and other accruals and deferrals.

7. Cash and cash equivalents

At 31 December 2019, Cash and cash equivalents amounted to €1,007m (€264.6m at 31/12/2018).

LIABILITIES

1. Shareholders' equity

At 31 December 2019, Shareholders' equity amounted to €8,304.6m (€6,326.7m at 31/12/2018), recording an increase both in that attributable to the owners of the Parent (€1,655m) and to non-controlling interests (€322.8m).

1.1 Shareholders' equity attributable to the owners of the Parent

Shareholders' equity, excluding non-controlling interests, is composed as follows:

Amounts in €m	**31/12/2019**	31/12/2018	*variation in amount*
Share capital	3,365.3	3,365.3	
Capital reserves	1,639.4	1,729.4	(90.1)
Income-related and other equity reserves	(127.2)	(478.0)	350.7
(Treasury shares)	(3.4)	(6.1)	2.7
Reserve for foreign currency translation differences	4.1	4.0	0.2
Gains/losses on available-for-sale financial assets	936.2	64.7	871.5
Gains/losses on financial assets at fair value through OCI	8.5	(34.5)	43.0
Other gains or losses recognised directly in equity	(37.9)	(13.9)	(24.1)
Profit (loss) for the year	902.5	401.4	501.1
Total shareholders' equity attributable to the owners of the Parent	**6,687.5**	**5,032.4**	**1,655.0**

At 31 December 2019, the Parent Unipol's share capital amounted to €3,365.3m, fully paid-up, and was made up of 717,473,508 ordinary shares (unchanged compared with 31/12/2018).

Movements in shareholders' equity recognised during the year with respect to 31 December 2018 are set out in the attached statement of changes in shareholders' equity. The main changes were as follows:
- a decrease of €129m due to dividend distribution;
- an increase of €914.4m as a result of the increase in the provisions for Gains and losses on available-for-sale financial assets and on financial assets measured at fair value through other comprehensive income;
- an increase of €902.5m in profit for 2019.

1.2 Shareholders' equity attributable to non-controlling interests

Shareholders' equity attributable to non-controlling interests was €1,617.1m (€1,294.3m at 31/12/2018). The main changes over the year were as follows:
- a decrease of €91.6m for payment of dividends to third parties;
- an increase of €219.1m as a result of the increase in the provisions for Gains and losses on available-for-sale financial assets and on financial assets measured at fair value through other comprehensive income;

an increase of €
- 184.1m due to profit attributable to non-controlling interests.

Treasury shares or quotas

At 31 December 2019, the treasury shares held by Unipol and its subsidiaries totalled 953,413 (2,003,299 at 31/12/2018), of which 336,332 shares were held directly and 617,081 held by the following subsidiaries:

- UnipolSai Assicurazioni held 540,221;
- Arca Assicurazioni held 18,566;
- UNA Group held 18,454;
- Linear Assicurazioni held 14,743;
- SIAT held 12,566;
- UnipolSai Servizi Consortili held 5,490;
- UniSalute held 2,816;
- Arca Vita held 1,853;
- AlfaEvolution Technology held 1,736;
- Leithà held 636.

During the year, 2,312,735 ordinary shares were allocated to Managers of the Unipol Group in accordance with compensation plans based on financial instruments.
The additional changes refer to the sale of the equity investment in Finitalia (the company held 2,351 shares) and the purchase of 1,265,200 shares in implementation of the compensation plans based on financial instruments.

2. Provisions

The item "Provisions" totalled €476.9m at 31 December 2019 (€357.1m at 31/12/2018) and mainly consisted of provisions for litigation, various disputes, charges relating to the sales network, provisions for salary policies and employee leaving incentives.

Ongoing disputes and contingent liabilities

Relations with the Tax Authorities

Settlement of pending tax disputes

In 2019, the Group companies made use of the settlement procedure for pending tax disputes in application of the provisions of Art. 6, Italian Decree Law 119/2018, given the economic convenience of such settlement through payment of amounts significantly lower than those demanded, already specifically allocated in the 2018 financial statements. The main positions involved were the following:

- the Unipol dispute regarding IRES and IRAP, relating to the treatment of technical outwards reinsurance items of the former Aurora Assicurazioni, merged into Unipol in 2007, limited to 2007 only;
- the UnipolSai dispute regarding the treatment of technical outwards reinsurance items of the former Aurora Assicurazioni, already started against the parent Unipol, and also extended to the merged entity Unipol Assicurazioni for the tax periods 2007-2009;
- the UnipolSai dispute regarding an assessment notice for IRPEG and ILOR for the year 1991 concerning the merged Fondiaria Assicurazioni, still pending before the Court of Cassation as a result of the appeal filed by the Company;
- almost all the pending VAT disputes on coinsurance relations with other insurance companies for the tax periods 2003-2012.

In all cases, adoption of the settlement procedure does not constitute acceptance by the Group companies of the opposing party claims, but was assessed merely in the light of economic convenience of the transaction, also taking into account the more recent jurisprudence on the legitimacy of cases disputed. The tax periods for which it is in any event considered that a favourable decision will be obtained, or where there would be no significant economic saving by discontinuing the dispute, were not defined. The settlement-related expenses were for amounts significantly lower than those originally claimed and were covered from risk provisions already allocated at 31 December 2018.

Other tax disputes and assessments

Unipol

The IRES and IRAP tax dispute for the 2005-2007 tax periods of the former Aurora Assicurazioni, merged by incorporation into Unipol in 2007, pertaining mostly to findings relating to specific insurance provisions, is still pending before the Court of Cassation for the periods 2005 and 2006.
With regard to the Report on Findings notified to the company on 13 February 2019 by the Italian Tax Police of Bologna, in relation to costs deriving from indemnity agreements signed with Unipol Banca in 2011, and submitted to Bologna Provincial Tax Department 1, note that a request has been filed to dismiss the case.

UnipolSai

The dispute deriving from an assessment notice for abuse of rights with reference to IRPEG and IRAP for the year 2004, on share purchases and collections of the related dividends, was closed with decision in favour of the Company by the Court of Cassation.
The Report on Findings notified on 20 November 2018 by the Italian Tax Police of Bologna, following a general audit undertaken in February 2018, was the subject of a settlement agreement with the Emilia Romagna Regional Tax Authorities as regards the finding relating to the tax treatment applied by the Company to the disposal of a real estate investment. The other finding regarding the deduction of costs related to the transactions underwritten by the Company in civil proceedings, brought by some former shareholders of La Fondiaria Assicurazioni for the failed takeover bid of 2002, was instead dismissed.

Arca Vita

With reference to the general audit carried out in 2017 by the Veneto Regional Department for the years 2012-2015, and related notices of assessment that were subsequently notified, the dispute is still pending for the tax periods 2013 and 2014.

Arca Vita International DAC

With regard to the Report on Findings prepared by the Italian Tax Police of Bologna and notified to the company on 14 January 2019, disputing the existence of a permanent establishment in Italy and consequently alleged violation of the related tax disclosure and payment obligations for IRES and IRAP, note that there have been no further developments.

Amounts deemed fair to cover the potential estimated liabilities deriving from already formalised, or not yet formalised charges, for which no tax dispute has yet been brought or has not yet been formalised, including the application of VAT on delegation fees relating to the tax periods 2013-2019, were allocated in the consolidated financial statements at 31 December 2019.

Consob sanction proceedings

By means of communications dated 19 April 2013, Consob commenced two separate sanction proceedings against Fondiaria-SAI and Milano Assicurazioni for charges relating to their respective 2010 consolidated financial statements.
Pursuant to Art. 187-septies, paragraph 1 of the Consolidated Law on Finance, Consob notified Ms. Jonella Ligresti and Mr. Emanuele Erbetta, for the offices held in Fondiaria-SAI at the time of the events, of the violation set forth in Art. 187-ter, paragraph 1, of the Consolidated Law on Finance. Fondiaria-SAI is also charged with this violation as a party bearing joint and several liability. It is also charged with the offence set forth in Art. 187-quinquies, paragraph 1, letter a), of the Consolidated Law on Finance for the aforementioned violation of Art. 187-ter, paragraph 1 of the Consolidated Law on Finance by Ms. Jonella Ligresti and Mr. Emanuele Erbetta, acting in the above mentioned capacities.

Consob also made the same charge against Milano Assicurazioni. In this regard, pursuant to Art. 187-septies, paragraph 1 of the Consolidated Law on Finance, the Commission charged Mr. Emanuele Erbetta, for the role he held in the subsidiary at the time of the events, with the violation established in Art. 187-ter, paragraph 1, of the Consolidated Law on Finance. Milano Assicurazioni is also charged with this violation as a party bearing joint and several liability. It is also charged with the offence set forth in Art. 187-quinquies, paragraph 1, letter a), of the Consolidated Law on Finance for the aforementioned violation of Art. 187-ter, paragraph 1 of the Consolidated Law on Finance by Mr. Emanuele Erbetta, acting in the above mentioned capacity.

Fondiaria-SAI and Milano Assicurazioni (currently UnipolSai), assisted by their lawyers, presented their conclusions, asking that the administrative penalties set out in Articles 187-ter, 187-quinquies and 187-septies of the Consolidated Law on Finance not be imposed on the companies. On 20 March 2014 the Consob issued a resolution whereby, not deeming that the parties' defences deserved to be accepted, it ordered:

- Jonella Ligresti to pay €250k and to be disqualified from office for four months;
- Emanuele Erbetta to pay €400k and to be disqualified from office for eight months;
- UnipolSai to pay €650k.

UnipolSai provided for the payment of the fines, and also filed an appeal against Ms. Ligresti. Mr. Erbetta directly paid the penalty imposed on him. In any case, UnipolSai challenged the decision before the Court of Appeal of Bologna, which rejected the appeal on 6 March 2015. The Company, assisted by its lawyers, challenged the decision before the Court of Cassation which, on 6 December 2018, rejected the appeal and confirmed the Consob sanctions.
In March 2019, the Company challenged the decision before the European Court of Human Rights (ECHR), asking for the cancellation of the sanction for the breach of the ne bis in idem principle, according to which a person should not be submitted to sanction or judicial proceedings several times for the same fact.

IVASS assessments

On 2 July 2014, IVASS sent to UnipolSai the order of sanctions at the end of the proceeding started in 2012 against Unipol Assicurazioni on the matter of the measurement of the claims provisions of the MV and Boats TPL classes. The sanction imposed was €27,500. Since UnipolSai does not deem the conclusions of the Institute to be acceptable in any way, it appealed against this decision before the Regional Administrative Court (TAR). On 9 September 2015 the Regional Administrative Court rejected the appeal of the Company, which challenged the ruling before the Council of State, which has not yet set a date for the discussion hearing.
On 21 February 2019 the Council of State accepted an objection submitted by the Company and cancelled the sanction. The process was initiated for the recovery of the sanction paid.

Corporate liability action against certain former directors and statutory auditors decided by the Shareholders' Meetings of Fondiaria-SAI and Milano Assicurazioni

On 17 October 2011, Amber Capital LP, fund manager of Amber Global Opportunities Master Fund Ltd, a Fondiaria-SAI shareholder, in accordance with Art. 2408 of the Civil Code, informed the Board of Statutory Auditors of Fondiaria-SAI of various transactions carried out by companies in the Fondiaria-SAI Group with "related" companies attributable to the Ligresti family, criticising the "non-market" conditions and "anomalies" of said transactions.

On 16 March 2012 the Board of Statutory Auditors of Fondiaria-SAI issued an initial response in its "Report pursuant to Art. 2408, paragraph 2 of the Civil Code", after which by letter dated 26 March 2012 the shareholder Amber Capital requested further investigation.

The Board of Statutory Auditors therefore performed further controls and investigations. On 15 June 2012 IVASS served Measure no. 2985 upon Fondiaria-SAI by which the Authority defined the proceedings launched pursuant to Art. 238 of the Private Insurance Code, and through IVASS Communication prot. no. 32-12-000057 of the same date charged Fondiaria-SAI with significant irregularities pursuant to Art. 229 of the Private Insurance Code, with particular reference to a number of transactions implemented by Fondiaria-SAI and its subsidiaries with counterparties qualifying as related parties of Fondiaria-SAI, and assigning a fifteen-day deadline for the effects of these transactions to be permanently removed.
IVASS considered that the actions proposed or implemented by the Company were not suitable to correct the situation which led to the charges cited in the notice of 15 June 2012, prolonging – according to IVASS – the inability of Fondiaria-SAI to remedy the violations and the relative effects.
Therefore by Measure no. 3001 of 12 September 2012 (the "IVASS Measure"), IVASS appointed Prof. Matteo Caratozzolo as *ad acta* commissioner of Fondiaria-SAI (the "Commissioner"), also as Parent, considering the requirements of Art. 229, Italian Legislative Decree no. 209 of 7 September 2005 to be met.
In particular, with regard to the disputed transactions considered not only on an individual basis but as a whole, IVASS tasked the Commissioner with (i) specifically identifying the individuals responsible for the transactions carried out to the detriment of Fondiaria-SAI SpA and its subsidiaries; (ii) determining the damage suffered by the same; (iii) promoting or encouraging the promotion of all necessary initiatives, including judicial, at Fondiaria-SAI SpA and its subsidiaries, suitable, in relation to the disputed transactions, to safeguard and reintegrate the assets of Fondiaria-SAI SpA and its subsidiaries; (iv) exercising the powers held by Fondiaria-SAI SpA as Parent and as a shareholder in the shareholders' meetings of the subsidiaries.

Following the in-depth examinations conducted regarding the above-mentioned transactions, entered into by the Fondiaria-SAI Group primarily in the real estate segment in the 2003-2011 period, which directly involved members of the Ligresti family and certain SPVs attributable to said family, the Commissioner asked the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni to call the respective shareholders' meetings, placing on the agenda the proposed corporate liability action, pursuant to Articles 2392 and 2393 of the Civil Code, against some directors and statutory auditors of the companies (jointly with other parties).

On 5 February 2013, the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni, having examined the respective reports drafted by the Commissioner in accordance with Art. 125-ter of the Consolidated Law on Finance, resolved, following the aforementioned request, to call the Shareholders' Meetings of the two companies for 13 and 14 March 2013, on first and second call respectively.
The Shareholders' Meetings, held on second call on 14 March 2013, resolved to promote corporate liability action against the persons indicated in the reports prepared for the Meetings by the Commissioner and made these resolutions public in accordance with law.
As a result of the aforementioned resolutions, the *ad acta* Commissioner appointed his own lawyers who arranged for civil proceedings to be brought before the Court of Milan against the parties identified as responsible for the transactions described above. The proceedings are currently at preliminary investigation stage during which the court has, amongst other things, ordered a technical court expert's report.

In relation to the aforementioned transactions, the Companies requested and, on 20 December 2013, obtained a seizure order from the Court of Milan against some of the defendants in the above proceedings. The Company made arrangements to enforce the attachment through the parties concerned and through third parties, and the related enforcement proceedings are still in progress.
The attachment was challenged by the counterparties and on 24 March 2014 the Court of Milan, sitting en banc, confirmed the precautionary provision, rejecting all complaints filed by the counterparties.
Furthermore, with reference to the other transactions involved in the complaint from Amber Capital LP, not included in the Commissioner's mandate ("Minor Transactions"), on the invitation of the Board of Statutory Auditors of Fondiaria-SAI pursuant to Art. 2408 of the Civil Code, the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni conducted investigations and checks, which showed that Minor Transactions were also carried out by companies in the Fondiaria-SAI Group with "related" companies attributable to the Ligresti family with various breaches of directors' and statutory auditors' duties. In particular, the investigations and checks highlighted both breaches of directors' and statutory auditors' duties and damages to the company assets of the Fondiaria-SAI Group.
The persons who, as a result of the checks performed by the Boards of Directors, were deemed responsible for the Minor Transactions are (i) members of the Ligresti family, who exercised control over the Fondiaria-SAI Group companies involved, and who would have pursued their own personal interests to the detriment of said companies in violation of Articles 2391 and 2391-bis of the Civil Code and the procedure governing "related party" transactions; (ii) the former "executive" directors, who would have proposed and implemented the transactions in question, and the directors of the internal control committees of Fondiaria-SAI and Milano Assicurazioni, who would also have been responsible for the violation of said regulations and procedures; (iii) the statutory auditors who would have also been responsible for the damages suffered by the companies in the Fondiaria-SAI Group due to the violation of Articles 2403 and 2407 of the Civil Code and Art. 149 of the Consolidated Law on Finance.
The liability of members of the Ligresti family in relation to the transaction in question (as with the transactions already involved in the liability actions of the Commissioner) would derive not only from the violation of their duties of the offices of director formally held in Fondiaria-SAI and Milano Assicurazioni but also (aa) from the "unitary management" they would have illegitimately exercised over companies in the Fondiaria-SAI Group by helping to approve and implement the transactions constituting a "conflict of interests" and "in violation of the principles of correct corporate and business management" (pursuant to Art. 2497 of the Civil Code); (bb) the de facto interference (in particular from Mr. Salvatore Ligresti) in the administration of the companies in the Fondiaria-SAI Group (in accordance with Art. 2392 of the Civil Code).

Consequently, on 30 July 2013 the ordinary shareholders' meetings of Fondiaria-SAI and Milano Assicurazioni resolved to promote corporate liability action pursuant to Articles 2392 and 2393 of the Civil Code and, to the extent they may apply, Articles 2043 and 2497 of the Civil Code, against certain former de facto and official directors of Fondiaria-SAI and Milano Assicurazioni, regardless of their particular offices held and even if no formal office was held; certain former directors of Fondiaria-SAI and Milano Assicurazioni and, pursuant to Art. 2407 of the Civil Code, against certain members of the Board of Statutory Auditors of Fondiaria-SAI and Milano Assicurazioni.
In connection with the resolutions mentioned above, UnipolSai (formerly Fondiaria-SAI) served the writ of summons. The proceedings are currently in the preliminary investigation stage and, in this case as well, the Court ordered a technical expert's report which is still in progress.

Ongoing disputes with investors

Writs of summons by shareholders of La Fondiaria Assicurazioni (takeover bid legal cases)

From 2003 onwards, a number of La Fondiaria Assicurazioni ("Fondiaria") shareholders have initiated a series of legal proceedings claiming, albeit on different legal grounds and justifications, compensation for damages allegedly suffered due to failure to launch the takeover bid on Fondiaria shares by SAI Società Assicuratrice Industriale SpA ("SAI") in 2002.
On the whole, 16 proceedings were brought against the Company; 14 of these were settled at various degrees and stages of the proceeding, while one was extinguished when the first court's decision handed down in favour of the Company became definitive, as the opposing party failed to appeal it.
At 31 December 2019, only one case is still pending before the Milan Court of Appeal, resumed following the decision of the Court of Cassation. An appropriate provision has been allocated to cover this pending dispute.

Other ongoing proceedings

UnipolSai Assicurazioni SpA is a party in criminal and civil proceedings referring to events occurred during the previous management of Fondiaria-SAI and Milano Assicurazioni. A summary of the currently pending criminal cases is provided below.

- Criminal Case 21713/13 (formerly Gen. Criminal Records Reg. 20219/2012) pending before the Fourth Criminal Section of the Court of Turin against defendants Salvatore Ligresti, Antonio Talarico, Fausto Marchionni, Jonella Ligresti, Emanuele Erbetta, Ambrogio Virgilio and Riccardo Ottaviani, accused of the offences of false corporate communications under Art. 2622 of the Civil Code in relation to the 2010 financial statements of Fondiaria-SAI SpA and market manipulation under Art. 185 of the Consolidated Law on Finance ("TUF") on Fondiaria-SAI and Milano Assicurazioni securities, owing to the alleged falsification of the financial statements that allegedly pertained to the claims provisions; within this proceeding, UnipolSai Assicurazioni SpA was summoned and appeared before the court as civilly liable for the actions of the defendants.
- At the end of the preliminary hearings and of the trial phase, at the hearing of 11 October 2016 the Court read out the verdict, whereby:
  - it affirmed the criminal liability of the defendants Salvatore Ligresti, Jonella Ligresti, Fausto Marchionni and Riccardo Ottaviani, accused of false corporate communications and market manipulation;
  - it ordered the defendants, jointly and where applicable, with the civilly liable UnipolSai Assicurazioni SpA and Reconta Ernst & Young SpA, to pay compensation for damages to the 2,265 allowed civil claimants, to be allowed in a separate civil proceeding;
  - it ordered the defendants, jointly and where applicable, with the civilly liable UnipolSai Assicurazioni SpA and Reconta Ernst & Young SpA, to pay the legal fees of the civil claimants' legal counsel;
  - it acquitted the defendants Antonio Talarico and Ambrogio Virgilio because they did not commit any criminal offence, in accordance with Art. 530, paragraph 2 of the Code of Criminal Procedure;
  - it rejected the compensation requests of some civil claimants;
  - it set the term for filing the grounds for the decision at ninety days.

  The Court of Turin did not order payment of any interim award on the damage claimed by the civil claimants. Moreover, with its decision of 25 October 2016, the Court of Turin allowed the plea bargain request filed by Mr. Emanuele Erbetta and sentenced the defendant to 3 years of incarceration and a fine of €200,000.00, in addition to the payment of the legal expenses borne by the civil claimants.
  The decision pronounced by the Court of Turin on 11 October 2016 was challenged before the Turin Court of Appeal, which on 12 March 2019 cancelled the decision due to lack of area jurisdiction and ordered the forwarding of proceedings papers to the Court of Milan.

  - The criminal proceeding Gen. Criminal Records Reg. no. 14442/14, with the defendants Gioacchino Paolo Ligresti, Pier Giorgio Bedogni and Fulvio Gismondi accused of false corporate communications (Art. 2622 of the Civil Code) and market manipulation (Art. 185 of the Consolidated Law on Finance) for Mr. Fulvio Gismondi only, in which proceeding UnipolSai was cited for civil liability, false official statement in certificates (Art. 481 of the Criminal Code), ended in the first instance, at the end of the shortened and simplified proceedings, with the decision of 16 December 2015 acquitting the defendants because the fact does not exist. The decision was appealed by the General Prosecutor's Office at the Court of Appeal of Milan and by the civil claimant Consob. On 10 July 2018, the Milan Court of Appeal confirmed the acquittal ruling. The ruling was appealed before the Supreme

Court of Cassation by Consob as regards the civil effects only. By decision issued on 21 November 2019, the Court of Cassation rejected Consob's appeal, confirming the decision of the Milan Court of Appeal as final.

- Criminal Case (Gen. Criminal Records Reg. 24630/2013) against Messrs. Benito Giovanni Marino, Marco Spadacini and Antonio D'Ambrosio, acquitted on 10 November 2014 at the end of the shortened and simplified proceeding before the Court of Turin, is awaiting the setting of the appeal trial following the Prosecutor's filing of an appeal.

Based on the status of the criminal proceedings, on the information acquired hitherto by the Company and on the legal opinions acquired on the matters, the risk of loss is deemed unlikely.

Moreover, as reported in the Financial Statements ended 31 December 2018, some investors have autonomously initiated civil proceedings for damages. In these proceedings, the plaintiffs summarily stated that they had purchased and subscribed Fondiaria-SAI shares as they were prompted by the information in the information prospectuses published by Fondiaria-SAI on 24 June 2011 and 12 July 2012 in relation to the increases in share capital under option resolved by the company on 14 May 2011, 22 June 2011 and 19 March 2012 respectively, and in the financial statements of Fondiaria-SAI relating to the years 2007-2012. UnipolSai (former Fondiaria-SAI) appeared at all Civil Proceedings and disputed the plaintiffs' claims. Two civil proceedings before the Court of Turin ended with rulings that rejected the merits of the Plaintiff's requests, acquitting UnipolSai from all compensation claims. The two rulings have become res judicata since they were not appealed by the counterparties. On 18 May 2017, the Milan Court has instead partially upheld the compensation claims of another shareholder. The Company appealed against the sentence before the Milan Court of Appeal. Of the remaining proceedings, some are in the decision stage and some in the introductory/preliminary stage.

Provisions deemed suitable were made in relation to the disputes with investors described above.

Commitments deriving from the sale of Unipol Banca

As part of arrangements relating to the sale to BPER Banca of the entire equity investment in Unipol Banca, Unipol Gruppo and UnipolSai committed, inter alia, to indemnifying BPER Banca - on a pro-rata basis in relation to the interest transferred - for losses deriving from specifically identified dispute counterclaims of the Unipol Banca Group outstanding at 31 March 2019 (the "Losses from Dispute Counterclaims"), provided that such losses are effectively and definitively incurred and within the limits and to the extent they exceed, net of tax relief, the related provisions specifically allocated in the consolidated statement of financial position of the Unipol Banca Group at 31 March 2019 (€10m). Similarly, the acquirer BPER is committed to paying an amount to the sellers for any excess of the aforementioned provisions over and above the Losses from Dispute Counterclaims. Against the commitments undertaken in relation to the Losses from Dispute Counterclaims, contingent liabilities have been estimated at a total of €5m, for which allocations by Unipol and UnipolSai for their respective portions (€4.3m and €0.7m) are considered adequate based on information available regarding each outstanding dispute.

3. Technical provisions

Amounts in €m	**31/12/2019**	31/12/2018	*% var.*
Non-Life premium provisions	3,336.5	3,142.2	
Non-Life claims provisions	11,703.4	12,033.2	
Other Non-Life technical provisions	27.2	36.4	
Total Non-life provisions	**15,067.2**	**15,211.8**	***(1.0)***
Life mathematical provisions	33,111.5	32,092.8	
Provisions for amounts payable (Life business)	413.4	407.6	
Technical provisions where the investment risk is borne by policyholders and arising from pension fund management	4,817.2	3,963.3	
Other Life technical provisions	4,158.0	1,547.8	
Total life provisions	**42,500.2**	**38,011.5**	***11.8***
Total technical provisions	**57,567.3**	**53,223.3**	*8.2*

4. Financial liabilities

Financial liabilities were, at 31 December 2019, €7,772m (€6,921.7m at 31/12/2018).

4.1 Financial liabilities measured at fair value through profit or loss

This item, which amounted to €2,914.4m (€2,539.3m at 31/12/2018), is broken down as follows:

- Held-for-trading financial liabilities totalled €252.6m (€278.3m at 31/12/2018);
- Financial liabilities designated at fair value through profit or loss totalled €2,661.8m (€2,261m at 31/12/2018). This category included investment contracts issued by insurance companies where the investment risk was borne by the policyholders, which do not contain a significant insurance risk borne by the Group (some types of class III, class V and class VI contracts).

4.2 Financial liabilities at amortised cost

Amounts in €m	**31/12/2019**	31/12/2018	*% var.*
Subordinated liabilities	2,167.6	2,247.2	*(3.5)*
Deposits received from reinsurers	150.4	166.2	*(9.5)*
Debt securities issued	1,813.0	1,804.3	*0.5*
Other loans obtained	517.7	164.1	*n.s.*
Sundry financial liabilities	208.9	0.5	*n.s.*
Total financial liabilities at amortised cost	**4,857.7**	**4,382.4**	***10.8***

Details of **Subordinated liabilities** are shown in the table below:

UnipolSai	€300.0m	tier II	2021	every 3 months	3M Euribor + 250 b.p.	Q
UnipolSai	€261.7m	tier II	2023	every 3 months	3M Euribor + 250 b.p.	Q
UnipolSai	€320.0m (***)	tier I	2023	every 6 months	6M Euribor + 180 b.p. (**)	NQ
UnipolSai	€750.0m	tier I	in perpetuity	every 3 months from 18/06/2024	fixed rate 5,75% (*)	Q
UnipolSai	€500.0m	tier II	2028		fixed rate 3,875%	Q

(*) from June 2024 floating rate of 3M Euribor + 518 b.p.

(**) since September 2014, in application of the contractual clauses ("Additional Costs Clauses"), UnipolSai and Mediobanca signed an agreement to modify a Loan Agreement to cover the subordinated loan expiring in 2023. This agreement provides for the amendment of several economic terms, including payment by way of compromise, of an annual indemnity (additional spread) equal to 71.5 basis points, which increases the previous spread (thereby raising the total spread from 1.80 to 2.515 basis points) provided for in the Loan Agreement

(***) on 24 July 2019 the first tranche of euro 80 million was repaid as indicated in the planned amortisation plan contractually

Subordinated liabilities of the UnipolSai Group were, at 31 December 2019, €2,167.6m (€2,247.2m at 31/12/2018).

At 31 December 2019, **Debt securities issued by Unipol**, net of intragroup subscriptions, totalling €1,813m (€1,804.3m at 31/12/2018) were related to three senior unsecured bonds listed on the Luxembourg Stock Exchange, with a total nominal value of €1,817m:

- €317m of nominal value, 4.375% fixed rate, 7 year duration, maturity in 2021;
- €1,000m of nominal value, 3% fixed rate, 10 year duration, maturity in 2025;
- €500m of nominal value, 3.5% fixed rate, 10 year duration, maturity in 2027;

Other loans obtained, totalling €517.7m (€164.1m at 31/12/2018), mainly included the loan obtained by Fondo Immobiliare Athens for €169.6m and the financial liabilities deriving from the present value of future lease payments due on leases accounted for on the basis of IFRS 16. Among these, Car Server SpA had an impact of €245.1m.

Sundry financial liabilities amounted to €208.9m (€0.5m at 31/12/2018) and referred exclusively to loan repurchase agreements signed by UnipolSai.

5. Payables

Amounts in €m	**31/12/2019**	31/12/2018	% var.
Payables arising from direct insurance business	**164.7**	**160.9**	***2.3***
Payables arising from reinsurance business	**96.6**	**86.8**	***11.3***
Other payables	**751.3**	**556.7**	***35.0***
Policyholders' tax due	163.0	156.4	*4.2*
Sundry tax payables	70.1	33.7	*108.0*
Trade payables	254.3	174.0	*46.1*
Post-employment benefits	66.1	64.0	*3.3*
Social security charges payable	38.8	38.5	*0.8*
Sundry payables	159.0	90.0	*76.6*
Total payables	**1,012.6**	**804.4**	***25.9***

6. Other liabilities

Amounts in €m	**31/12/2019**	31/12/2018	*% var.*
Current tax liabilities	50.9	27.4	*85.7*
Deferred tax liabilities	83.0	8.9	*n.s.*
Liabilities associated with disposal groups held for sale	3.3	9,200.8	*n.s.*
Commissions on premiums under collection	114.3	110.9	*3.0*
Deferred commission income	4.4	3.4	*29.8*
Accrued expense and deferred income	60.0	56.0	*7.2*
Other liabilities	652.5	540.2	*20.8*
Total other liabilities	**968.4**	**9,947.6**	*(90.3)*

The item Deferred tax liabilities is shown net of the compensation carried out, pursuant to IAS 12, with the corresponding taxes (IRES or IRAP) recorded in deferred tax assets.

For the details of the sub-item Liabilities associated with disposal groups, please refer to paragraph 5.5 of these Notes. The significant decrease in this item is attributable mainly to finalisation of the sale, on 31 July 2019, of 100% of the equity investment in Unipol Banca.

4. Notes to the Income Statement

Comments and further information on the items in the income statement and the variations that took place compared with the previous year are given below (the numbering of the notes relates to the mandatory layout for the preparation of the income statement).

REVENUE

1.1 Net premiums

Amounts in €m	**31/12/2019**	31/12/2018	*% var.*
Non-life earned premiums	**8,261.2**	**8,003.0**	***3.2***
Non-Life written premiums	8,451.1	8,160.6	*3.6*
Changes in Non-Life premium provision	(189.9)	(157.5)	*20.6*
Life written premiums	**5,454.6**	**3,889.3**	***40.2***
Non-life and life gross earned premiums	**13,715.8**	**11,892.4**	***15.3***
Non-life earned premiums ceded to reinsurers	**(438.9)**	**(409.5)**	***7.2***
Non-Life premiums ceded to reinsurers	(448.5)	(408.3)	*9.8*
Changes in Non-Life premium provision - reinsurers' share	9.6	(1.3)	*n.s.*
Life premiums ceded to reinsurers	**(14.4)**	**(13.8)**	***4.4***
Non-life and life earned premiums ceded to reinsurers	**(453.3)**	**(423.4)**	***7.1***
Total net premiums	**13,262.5**	**11,469.0**	***15.6***

On a like-for-like basis, the variation of Net Premiums was +16.7% (unchanged Non-Life business and +44.2% Life business).

1.2 Commission income

Amounts in €m	**31/12/2019**	31/12/2018	*% var.*
Commission income from banking business			
Commission income from investment contracts	28.3	30.6	*(7.7)*
Other commission income	6.3	8.7	*(27.6)*
Total commission income	**34.6**	**39.4**	***(12.1)***

On a like-for-like basis the variation of Commission income was -78.6%.

1.3 Net gains on financial instruments at fair value through profit or loss

Amounts in €m	**31/12/2019**	31/12/2018	*% var.*
Net gains/losses:			
on held-for trading financial assets	(289.5)	(48.5)	*n.s.*
on held-for trading financial liabilities	(0.8)		*n.s.*
on other financial assets mandatorily at fair value	6.5	(0.5)	*n.s.*
on financial assets/liabilities at fair value through profit or loss	183.1	(104.5)	*n.s.*
Total net gains/losses	**(100.7)**	**(153.5)**	***34.4***

1.4 Gains on investments in subsidiaries, associates and interests in joint ventures

These amounted to €545.7m, including €483.1m related to the initial recognition, at equity, of the interest with significant influence in BPER Banca (€314.8m at 31/12/2018, referable primarily to the capital gain resulting from sale of the equity investment in Popolare Vita). For further information, reference is made to paragraph Acquisition of interests with significant influence in BPER, included in Section 1 of these Notes to describe changes in the scope of consolidation.

1.5 Gains on other financial instruments and investment property

Amounts in €m	**31/12/2019**	31/12/2018	*% var.*
Interests	**1,486.5**	**1,548.4**	**(4.0)**
on held-to-maturity investments	18.7	21.0	*(10.9)*
on loans and receivables	99.4	121.8	*(18.4)*
on financial assets at amortised cost	20.6	0.1	*n.s.*
on available-for-sale financial assets	1,334.7	1,398.0	*(4.5)*
on financial assets at fair value through OCI	9.3	3.3	*n.s.*
on sundry receivables	2.8	3.3	*(15.1)*
on cash and cash equivalents	1.0	0.8	*23.3*
Other income	**218.6**	**173.4**	**26.1**
from investment property	58.7	57.5	*2.1*
from available-for-sale financial assets	153.9	115.9	*32.8*
from financial assets at fair value through OCI	6.0		*n.s.*
Realised gains	**655.1**	**449.7**	**45.7**
on investment property	6.6	27.7	*(76.2)*
on loans and receivables	9.0	16.4	*(45.5)*
on financial assets at amortised cost	54.6	32.4	*68.5*
on available-for-sale financial assets	531.9	370.8	*43.4*
on financial assets at fair value through OCI	53.1	2.4	*n.s.*
Unrealised gains and reversals of impairment losses	**72.7**	**23.0**	**216.0**
on investment property	29.3		*n.s.*
on financial assets at amortised cost		23.0	*(100.0)*
on available-for-sale financial assets	36.7	0.0	*n.s.*
on financial assets at fair value through OCI	0.1	0.0	*n.s.*
on other financial liabilities	6.6	0.0	*n.s.*
Total item 1.5	**2,433.0**	**2,194.5**	***10.9***

1.6 Other revenue

Amounts in €m	**31/12/2019**	31/12/2018	*% var.*
Sundry technical income	72.6	100.5	*(27.8)*
Exchange rate differences	24.9	4.9	*n.s.*
Extraordinary gains	20.8	25.0	*(16.8)*
Other income	689.1	503.3	*36.9*
Total other revenue	**807.3**	**633.8**	***27.4***

Of the significant increase in Other income, €173m is attributable to the entry to the Group of Car Server and its subsidiary Immobiliare C.S. in the second half of 2019.

COSTS

2.1 Net charges relating to claims

Amounts in €m	**31/12/2019**	31/12/2018	*% var.*
Net charges relating to claims - direct and indirect business	**11,658.4**	**9,778.9**	***19.2***
Non-life business	**5,371.5**	**5,277.1**	***1.8***
Non-Life amounts paid	5,885.5	5,799.1	
changes in Non-Life claims provision	(340.2)	(393.9)	
changes in Non-Life recoveries	(175.9)	(129.0)	
changes in other Non-Life technical provisions	2.0	0.8	
life business	**6,286.8**	**4,501.8**	***39.7***
Life amounts paid	4,299.8	3,619.3	
changes in Life amounts payable	6.0	26.3	
changes in mathematical provisions	1,008.3	806.3	
changes in other Life technical provisions	36.1	101.9	
changes in provisions where the investment risk is borne by policyholders and arising from pension fund management	936.7	(52.1)	
Charges relating to claims - reinsurers' share	**(308.5)**	**(315.7)**	***(2.3)***
Non-life business	**(301.8)**	**(311.6)**	***(3.1)***
Non-Life amounts paid	(299.2)	(204.0)	
changes in Non-Life claims provision	(11.9)	(121.6)	
changes in Non-Life recoveries	9.3	13.9	
life business	**(6.6)**	**(4.1)**	***63.0***
Life amounts paid	(14.2)	(15.5)	
changes in Life amounts payable	(1.2)	0.9	
changes in mathematical provisions	8.8	10.5	
Total net charges relating to claims	**11,349.9**	**9,463.2**	***19.9***

On a like-for-like basis the variation of Net charges relating to claims was +21.1%.

2.2 Commission expense

Amounts in €m	**31/12/2019**	31/12/2018	*% var.*
Commission expense from banking business			
Commission expense from investment contracts	13.5	14.4	*(6.4)*
Other commission expense	7.9	8.5	*(6.9)*
Total commission expense	**21.4**	**22.9**	***(6.6)***

On a like-for-like basis the overall variation of Commission expense was -38.3%.

2.3 Losses on investments in subsidiaries, associates and interests in joint ventures

At 31 December 2019 these totalled €0.3m (€0.9m at 31/12/2018).

2.4 Losses on other financial instruments and investment property

Amounts in €m	**31/12/2019**	31/12/2018	*% var.*
Interests:	**169.1**	**170.4**	***(0.8)***
on other financial liabilities	159.3	155.4	*2.5*
on payables	9.8	15.0	*(35.0)*
Other charges:	**40.2**	**40.1**	***0.3***
from investment property	26.3	26.4	*(0.3)*
from available-for-sale financial assets	3.4	3.3	*3.3*
from other financial liabilities	10.3	10.2	*1.3*
from sundry payables	0.1	0.1	*(26.7)*
Realised losses:	**180.0**	**141.3**	***27.4***
on investment property	1.2	5.3	*(76.8)*
on loans and receivables	4.4	0.1	*n.s.*
on financial assets at amortised cost	7.8	4.3	*80.2*
on available-for-sale financial assets	166.5	131.6	*26.6*
Unrealised losses and impairment losses:	**201.8**	**138.8**	***45.4***
on investment property	79.5	91.5	*(13.1)*
on financial assets at amortised cost	34.4	18.7	*84.2*
on available-for-sale financial assets	82.4	27.3	*n.s.*
on financial assets at fair value through OCI	0.2	0.9	*(77.2)*
on other financial liabilities	5.2	0.5	*n.s.*
Total item 2.4	**591.0**	**490.6**	***20.5***

Interest on other financial liabilities amounting to €159.3m relates in particular to interest expenses accrued on bonds issued by Group companies (subordinated and non-subordinated). At 31 December 2018, they amounted to €155.4m.
At 31 December 2019 the Unrealised losses and impairment losses totalled €201.8m (€138.8m in 2018), including write-downs due to impairment of financial instruments recognised as available-for-sale assets (shares and UCITS) for €20.6m (€27.3m at 31/12/2018), write-downs on investment property for €47.4m (€59.2m at 31/12/2018), carried out on the basis of updated valuations performed by independent experts, and to investment property depreciation for €32.1m (€32.3m in 2018).

2.5 Operating expenses

Amounts in €m	**31/12/2019**	*% comp.*	31/12/2018	*% comp.*	*% var.*
Insurance sector	2,498.5	*92.8*	2,387.7	*95.0*	*4.6*
Holding and Other Businesses Sector	191.0	*7.1*	132.4	*5.3*	*44.3*
Real Estate Sector	22.1	*0.8*	22.1	*0.9*	*0.1*
Intersegment eliminations	(20.1)	*(0.7)*	(28.1)	*(1.1)*	*(28.6)*
Total operating expenses	**2,691.5**	***100.0***	**2,514.1**	***100.0***	***7.1***

On a like-for-like basis the overall variation of Operating expenses was -0.4%.

Below are details of **Operating expenses in the Insurance sector**:

Amounts in €m	Non- Life			Life			Total		
	Dec-19	Dec-18	% var.	Dec-19	Dec-18	% var.	Dec-19	Dec-18	% var.
Acquisition commissions	1,350.5	1,288.4	4.8	69.1	63.1	9.5	1,419.6	1,351.5	5.0
Other acquisition costs	375.1	371.6	0.9	44.1	42.7	3.2	419.2	414.3	1.2
Changes in deferred acquisition costs	0.9	(3.0)	(131.2)	(3.6)	(0.3)	n.s.	(2.7)	(3.2)	(16.1)
Collection commissions	158.7	156.1	1.7	7.0	7.4	(5.3)	165.7	163.5	1.4
Profit sharing and other commissions from reinsurers	(133.8)	(125.7)	6.5	(3.5)	(3.9)	(10.3)	(137.3)	(129.6)	6.0
Investment management expenses	70.8	67.1	5.6	42.8	43.4	(1.4)	113.6	110.5	2.8
Other administrative expenses	431.9	391.8	10.3	88.4	89.0	(0.6)	520.4	480.7	8.3
Total operating expenses	**2,254.2**	**2,146.3**	**5.0**	**244.3**	**241.5**	**1.2**	**2,498.5**	**2,387.7**	**4.6**

2.6 Other costs

Amounts in €m	31/12/2019	31/12/2018	% var.
Other technical charges	248.8	262.4	(5.2)
Impairment losses on receivables	38.9	13.3	n.s.
Other charges	753.1	545.4	38.1
Total other costs	**1,040.9**	**821.1**	**26.8**

Of the significant increase in Other charges, €157.7m is attributable to the entry to the Group of Car Server and its subsidiary Immobiliare C.S. in the second half of 2019. Other charges also include charges of €12.7m associated with commitments undertaken as part of the sale agreement with BPER Banca for the entire equity investment in Unipol Banca, of which €5.0m estimated and allocated among risk provisions to indemnify the Losses from Dispute Counterclaims referred to in the section "Ongoing disputes and contingent liabilities", and €7.7m relating to the repayment of charges for the early termination of long-term outsourcing contracts in place between Unipol Banca and third parties at the date of sale.
Lastly, note that the item Other charges includes provisions for €28m related to any loyalty bonuses due to key managers as defined in the Remuneration Policies of the Unipol Group.

3. Income tax

In accordance with the provisions of IAS 12 the following table shows, at consolidated level, the deferred taxes utilised and accrued.

Amounts in €m	31/12/2019			31/12/2018		
	Ires	Irap	Total	Ires	Irap	Total
Current taxes	**208.3**	**55.7**	**264.0**	**82.6**	**27.1**	**109.7**
Deferred assets and liabilities:	**(45.4)**	**(17.9)**	**(63.3)**	**109.6**	**33.1**	**142.6**
Use of deferred tax assets	89.7	4.6	94.3	205.8	38.9	244.6
Use of deferred tax liabilities	(38.5)	(1.8)	(40.4)	(132.6)	(28.1)	(160.7)
Provisions for deferred tax assets	(182.7)	(32.4)	(215.1)	(110.2)	(13.5)	(123.7)
Provisions for deferred tax liabilities	86.1	11.8	97.9	146.6	35.8	182.4
Total	**162.9**	**37.8**	**200.7**	**192.2**	**60.2**	**252.4**

Against pre-tax profit of €1,287.4m, taxes pertaining to the period of €200.7m were recorded. The overall tax rate of 15.6% was positively affected by the initial measurement at equity of the interest with significant influence in BPER Banca (21.3% at the end of the previous year, positively affected by the tax-exempt capital gain on the sale of the equity investment in Popolare Vita).

The following statement illustrates the breakdown of deferred tax assets and liabilities recognised, with separate indication of offsetting performed for adjusted financial statements presentation purposes.

	31/12/2019			31/12/2018		
Amounts in €m	Total	Ires/Corp. tax	Irap	Total	Ires/Corp. tax	Irap
DEFERRED TAX ASSETS						
Intangible assets and property, plant and equipment	254.0	195.9	58.1	379.6	310.9	68.7
Technical provisions – Reinsurers' share	140.6	140.6	0.0	155.2	155.1	0.0
Investment property	167.4	137.4	30.0	195.4	158.1	37.3
Financial instruments	128.2	91.4	36.8	199.9	151.7	48.2
Sundry receivables and other assets	142.0	129.7	12.3	118.9	109.3	9.6
Provisions	211.2	199.4	11.8	174.5	173.7	0.8
Technical provisions	1,124.1	919.1	205.0	631.0	558.3	72.8
Financial liabilities				0.8	0.8	0.0
Payables and other liabilities	11.9	11.2	0.7	5.4	5.1	0.3
Other deferred tax assets	367.9	365.1	2.8	505.9	499.7	6.2
Netting as required by IAS 12	(2,036.3)	(1,683.6)	(352.7)	(1,422.2)	(1,192.8)	(229.4)
Total deferred tax assets	**510.9**	**506.1**	**4.8**	**944.3**	**929.8**	**14.5**
DEFERRED TAX LIABILITIES						
Intangible assets and property, plant and equipment	160.5	134.1	26.4	178.7	143.6	35.0
Technical provisions – Reinsurers' share						
Investment property	3.6	1.1	2.5	15.7	7.1	8.7
Financial instruments	1,791.8	1,441.7	350.1	908.0	759.7	148.4
Sundry receivables and other assets	0.1	0.1	0.0	0.2	0.1	0.0
Provisions	9.8	7.7	2.2	22.1	17.7	4.4
Technical provisions	126.6	87.5	39.1	230.1	193.7	36.3
Financial liabilities	4.5	3.5	1.0	0.3	0.3	0.1
Payables and other liabilities	0.2	0.2	0.0	0.2	0.1	0.0
Other deferred tax liabilities	22.2	17.8	4.4	75.8	73.2	2.6
Netting as required by IAS 12	(2,036.3)	(1,683.6)	(352.7)	(1,422.2)	(1,192.8)	(229.4)
Total deferred tax liabilities	**83.0**	**10.1**	**73.0**	**8.9**	**2.8**	**6.1**

Net tax assets are deemed to be recoverable on the basis of the provisional plans of Group companies.

5. Other Information

5.1 Hedge Accounting

Fair value *hedges*

During 2019, a number of new fair value hedging transactions were carried out in relation to fixed rate bonds held by UnipolSai, for which the interest rate risk was hedged through Interest Rate Swaps.
Existing positions for these hedges at 31 December 2019 were related to IRS contracts, for a notional value of €1,270.0m to hedge bond assets recorded in Available-for-sale assets, with a hedged synthetic notional value equal to €668.4m.
At 31 December 2019, the fair value change related to the hedged bonds was a negative €25.1m, while the fair value change in IRS was positive for €25.1m, with a zero net economic effect.

Cash flow hedges

The objective of the existing hedges is to transform the interest rate from a floating rate to a fixed rate, stabilising the cash flows. The details by company of existing positions are provided below:

Amounts in €m

Company	Hedged financial instruments	Notional amount hedged	Derivative	Gross effect recognised in shareholders' equity	Net tax effect
UnipolSai	AFS bonds	1,113.5	IRS	15.7	10.9
UnipolSai	Bond loans issued	250.0	IRS	1.4	0.9
Arca Vita	AFS bonds	30.0	IRS		
Total				**17.1**	**11.8**

5.2 Information relating to the actual or potential effects of netting agreements

In order to allow an evaluation of the actual or potential effects of netting agreements on the Unipol Group, the information relating to the financial instruments involved in master netting arrangements are reported below. The transactions shown in the tables below concern:

- derivatives;
- repurchase agreements.

With reference to derivatives, the ISDA *Master agreements* which regulate transactions in such instruments, make provision, in the cases of the insolvency of one of the contractual parties, for the offsetting between receivables and payables including any cash deposits or financial instruments pledged as guarantee.

In relation to repurchase agreements, the set-off clause, applicable in the case of the insolvency of the forward purchaser, is intrinsically constituted by the collateral pledged on the financial securities forming the object of the forward purchase.

Financial assets

Amounts in €m

Type	Gross amount (A)	Total financial liabilities offset in the financial statements (B)	Net total financial assets recognised in the financial statements (C)= (A) - (B)	Related amounts not subject to offsetting in the financial statements: Financial instruments (D)	Related amounts not subject to offsetting in the financial statements: Cash deposits received as guarantees (E)	**Net total (F)=(C)-(D)-(E)**
Derivative transactions (1)	249.2		249.2	230.7	16.1	2.4
Repurchase agreements (2)						
Securities lending						
Other						
Total	**249.2**		**249.2**	**230.7**	**16.1**	**2.4**

Financial liabilities

Amounts in €m

Type	Gross amount (A)	Total financial assets offset in the financial statements (B)	Net total financial liabilities recogni-sed in the financial statements (C)= (A) - (B)	Related amounts not subject to offsetting in the financial statements: Financial instruments (D)	Related amounts not subject to offsetting in the financial statements: Cash deposits given as guarantees (E)	**Net total (F)=(C)-(D)-(E)**
Derivative transactions (1)	250.4		250.4	130.1	116.7	3.6
Repurchase agreements (2)	208.3		208.3	208.3		0.1
Securities lending						
Other						
Total	**458.8**		**458.8**	**338.4**	**116.7**	**3.7**

(1) The amounts indicated include the fair value in the financial statements of the derivatives involved in the netting agreements and any cash deposits given or received as guarantee.

(2) The amounts indicated include the financial receivable/payable relating to the repurchase agreement and the value of the financial asset involved in the forward purchase.

5.3 Earnings (loss) per share

	31/12/2019	31/12/2018
Profit/(loss) allocated to ordinary shares (€m)	902.5	401.4
Weighted average of shares outstanding during the year (no./m)	716.0	713.5
Basic and diluted earnings (loss) per share (€ per share)	**1.26**	**0.56**

	31/12/2019	31/12/2018
Profit/(loss) from discontinued operations allocated to ordinary shares (€m)	-	(296.0)
Weighted average of shares outstanding during the year (no./m)	716.0	713.5
Basic and diluted earnings (loss) from discontinued operations per share (€ per share)	**-**	**(0.41)**

5.4 Dividends

In view of the profit for the year made by the Parent Unipol at 31 December 2018 of €66.2m (as shown in the financial statements drawn up in accordance with Italian GAAP), the Shareholders' Meeting of Unipol held on 18 April 2019 resolved on the distribution of dividends totalling €129m (of which €0.1m paid to Group companies), corresponding to €0.18 per share, taking account of treasury shares. The Shareholders' Meeting also set the dividend payment date for 22 May 2019 (ex-dividend date 20/05/2019 and record date 21/05/2019).

The financial statements of the Parent Unipol at 31 December 2019, drawn up in accordance with Italian GAAP, posted a profit for the year of €283.5m. Unipol's Board of Directors proposes that the Ordinary Shareholders' Meeting disburses dividends of €0.28 per Ordinary Share from the profit for the year. The total amount set aside for dividends, including treasury shares, came to €200.8m. Net of Unipol shares held by the subsidiaries, the dividends allocated to non-controlling interests were estimated at €200.6m.

5.5 Non-current assets or assets of a disposal group held for sale

At 31 December 2019, reclassifications carried out in application of IFRS 5 to item 6.1 of Assets amounted to €189.2m, of which €0.9m relating to assets held by the subsidiary Consorzio Castello and €188.3m relating to properties held for sale (€10,758.3m at 31/12/2018, of which €10,625.3 referred to assets held by Unipol Banca, €0.7m to assets held by the subsidiary Consorzio Castello and €132.3m to properties held for sale) The liabilities reclassified to item 6.1 Liabilities associated with disposal groups amounted to €3.3m (€9,200.8m at 31/12/2018, mainly attributable to Unipol Banca).
As reported previously, on 31 July the sale of the interest in Unipol Banca was finalised. The breakdown of income statement items for 2019 and 2018 in relation to non-current assets of a disposal group and discontinued operations, summarily presented in the income statement, is provided below.

Consolidated Income Statement

	Amounts in €m	Banking business	
		31/12/2019	31/12/2018
1.2	Commission income	72.2	127.5
1.3	Gains and losses on financial instruments at fair value through profit or loss	1.4	(3.2)
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	0.2	0.5
1.5	Gains on other financial instruments and investment property	115.5	278.6
1.5.1	*Interest income*	101.7	207.0
1.5.2	*Other income*	0.0	0.8
1.5.3	*Realised gains*	5.7	40.6
1.5.4	*Unrealised gains*	8.1	30.3
1.6	Other income	15.9	33.5
1	TOTAL REVENUE AND INCOME	205.3	436.9
2.2	Commission expenses	(6.8)	(13.8)
2.4	Losses on other financial instruments and investment property	(62.0)	(173.3)
2.4.1	*Interest expense*	(23.5)	(54.3)
2.4.3	*Realised losses*	(1.1)	(29.6)
2.4.4	*Unrealised losses*	(37.4)	(89.4)
2.5	Operating expenses	(88.6)	(196.8)
2.5.1	*Commissions and other acquisition expenses*	32.7	60.0
2.5.2	*Investment management expenses*	14.6	32.5
2.5.3	*Other administrative expenses*	(135.8)	(289.3)
2.6	Other costs	(15.1)	(9.9)
2	TOTAL COSTS AND EXPENSES	(172.5)	(393.9)
	PRE-TAX PROFIT (LOSS) FOR THE PERIOD	32.8	43.0
3	Income tax	(11.7)	(10.1)
	PROFIT (LOSS) FOR THE YEAR AFTER TAXES	21.1	32.9
	Capital loss (net of taxes) due to classification among discontinued operations	(21.1)	(337.5)
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		(304.6)
	of which attributable to the owners of the Parent		(296.0)
	of which attributable to non-controlling interests		(8.7)

5.6 Transactions with related parties

Unipol Gruppo provided the following services:
- Governance (services supporting internal control, risk management and compliance);
- Anti-money laundering and Anti-terrorism.

UnipolSai Assicurazioni provided the following services:
- Governance (services supporting internal control, risk management and compliance);
- Finance;
- Innovation;
- Communications and Media Relations;
- Anti-money laundering and Anti-terrorism;
- 231 support;
- Institutional Relations;
- Assessment of investments;
- Human resources and industrial relations (external selection, development and remuneration systems, welfare initiatives, personnel management, trade union relations and disputes, employee welfare, safety, personnel administration);
- Organisation;
- Training;
- Claims settlement;
- Insurance (distribution network regulations, MV portfolio management, reinsurance, product marketing, MV tariff setting, development and maintenance of MV products, general class tariff setting, development and maintenance of general class products, technical actuarial coordination, Life bancassurance);
- Legal and corporate (corporate affairs, group legal register management, anti-fraud, institutional response, legal insurance consulting, privacy consulting and support, general legal and disputes, corporate legal, complaints and specialist assistance to customers, management of investments);
- IT services;
- Actuarial Function Validation and Calculation;
- Administrative (accounting, tax, administrative and financial statements services, economic management control, purchases and general services);
- Real estate (coordination of urban planning processes, strategic real estate asset management, operational management of property sales and purchases, property leasing services, project management, tenders and contracts, logistics and real estate services, facility management, tax and duty property management, real estate appraisals and property management).

UniSalute provides the following services to the other companies of the Group:
- Managing addressing services, providing medical advice and assistance by telephone, making bookings, managing and settling claims relating to specific guarantees/products on behalf of UnipolSai;
- Policyholder record updating services and administrative services associated with the payment of health policy claims for UnipolSai.

The services provided by **UniSalute** to its subsidiary UniSalute Servizi mainly concern the following areas:
- Administration and budget;
- Planning and management control;
- Marketing;
- IT services;
- Suppliers;
- Human resource monitoring;
- Training process support;
- Commercial and welfare development.

SIAT performs the following services in favour of UnipolSai:

- Technical assistance in the negotiation and stipulation of transport and aviation contracts;
- Portfolio services for agreements in the transport sector;
- Administrative support in the relationships with insurance counterparties.

Auto Presto & Bene and APB Car Service provide car repair services to a number of Group companies.

UnipolSai Servizi Previdenziali, performs administrative management of open pension funds on behalf of a number of Group companies.

UnipolRe carries out administrative and accounting services for inwards and outwards reinsurance on behalf of UnipolSai in relation to run-off treaties.

UnipolSai Investimenti SGR administers on behalf of UnipolSai the units of real estate funds set up by third-party asset managers, owned by UnipolSai.

In 2018 **UnipolReC**, in its capacity as an agent, conducted credit collection, out-of-court recovery of receivables due from Customers, such as, by way of example, the analysis of the receivables assigned, the sending of dunning letters by post and/or credit collection by phone, monitoring the responses received, checking payments and reconciliating the same, searching for individuals that are difficult to trace and any other activity required or related to said services on behalf of Gruppo Una.

Alfaevolution Technology provides the following supply and management services to a number of Group companies:

- black boxes associated with MV and Motorcycle policies, added to which is a dedicated offer also to fleets, confirming the Unipol Group as leader in the global market. For these devices, Alfaevolution provides a digital service that includes data analysis and the reconstruction of crashes;
- telematic kits associated with insurance policies for the protection of homes, stores and commercial businesses;
- telematic devices associated with insurance policies for pet protection;
- Qshino, the product that offers an anti-abandonment device service for child car seats as required by Italian Law no. 117 of 1 October 2018, which makes their use compulsory.

Support was also provided to UnipolSai in the development of mobile payment solutions to offer customers an integrated model of distinctive services, complementary to the insurance business. The first services available on the UnipolSai App therefore include the opportunity to pay car parking fees, fines and road tax.

Leithà provides, in favour of a number of Group companies, innovative services with high technological value, the study and analysis of data to support the development of new products and processes and business evolution, including the necessary preparatory and instrumental activities for the realisation of commissioned research projects, and, possibly the development of operating system software, operating systems and applications and database management pertaining to these projects.

Pronto Assistance Servizi (PAS) provides the following services for the Companies of the consortium (and to a minimal extent also to third parties on the external market):

- organisation, provision and 24/7 management of services provided by the assistance insurance coverage, by taking the action requested and managing relations with professionals and independent suppliers to which the material execution of the action is assigned, also including settlement of the related remuneration. As part of the Tourism claims management for Consortium members only, in addition to the provision of normal Assistance services, at the request of an individual consortium member PAS can advance medical expense payments on behalf of that member.
- contact centre activities for the customers, specialists and agencies of the Group, whose services consist of:
    - providing front office services to existing or potential customers at all stages of relations with the consortium members and their respective sales networks, or to any intermediaries acting on their behalf (brokers, banks);
    - providing after-sales services on policy statuses or on any transactions that can be made on existing policies;
    - providing customer satisfaction services;
    - providing support services to the agency network in relations with customers and consortium members;
    - providing contact centre services dedicated to opening claims and related information requests.

The consortium **UnipolSai Servizi Consortili** manages a few supply and service agreements relating to communications, image and brand of the Unipol Group.

Ambra Property provides reception and booking services to Ital H&R.

Arca Vita provides the following services to Group companies:
- human resource management and development, training, organisation, corporate affairs, purchasing, legal services and complaints, secretariat and general services, security and privacy, administration, management control for Arca Inlinea, Arca Sistemi and Arca Direct Assicurazioni;
- providing workstations, parking spaces and associated property services at the premises at Via del Fante 21, Verona, and general services necessary and functional to the outsourcing of compliance, anti-money laundering and anti-terrorism functions for UnipolSai Assicurazioni;
- providing parking spaces in the car park in Via del Fante 21, Verona, to UnipolSai Assicurazioni;
- providing workstations with associated property services at Via del Fante 21, Verona, and the related parking spaces in the property carparks and in Lungadige Capuleti to Arca Assicurazioni, Arca Direct Assicurazioni, Arca Sistemi and Arca Inlinea;
- leasing of offices in the property at Via San Marco 46, Verona, and related parking spaces, to UnipolSai;
- leasing of offices in the property at Via San Marco 48, Verona, and related parking spaces, to Arca Assicurazioni;
- an agreement with Arca Vita International is also in place regarding the licence for use of the "Arca Vita International" trademark owned by Arca Vita.

Arca Inlinea provides sales support services to Arca Assicurazioni, Arca Vita and Arca Vita International.

Arca Sistemi provides the following services:
- design, development and management of IT systems for Arca Vita, Arca Assicurazioni, Arca Inlinea and Arca Direct Assicurazioni;
- design, development and management of alternative storage for Arca Vita and Arca Assicurazioni;
- services as IT architecture provider for Arca Vita International.

Arca Direct Assicurazioni has insurance brokerage agreements in place with Arca Vita, Arca Assicurazioni and UnipolSai.

Also note the following relations between Group companies:
- normal reinsurance and co-insurance relations;
- property leasing;
- agency mandates;
- secondment of personnel;
- medium- and long-term vehicle rental.

No atypical or unusual transactions were carried out in the execution of these services.

Fees are mainly calculated on the basis of the external costs incurred, for example the costs of products and services acquired from suppliers, and the costs resulting from activities carried out directly, i.e. generated by their own staff, and taking account of:
- performance objectives set for the provision of the service to the company;
- strategic investments required to ensure the agreed levels of service.

The following elements are specifically taken into consideration:
- personnel costs;
- operating costs (logistics, etc.);
- general costs (IT, consultancy, etc.).

As regards services rendered by Leithà and Ambra Property, the consideration was determined to the extent equal to costs, as previously defined, to which a 5% mark-up was applied, which is the operating margin for the service rendered.

The costs for financing activities are calculated by applying a fee on managed volumes. The services provided by UniSalute (except operating services provided to Unisalute Servizi for which the costs are split), Auto Presto & Bene, UnipolSai Investimenti SGR and UnipolRe involve fixed prices.

Both the Parent Unipol and its subsidiaries, including UnipolSai, Arca Vita and Arca Assicurazioni, second their staff to other Group companies to optimise the synergies within the Group.

It should be noted that, in accordance with Art. 2497 et seq. of the Italian Civil Code, none of the shareholders of the Parent Unipol carries out management and coordination activities.

Tax regime for taxation of group income (so-called "tax consolidation")

The Parent Unipol exercised the Group tax consolidation option governed by Title II, Chapter II, Section II of Italian Presidential Decree 917/86 (the Consolidated Income Tax Act, Articles 117 et seq.) as consolidating entity along with the companies in the Unipol Group as and when they meet the regulatory requirements to take part. The option is for three years and is automatically renewed unless cancelled.

Exercise of the option to set up the Unipol Group VAT consolidation

On 14 November 2018, Unipol Gruppo and the subsidiaries subject to the economic, financial and organisational restrictions envisaged in current regulations exercised the joint option to set up the Unipol Group VAT consolidation for the three-year period 2019-2021, with tacit renewal until cancelled, pursuant to article 70-bis et seq. of Italian Presidential Decree 633/1972 and the Ministerial Decree of 6 April 2018.

Also note that the contributions payable by Unipol Group companies, paid during 2019 to pension funds reserved for Unipol Group employees and executives, totalled €19.1m.

The following table shows transactions with related parties (associates and others) carried out during 2019, as laid down in IAS 24 and in Consob Communication DEM/6064293/2006. It should be noted that the application scope of the Procedure to perform transactions with related parties, adopted pursuant to Consob Regulation no. 17221 of 12 March 2010, as amended, also includes some counterparties that are included, on a voluntary basis, pursuant to Art. 4 thereof (shown, together with other items, in the following table under item "Other"). The above also includes the UCIs, in which the Company, or one of its related parties, holds more than 20% of the equity rights, the company Coop Alleanza 3.0 Società Cooperativa.
Transactions with subsidiaries have not been recognised since in drawing up the Consolidated Financial Statements transactions among Group companies consolidated using the line-by-line method have been eliminated as part of the normal consolidation process.

Information on transactions with related parties

Amounts in €m	Associates	Others	**Total**	*% inc. (1)*	*% inc. (2)*
Loans and receivables	36.4		36.4	*0.0*	*2.3*
Available-for-sale financial assets	0.2		0.2	*0.0*	*0.0*
Sundry receivables	39.8	0.3	40.0	*0.1*	*2.6*
Other assets	35.4		35.4	*0.0*	*2.3*
Cash and cash equivalents	790.4		790.4	*1.0*	*50.9*
Total assets	**902.2**	**0.3**	**902.5**	***1.2***	***58.1***
Provisions	0.1		0.1	0.0	0.0
Other financial liabilities	15.1		15.1	*0.0*	*1.0*
Sundry payables	47.6	0.0	47.6	*0.1*	*3.1*
Other liabilities	1.0		1.0	*0.0*	*0.1*
Total liabilities	**60.9**	**0.0**	**60.9**	***0.1***	***3.9***
Net premiums	0.3		0.3	*0.0*	*0.0*
Commission income	4.6		4.6	*0.4*	*0.3*
Gains on other financial instruments and investment property	11.7		11.7	*0.9*	*0.8*
Other revenue	3.3	0.7	4.0	*0.3*	*0.3*
Total revenue and income	**19.8**	**0.7**	**20.5**	***1.6***	***1.3***
Commission expense	3.9		3.9	*0.3*	*0.3*
Losses on other financial instruments and investment property	7.3		7.3	*0.6*	*0.5*
Operating expenses	156.3	0.6	156.9	*12.2*	*10.1*
Other costs	38.1		38.1	*3.0*	*2.5*
Total costs and expenses	**205.7**	**0.6**	**206.3**	***16.0***	***13.3***

(1) Percentage based on total assets in the consolidated statement of financial position recognised under shareholders' equity, and on pre-tax profit/(loss) for income statement items.
(2) Percentage on total net cash flow from operating activities mentioned in the statement of cash flows.

Loans and receivables included €19.5m of time deposits above 15 days held by the companies of the Group with BPER Banca, €10.1m relating to receivables from Assicoops (Corporate Agencies) for agents' reimbursements and €6.1m of interest-free loans disbursed by UnipolSai to the associate Borsetto.
Available-for-sale financial assets referred to units of the Fondo IGI Investimenti SEI held by the subsidiary UnipolSai.
The item Sundry receivables from associates included €36.8m in receivables due from insurance brokerage agencies for commissions.
Cash and cash equivalents included the balances of current accounts opened by Group companies with BPER Banca.
Financial liabilities at amortised cost referred to bank deposits held by other related parties with BPER Banca.
Sundry payables included payables for commissions to be paid to BPER Banca for the placement of insurance products.
Commission income referred to the bank relations between Group companies and BPER Banca.
Gains on other financial instruments and investment property related to rent income from associates for €11.7m.
Other revenue included relations of Group companies with BPER Banca for banking services.

Commission expense referred to bank relations between the Group companies and BPER Banca.
Losses on other financial instruments and investment property referred to interest expense paid by Unipol to Unipol Banca (now BPER Banca) in relation to the payable that arose in 2017 following the early termination of the credit indemnity agreement repaid during the current year.
Operating expenses due to associates referred to costs on commissions payable to insurance brokerage agencies for €120.3m.
The item Other costs primarily relates to staff secondment.

Remuneration for 2019 due to the Directors, Statutory Auditors and Key Managers of the Parent, for carrying out their duties in Unipol and in other consolidated companies amounted to €19.5m, details of which are as follows:

Amounts in €m	*Amounts in €m*
Directors and General Manager	9.9
Statutory auditors	0.4
Other key managers	9.2(*)

(*) mainly includes compensation of employees.

The remuneration of the General Manager and the other Key Managers relating to benefits granted under the share-based compensation plans (*Performance Shares*), is duly represented in the Remuneration Report, prepared according to Art. 123-*ter* of the Consolidated Law on Finance and made available, pursuant to current regulations, on the Company website.
At 31 December 2019 €28m, included in Provision, are related to any loyalty bonuses due to Key Managers as defined in the Remuneration Policies of the Unipol Group.
In 2019 the companies in the Group paid Unipol and UnipolSai the sum of €2m as remuneration for the activities carried out by the Chairman, the Chief Executive Officer, the General Manager and the Key Managers, eliminated during the consolidation process.

5.7 Fair value measurements – IFRS 13

IFRS 13:
a) defines the *fair value*;
b) groups into a single accounting standard the rules for measuring *fair value*;
c) enriches financial statement information.

The standard defines *fair value* as the sale price of an asset based on an ordinary transaction or the transfer price of a liability in an ordinary transaction on the main reference market at terms applicable at the measurement date (exit price).
Fair value measurement assumes that the transaction relating to the sale of assets or transfer of liabilities can take place:
- on the main listing market;
- if there is no listing market, on the market most advantageous for the assets and liabilities to be measured.

When a market price is not observable, the measurement methods which maximise the use of observable parameters and minimise the use of non-observable parameters must mainly be used.

IFRS 13 also defines a *fair value* hierarchy based on the level of observability of the inputs contained in measurement techniques used to measure *fair value*.

Chapter 2, "Main accounting standards", outlines the *fair value* measurement policies and criteria adopted by the Unipol Group.

Fair value measurement on a recurring basis

The table below shows a comparison between the assets and liabilities measured at *fair value* at 31 December 2019 and 31 December 2018, broken down by *fair value* hierarchy level.

Assets and liabilities at fair value on a recurring and non-recurring basis: breakdown by fair value level

	Level 1		Level 2		Level 3		Total	
Amounts in €m	2019	2018	2019	2018	2019	2018	2019	2018
Assets and liabilities at fair value on a recurring basis								
Available-for-sale financial assets	46,713.2	41,781.3	338.5	377.3	1,568.3	1,280.6	48,620.0	43,439.2
Financial assets at fair value through OCI	689.5	663.3					689.5	663.3
Financial assets at fair value through profit or loss:								
- held for trading	111.5	108.8	157.7	164.0	14.7	15.2	283.8	288.0
- at fair value through profit or loss	7,465.0	6,203.5		0.7	0.6	1.3	7,465.6	6,205.5
- mandatorily at fair value	85.7	3.3			0.4	1.7	86.1	5.0
Total assets at fair value on a recurring basis	***55,064.8***	***48,760.2***	***496.2***	***542.0***	***1,584.1***	***1,298.8***	***57,145.1***	***50,601.0***
Financial liabilities at fair value through profit or loss:								
- held for trading	20.7	14.9	220.6	241.5	11.3	21.9	252.6	278.3
- at fair value through profit or loss					2,661.8	2,261.0	2,661.8	2,261.0
Total liabilities at fair value on a recurring basis	***20.7***	***14.9***	***220.6***	***241.5***	***2,673.0***	***2,282.9***	***2,914.4***	***2,539.3***

The amount of financial assets classified in Level 3 at 31 December 2019 stood at €1,584.1m. Details of changes in Level 3 financial assets and liabilities in the same period are shown below.

Details of changes in level 3 financial assets and liabilities at *fair value* on a recurring basis

	Available-for-sale financial assets	**Financial assets at fair value through OCI**	**Financial assets at fair value through profit or loss**			**Investment property**	**Property, plant and equipment**	**Intangible assets**	**Financial liabilities at fair value through profit or loss**	
Amounts in €m			held for trading	at fair value through profit or loss	mandatorily at fair value				held for trading	at fair value through profit or loss
Opening balance	**1,063.5**		**69.6**	**2.4**					**6.7**	**2,210.3**
Acquisitions/Issues	215.9		0.0							
Sales/Repurchases	(88.3)		(0.4)							
Repayments	(1.0)		(1.7)							
Gains or losses recognised through profit or loss	(0.0)		(5.3)	(0.9)						
- of which unrealised gains/losses	*(0.0)*		*(5.3)*	*(0.9)*						
Gains or losses recognised in the statement of other comprehensive income	121.2									
Transfers to level 3			0.0							
Transfers to other levels			(21.8)							
Other changes	(30.6)		(25.3)	(0.2)	1.7				15.2	50.8
Closing balance	**1,280.6**		**15.2**	**1.3**	**1.7**				**21.9**	**2,261.0**

The transfers from Level 1 to Level 2 which occurred during the reference period were insignificant.

Analysis and stress testing of non-observable parameters (Level 3)

The table below shows, for Level 3 financial assets and liabilities measured at *fair value*, the effects of the change in the non-observable parameters used in the *fair value* measurement.

With reference to "assets at *fair value* on a recurring basis" and belonging to Level 3, the stress test of non-observable parameters is performed with reference to financial instruments valued on a Mark to Model basis and on which the measurement is carried out through one or more non-observable parameters.

The portion of securities subject to analysis had a market value of €52.9m at 31 December 2019.

The non-observable parameters subject to a shock are benchmark spread curves constructed to assess bonds of issuers for which the prices of the bonds issued or Credit Default Swap curves are unavailable.

The following table shows the results of the shocks:

	Amounts in €m	**Curve Spread**			
Fair Value					
	Shock	+10 bps	-10 bps	+50 bps	-50 bps
	Fair Value delta	**(0.18)**	**0.18**	**(0.85)**	**0.87**
	Fair Value delta %	*(0.33)*	*0.34*	*(1.61)*	*1.64*

Fair value measurement on a non-recurring basis

IFRS 13 governs the *fair value* measurement and the associated disclosure also for assets and liabilities not measured at *fair value* on a recurring basis.
For these assets and liabilities, *fair value* is calculated only for the purpose of market disclosure requirements. Furthermore, since these assets and liabilities are not typically traded, their *fair value* is largely based on the use of internal parameters that cannot be directly observed in the market, with the sole exception of listed securities classified as "Held-to-maturity investments".

Assets and liabilities not measured at *fair value*: breakdown by *fair value level*

			Fair value							
	Carrying amount		Level 1		Level 2		Level 3		Total	
Amounts in €m	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Assets										
Held-to-maturity investments	454.6	459.6	543.2	497.3	37.9	34.5	2.2		583.2	531.7
Loans and receivables	4,006.6	3,921.0			2,854.5	2,650.3	1,330.0	1,179.5	4,184.4	3,829.9
Financial assets at amortised cost	516.1	490.1					516.1	490.1	516.1	490.1
Investments in subsidiaries, associates and interests in joint ventures	1,003.4	74.5	649.7				93.3	74.5	743.1	74.5
Investment property	1,991.1	1,996.7					2,167.8	2,097.2	2,167.8	2,097.2
Property, plant and equipment	2,484.2	1,887.4					2,624.5	2,084.2	2,624.5	2,084.2
Total assets	**10,456.0**	**8,829.4**	**543.2**	**497.3**	**2,892.4**	**2,684.8**	**7,643.9**	**5,925.6**	**11,079.5**	**9,107.7**
Liabilities										
Other financial liabilities	**4,857.7**	**4,382.4**	**3,915.9**	**3,668.5**			**1,365.3**	**719.1**	**5,281.2**	**4,387.6**

5.8 Information on public funds received

With reference to the regulation on the transparency of public funds introduced by Art. 1, paragraph 125 of Italian Law 124/2017 and subsequent amendments and supplements, note that the Group collected the following contributions and subsidies subject to the mandatory disclosure in the notes to the financial statements pursuant to the above-cited regulation:

Recipient	Name of disbursing party	Amount collected (€)	Reason
Tenute del Cerro SpA	ARTEA	60,428.00	Capital Contributions for Delivery Chain Integrated Projects 2015 - Region of Tuscany
Tenute del Cerro SpA	ARTEA	15,370.00	Contributions for planting, forest conservation/reforestation - Region of Tuscany
Tenute del Cerro SpA	AGEA	10,054.00	Contributions for planting, forest conservation/reforestation - Region of Umbria
Tenute del Cerro SpA	ARTEA	8,533.00	Contributions for compensatory allowances for mountain areas – Region of Tuscany
Tenute del Cerro SpA	AGEA	82,327.00	Contributions for EU Agricultural Policy 2018
Tenute del Cerro SpA	AGEA	120,000.00	Contributions for the Common Market Organisation promotional expenses incurred in foreign countries - Tuscany 19/20
Tenute del Cerro SpA	AGEA	124,166.00	Contributions for the Common Market Organisation promotional expenses incurred in foreign countries - Umbria 19/20
Tenute del Cerro SpA	ARTEA	108,227.00	Contributions for the Common Market Organisation vineyards restructuring in Tuscany
Tenute del Cerro SpA	AGEA	108,609.00	Individual Insurance Plan Contribution
Tenute del Cerro SpA	AGEA	25,829.00	Contribution for the Rural Development Plan Umbria - agri-food sector

Also note that, through UnipolSai, in its capacity as the party submitting the relative petition, the Group collected contributions from the Banks and Insurance Fund and FONDIR in relation to training provided to its employees. In reference to the petitioning part and arranged by the granting body, information relating to these contributions was recorded in the National Register of Government Subsidies and was published in the "transparency" section of the related website where it can be consulted.

5.9 Share-based compensation plans

The Unipol Group pays additional benefits (long-term incentives) to the Chief Executive Officer and Key Managers and other senior executives under closed three-year, share-based compensation plans by which Unipol and UnipolSai shares (performance shares) are granted if specific targets of Gross Profit and solvency capital requirements, as well as individual targets are achieved.

The 2016-2018 compensation plan based on financial instruments (performance share type), if the prerequisites are met, envisages the assignment of UnipolSai and Unipol shares over three years with effect from April 2019.
The first tranche, for 2,312,735 Unipol shares, was paid to those entitled on 25 April 2019.

The Information Documents, prepared pursuant to Art. 114-bis of the Consolidated Law on Finance and Art. 84-bis of the Consob Issuer's Regulation no. 11971/1999, are available on the relevant websites, in the Governance/Shareholders meetings section.

The total cost recorded in 2019 came to €11.6m (€13.2m in 2018), €6.0m of which with a contra-item in shareholders' equity as calculated in relation to the potential assignment of Unipol shares, and €5.6m with a contra-item in financial liabilities as calculated in relation to the potential assignment of shares of the subsidiary UnipolSai.

5.10 Non-recurring significant transactions and events

During the year, note the 100% sale of the interest in Unipol Banca on 31 July 2019 and the acquisition of 100% of Car Server on 1 August 2019.

5.11 Atypical and/or unusual positions or transactions

In 2019 there were no atypical and/or unusual transactions aside from any mentioned among the main events of the period that, because of the significance, importance, nature of the counterparties involved in the transaction, transfer pricing procedures, or occurrence close to the end of the year, could give rise to doubts relating to: the accuracy and completeness of the information in these Consolidated Financial Statements, a conflict of interest, the safeguarding of the company's assets or the protection of non-controlling shareholders.

5.12 Additional information on the temporary exemption from IFRS 9

As indicated previously, in these consolidated financial statements the IAS 39 standard was applied with reference to financial instruments held by UnipolSai and its subsidiaries. Below are tables containing the information necessary for comparison with the insurance companies that do apply IFRS 9.

Fair value at 31 December 2019, changes in fair value of financial investments recognised according to IAS 39 which passed the SPPI Test and other financial investments

Amounts in €m	Consolidated carrying amount at 31/12/2019	Fair value at 31/12/2019	Change in Fair value for the period
Financial investments passing the SPPI test, other than financial assets at fair value through profit or loss (a)	45,415.3	45,780.8	4,192.1
Other financial investments (b)	15,496.4	15,965.6	681.9
Total (a) + (b)	**60,911.7**	**61,746.4**	**4,874.0**

Main exposures by counterpart of investments passing the SPPI test

Amounts in €m

Counterpart	Consolidated carrying amount at 31/12/2019
Italian Treasury	28,724.6
Spanish Treasury	3,949.1
Portuguese Treasury	657.0
French Treasury	523.0
Irish Treasury	336.3
Credit Agricole Groupe	297.1
Generali SpA	290.8
Deutsche Bank AG	282.8
Banco BPN SpA	268.8
Barclays PLC	263.9
Other Counterparts	9,822.0
Total Financial investments passing the SPPI test, other than financial assets at fair value through profit or loss	**45,415.3**

Rating class of financial investments recognised according to IAS 39 which passed the SPPI Test

Amounts in €m

Rating class	Consolidated carrying amount at 31/12/2019	IAS 39 carrying amount at 31/12/2019 before any adjustment for impairment	Fair value at 31/12/2019
AAA	306.3	295.0	306.3
AA	906.1	818.6	906.1
A	5,859.9	5,105.7	5,910.9
BBB	35,585.7	31,177.5	35,851.4
Total low credit risk financial investments (1)	**42,657.9**	**37,396.8**	**42,974.7**
BB	2,278.3	2,158.1	2,327.9
B	140.3	134.4	140.3
Lower rating	72.1	83.4	72.1
With no rating	266.6	261.8	265.8
Total financial investments other than low credit risk investments (2)	**2,757.4**	**2,637.7**	**2,806.1**
Financial investments passing the SPPI test, other than financial assets at fair value through profit or loss (1) + (2)	**45,415.3**	**40,034.5**	**45,780.8**

5.13 Criteria to determine the recoverable amount of goodwill with an indefinite useful life (impairment test)

As in previous years, in accordance with IAS 36.10, which provides for the Impairment of Intangible Assets that have an indefinite useful life, the impairment test was carried out on the goodwill recognised in the consolidated financial statements with reference to insurance subsidiaries.

In determining the parameters used for the assessments, criteria were adopted that are in line with the market practice, in consideration of the overall economic scenario and, in particular, of the high volatility of the financial markets, despite the recovery expected in the coming years.

Appropriate Sensitivity Analyses were also developed to test the stability of the recoverable amounts of goodwill if there was a variation in the main parameters used in the tests.

Note that in August the subsidiary UnipolSai arranged the acquisition of 100% of the share capital of Car Server SpA, a company operating in the long-term rental sector, incurring outlay of approximately €96m. This value was determined by taking into account the contents of a fairness opinion issued by a leading independent advisor. This transaction generated goodwill of around €43m, allocated to the Non-Life Business CGU. The goodwill was calculated on a provisional PPA (Purchase Price Allocation) basis as permitted by IFRS 3, in consideration of the consolidated accounting position of Car Server SpA at 30 June 2019. Note that the final accounting of the PPA, based on the fair value measurement of the assets and liabilities acquired, will take place within 12 months of the date that control of the company was acquired.

The CGU structure did not change compared to the previous year. Consequently, the CGUs to which the residual goodwill was allocated, impairment tested at 31 December 2019, were:
- Non-Life CGU: UnipolSai Assicurazioni - Non-Life
- Life CGU: UnipolSai Assicurazioni - Life

In relation to the measurement methods and benchmarks adopted to estimate the recoverable value of goodwill, note that, as specified below, the same measurement criteria were adopted as for the previous year, with benchmark updating arranged at the end of 2019.
The impairment testing of the Non-Life CGU was performed as follows:
- the recoverable value of UnipolSai Assicurazioni - Non-Life goodwill was measured using the "excess capital" version of a DDM (Dividend Discount Model).
- to calculate this value the provisional figures for 2019 were considered and, for the years 2020-2024, the forecasts underlying the KPIs prepared by management were used as reference.

The impairment testing of the Life CGU was performed as follows:
- the recoverable amount of goodwill was calculated using the "Appraisal Value" method, by considering (i) the Embedded Value and (ii) the value of the portfolio of new products based on the discounting of related future cash flows (Value of New Business).

Based on information and documents available to date, the preliminary results obtained by the Group Management Bodies in application of the impairment procedure did not bring to light any impairment sufficient to require value adjustments to the goodwill of the Non-Life and Life CGUs recognised in the consolidated financial statements at 31 December 2019.

Non-Life CGU	
Valuation method used	The method used, similar to that carried out last year, was an "excess capital" type of DDM (Dividend Discount Model) and focused on the future cash flows theoretically available for shareholders, without drawing on the assets needed to support the expected growth and in accordance with the capital requirements imposed by the Supervisory Authority on capital requirements. According to this method the value of the economic capital is the sum of the current value of potential future cash flows and the current terminal value.
Net profits used	The above net profits were considered.
Projection period	Five prospective flows were considered.
Discounting rate	A discounting rate of 6.63% was used, broken down as follows: - risk-free rate: 1.91% - beta coefficient: 0.86 - risk premium: 5.49% The average figure for the 10-year Long-Term Treasury Bond for the period January-December 2019 was used for the risk-free rate. As in the previous year, a 2-year adjusted Beta coefficient for a sample of companies listed on the European market and deemed to be comparable was used. The risk Premium was defined by taking into account the estimates of this parameter made by primary contributors.
Long term growth rate (*g* factor)	It was deemed appropriate to reduce the g-rate to 1.7% (compared to 2% in the previous year) taking into account the macroeconomic predictive indicators and related to the reference market.
Life CGU	
Goodwill recoverable amount	With regard to UnipolSai Assicurazioni - Life, the recoverable value of goodwill was determined using the "Appraisal Value" method.

Below are the **results of the impairment tests** along with the relevant **sensitivity analyses**:

Amounts in €m	Pro-rata recoverable amount (a)	Allocation of goodwill	Goodwill included in equity per recoverable amount (b)	Goodwillto be tested	Excess
Non-Life CGU	4,801	1,303	(303)	1,000	3,801
Life CGU	1,248	322	(204)	117	1,131
Total	**6,050**	**1,625**	**(508)**	**1,117**	**4,933**

(a): Recoverable amount obtained as the difference between the pro-rata value of the CGU and the pro-rata Adjusted Shareholders' equity.
(b): Goodwill already included in Adjusted Shareholders' equity, considered in the recoverable amount estimation

Parameters used - Non-Life

Risk Free	1.91%
Beta	0.86
Risk premium	5.49%
Short-term discounting rate	6.63%
Range	*6.13% - 7.13%*
Pass	*0.5%*
g factor	1.7%
Range	*1.2% - 2.2%*
Pass	*0.5%*

Amounts in €m

		Sensitivity (Value range)					
		Min			Max		
CGU	Recoverable Amount - Goodwill Delta	Value	g	Discounting rate	Value	g	Discounting rate
UnipolSai Assicurazioni - Non-Life	3,801	3,121	1.2%	7.13%	4,810	2.2%	6.13%

Amounts in €m

				Recoverable Amount - Goodwill Delta = 0			
		Sensitivity (Value range)		Hp. 1 (g rate = that used for impairment)		Hp. 2 (g rate assumed to be 0)	
CGU	Recoverable Amount - Goodwill Delta	Min	Max	g	Discounting rate	g	Discounting rate
UnipolSai Assicurazioni - Non-Life	3,801	3,121	4,810	1.7%	16.84%	0%	17.10%

Amounts in €m

		Sensitivity Recoverable Amount - Goodwill Delta	
Company	Recoverable Amount - Goodwill Delta	Min	Max
UnipolSai Assicurazioni - Life	1,131	1,094	1,185

5.14 Notes on Non-life business

Procedural note on fixing the level of provisions and assumptions made

The process that leads to making the assumptions is carried out in such a way as to make a valuation of the liabilities with the intention of coming up with an estimate that is as realistic as possible.
The source of the figures is internal and the trends are based on annual statistics and monitored monthly throughout the year.
As far as possible assumptions are checked against market statistics.
If any information is missing, incomplete or unreliable the estimate of the final cost is based on the adoption of prudent assumptions.
The very nature of insurance business makes it highly complex to estimate the cost of settling a claim with any certainty, and the elements of complexity vary according to the class involved. The provision for each claim reported is set by an adjuster and is based on the information in his possession and on experience gained in similar cases. The forecasts fed into the system are periodically updated on the basis of new information about the claim. The final cost may vary as the claim proceeds (for example deterioration in the condition in the event of injury) or in the event of catastrophes.
As the Group's work is concentrated in Italy the major exposure to catastrophe risks is represented by natural disasters such as Earthquake, Flood and Hail.
Reinsurance cover is taken out to cover this type of risk, at levels differentiated with respect to the individual portfolios of the companies in the Group. The identified thresholds, with particular reference to the Earthquake risk, have been judged sufficiently prudent on the basis of calculations made using statistical models that simulate the company's exposures in detail.

The provisions for claims reported are estimated using the inventory method and the adjusters' estimates are also combined, where application conditions are satisfied, with the results of statistical methods such as the Chain Ladder, the Bornhuetter Ferguson and the ACPC (Average Cost Per Claim) and with valuations based on the average costs for the year (for similar groups covering a sufficiently large number of claims). These methods were applied after consistency of the underlying data had been verified using the model assumptions.

The Chain Ladder method is applied to the "paid" and "loading" factors. The method is based on historical analysis of the factors that affect the trend in claims. The selection of these factors is based on the figures for the accumulated amounts paid out, giving an estimate of the final cost per year of occurrence if the claims for that year have not been paid in full.
The Chain Ladder method is suitable for sectors in which the figures are stable and is therefore not suitable in cases in which there are no significantly stable previous periods and in cases of significant changes in the settlement rate.
The Bornhuetter Ferguson method uses a combination of a benchmark (or estimates of the ratio of losses to 'a priori' premium) and an estimate based on claims incurred (Chain Ladder).
The two estimates are combined using a formula that gives greater weight to experience. This technique is used in situations in which the figures are not suitable for making projections (recent years and new classes of risk).

The ACPC method is based on a projection of the number of claims to be paid and the respective average costs. This method is based on three fundamental assumptions: settlement rate, basic average costs and exogenous and endogenous inflation.

These methods extrapolate the final cost according to the year in which the claim is incurred and according to similar groups of risk on the basis of the trends in claims recognised in the past. Should there be a reason for deeming the trends recognised to be invalid some of the factors are modified and the projection adapted to fit the available information. Some examples of what affects the trends could be:

- changes in the claims handling procedures involving different approaches to settlement/making allocations to provisions;
- market trends showing increases higher than inflation (may be linked to the economic situation or to political, legal or social developments);
- random fluctuations including the impact of "major" claims.

Claims incurred but not yet reported are estimated on the basis of the historical trends within the company, with the number and the average costs of the claims being estimated separately.

As allowed by IFRS 4, the provisions were not discounted.

Scope of analysis

The Unipol Group companies operating in the Non-Life market (direct business) are: UnipolSai, Siat, Incontra, Linear, UniSalute, Arca, Pronto Assistance, Ddor.
The scope considered in this document makes reference to the Unipol Group's most significant companies: UnipolSai, Linear, Arca, UniSalute and Siat. The incidence of the amount of provisions of excluded companies stands at 0.6%.

Trend in claims (claims experience)

The table below, which illustrates the trend in claims, shows the estimated first-year costs for each year in which claims were incurred from 2010 until 2019 and the adjustments made in subsequent years as a result of the claim being settled or the budget being adjusted as a result of more information about the claim being received.
The line showing the variation compared with the first-year provision must be considered separately since subsequent adjustments may already have been incorporated into the provisions figures for later years.
Maximum caution must be exercised when extrapolating opinions on the adequacy or inadequacy of provisions from the results found in the following table.
The Group considers the provisions for claims reported or yet to be reported incurred by 31 December 2019 to be adequate in light of available information. Of course, as they are estimates there is no absolute certainty that the provisions are in fact adequate.

Trend in claims (all classes except Assistance)

Amounts in €m

Year of Event	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Estimate of claims accumulated											
at the end of the year of event	8,626	7,890	7,250	6,503	6,210	5,221	5,283	5,398	5,444	5,532	**63,357**
one year later	8,570	7,722	7,049	6,400	6,175	5,174	5,210	5,395	5,445		
two years later	8,845	7,783	7,037	6,352	6,103	5,109	5,181	5,344			
three years later	8,888	7,801	7,018	6,309	6,024	5,047	5,158				
four years later	8,916	7,776	6,976	6,269	5,946	5,010					
five years later	8,929	7,757	6,950	6,216	5,897						
six years later	8,913	7,732	6,927	6,179							
seven years later	8,891	7,716	6,899								
eight years later	8,881	7,691									
nine years later	8,836										
Estimate of claims accumulated	**8,836**	**7,691**	**6,899**	**6,179**	**5,897**	**5,010**	**5,158**	**5,344**	**5,445**	**5,532**	**61,990**
Accumulated payments	8,467	7,296	6,404	5,562	5,176	4,336	4,349	4,376	3,905	2,353	**52,224**
Change compared to assessment at year 1	209	(198)	(351)	(324)	(313)	(212)	(125)	(54)	1		
Outstanding at 31/12/2019	**369**	**396**	**495**	**617**	**720**	**673**	**810**	**968**	**1,540**	**3,179**	**9,766**
Discounting effects											
Carrying amount	**369**	**396**	**495**	**617**	**720**	**673**	**810**	**968**	**1,540**	**3,179**	**9,766**

The breakdown of the IBNR estimated at 31 December 2018 showed an overall sufficiency in 2019 of €55.1m or 5.7% of the estimate.

Change in the assumptions made and sensitivity analysis of the model

The estimated cost for 2010-2018 at 31 December 2019 was €56,458m, a decrease from the valuation carried out at 31 December 2018 for the same years (€56,752m).
The new figure takes account of the savings recognised on claims that have been settled and of the revaluations required on claims that are still outstanding.

The risks arising from insurance policies are complex and subject to numerous variables that make the task of quantifying the sensitivity of the model complex.
The incidence of the amount of the 2,557 major claims net of claims handled by others (above €800k in the case of MV TPL, above €400k in the case of General TPL and €350k in the case of Fire) on the total provisions of the three classes was 26.7%. A 10% increase in the number of major claims would have led to a fall in provisions of €215.1m. The incidence on total provisions of claims handled by others was 2.4%. If reinsurers had revalued these claims by 5.0%, costs would have risen by €11.9m.

The sensitivity analysis of the models directed at determining two scenarios, one favourable and one unfavourable, was conducted on the MV TPL (Non-Card and Handler Card separately) and General TPL classes of UnipolSai Assicurazioni (UnipolSai provisions represent 92.5% of the companies considered in this analysis; the provisions of the MV TPL and General TPL business of UnipolSai totalled 72.5%).

The two scenarios were obtained with the following assumptions:

- Favourable: for MV TPL, a decline in inflation by one and a half points (1.0%) was assumed for the ACPC method compared to the baseline model (2.5%); reference was made to the provision corresponding to the tenth percentile for the Chain Ladder Paid method (*). For General TPL, reference was made to the provision corresponding to the tenth percentile (*).
- Unfavourable: for MV TPL, a decline in inflation by one and a half points (4.0%) was assumed for the ACPC method compared to the baseline model (2.5%); reference was made to the provision corresponding to the ninetieth percentile for the Chain Ladder Paid method (*). For General TPL, reference was made to the provision corresponding to the ninetieth percentile (*).

(*) Assuming that the provision is distributed according to a log-normal function with parameter relating to standard deviation calculated with the Mack method

In the sensitivity analysis for years prior to 2008 (excluded from the model), the same changes deriving from application of the stress scenarios to later years were applied.

The following table shows the LAT's numbers:

Amounts in €m	Pre 2008	2008-2019	Total	% Delta
Provision requirements	853	8,993	9,846	
Unfavourable LAT assumption	886	9,259	10,145	*3.04*
Favourable LAT assumption	820	8,735	9,555	*(2.95)*

In assessing the results of these variations, note that these analyses are of the deterministic type and no account is taken of any correlations. Overall, provisions (€11,162m relating to the consolidation scope examined) in the financial statements are higher than the top end, i.e. the unfavourable scenario assumption.

5.15 Notes on Life business

Breakdown of the insurance portfolio

Consolidated Life premiums for 2019 totalled €5,846.9m (insurance and investment products), with an increase of +36.2% compared to the previous year (calculated on a like-for-like scope of consolidation).
The Life direct premiums of the Unipol Group came from both the traditional companies (UnipolSai Assicurazioni and DDOR) and bancassurance companies (Arca Group and Bim Vita).

The consolidated Life premiums of the Unipol Group at 31 December 2019 are broken down as follows:

Consolidated Life direct premiums

Amounts in €m	UnipolSai Ass.	Arca Group	Bim Vita	DDOR Novi Sad	**Total**
Insurance premiums (IFRS4)	3,924.9	1,457.6	56.2	15.6	5,454.2
% var.	*36.1%*	*74.6%*	*6.7%*	*6.7%*	*44.1%*
Investment products (IAS39)	155.0	218.0	19.8		392.7
% var.	*(37.0%)*	*(9.9%)*	*4.8%*		*(22.5%)*
Total life business premium income	4,079.8	1,675.6	75.9	15.6	5,846.9
% var.	***30.4%***	***55.6%***	***6.2%***	***6.7%***	***36.2%***
Breakdown:					
Insurance premiums (IFRS4)	*96.2%*	*87.0%*	*74.0%*	*100.0%*	*93.3%*
Investment products (IAS39)	*3.8%*	*13.0%*	*26.0%*	*0.0%*	*6.7%*

The Life direct premiums for the Group originate for €4,079.8m from UnipolSai (+30.4%), €1,675.6m from the ARCA Group (+55.6%), €75.9m from BIM Vita (+6.2%) and €15.6m from DDOR (+6.7%).

Insurance premiums totalling €5,454.2m (+44.1%) accounted for 93.3% of total premiums, up compared to the figure for the previous year (88.2%). Non-insurance premiums amounted to €392.7m (-22.5%) and related to unit-linked and open pension funds.

Direct insurance premiums: income type

Amounts in €m	UnipolSai Ass.	Arca Group	Bim Vita	DDOR Novi Sad	**Total**
Traditional premiums	2,686.4	1,457.5	44.4	15.6	4,203.9
Financial premiums	0.5	0.1	11.8		12.4
Pension funds	1,237.9				1,237.9
Insurance premiums (IFRS4)	**3,924.9**	**1,457.6**	**56.2**	**15.6**	**5,454.2**
of which investments with DPF	*2,109.5*	*1,409.3*	*0.0*		*3,518.9*
% investment with DPF	*53.7%*	*96.7%*	*0.0%*	*0.0%*	*64.5%*

The insurance premiums of the Unipol Group continued to be composed primarily of traditional policies, which account for 77.1% of total consolidated premiums (down from the 82.7% recorded in 2018), compared to 22.7% represented by pension fund premiums (16.7% in 2018) and, finally, only 0.2% by financial premiums, down compared to 0.7% in 2018.

5.16 Risk Report 2019 of the Unipol Group

The Risk Report aims to provide an overview of the risk management system, the internal risk assessment and solvency assessment processes and the Unipol Group risk profile, in compliance with the principles introduced in the European Solvency II regulations that entered into force from 1 January 2016.

Activities by the competent corporate organisations of the Group were carried out in 2019 in compliance with Solvency II regulations and the supervisory provisions issued by IVASS.

Internal Control and Risk Management System

The Unipol Group's Risk Management structure and process are part of the wider internal control and risk management system already illustrated in the Annual Integrated Report, to which reference is made.

The principles and processes of the System as a whole are governed by the following Group policies: "Risk Management Policy", "Current and Forward-looking Internal Risk and Solvency Assessment Policy", "Operational Risk Management Policy" and "Group-level Risk Concentration Policy".
The policies setting the principles and guidelines below are an integral part of this System: (i) management of specific risk factors (e.g. Investment Policy with regard to market and liquidity risks, and the "Credit Policy"), (ii) risk management as part of a specific process, (iii) risk mitigation and (iv) risk measurement model management.

The risk identification, assessment and monitoring processes are performed on an ongoing basis, to take into account any changes in their nature, business volumes and market context, and any insurgence of new risks or changes in existing risks.
These processes are carried out using methods that guarantee an integrated approach at Group level. The Parent ensures that the risk management policy is implemented consistently and continuously within the entire Group, taking into account the risks of each company included in the scope of supervision of the Group and their mutual interdependencies.

Risk Appetite and Risk Appetite Framework

The Risk Management System adopted by the Group is inspired by an enterprise risk management logic. This means that is based on the consideration, with an integrated approach, of all the current and prospective risks the Group is exposed to, assessing the impact these risks may have on the achievement of the strategic objectives and replies on a fundamental element, i.e. the Risk Appetite.
In quantitative terms, the Group's Risk Appetite is determined on the basis of the following elements:
- capital at risk;
- capital adequacy;
- Liquidity/ALM ratios.

Furthermore, quality objectives are defined in reference to compliance, emerging, strategic, reputational, ESG (Environmental, Social and Governance) and operational risks.

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

The Risk Appetite forms part of a reference framework - the Risk Appetite Framework (RAF). The RAF is defined in strict compliance and prompt reconciliation with the business model, the strategic plan, the Own Risk and Solvency Assessment (ORSA) process, the budget, company organisation and the internal control system.

The RAF defines the Risk Appetite and other components ensuring its management, both in normal and stress conditions. These components are:
- Risk Capacity;
- Risk Tolerance;

d) Risk Limits (or operational risk limits);

e) Risk Profile.

The activity to define RAF components is dynamic and progressive, and reflects the risk management objectives associated with the objectives of the Strategic Plan. Verification is performed annually as part of the process of assigning Budget objectives. Further analyses for preventive control of the Risk Appetite, and capital adequacy in particular, are performed when studying extraordinary transactions (such as mergers, acquisitions, disposals).
The RAF is broken down into several analysis macro areas with the aim of guaranteeing continuous monitoring of risk trends and capital adequacy. The main analysis macro areas are risk type, total risk, individual company and group.

The Group RAF takes into account the specific operations and related risk profiles of each company in the Group, in such a way as to be integrated and consistent.

The ORSA process

Under their own risk management systems Unipol and the companies that fall within the scope of the internal current and forward-looking risk and solvency assessment policy use the ORSA to assess the effectiveness of the risk management system in terms of capital adequacy and liquidity management governance.

The ORSA process allows the analysis of the current and prospective risk profile analysis of the Group and the insurance companies in the Group, based on strategy, market scenarios and business development.

Risk Management System

The risk management process involves the following steps:
- risk identification;
- current and forward-looking assessment of risk exposure;
- risk monitoring and reporting;
- risk mitigation.

The process is performed in compliance with the Risk Appetite Framework.

Risk identification

Risk identification consists in identifying the risks considered significant, i.e. those with consequences capable of compromising the solvency or reputation of the Insurance Group and its companies, or constitute a serious obstacle to achieving strategic objectives. These risks are classified according to a methodology that takes into consideration the Group structure, the specific nature of the types of business managed by the various operating Companies and the classifications proposed by Italian and European supervisory regulations.

The categories of risk identified are as follows:
- Technical-Insurance underwriting risks (Non-Life and Health);
- Technical-Insurance underwriting risks (Life);
- Market risk;
- Credit risk;
- Liquidity and ALM risk;
- Operational risk;
- Standard compliance risk;
- Emerging risks and strategic risk;
- Reputational risk;
- ESG (Environmental, Social and Governance) risks;
- Other risks.

This identification and its constant updating are the result of meticulous and continuous activity performed through:
- continuous monitoring of business operations;
- continuous monitoring of the reference regulatory framework;

- the exercise of Profit and Loss attribution that compares profit and loss recorded at year end with those estimated by the Internal Model, in order to verify whether it correctly represents all risk factors.

An assessment is performed at least annually to verify that the risks identified actually represent the risk profile of the Group and its companies.

Current and forward looking assessment of risk exposure

At least annually and in any event every time circumstances arise that could significantly alter the risk profile, the Group assesses the risks to which the insurance group and the individual companies are exposed, at present and prospectively, documenting the methods used and the related results. In the internal Current and Forward-looking Risk and Solvency Assessment Policy, the process for the current and forward-looking assessment of risks is also defined, including risks deriving from companies included in the scope of Group supervision and taking into account the risk interdependencies.
The current and forward-looking assessment also includes stress testing to verify the company's vulnerability to extreme but plausible events.

Current assessment of risks
The current assessment of risks identified is performed through methods envisaged in regulations and best practices as regards risks for which measurement is not regulated or defined by high-level principles.

Forward-looking assessment of risks
The ORSA process is used to support operational and strategic decisions. The Group defines and implements procedures that are commensurate with the nature, scope and complexity of the business activities and enable it to identify and assess accurately the risks to which the Group or individual company is or could be exposed in the short and long term.

Stress test, reverse stress test and sensitivity analyses

The Group and each subsidiary Company conduct stress test, reverse stress test and sensitivity analyses at least annually, in compliance with requirements of the national Supervisory Authority regulations. To this end, the Group has adopted:
- a stress test framework that begins with analysis of the key risk factors, envisaging the definition of a set of stress tests:
  - general (i.e. applying to the Group and to all Group Companies) or specific (i.e. applying to individual Companies);
  - which consist in the application of shocks to individual risk factors (e.g. interest rates) or contextual shocks to multiple groups of risk factors (i.e. scenario analysis);
  - which concern financial variables and/or technical-insurance variables.
- a sensitivity analysis framework for the main financial figures of interest, in order to assess the solvency of the Group and the Companies in alternative economic scenarios;
- a set of reverse stress test exercises to identify loss scenarios that could put the Company's solvency in difficulty.

Risk monitoring and reporting

In order to ensure prompt and constant monitoring of the evolution of the Risk Profile and compliance at the different levels of company responsibility with the defined Risk Appetite, a reporting system was implemented based on the principles of completeness, promptness and disclosure efficiency.
This system guarantees that the quality and quantity of information provided is commensurate with the needs of the various recipients and with the complexity of the business managed, in order for it to be used as a strategic and operating tool in assessing the potential impact of decisions on the company's risk profile and solvency.
In relation to the recipients, reporting is divided into "internal" and "external". "Internal" reporting is addressed to the bodies and internal structures of the Group and its companies, with the aim of steering strategic and business decisions and verifying sustainability over time. "External" reporting is directed to Supervisory Authorities and the market and meets the disclosure and transparency requirements of regulations in force.

With regard to internal reporting, in consideration of the recipients of the various requirements and uses, two types of reporting are provided:

- strategic reporting on risk management, containing information important in supporting strategic decisions;
- operational reporting on risk management with an adequate granularity in supporting business operations.

As part of the strategic reporting, the following are provided to the Board of Directors, the Control and Risk Committee and Top Management:
- annually, a proposal for approval of the Risk Appetite (Risk Appetite Statement)[37];
- quarterly, a report with the results of controls performed on observance of the Risk Appetite for the current year (Risk Appetite Monitoring);
- quarterly, a report with the results of controls performed on observance of the operational risk limits defined in the specific risk management policies;
- quarterly, a report on the monitoring of significant risk concentrations at Group level;
- at least annually, the results of stress testing.

Risk escalation and mitigation process

With regard to Risk Appetite monitoring, detection of any of the defined thresholds being exceeded triggers the escalation process described below:
- if the *Risk Appetite* and the *Risk Tolerance*, when defined, are exceeded, the Board of Directors is informed. The Board of Directors assesses whether the approval of a new *Risk Appetite* or *Risk Tolerance* level is appropriate or defines action to be taken to restore the *Risk Appetite* or *Risk Tolerance* level;
- if the *Risk Capacity* is exceeded, the Board of Directors is notified and defines the actions to be taken.

If the Risk Appetite and/or Risk Tolerance and/or Risk Capacity of individual companies are exceeded, the Boards of Directors of Unipol Gruppo SpA and UnipolSai Assicurazioni SpA are informed, indicating any corrective action taken.

In order to mitigate existing or prospective levels of risk not in line with the defined risk objectives, the following measures can be adopted:

a) **Financial hedges**: these measures may take the form of hedging transactions on the market using financial derivatives. The Investment Policy defines the principles for the use and management of hedging instruments.
b) **Reinsurance**: transfers part of the underwriting risk outside the Group, providing more possibility for business growth, both by proportionally reducing the amounts at risk (e.g. proportional treaties) and by limiting even further the amounts of major claims (e.g. non-proportional treaties). The "Reinsurance and Other Risk Mitigation Techniques Policy" defines the guidelines on reinsurance cover management.
c) **Guarantees held as a hedge against credit risks**: the main type of guarantee available on exposures to reinsurers is represented by deposits with the Group for the risks ceded and retroceded that are generally moved (placed and repaid) annually or half-yearly. Their duration largely depends on the specific nature of the underlying insurance benefits and on the actual duration of the reinsurance agreements, which are renegotiated at the end of each year. For exposures to reinsurers the Group also makes use of a limited number of guarantees consisting mainly of Letters of credit and Securities. Collateral deposited by the counterparties for operating in derivatives under CSA-type (Credit Support Annex) agreements is also used as guarantees on credit risks[38]. If the Internal Model for measuring risks includes mitigation techniques, their compatibility and constant updating in line with performance must be guaranteed.
d) **Management action**: corrective action to be applied if certain events occur, such as the restructuring of assets and/or liabilities under management or the disposal of assets and/or liabilities (position closures).
e) **Operational risk mitigation actions**: mitigation plans with the aim of preventing or mitigating the effects should a risk event occur. The implementation of mitigation plans is based on decisions made on a continual basis during the entire operational risk monitoring stage.
f) **Emergency and contingency plans**: extraordinary *ex ante* measures to be activated if certain catastrophes or emergency events should occur, such as those envisaged in the Pre-emptive recovery plan of the Insurance Group, Business Continuity Plan and Disaster Recovery Plan which respectively define the measures/actions to be adopted at Group and/or Company level to restore the financial position of the Group and/or a Group company in specific scenarios of financial difficulty and severe macro-economic stress, and govern operating procedures for declaring a crisis situation arising from catastrophes and managing the effects.

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37 In reference to the Parent, at consolidated level and at individual company level.
38 The CSA requires the delivery of a collateral asset when the value of the contract exceeds the set threshold.

Partial Internal Model

The Unipol Group and the subsidiaries UnipolSai Assicurazioni and Arca Vita are authorised by IVASS to use the Partial Internal Model to calculate the solvency capital requirement.

The Partial Internal Model is used to assess the following risk factors, as well as in the aggregation process:

- Non-Life and Health Technical Insurance risks relating to the earthquake catastrophe component;
- Life Technical Insurance risks;
- Market risk;
- Credit risk.

It is worth noting that, on 9 April 2019, by Measure no. 0100506/19 IVASS, authorised Unipol Gruppo SpA, UnipolSai Assicurazioni SpA and Arca Vita SpA to make significant changes to the partial internal model for calculating the solvency capital requirement of the group and the individual requirements of UnipolSai Assicurazioni and Arca Vita, as of the requirement calculation for the year 2018. The significant changes made to the partial internal model refer to the Non-Life and Health technical-insurance risks, Life technical-insurance risks and credit risk modules.

There is a plan for the extension of the Partial Internal Model to include all measurable risk modules and reach a Full Internal Model type configuration.

Non-Life and Health technical insurance risk is represented by the following sub-modules: tariff-setting risk, provisions risk, catastrophe risk and surrender risk. A Partial Internal Model that integrates internal model components (Earthquake catastrophe risk), Specific Group Parameters and the Standard Formula is used to calculate the solvency capital requirement.
In particular, the use of the Specific Parameters concerns the tariff-setting and provisions risks of the Group and of UnipolSai in the segments of Non-Life insurance and reinsurance obligations under Annex II to EU Delegated Regulation 2015/35 of 10 October 2014, as specified below:

- Segment 1, Proportional insurance and reinsurance on TPL resulting from the circulation of vehicles;
- Segment 4, Proportional insurance and reinsurance against fire and other damage to property;
- Segment 5, Proportional insurance and reinsurance on general TPL.

In addition, except with regard to Earthquake risk, the catastrophe risks and surrender risk are assessed using the Standard Formula.

Life underwriting risk (mortality/longevity risk, surrender risk and expense risk) is measured using the Partial Internal Model based on the Least Square Monte Carlo approach, consistent with the principles indicated in Solvency II regulations, which allow calculation of the Probability Distribution Forecast in relation to Life risk factors. Catastrophe risk, in addition to the Life underwriting risks relating to Unit-Linked and Pension Fund products, are assessed using the Standard Formula.

The **market risk** of the securities portfolio, for which the investment risk is not borne by the policyholders, is measured using the Partial Internal Model that adopts a Monte Carlo VaR approach. As part of the Internal Market Model, Life liabilities are replicated through cash flows with a maturity equivalent to the breakdown of Life provisions for the guaranteed component and polynomial functions (the Least Square Monte Carlo approach) to represent the Future Discretionary Benefits component. Market risk of the securities portfolio for which investment risk is borne by policyholders and concentration risk are assessed using the Market Wide Standard Formula.

Credit risk is measured using the Partial Internal Model that adopts a CreditRisk+ approach.
This model makes it possible to measure the risk of default relating to bank counterparties, concerning exposures deriving from cash available at banks and financial risk mitigation operations through derivative contracts, and to the insurance and reinsurance exposures. Furthermore, the model allows the risk of default deriving from exposures to intermediaries and policyholders to be measured.

The risk aggregation process defined by the Group calls for a bottom-up approach and may be broken down into two phases:

- aggregation of the risk sub-modules which make up Market risks, Non-Life and Health Technical Insurance risks, Life Technical Insurance risks and Credit risks so as to obtain the Probability Distribution Forecast ("PDF") of each risk module;
- aggregation of the risk modules of Market risks, Non-Life and Health Technical Insurance risks, Life Technical Insurance risks and Credit risks in order to calculate the Basic SCR.

The aggregation of the sub-modules involves three distinct approaches:
- joint sampling of risk factors;
- aggregation by means of the Var-Covar method (with a posteriori determination of the PDF);
- aggregation of multiple marginal distributions through coupling functions.

Market Wide Standard Formula

For Group companies other than UnipolSai Assicurazioni and Arca Vita, risk is measured using the Market Wide Standard Formula.

Below is additional information on the calculation procedure and the main results for each risk at 31 December 2019.

Financial risks

The Group's Investment Policy establishes the criteria forming the basis of the investment policy, the types of activities considered correct to invest in, the breakdown of the portfolio of medium/long-term investments and fixes the limits on the underwriting and monitoring of market risk in such a way as to ascertain total exposure, in line with the "risk appetite" expressed in the Group's strategic objectives, guaranteeing an adequate portfolio diversification.

Market risk

Market risk refers to all risks which have the effect of diminishing investments of a financial or real estate nature as a result of adverse trends in the relevant market variables. The market risk modules are:
- Interest rate risk;
- Equity risk;
- Real estate risk;
- Exchange rate risk;
- Spread risk.

In the Partial Internal Model, the Value at Risk method is used to measure the market risk, calculated over a 1-year time period and with a confidence interval of 99.5%. In addition, sensitivity and stress test measurements are determined for each risk factor.

Interest rate risk for ALM purposes is quantified in terms of duration mismatch and Net Asset Value sensitivity against parallel changes in the forward interest rates structure. The assets falling under the calculation of the duration mismatch and Net Asset Value sensitivity include securities, cash, receivables and properties; the liabilities include the financial liabilities and technical provisions. The market value is used for financial assets and liabilities, whilst best estimates are used for the technical provisions. The duration mismatch is calculated as the difference between the duration of assets and the duration of liabilities weighted for the assets value, considering the adjusting effect of the derivatives.
At 31 December 2019 the duration mismatch for Life business stood at -0.81 and at +1.52 for Non-Life business.
With reference to Net Asset Value sensitivity to a parallel change in the forward interest rate curve for the Life business, the sensitivity +100 basis points equals +€337m, whilst for the Non-Life business the sensitivity +100 basis points equals -€290m.

Equity risk is the risk connected with a potential variation in the value of share assets, as a result of market volatility of the reference indexes.

Real estate risk is the risk connected with the occurrence of losses as a result of unfavourable changes in the market value of real estate assets.
The assets falling under the calculation of real estate risk include real estate funds, directly-owned properties and direct and indirect investments in real estate projects.
In particular, with reference to directly-owned properties, the value used to calculate the risk (fair value) is that deriving from the estimate made by independent experts.

Exchange rate risk for ALM purposes is defined as the risk of a possible variation in the value of financial statement assets and liabilities and the Net Asset Value as a result of unfavourable changes in exchange rates. Based on the Investment Policy, the total exposure to non-Euro currencies, net of currency hedging, must be limited to 3% of total investments.

The Unipol Group's exposure to currency risk was not significant at 31 December 2019.

Spread risk is the risk connected with a variation in the value of bond assets following a change in spreads representing the credit rating of individual issuers. In light of the policies and processes adopted to monitor and manage liquidity risk and the objective difficulty in quantifying the default risk of government bonds issued by European Union Member States, spread risk on government bonds has been excluded from the measurement of the market SCR based on the Partial Internal Model. It is not included because of:

- the nature of the business of the insurance companies, characterised by primarily buy and hold type long-term investment strategies and restrictions regarding the matching of liabilities expressed in terms of ALM;
- the objective difficulty of quantifying the probability of default and loss given default of developed countries, which represent the reference investment area for government bonds for risk measurement purposes.

The assessment of spread risk on government bonds is included within Pillar II risks and the relative measurement is carried out based on a stress testing type approach.

The level of sensitivity of the portfolios of financial assets to the main market risk factors is shown below by Group sector.

Sensitivity is calculated as a variation in the market value of the assets at 31 December 2019, following the shocks resulting from a:

- parallel change in the interest rate curve of +10 bps;
- -20% change in the share prices;
- +10 bps change in the credit spread.

	Insurance Business	
Amounts in €m	Impact on Income Statement	Impact on Statement of financial position
Unipol Group		
Interest rate sensitivity (+10 bps)	27.21	(353.57)
Credit spread sensitivity (+10 bps)	(0.76)	(372.84)
Equity sensitivity (-20%)	1.56	(732.63)

	Other businesses Sector	
Amounts in €m	Impact on Income Statement	Impact on Statement of financial position
Unipol Group		
Interest rate sensitivity (+10 bps)	(0.05)	(0.31)
Credit spread sensitivity (+10 bps)	(0.05)	(0.33)
Equity sensitivity (-20%)	(15.13)	(54.03)

The values include the hedging derivatives.

Liquidity risk

Liquidity risk is the risk of not having the liquid resources necessary to meet the assumed obligations, in the financial statements and off-balance sheet, pertaining to their business, without undergoing economic losses deriving from forced sales of assets in case of adverse scenarios.
The liquid resources functional for the core business deriving from cash and cash equivalents, from the sale of securities that can be swiftly turned into cash and from any financing activities.
The main principles on which the liquidity risk management model within the Unipol Group is based may be summarised as follows:

- punctual measurement of the contractual and forecast cash flows on different maturity dates;
- definition and approval of the liquidity risk tolerance in terms of "survival time" in ordinary and stress conditions;
- managing structural liquidity by keeping a balance between maturities of medium-term assets and liabilities in order to avoid critical situations in the short-term liquidity positions;
- managing short-term liquidity in order to have the necessary liquidity to fulfil short-term commitments, both foreseeable and unforeseeable, deriving from any stress scenarios, by keeping a suitable balance between cash in-flows and outflows;
- defining and periodically applying stress scenarios relating to the technical and financial variables in order to verify the ability of the individual Companies and of the Group as a whole to address these situations;
- maintaining an adequate amount of assets that can be swiftly turned into cash on the market, so as to avoid significant economic impact if adverse scenarios occur, or able to be financed with repurchase agreements.

Credit risk

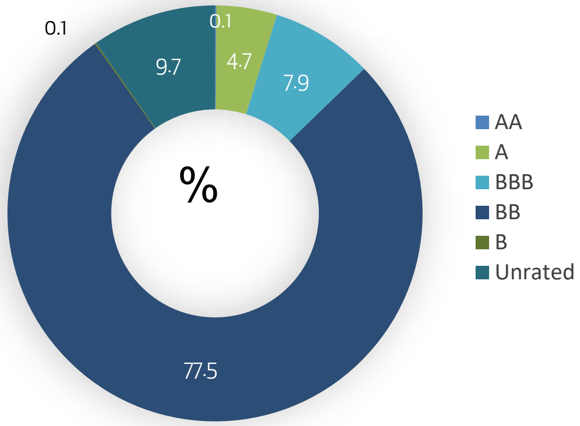
Counterparty Default Risk identifies the risk that a debtor or guarantor under an enforcement order may wholly or partially fail to honour its accrued monetary commitment to the Parent or one of the Group companies.
Credit risk therefore reflects the potential losses from an unexpected default by counterparties and debtors of the insurance and reinsurance companies in the next twelve months. Counterparty default risk includes the risk mitigation contracts, e.g. reinsurance agreements, securitisations and derivatives, and likewise every other credit exposure not included among the financial risks (credit spread risk).
Credit risk management is defined in the Credit Policy which describes the roles and responsibilities of the parties involved, the risk assessment principles, the operating limits imposed for monitoring purposes and the mitigation principles.
In relation to credit risk, the Risk Management Department monitors compliance with the limits defined in the Group Credit Policy and prepares reports to the administrative bodies, Top Management and the operating structures on developments in this risk.

In the insurance sector, credit risk is mainly found in exposures to banks, to the bond classes of the Group's insurance companies and to outwards reinsurance. Note that as part of the risk measurement system, the bond classes are included under Non-Life technical-insurance risk and the related exposures are also monitored as part of credit risk.

<u>Banks</u>
Existing exposure to banks refers to deposited liquidity and exposures in OTC derivatives. In particular, the derivatives exposure considered for risk management and monitoring purposes is equal to the sum of market values, if positive, of the current individual contracts and takes into account any risk mitigation arrangements (collateralisation) covered in the CSAs signed with individual counterparties.

The following table shows the distribution of Unipol Group exposures to banks, broken down by rating class, recognised at 31 December 2019.

Receivables from banks by rating class



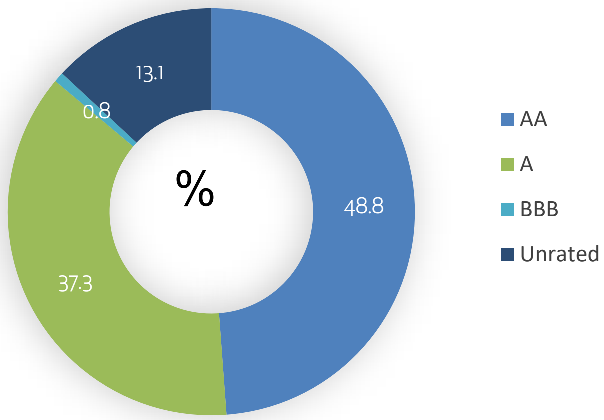
Bond classes of the insurance companies in the Group
This risk is calculated within the technical insurance risks (see relevant section) and monitored by the Bond and Credit Assignment Committee.

Outwards reinsurance
In this area, the existing exposure to credit risk is divided into:

- liquid receivables already due arising out of the bordereaux sent to the reinsurer listing the balances on each policy during the period and those still outstanding;
- potential estimated receivables for the provisions borne by the reinsurer (which will become due at the time of the payment to the policyholder and for the relative amounts). The exposure for provisions is always deemed to be net of any deposits retained or other collateral guarantees (e.g. Banking LOC, reinsurers' and Parent's commitment, etc.).

Provided below is the distribution of Unipol Group exposure to reinsurers, broken down by rating class, recognised at 31 December 2019 net of intragroup reinsurance.

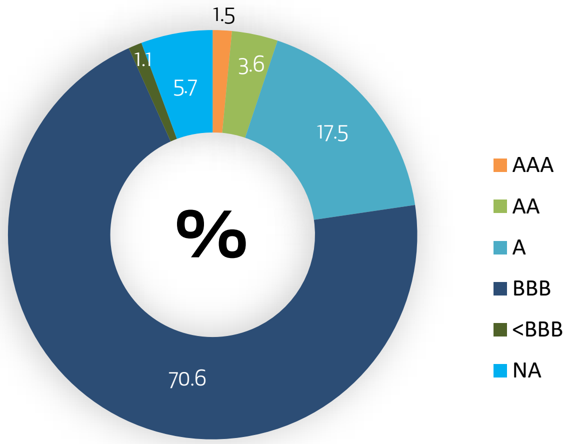
Receivables and reserves from reinsurers by rating class



Debt security Issuer Risk

The credit risk of debt securities is monitored within market risk based on credit spread volatility. The following table shows the distribution of the Unipol Group's bonds portfolio, insurance business and holding business, broken down by rating class (figures at 31/12/2019).

Breakdown of debt securities by rating class



Information relating to exposure to sovereign debt securities

In accordance with Consob Communication DEM/11070007 of 5 August 2011 and ESMA document 2011/397 of 25 November 2011, relating to information to be provided in annual and interim financial reports on listed companies' exposures to Sovereign debt securities and current trends in international markets, details are provided of Sovereign exposures (i.e. bonds issued by central and local governments and by government organisations and loans granted to them) held by the Unipol Group at 31 December 2019.

	Balance at 31 December 2019		
Amounts in €m	Nominal value	Carrying amount	Market value
Italy	**27,722.1**	**29,131.5**	**29,319.9**
Available-for-sale financial assets	25,701.5	27,241.5	27,241.5
Financial assets at fair value through OCI	18.2	19.1	19.1
Financial assets at fair value through profit or loss	103.1	12.6	12.6
Held-to-maturity investments	362.7	349.7	473.1
Loans and receivables	1,536.7	1,508.7	1,573.6
Spain	**3,518.8**	**3,975.5**	**4,019.9**
Available-for-sale financial assets	3,214.3	3,656.9	3,656.9
Financial assets at fair value through profit or loss	20.0	26.4	26.4
Loans and receivables	284.5	292.1	336.6
Portugal	**513.9**	**657.0**	**658.0**
Available-for-sale financial assets	496.6	642.7	642.7
Loans and receivables	17.4	14.3	15.3
Great Britain	**15.9**	**17.0**	**17.0**
Available-for-sale financial assets	15.9	17.0	17.0
Ireland	**273.3**	**336.3**	**336.3**
Available-for-sale financial assets	273.3	336.3	336.3
Germany	**72.2**	**76.5**	**76.5**
Available-for-sale financial assets	72.2	76.5	76.5
Canada	**10.2**	**10.2**	**10.2**
Available-for-sale financial assets	10.2	10.2	10.2
Belgium	**130.7**	**138.9**	**138.9**
Available-for-sale financial assets	130.7	138.9	138.9
Slovenia	**217.8**	**255.9**	**255.9**
Available-for-sale financial assets	217.8	255.9	255.9
Serbia	**82.1**	**87.8**	**93.0**
Available-for-sale financial assets	14.8	17.0	17.0
Held-to-maturity investments	67.3	70.8	76.0
Israel	**77.3**	**85.5**	**85.5**
Available-for-sale financial assets	77.3	85.5	85.5
Mexico	**8.0**	**10.0**	**10.0**
Available-for-sale financial assets	8.0	10.0	10.0

cont. from previous page

Amounts in €m	Balance at 31 December 2019		
	Nominal value	Carrying amount	Market value
Poland	**8.2**	**8.9**	**8.9**
Available-for-sale financial assets	8.2	8.9	8.9
Latvia	**48.5**	**58.0**	**58.0**
Available-for-sale financial assets	48.5	58.0	58.0
Chile	**13.0**	**14.3**	**14.3**
Available-for-sale financial assets	13.0	14.3	14.3
Cyprus	**19.0**	**22.1**	**22.1**
Available-for-sale financial assets	19.0	22.1	22.1
France	**506.0**	**523.0**	**523.0**
Available-for-sale financial assets	506.0	523.0	523.0
Austria	**14.5**	**15.2**	**15.2**
Available-for-sale financial assets	14.5	15.2	15.2
Finland	**5.0**	**5.1**	**5.1**
Available-for-sale financial assets	5.0	5.1	5.1
Netherlands	**467.3**	**468.5**	**468.5**
Available-for-sale financial assets	67.3	67.9	67.9
Financial assets at fair value through OCI	400.0	400.6	400.6
Switzerland	**3.7**	**3.8**	**3.8**
Available-for-sale financial assets	3.7	3.8	3.8
USA	**5.0**	**5.7**	**5.7**
Available-for-sale financial assets	5.0	5.7	5.7
Slovakia	**98.1**	**119.5**	**119.5**
Available-for-sale financial assets	98.1	119.5	119.5
Lithuania	**10.0**	**10.8**	**10.8**
Available-for-sale financial assets	10.0	10.8	10.8
China	**18.0**	**18.0**	**18.0**
Available-for-sale financial assets	18.0	18.0	18.0
TOTAL	**33,858.5**	**36,054.9**	**36,293.9**

The carrying amount of the sovereign exposures represented by debt securities at 31 December 2019 totalled €36,054.9m, 81% of which is concentrated on securities issued by the Italian State (81% in 2018). Moreover, the bonds issued by the Italian State account for 49% of total investments of the Unipol Group.

Technical-insurance risks

Risks relating to Life portfolios

With regard to risk assessment relating to the Life portfolio, the guidelines of the underwriting and provisions activities are defined in the "Underwriting Policy - Life Business" and in the "Provisions Policy - Life Business".

The Underwriting Policy defines the guidelines addressing underwriting activities and the related risk management, governing the assumption principles and logic of Unipol Group insurance companies based in Italy and operating in the Life business.

The Provisions Policy defines the guidelines addressing provisions activities for direct business and the related risk management, governing the provision principles and logic of Unipol Group insurance companies based in Italy and operating in the Life business, in compliance with national and international accounting standards and the Solvency II prudential supervisory system.
Technical-insurance risks relating to Life business underwriting are divided into:

- mortality risk: associated with an unfavourable change in demographic bases resulting from experience (higher death rate) compared to those used in determining the tariff;
- longevity risk: associated with an unfavourable change in demographic bases resulting from experience (lower death rate) compared to those used in determining the tariff;
- surrender risk: associated with adverse changes in the level or volatility of the incidence of surrenders, withdrawals, early settlements and terminations in premium payments;
- expense risk: associated with adverse changes in the value of expense linked to policies compared to the values used to determine the tariff;
- catastrophe risk: deriving from an unforeseeable event, the consequence of which is to affect multiple individuals at the same time, generating a number of claims for amounts significantly higher than expected.

The options included in the tariffs that can affect the assessment of risks present in the portfolio are monitored. The most significant of these are illustrated below.

<u>Surrender</u>
This option allows the customer to surrender the contract and receive the surrender value (does not apply to the pure-risk tariffs and annuities currently being distributed). Depending on the contract type, more or less significant penalties can be applied, often based on claim seniority.

<u>Conversion to annuity</u>
In individual products where the benefit is expressed in the form of capital, there is often the option to accept disbursement as an annuity. Among the individual policies portfolio there are products for which the conversion ratios are determined at the time of issue of the contract and others, the majority of which (generally those issued after 2000) with the amount of the annuity determined only at the time of the option. In this case the demographic risk is considerably mitigated.
In the supplementary pensions segment, especially collective, the ratios are often associated with each sum paid in, but the risk is mitigated by the frequency at which the offer conditions can be reviewed.

<u>Maturity deferment</u>
The portfolio includes individual term life products (not "whole-life") that in many cases provide the option to extend the validity of the contract after its original maturity date. During maturity deferment the payment of further premiums is not normally allowed.
The conditions applied during deferment vary according to the contractual terms, and continuation of the contract's financial guarantees or the application of those used at the time of the option can be granted. Depending on the conditions, even the duration of the maturity deferment can be determined or extended year by year.
The impact on the portfolio of exercising the maturity deferment option is not particularly significant at present.

Risks relating to Non-Life portfolios

With regard to risk assessment relating to the Non-Life portfolio, the reference guidelines are contained in the "Policy for the governance and amendment of the Undertaking Specific Parameters to calculate the SCR of the Technical-Insurance Non-Life and Health risks", the "Underwriting Policy - Non-Life Business", the "Provisions Policy - Non-Life Business" and the "Reinsurance and Other Risk Mitigation Techniques Policy".

The Policy for the governance and amendment of the Undertaking Specific Parameters to calculate the SCR of the Technical-Insurance Non-Life and Health risks defines guidelines on the governance and amendment of the USP methodology by defining the roles and responsibilities of the corporate bodies and functions involved.

The Underwriting Policy defines the guidelines addressing underwriting activities and the related risk management, governing the assumption principles and logic of Unipol Group insurance companies based in Italy and operating in the Non-Life business.

The Provisions Policy defines the guidelines addressing provisions activities and the related risk management, governing the provision principles and logic of Unipol Group insurance companies based in Italy and operating in the Non-Life business, in compliance with national and international accounting standards and the Solvency II prudential supervisory system.

The "Reinsurance and Other Risk Mitigation Techniques Policy" aims to define the guidelines on outwards reinsurance and other techniques for mitigating risk.

During 2019 the Non-Life technical-insurance risks were calculated using the Non-Life Partial Internal Model, consistent with the standards of Solvency II.

With regard to the assessment of Non-Life and Health underwriting and provisions risks, in the initial transition phase it was decided to adopt the use of parameters calculated by Undertaking Specific Parameter methods (USP) for the high-volume business lines, in place of market parameters. These methods allow a more accurate representation of the Group's risk characteristics, which have specific features in terms of dimension, business type and reference market, that cannot be captured by average estimates performed on the European market.

Action continued in 2019 on the Non-Life Internal Model project, which envisages the gradual development of models based on phased extension of the scope of application (insurance companies, risks, lines of business).

With reference to Earthquake risk, the Group adopts one of the main global models for the analytical evaluation of such risk. This tool consists of three modules:

- Hazard, which assesses the uncertainty associated with the possibility of an earthquake occurring in a given area (frequency) and the uncertainty relating to its magnitude (intensity). The following chance variables are modelled in this module:
  - location (uncertainty associated with determining the possible point of origin of the event);
  - frequency (period of recurrence of the events);
  - intensity (the severity of the event in terms of energy released);
- Vulnerability, which assesses the seismic vulnerability of different types of insurable assets to a seismic event of a given intensity. The assessment is based on specific parameters such as the type of building (residential, commercial, etc.), the construction quality, the number of floors in the building and the type of assets present;
- Financial, which identifies the economic loss to the insurance company (in terms of deductibles, the sum insured, reinsurance cover, etc.).

In 2019 this tool also provided support to the Group in the Underwriting and Tariff-setting processes and in defining the reinsurance strategy.

With reference to other Catastrophe Risks, the assessments were performed using the standardised scenario approach proposed by EIOPA, in which the following events are taken into consideration:

- natural disasters such as flood and hail;
- man-made disasters such as large-scale fires and acts of terrorism;
- "health" risks, such as the risk of a pandemic.

Operational risks

In order to ensure a complete analysis of company risks, the Unipol Group has an "Operational Risk Management Policy", updated annually, and has drafted a framework to identify, measure, monitor and manage Operational Risk. This term means "*the risk of losses deriving from the inadequacy or malfunctioning of processes, human resources or systems, or from external events*". Based on the Operational Risk Management framework, relations and reciprocal impacts between operational and other risks are also considered, with the objective of understanding the direct and indirect effects of events linked to operational risk. In particular, the analysis schemes adopted are aimed at understanding, based on a causal approach, the risk factors, events and effects, both financial and non-financial, and the impacts these can have on the Group's solvency and on the achievement of the objectives set.

Within the Group governance structure, the monitoring of Operational Risks is entrusted to the Operational Risks function of the Risk Management Department. The objectives assigned to this unit, within the internal control system, are aimed at ensuring the Group's assets are safeguarded and at adequate risk control.
Operational risk identification consists in gathering as much information as possible about the risk event, its possible causes and effects with a view to increasing awareness of the specific exposure of the various company areas. In addition, this activity also aims to assess the adequacy of controls and identify the best management solutions for any critical situations.

The operational risk identification essentially involves carrying out two separate processes:
- Loss Data Collection ("LDC") with a backward-looking approach: LDC is a process that aims to analyse and quantify historic operational risk events. External loss data is also collected, which helps to enhance the wealth of information on how operational risk can arise in comparable companies.
- Collection of expert opinions through the Risk Self Assessment process ("RSA") with a forward-looking approach: the data collected through the RSA includes an estimate of the potential economic impact of the risk event and an estimate of the related expected annual occurrence frequency.

The organisational model for operational risk governance and control envisages a network of analysts in a number of UnipolSai Assicurazioni SpA Divisions and the main Group companies which, after following a specific training course on operational risk management, provide support to the Risk Management Department in identifying operational risk and monitoring this risk within their own areas of operations.

Operational risk assessment is performed annually by the main Group Companies.

Standard compliance risk

With regard to Standard compliance risk, the Unipol Group's compliance risk management process is transversal and comprises organisational and operating monitoring activities carried out by resources from the various company functions. The Compliance Function is tasked with assessing whether the organisation and the internal corporate procedures are suitable to reach the objective of preventing this risk, according to a risk-based approach.

Emerging risks, strategic risk and reputational risk

With regard to emerging risks, strategic risk and reputational risk, within the dedicated structure present within the Risk Management Department, a dedicated Observatory was created at Group level, called "Reputational & Emerging Risk Observatory", whose key elements are the involvement of an interfunctional Technical Panel and of all the main Business Departments, the use of a consolidated predictive model and methodologies based on futures studies to ensure a forward-looking view of the medium/long-term in order to anticipate the risks and future opportunities, and a holistic approach aimed at grasping and governing the interconnections, both in reading the external context for an integrated vision of the different emerging macro trends (social, technological, political and environmental), and in the internal response for a unified view of the different corporate areas and of the different steps of the value chain.
The purpose of the Observatory is to assure effective monitoring of emerging risks, strategic risk and reputational risk, verifying the constant alignment between stakeholders' expectations and the Group's responses and anticipating the most significant phenomena to catch new business opportunities and prevent potential emerging risks.

Strategic risk is controlled at Group level through the monitoring of Strategic Plan drivers to verify any deviation from the defined scenarios, also using scenario analysis with the aim of strengthening the resilience of Group strategy in an external context characterised by accelerating change, with growing levels of complexity and uncertainty.

With specific reference to the reputational risk, within the frame of the Observatory, a Reputation Management framework was developed at the Group level, which operates in the dual mode of construction and protection of the reputational capital, through two work sites that rely on dedicated corporate competencies and structures in a path of constant mutual alignment, under the joint leadership of the "Corporate Communication and Media Relations" and "Risk Management" functions, with the goal of stably integrating these assets in the strategic planning processes.

The level of awareness reached within the Group on the growing importance of reputation as leverage for business and distinctive market positioning in 2019 led to the definition of an integrated governance model for Reputation, operational from 2020, which envisages the setup of corporate bodies dedicated to the proactive management of the Group's reputation in terms of both building and protection, such as the Operational Reputation Management Team and the Reputation Network, and the launch of a widespread system for reporting reputational warnings involving all the Group managers.

ESG risks

The ESG (Environmental, Social and Governance) risks are integrated into the ERM Framework and the Group policies system.

As part of the ERM Framework, the Group identifies and monitors the ESG risk factors at the level of impact on underwriting risks, in association with investment-related risks, with a view to focusing on risks emerging on environmental, social and governance aspects and in terms of potential impact at reputational risk level.

ESG risk control is outlined in the individual risk categories, in such a way as to ensure management at all stages of the value creation process and mitigating any reputational risks associated with ESG risks as they arise. These controls, also designed to prevent exposure concentration to areas and/or sectors significantly exposed to ESG risks, are defined in the management policies for each risk category, where material.

With regard to ESG risks, there is a special focus on climate change, identified in the dual components of emerging risk and ESG risk managed along the value chain, with particular reference to underwriting and investment activities. In reference to the climate change risks, the Group has undertaken activities to acquire greater awareness of the potential impacts deriving from changes in the frequency and intensity of catastrophe events, with particular regard to weather events and floods, in order to define the most appropriate mitigation methods. Specific activities are also in progress to integrate climate change scenarios over medium-term horizons into the Group framework of stress tests.
The Group has mapped the risks and opportunities of climate change, prepared in accordance with the taxonomy defined by the Task Force on Climate-related Financial Disclosure. This map covers the various stages of the value chain and includes both physical and transitional risks.

Concentration risk

The Group has adopted the "Group-level Risk Concentration Policy" in accordance with the provisions of IVASS Regulation no. 30 of 26 October 2016 on the supervision of intragroup transactions and risk concentrations.
With specific reference to the purpose and contents of the Policy, note that it:

- illustrates the criteria and methods adopted, for each risk category (Non-Life and Health technical insurance risks, Life technical insurance risks, Market risk and Credit risk), to identify and measure the exposures, concentrations, their mitigation and operating limits, also through reference to other corporate policies on risk management;
- illustrates the methods by which the risk concentrations are considered in assessing the Group's risk profile;
- defines the limits and types of risk concentrations material to annual reporting to IVASS;
- defines the limits and types of risk concentrations in any event subject to monthly reporting to the Supervisory Authority.

The results of monitoring carried out on the risk concentrations significant at Group level and on concentrations to be reported in any event are submitted quarterly to the Board of Directors of the company for examination.

Other supervised companies

Note that the subsidiary UnipolReC, originally operating as a credit recovery company pursuant to Art. 115 of Italian Royal Decree 773 of 18 June 1931 (TULPS) and in the framework defined by Art. 2, paragraph 2, letter b), Italian Ministerial Decree 53/2015, with effect from 1 August 2019 began financial intermediary activities with entry in the Single Register of Financial Intermediaries pursuant to Art. 106 of the Consolidated Law on Banking, as authorised by the Bank of Italy with order dated 2 July 2019 and as formally notified by the company to the Supervisory Authority on 6 August 2019.
With reference to Pillar I risk measurement, in compliance with the provisions of Bank of Italy Circular no. 288 of 3 April 2015, standardised approaches were adopted for credit risks and the basic approach for operational risk.
In line with their class 3 allocation, the indications and approaches defined in the aforementioned Circular are adopted for Pillar II risks. In particular, given its business model, the material Pillar II risks for UnipolReC are represented by i) interest rate risk from non-trading activities, ii) residual risk, iii) liquidity risk, iv) standard compliance risk, v) reputational and strategic risk and, lastly, vi) risk associated with belonging to the Group.
In compliance with the aforementioned regulations and the provisions of the internal Policy on current and forward-looking risk and solvency assessment, the companies conducts the ICAAP on an annual basis.
The current and forward-looking assessment, both under ordinary and stress conditions performed as part of the ICAAP, is an integral part of the risk management system and the decision-making process of the company, in line with the other corporate planning and control processes such as i) strategic and budget planning, ii) Risk Appetite definition and iii) risk monitoring and mitigation.
In the Risk Appetite Statement, as defined in the Group Policy on Risk Management, risk targets and any tolerance levels are identified in accordance with the timing and business objectives set in the Budget and with the assessment methods defined for ICAAP purposes.
Also through the use of updated final figures, the ICAAP verifies the capital adequacy of the predefined objectives with the Budget and the Risk Appetite.

Bologna, 19 March 2020

The Board of Director

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TABLES APPENDED
TO THE NOTES
TO THE FINANCIAL
STATEMENTS

Consolidation scope

Name	Country of registered office		Registered office	Country of operations (5)	Method (1)	Business activity (2)
Unipol Gruppo Spa	086	Italy	Bologna		G	4
Compagnia Assicuratrice Linear Spa	086	Italy	Bologna		G	1
UniSalute Spa	086	Italy	Bologna		G	1
Midi Srl	086	Italy	Bologna		G	10
Unisalute Servizi Srl	086	Italy	Bologna		G	11
UnipolSai Finance Spa	086	Italy	Bologna		G	9
Ambra Property Srl	086	Italy	Bologna		G	11
Arca Vita Spa	086	Italy	Verona		G	1
Arca Assicurazioni Spa	086	Italy	Verona		G	1
Arca Vita International Dac	040	Ireland	Dublin		G	2
Arca Direct Assicurazioni Srl	086	Italy	Verona		G	11
Arca Inlinea Scarl	086	Italy	Verona		G	11
Arca Sistemi Scarl	086	Italy	Verona		G	11
UnipolSai Assicurazioni Spa	086	Italy	Bologna		G	1
BIM Vita Spa	086	Italy	Turin		G	1
Incontra Assicurazioni Spa	086	Italy	Milan		G	1
Pronto Assistance Spa	086	Italy	Turin		G	1
Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni	086	Italy	Genoa		G	1
Ddor Novi Sad	289	Serbia	Novi Sad (Serbia)		G	3
Ddor Re	289	Serbia	Novi Sad (Serbia)		G	6
UnipolRe Dac	040	Ireland	Dublin (Irlanda)		G	5
UnipolSai Nederland Bv	050	Netherlands	Amsterdam (NL)		G	11
Finsai International Sa	092	Luxembourg	Luxembourg		G	11

% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	% Consolidation
					100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	98.99%	UnipolSai Assicurazioni Spa	80.22%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	100.00%	UniSalute Spa	80.22%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	63.39%	UnipolSai Assicurazioni Spa	51.37%		100.00%
	98.12%	Arca Vita Spa	50.41%		100.00%
	100.00%	Arca Vita Spa	51.37%		100.00%
	100.00%	Arca Vita Spa	51.37%		100.00%
	60.22%	Arca Vita Spa	50.99%		100.00%
	39.78%	Arca Assicurazioni Spa			
	82.03%	Arca Vita Spa	51.20%		100.00%
	16.97%	Arca Assicurazioni Spa			
	1.00%	Arca Inlinea Scarl			
61.03%			81.04%		100.00%
	0.00%	UniSalute Spa			
	10.00%	Unipol Investment Spa			
	0.00%	Arca Vita Spa			
	0.00%	Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni			
	0.00%	UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata			
	0.00%	Gruppo UNA Spa			
	1.71%	Unipol Finance Srl			
	0.00%	Alfaevolution Technology Spa			
	0.00%	Leithà Srl			
	8.29%	UnipolPart I Spa			
	50.00%	UnipolSai Assicurazioni Spa	40.52%		100.00%
	51.00%	UnipolSai Assicurazioni Spa	41.33%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	94.69%	UnipolSai Assicurazioni Spa	76.74%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	0.00%	Ddor Novi Sad	81.04%		100.00%
	100.00%	UnipolRe Dac			
	100.00%	UnipolSai Nederland Bv	81.04%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	36.15%	UnipolSai Finance Spa	81.04%		100.00%
	63.85%	UnipolSai Assicurazioni Spa			

Consolidation scope

Name	Country of registered office		Registered office	Country of operations (5)	Method (1)	Business activity (2)
UnipolSai Investimenti Sgr Spa	086	Italy	Turin		G	8
Apb Car Service Srl	086	Italy	Turin		G	11
Auto Presto & Bene Spa	086	Italy	Turin		G	11
Casa di Cura Villa Donatello - Spa	086	Italy	Florence		G	11
Centro Oncologico Fiorentino Casa di Cura Villanova Srl in Liquidazione	086	Italy	Sesto Fiorentino (FI)		G	11
Florence Centro di Chirurgia Ambulatoriale Srl	086	Italy	Florence		G	11
UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata	086	Italy	Bologna		G	11
Tenute del Cerro Spa - Societa' Agricola	086	Italy	Montepulciano (SI)		G	11
UnipolSai Servizi Previdenziali Srl	086	Italy	Florence		G	11
Sogeint Societa' a Responsabilita' Limitata	086	Italy	San Donato Milanese		G	11
Pronto Assistance Servizi Scarl	086	Italy	Turin		G	11

% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	% Consolidation
51.00%			90.71%		100.00%
	49.00%	UnipolSai Assicurazioni Spa			
	70.00%	Auto Presto & Bene Spa	56.73%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	100.00%	Casa di Cura Villa Donatello - Spa	81.04%		100.00%
0.02%			80.96%		100.00%
	0.20%	Compagnia Assicuratrice Linear Spa			
	0.20%	UniSalute Spa			
	0.20%	Arca Vita Spa			
	98.27%	UnipolSai Assicurazioni Spa			
	0.02%	BIM Vita Spa			
	0.02%	Incontra Assicurazioni Spa			
	0.90%	Pronto Assistance Spa			
	0.11%	Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni			
	0.02%	UnipolRe Dac			
	0.02%	Auto Presto & Bene Spa			
	0.02%	Pronto Assistance Servizi Scarl			
	98.81%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	1.19%	Pronto Assistance Spa			
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	3.00%	Compagnia Assicuratrice Linear Spa	80.88%		100.00%
	0.25%	UniSalute Spa			
	0.10%	Arca Assicurazioni Spa			
	95.34%	UnipolSai Assicurazioni Spa			
	0.15%	Incontra Assicurazioni Spa			
	0.31%	Pronto Assistance Spa			
	0.25%	Apb Car Service Srl			
	0.25%	Auto Presto & Bene Spa			
	0.10%	UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata			
	0.25%	Alfaevolution Technology Spa			

Consolidation scope

Name	Country of registered office		Registered office	Country of operations (5)	Method (1)	Business activity (2)
Gruppo UNA Spa	086	Italy	Milan		G	11
Consorzio Castello	086	Italy	Florence		G	10
Ital H&R Srl	086	Italy	Bologna		G	11
Marina di Loano Spa	086	Italy	Loano (SV)		G	10
Meridiano Secondo Srl	086	Italy	Turin		G	10
Nuove Iniziative Toscane - Societa' a Responsabilita' Limitata	086	Italy	Florence		G	10
Societa' Edilizia Immobiliare Sarda - S.E.I.S. Societa' per Azioni	086	Italy	Bologna		G	10
Villa Ragionieri Srl	086	Italy	Florence		G	10
Tikal R.E. Fund	086	Italy			G	10
Athens R.E. Fund	086	Italy			G	10
Unipol Finance Srl	086	Italy	Bologna		G	9
Alfaevolution Technology Spa	086	Italy	Bologna		G	11
Leithà Srl	086	Italy	Bologna		G	11
UniAssiTeam Srl	086	Italy	Bologna		G	11
Unipol Reoco Spa	086	Italy	Bologna		G	11
Fondo Opportunity	086	Italy			G	10
UnipolReC Spa	086	Italy	Bologna		G	11
UnipolPart I Spa	086	Italy	Bologna		G	9
Fondo Landev	086	Italy			G	10
Car Server Spa	086	Italy	Reggio Emilia		G	11
Immobiliare C.S. Srl	086	Italy	Reggio Emilia		G	10
Centri Medici Dyadea Srl	086	Italy	Bologna		G	11

(1) Consolidation method: G=on a line-by-line basis; P=proportional; U=on a line-by-line basis as per unitary management.

(2) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 4.1=mixed financial holding companies; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=other holdings; 10=real estate companies; 11=other.

(3) The product of investment relations concerning all companies which, positioned in an investment chain, may be between the company responsible for the consolidated financial statements and the company in question. If the latter is a direct investee of multiple subsidiaries, add together the individual products first.

(4) Total % availability of votes at ordinary general meetings if different from the direct or indirect investment.

(5) This disclosure is required only if the country of operations is different from the country of the registered office.

% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	% Consolidation
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	99.57%	Nuove Iniziative Toscane - Societa' a Responsabilita' Limitata	80.69%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	51.67%	UnipolSai Assicurazioni Spa	41.87%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	95.00%	UnipolSai Assicurazioni Spa	76.99%		100.00%
	89.59%	UnipolSai Assicurazioni Spa	72.60%		100.00%
100.00%			100.00%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	65.00%	UnipolSai Finance Spa	52.67%		100.00%
	100.00%	UnipolReC Spa	97.20%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
85.24%			97.20%		100.00%
	14.76%	UnipolSai Assicurazioni Spa			
100.00%			100.00%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%
	100.00%	Car Server Spa	81.04%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	81.04%		100.00%

Consolidation scope: interests in entities with material non-controlling interests

Amounts in €m

Name	% non-controlling interests	% Votes available at Ordinary General Meetings to non-controlling interests	Consolidated profit (loss) attributable to non-controlling interests	Shareholders' Equity attributable to non-controlling interests
UnipolSai Assicurazioni Spa	18.96%		113.6	1,399.2

Details of unconsolidated investments

Name	Country of registered office		Registered office	Country of operations (5)	Business activity (1)
Hotel Villaggio Citta' del Mare Spa in Liquidazione	086	Italy	Modena		11
Assicoop Modena & Ferrara Spa	086	Italy	Modena		11
Assicoop Bologna Metropolitana Spa	086	Italy	Bologna		11
Fondazione Unipolis	086	Italy	Bologna		11
Uci - Ufficio Centrale Italiano	086	Italy	Milan		11
Assicoop Toscana Spa	086	Italy	Siena		11
Pegaso Finanziaria Spa	086	Italy	Bologna		9
SCS Azioninnova Spa	086	Italy	Bologna		11
Promorest Srl	086	Italy	Castenaso (BO)		11
Assicoop Emilia Nord Srl	086	Italy	Parma		11
Assicoop Romagna Futura Spa	086	Italy	Ravenna		11
Garibaldi Sca	092	Luxembourg	Luxembourg		11
Isola Sca	092	Luxembourg	Luxembourg		11
Fin.Priv. Srl	086	Italy	Milan		11
Ddor Auto - Limited Liability Company	289	Serbia	Novi Sad (Serbia)		3
Funivie del Piccolo San Bernardo Spa	086	Italy	La Thuile (AO)		11
Ddor Garant	289	Serbia	Belgrad (Serbia)		11
Borsetto Srl	086	Italy	Turin		10
Butterfly Am Sarl	092	Luxembourg	Luxembourg		11

Summary income and financial position data							
Total assets	Investments	Technical provisions	Financial liabilities	Shareholders' equity	Profit (loss) for the year	Dividends distributed to non-controlling interests	Gross premiums written
58,731.7	52,997.0	45,472.6	3,897.0	7,315.3	604.9	77.8	10,925.9

Type (2)	% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	Carrying amount (€m)
b		49.00%	UnipolSai Assicurazioni Spa	39.71%		
b		43.75%	UnipolSai Finance Spa	35.46%		7.8
b		49.19%	UnipolSai Finance Spa	39.86%		9.2
a		100.00%	UnipolSai Assicurazioni Spa	81.04%		0.3
b		0.0002%	Compagnia Assicuratrice Linear Spa	30.36%		0.2
		0.01%	Arca Assicurazioni Spa			
		37.37%	UnipolSai Assicurazioni Spa			
		0.002%	Incontra Assicurazioni Spa			
		0.09%	Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni			
b		46.77%	UnipolSai Finance Spa	37.90%		1.6
b		45.00%	UnipolSai Finance Spa	36.47%		5.3
b		42.85%	UnipolSai Finance Spa	34.73%		2.6
b		49.92%	UnipolSai Finance Spa	40.45%		5.0
b		50.00%	UnipolSai Finance Spa	40.52%		6.4
b		50.00%	UnipolSai Finance Spa	40.52%		6.7
b		32.00%	UnipolSai Assicurazioni Spa	25.93%		3.4
b		29.56%	UnipolSai Assicurazioni Spa	23.96%		
b		28.57%	UnipolSai Assicurazioni Spa	23.15%		40.3
a		100.00%	Ddor Novi Sad	81.04%		0.0
b		23.55%	UnipolSai Assicurazioni Spa	19.08%		2.5
b		32.46%	Ddor Novi Sad	32.42%		0.6
		7.54%	Ddor Re			
b		44.93%	UnipolSai Assicurazioni Spa	36.41%		0.4
b		28.57%	UnipolSai Assicurazioni Spa	23.15%		0.0

Details of unconsolidated investments

Name	Country of registered office		Registered office	Country of operations (5)	Business activity (1)
Servizi Immobiliari Martinelli Spa	086	Italia	Cinisello Balsamo (MI)		10
Golf Club Poggio dei Medici Spa Societa' Dilettantistica Sportiva	086	Italia	San Piero (FI)		11
BPER Banca Spa	086	Italia	Modena		7

(1) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 4.1=mixed financial holding companies; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=other holdings; 10=real estate companies; 11=other.

(2) a=subsidiaries (IFRS10); b= associates (IAS28); c=joint ventures (IFRS11).

(3) The product of investment relations concerning all companies which, positioned in an investment chain, may be between the company responsible for the consolidated financial statements and the company in question. If the latter is a direct investee of multiple subsidiaries, add together the individual products first.

(4) Total % availability of votes at ordinary general meetings if different from the direct or indirect investment.

(5) This disclosure is required only if the country of operations is different from the country of the registered office.

Type (2)	% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	Carrying amount (€m)
b		20.00%	UnipolSai Assicurazioni Spa	16.21%		0.2
b		40.32%	Gruppo UNA Spa	32.68%		0.8
b	9.98%			19.74%		910.1
		9.76%	UnipolSai Assicurazioni Spa			

Statement of financial position by business segment

		Non-Life business		Life business	
	Amounts in €m	31/12/2019	31/12/2018	31/12/2019	31/12/2018
1	INTANGIBLE ASSETS	1,595.9	1,523.6	401.7	416.1
2	PROPERTY, PLANT AND EQUIPMENT	1,595.9	990.0	74.5	76.0
3	TECHNICAL PROVISIONS - REINSURERS' SHARE	950.0	932.9	39.7	49.1
4	INVESTMENTS	15,697.0	14,485.7	47,476.0	41,750.2
4.1	Investment property	1,189.3	1,372.5	6.5	4.2
4.2	Investments in subsidiaries, associates and interests in joint ventures	494.3	70.1	3.4	3.6
4.3	Held-to-maturity investments	83.0	57.2	371.6	402.5
4.4	Loans and receivables	2,029.7	1,908.2	2,672.0	2,478.8
4.4bis	Financial assets at amortised cost				
4.5	Available-for-sale financial assets	11,724.9	10,967.7	36,848.8	32,477.9
4.5bis	Available-for-sale financial assets				
4.6	Financial assets at fair value through OCI	175.9	110.2	7,573.6	6,383.3
5	SUNDRY RECEIVABLES	2,428.5	2,251.4	695.4	576.1
6	OTHER ASSETS	805.5	884.5	88.5	140.4
6.1	Deferred acquisition costs	42.1	42.6	59.1	55.5
6.2	Other assets	763.4	841.8	29.3	84.9
7	CASH AND CASH EQUIVALENTS	285.7	335.5	354.3	528.6
	TOTAL ASSETS	23,358.5	21,403.6	49,130.0	43,536.5
1	SHAREHOLDERS' EQUITY				
2	PROVISIONS	403.4	322.7	20.1	18.4
3	TECHNICAL PROVISIONS	15,067.2	15,211.8	42,500.2	38,011.5
4	FINANCIAL LIABILITIES	2,133.5	1,581.0	3,718.9	3,374.2
4.1	Financial liabilities at fair value through profit or loss	65.6	71.6	2,848.8	2,467.7
4.2	Financial liabilities at amortised cost	2,067.9	1,509.4	870.1	906.5
5	PAYABLES	880.6	708.8	168.9	169.2
6	OTHER LIABILITIES	733.5	647.2	282.9	96.5
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES				

Banks		Holding and Other businesses		Real Estate		Intersegment eliminations		Total	
31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
		14.5	15.5	0.0	0.1			2,012.1	1,955.3
		198.9	214.5	615.0	606.9			2,484.2	1,887.4
								989.6	982.0
0.0	0.0	1,955.6	1,193.8	782.0	593.1	(793.7)	(479.8)	65,116.9	57,543.0
		35.7	34.0	759.5	586.1			1,991.1	1,996.7
0.0	0.0	505.8	0.8					1,003.4	74.5
								454.6	459.6
		91.9	0.2		7.0	(787.0)	(473.1)	4,006.6	3,921.0
		516.1	490.1					516.1	490.1
		30.6	0.3	22.5	0.0	(6.7)	(6.7)	48,620.0	43,439.2
		689.5	663.3					689.5	663.3
		86.1	5.0					7,835.6	6,498.5
		231.7	209.1	8.4	18.1	(180.0)	(292.7)	3,184.0	2,762.2
	11,492.1	404.1	476.5	124.9	121.8	(115.0)	(928.9)	1,308.0	12,186.3
								101.2	98.1
	11,492.1	404.1	476.5	124.9	121.8	(115.0)	(928.9)	1,206.8	12,088.2
		338.4	1,241.1	28.6	107.1		(1,947.7)	1,007.0	264.6
0.0	11,492.1	3,143.3	3,350.5	1,558.9	1,447.1	(1,088.7)	(3,649.1)	76,101.9	77,580.8
								8,304.6	6,326.7
		48.9	11.1	4.5	4.8			476.9	357.1
								57,567.3	53,223.3
		2,481.1	2,236.9	231.9	328.7	(793.3)	(599.0)	7,772.0	6,921.7
								2,914.4	2,539.3
		2,481.1	2,236.9	231.9	328.7	(793.3)	(599.0)	4,857.7	4,382.4
		110.6	818.6	35.0	27.4	(182.4)	(919.5)	1,012.6	804.4
	11,273.6	50.2	40.3	14.8	20.5	(113.0)	(2,130.5)	968.4	9,947.6
								76,101.9	77,580.8

Income statement by business segment

		Non-Life business		Life business	
	Amounts in €m	**31/12/2019**	31/12/2018	**31/12/2019**	31/12/2018
1.1	Net premiums	7,822.3	7,593.5	5,440.2	3,875.5
	1.1.1 Gross premiums earned	*8,261.2*	*8,003.0*	*5,454.6*	*3,889.3*
	1.1.2 Earned premiums ceded to reinsurers	*(438.9)*	*(409.5)*	*(14.4)*	*(13.8)*
1.2	Commission income	4.6	6.8	29.6	32.5
1.3	Gains and losses on financial instruments at fair value through profit or loss	(233.8)	(49.1)	126.6	(103.9)
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	268.6	8.9	0.0	305.9
1.5	Gains on other financial instruments and investment property	931.2	668.2	1,349.8	1,462.9
1.6	Other revenue	552.2	401.3	53.2	64.0
	TOTAL REVENUE AND INCOME	**9,345.1**	**8,629.6**	**6,999.4**	**5,637.0**
2.1	Net charges relating to claims	(5,069.7)	(4,965.5)	(6,280.2)	(4,497.7)
	2.1.1 Amounts paid and changes in technical provisions	*(5,371.5)*	*(5,277.1)*	*(6,286.8)*	*(4,501.8)*
	2.1.2 Reinsurers' share	*301.8*	*311.6*	*6.6*	*4.1*
2.2	Commission expenses	(6.8)	(7.6)	(14.0)	(15.0)
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	(0.0)	(0.3)	(0.3)	(0.2)
2.4	Losses on other financial instruments and investment property	(314.7)	(186.8)	(94.9)	(130.4)
2.5	Operating expenses	(2,254.2)	(2,146.3)	(244.3)	(241.5)
2.6	Other costs	(798.2)	(593.1)	(140.1)	(131.5)
2	**TOTAL COSTS AND EXPENSES**	**(8,443.6)**	**(7,899.6)**	**(6,773.8)**	**(5,016.2)**
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	**901.5**	**730.1**	**225.6**	**620.8**

Banks		Holding and Other businesses		Real Estate		Intersegment eliminations		Total	
31/12/2019	31/12/2018	**31/12/2019**	31/12/2018	**31/12/2019**	31/12/2018	**31/12/2019**	31/12/2018	**31/12/2019**	31/12/2018
								13,262.5	11,469.0
								13,715.8	*11,892.4*
								(453.3)	*(423.4)*
		8.2	7.7			(7.8)	(7.6)	34.6	39.4
		6.5	(0.5)			0.0	0.0	(100.7)	(153.5)
0.0	0.0	277.1	(0.0)					545.7	314.8
		150.8	61.8	25.5	25.7	(24.4)	(24.2)	2,433.0	2,194.5
		245.4	219.1	34.7	37.3	(78.1)	(88.0)	807.3	633.8
0.0	**0.0**	**688.1**	**288.2**	**60.2**	**63.0**	**(110.2)**	**(119.8)**	**16,982.4**	**14,498.0**
								(11,349.9)	(9,463.2)
								(11,658.4)	*(9,778.9)*
								308.5	*315.7*
		(0.6)	(0.3)	(0.0)	(0.0)			(21.4)	(22.9)
		(0.0)			(0.4)			(0.3)	(0.9)
		(133.9)	(115.0)	(58.7)	(65.3)	11.2	6.9	(591.0)	(490.6)
		(191.0)	(132.4)	(22.1)	(22.1)	20.1	28.1	(2,691.5)	(2,514.1)
		(153.3)	(144.7)	(28.3)	(36.5)	79.0	84.8	(1,040.9)	(821.1)
		(478.9)	**(392.5)**	**(109.1)**	**(124.3)**	**110.2**	**119.8**	**(15,695.1)**	**(13,312.7)**
0.0	**0.0**	**209.2**	**(104.3)**	**(48.9)**	**(61.3)**			**1,287.4**	**1,185.2**

Details of property, plant and equipment and intangible assets

Amounts in €m	At cost	At restated or fair value	Total carrying amount
Investment property	1,991.1		1,991.1
Other properties	1,633.2		1,633.2
Other tangible assets	851.1		851.1
Other intangible assets	387.1		387.1

Details of financial assets

	Held-to-maturity investments		Loans and receivables		Financial assets at amortised cost		Available-for-sale financial assets	
Amounts in €m	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Equity instruments and derivatives at cost							4.8	8.8
Equity instruments at fair value							714.0	786.1
of which: listed securities							*516.7*	589.4
Debt securities	454.6	459.6	3,471.4	3,409.9			44,989.9	40,055.5
of which: listed securities	*422.6*	*427.6*					*44,582.6*	39,588.2
UCITS units							2,911.4	2,588.8
Loans and receivables from bank customers					516.1	490.1		
Interbank loans and receivables								
Deposits with ceding companies			62.9	32.7				
Financial receivables on insurance contracts								
Other loans and receivables			472.3	478.4				
Non-hedging derivatives								
Hedging derivatives								
Other financial investments								
Total	**454.6**	**459.6**	**4,006.6**	**3,921.0**	**516.1**	**490.1**	**48,620.0**	**43,439.2**

Financial assets at fair value through profit or loss						Total carrying amount	
Held-for-trading financial assets		Financial assets at fair value		Other financial assets mandatorily at fair value			
31/12/2019	31/12/2018	**31/12/2019**	31/12/2018	**31/12/2019**	31/12/2018	**31/12/2019**	31/12/2018
						4.8	8.8
0.0	0.0	164.6	179.6	0.0	0.0	1,118.6	1,049.8
0.0	*0.0*	*164.6*	*179.6*	*0.0*		*921.4*	*853.2*
94.1	118.1	4,376.7	3,495.7	10.5	4.1	53,846.6	48,122.2
90.6	*93.4*	*4,374.4*	*3,494.4*	*10.5*	*4.1*	*49,930.1*	*44,187.0*
6.1	9.4	2,576.4	2,195.7	75.7	0.8	5,569.5	4,794.7
						516.1	490.1
						62.9	32.7
		347.9	334.5			347.9	334.5
						472.3	478.4
63.4	135.4					63.4	135.4
120.3	25.1					120.3	25.1
283.8	**288.0**	**7,465.6**	**6,205.5**	**86.1**	**5.0**	**62,122.4**	**55,471.8**

Details of assets and liabilities relating to insurance contracts where the investment risk is borne by policyholders and arising from pension fund management

	Benefits linked to investment funds and market indices		Benefits linked to pension fund management		Total	
Amounts in €m	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Recognised assets	2,463.7	2,136.1	5,001.3	4,074.5	7,465.1	6,210.5
Intragroup assets *						
Total Assets	**2,463.7**	**2,136.1**	**5,001.3**	**4,074.5**	**7,465.1**	**6,210.5**
Recognised financial liabilities	2,178.2	1,813.0	471.6	435.5	2,649.7	2,248.5
Recognised technical provisions	286.7	323.1	4,530.5	3,640.2	4,817.2	3,963.3
Intragroup liabilities *						
Total liabilities	**2,464.9**	**2,136.1**	**5,002.0**	**4,075.7**	**7,466.9**	**6,211.8**

* Assets and liabilities eliminated on consolidation

Details of technical provisions – reinsurers' share

	Direct business		Indirect business		Total carrying amount	
Amounts in €m	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Non-Life provisions	**929.3**	**897.1**	**20.7**	**35.8**	**950.0**	**932.9**
Premium provisions	225.2	216.8	2.2	2.8	227.4	219.5
Claims provision	704.1	680.4	18.5	33.0	722.6	713.4
Other technical provisions						
Life provisions	**36.5**	**45.0**	**3.1**	**4.1**	**39.7**	**49.1**
Provision for amounts payable	4.8	3.5	0.2	0.3	5.0	3.8
Mathematical provisions	31.8	41.6	2.9	3.8	34.6	45.3
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management						
Other technical provisions						
Total technical provisions - reinsurers' share	**965.8**	**942.2**	**23.8**	**39.9**	**989.6**	**982.0**

Details of technical provisions

	Direct business		Indirect business		Total carrying amount	
Amounts in €m	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Non-Life provisions	**14,536.2**	**14,861.7**	**531.0**	**350.1**	**15,067.2**	**15,211.8**
Premium provision	3,245.1	3,070.8	91.4	71.4	3,336.5	3,142.2
Claims provision	11,263.9	11,754.7	439.6	278.5	11,703.4	12,033.2
Other technical provisions	27.2	36.2		0.2	27.2	36.4
including provisions allocated as a result of the liability adequacy test						
Life provisions	**42,494.2**	**38,003.6**	**6.0**	**7.8**	**42,500.2**	**38,011.5**
Provision for amounts payable	412.0	405.5	1.4	2.0	413.4	407.6
Mathematical provisions	33,107.0	32,087.0	4.5	5.8	33,111.5	32,092.8
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	4,817.2	3,963.3			4,817.2	3,963.3
Other technical provisions	4,158.0	1,547.8			4,158.0	1,547.8
including provisions allocated as a result of the liability adequacy test						
including deferred liabilities to policyholders	*4,017.2*	*1,412.8*			*4,017.2*	*1,412.8*
Total technical provisions	**57,030.4**	**52,865.4**	**537.0**	**357.9**	**57,567.3**	**53,223.3**

Details of financial liabilities

	Financial liabilities at fair value through profit or loss				Financial liabilies at amortised cost		Total carrying amount	
	Financial liabilities held-for trading		Financial liabilities at fair value					
Amounts in €m	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Equity instruments								
Subordinated liabilities					2,167.6	2,247.2	2,167.6	2,247.2
Liabilities from financial contracts issued by insurance companies			2,661.8	2,261.0	0.0	0.0	2,661.8	2,261.1
Arising from contracts where the investment risk is borne by			*2,190.2*	*1,825.5*			*2,190.2*	*1,825.5*
Arising from pension fund management			*471.6*	*435.5*			*471.6*	*435.5*
Arising from other contracts					*0.0*	*0.0*	*0.0*	*0.0*
Deposits received from reinsurers					150.4	166.2	150.4	166.2
Financial items payable on insurance contracts								
Debt securities issued					1,813.0	1,804.3	1,813.0	1,804.3
Payables to bank customers								
Interbank payables								
Other loans obtained					517.7	164.1	517.7	164.1
Non-hedging derivatives	11.3	67.7					11.3	67.7
Hedging derivatives	241.2	210.5					241.2	210.5
Sundry financial liabilities					208.9	0.5	208.9	0.5
Total	**252.6**	**278.3**	**2,661.8**	**2,261.0**	**4,857.7**	**4,382.4**	**7,772.0**	**6,921.7**

Details of technical insurance items

		31/12/2019			31/12/2018	
Amounts in €m	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-Life business						
NET PREMIUMS	**8,261.2**	**(438.9)**	**7,822.3**	**8,003.0**	**(409.5)**	**7,593.5**
a Written premiums	8,451.1	(448.5)	8,002.7	8,160.6	(408.3)	7,752.3
b Change in premium provision	(189.9)	9.6	(180.4)	(157.5)	(1.3)	(158.8)
NET CHARGES RELATING TO CLAIMS	**(5,371.5)**	**301.8**	**(5,069.7)**	**(5,277.1)**	**311.6**	**(4,965.5)**
a Amounts paid	(5,885.5)	299.2	(5,586.3)	(5,799.1)	204.0	(5,595.1)
b Change in claims provision	340.2	11.9	352.1	393.9	121.6	515.4
c Change in recoveries	175.9	(9.3)	166.5	129.0	(13.9)	115.1
d Change in other technical provisions	(2.0)		(2.0)	(0.8)		(0.8)
Life business						
NET PREMIUMS	**5,454.6**	**(14.4)**	**5,440.2**	**3,889.3**	**(13.8)**	**3,875.5**
NET CHARGES RELATING TO CLAIMS	**(6,286.8)**	**6.6**	**(6,280.2)**	**(4,501.8)**	**4.1**	**(4,497.7)**
a Amounts paid	(4,299.8)	14.2	(4,285.6)	(3,619.3)	15.5	(3,603.8)
b Change in provision for amounts payable	(6.0)	1.2	(4.7)	(26.3)	(0.9)	(27.3)
c Change in mathematical provisions	(1,008.3)	(8.8)	(1,017.2)	(806.3)	(10.5)	(816.8)
d Change in technical provisions where the investment risk is borne by policyholders and arising from pension fund management	(936.7)		(936.7)	52.1		52.1
e Change in other technical provisions	(36.1)	(0.0)	(36.1)	(101.9)	(0.0)	(101.9)

Investment income and charges

Amounts in €m		Interests	Other income	Other charges	Realised gains	Realised losses
Balance on investments		**1,556.8**	**870.3**	**(214.3)**	**782.0**	**(501.5)**
a	Arising from investment property		58.7	(26.3)	6.6	(1.2)
b	Arising from investments in subsidiaries, associates and interests in joint ventures		540.1	(0.3)		(0.0)
c	Arising from held-to-maturity investments	18.7		(0.0)		
d	Arising from loans and receivables	99.4		(0.0)	9.0	(4.4)
e	Arising from financial assets at amortised cost	20.6			54.6	(7.8)
f	Arising from available-for-sale financial assets	1,334.7	153.9	(3.4)	531.9	(166.5)
g	Arising from financial assets at fair value through OCI	9.3	6.0		53.1	(0.0)
h	Arising from held-for-trading financial assets	5.1	95.7	(105.0)	9.4	(313.7)
i	Arising from financial assets at fair value through profit or loss	68.7	15.5	(79.3)	116.9	(7.9)
l	Arising from financial assets mandatorily at fair value	0.4	0.4	(0.0)	0.6	
Balance on sundry receivables		**2.8**		**(0.0)**		
Balance on cash and cash equivalents		**1.0**		**(0.0)**		
Balance on financial liabilities		**(159.3)**	**0.3**	**(166.1)**		**(0.6)**
a	Arising from held-for-trading financial liabilities					(0.6)
b	Arising from financial liabilities at fair value		0.3	(155.8)		
c	Arising from financial liabilities at amortised cost	(159.3)		(10.3)		
Balance on payables		**(9.8)**		**(0.1)**		
Total		**1,391.5**	**870.6**	**(380.6)**	**782.0**	**(502.1)**

Total realised gains and losses	Unrealised gains		Unrealised losses		Total unrealised gains and losses	**Total gains and losses 31/12/2019**	Total gains and losses 31/12/2018
	Unrealised capital gains	Write-backs	Unrealised capital losses	Impairment			
2,493.3	**517.0**	**35.0**	**(224.7)**	**(102.7)**	**224.6**	**2,717.9**	**1,903.2**
37.7		29.3	(32.1)	(47.4)	(50.2)	(12.5)	(38.0)
539.7		5.7		0.0	5.7	545.4	313.9
18.7						18.7	21.0
104.0			(0.0)		(0.0)	104.0	138.2
67.4				(34.4)	(34.4)	33.0	32.6
1,850.6	36.7	0.0	(61.8)	(20.6)	(45.7)	1,804.8	1,722.5
68.4	0.1			(0.2)	(0.1)	68.3	4.8
(308.4)	115.8		(96.9)		18.9	(289.5)	(48.5)
113.9	358.9		(33.6)		325.3	439.2	(242.8)
1.3	5.5		(0.4)		5.1	6.5	(0.5)
2.8						**2.8**	**3.3**
1.0						**1.0**	**0.8**
(325.7)	**6.6**		**(106.1)**		**(99.4)**	**(425.2)**	**(27.7)**
(0.6)			(0.2)		(0.2)	(0.8)	
(155.5)			(100.6)		(100.6)	(256.1)	138.3
(169.6)	6.6		(5.2)		1.4	(168.2)	(166.0)
(9.9)						**(9.9)**	**(15.2)**
2,161.5	**523.6**	**35.0**	**(330.8)**	**(102.7)**	**125.1**	**2,286.7**	**1,864.4**

Details of insurance business expenses

Amounts in €m	Non-Life business		Life business	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Gross commissions and other acquisition costs	**(1,885.3)**	**(1,813.1)**	**(116.5)**	**(113.0)**
a Acquisition commissions	(1,350.5)	(1,288.4)	(69.1)	(63.1)
b Other acquisition costs	(375.1)	(371.6)	(44.1)	(42.7)
c Change in deferred acquisition costs	(0.9)	3.0	3.6	0.3
d Collection commissions	(158.7)	(156.1)	(7.0)	(7.4)
Commissions and profit-sharing received from insurers	**133.8**	**125.7**	**3.5**	**3.9**
Investment management expenses	**(70.8)**	**(67.1)**	**(42.8)**	**(43.4)**
Other administrative expenses	**(431.9)**	**(391.8)**	**(88.4)**	**(89.0)**
Total	**(2,254.2)**	**(2,146.3)**	**(244.3)**	**(241.5)**

Details of the consolidated comprehensive income statement

Amounts in €m	Amounts allocated		Adjustments from reclassification to profit or loss	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Other income items not reclassified to profit or loss	**9.4**	**(43.8)**		
Reserve deriving from changes in the shareholders' equity of the investees	0.9	(8.5)		
Revaluation reserve for intangible assets				
Revaluation reserve for property, plant and equipment				
Gains and losses on non-current assets or assets of a disposal group held for sale				
Actuarial gains and losses and adjustments relating to defined benefit plans	(2.2)	(0.2)		
Gains or losses on equity instruments at fair value through OCI	9.4	(35.1)		
Reserve deriving from variation on credit risk on financial liabilities at fair value through profit or loss				
Other items	1.3	(0.0)		
Other income items reclassified to profit or loss	**1,146.5**	**(324.2)**	**(43.9)**	**(568.0)**
Reserve for foreign currency translation differences	0.2	0.2		
Gains or losses on available-for-sale financial assets	1,130.7	(324.7)	(40.2)	(562.5)
Gains or losses on financial assets (other than equity instruments) at fair value through OCI	3.2	(9.7)	(3.7)	(5.6)
Gains or losses on cash flow hedges	9.9	10.1		
Gains or losses on hedges of a net investment in foreign operations				
Reserve deriving from changes in the shareholders' equity of the investees	2.5			
Gains and losses on non-current assets or of a disposal group held for sale				
Other items				
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	**1,155.9**	**(368.0)**	**(43.9)**	**(568.0)**

Other changes		Total changes		Income taxes		Balance	
31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
(0.0)	**(0.0)**	**9.4**	**(43.8)**	**(1.6)**	**0.1**	**(43.1)**	**(52.5)**
(0.0)	(0.0)	0.9	(8.5)			11.9	11.0
(0.0)		(2.2)	(0.2)	1.0	0.1	(30.7)	(28.5)
		9.4	(35.1)	(2.7)		(25.6)	(35.1)
		1.3	(0.0)			1.3	
	19.6	**1,102.6**	**(872.7)**	**(487.0)**	**388.5**	**1,190.6**	**88.0**
		0.2	0.2			5.1	4.9
	3.6	1,090.5	(883.6)	(482.7)	393.2	1,171.1	80.6
	15.9	(0.5)	0.6	0.2	(0.2)	0.1	0.6
		9.9	10.1	(4.4)	(4.5)	11.8	1.9
		2.5				2.5	
(0.0)	**19.6**	**1,112.0**	**(916.5)**	**(488.6)**	**388.6**	**1,147.5**	**35.5**

Details of reclassified financial assets and their effects on the income statement and comprehensive income statement

Categories of financial assets subject to reclassification		Type of asset	Date of reclassification (*)	Amount of assets reclassified during the year at the reclassification date	Carrying amount at 31/12/2019 of reclassified assets		Fair value at 31/12/2019 of reclassified assets	
from	to				Assets reclassified during the year	Assets reclassified up to 31/12/2018	Assets reclassified during the year	Assets reclassified up to 31/12/2018
At FV through profit or loss	Loans and receivables	debt securities				207.7		188.8
At FV through profit or loss	Loans and receivables	other fin. instr.						
Available-for-sale	Loans and receivables	debt securities				141.0		123.1
Available-for-sale	Loans and receivables	other fin. instr.						
At FV through profit or loss	Available-for-sale	equity instruments						
At FV through profit or loss	Available-for-sale	debt securities						
At FV through profit or loss	Available-for-sale	other fin. instr.						
At FV through profit or loss	Held-to-maturity investments	debt securities						
At FV through profit or loss	Held-to-maturity investments	other fin. instr.						
Available-for-sale	Held-to-maturity investments	debt securities						
Available-for-sale	Held-to-maturity investments	other fin. instr.						
Total						**348.6**		**311.9**

(*) Applicable only to financial assets classified according to IFRS9

Amounts in €m

Assets reclassified during the year		Assets reclassified up to 31/12/2019		Assets reclassified during the year		Assets reclassified up to 31/12/2019	
Gains or losses recognised through profit or loss	Gains or losses recognised in the statement of other comprehensive income	Gains or losses recognised through profit or loss	Gains or losses recognised in the statement of other comprehensive income	Profit or loss that would have been recognised through profit or loss if there had been no reclassification	Profit or loss that would have been recognised in the statement of other comprehensive income if there had been no reclassification	Profit or loss that would have been recognised through profit or loss if there had been no reclassification	Profit or loss that would have been recognised in statement of other comprehensive income if there had been no reclassification
						19.3	
							22.8
						19.3	22.8

Assets and liabilities at fair value on a recurring and non-recurring basis: breakdown by fair value level

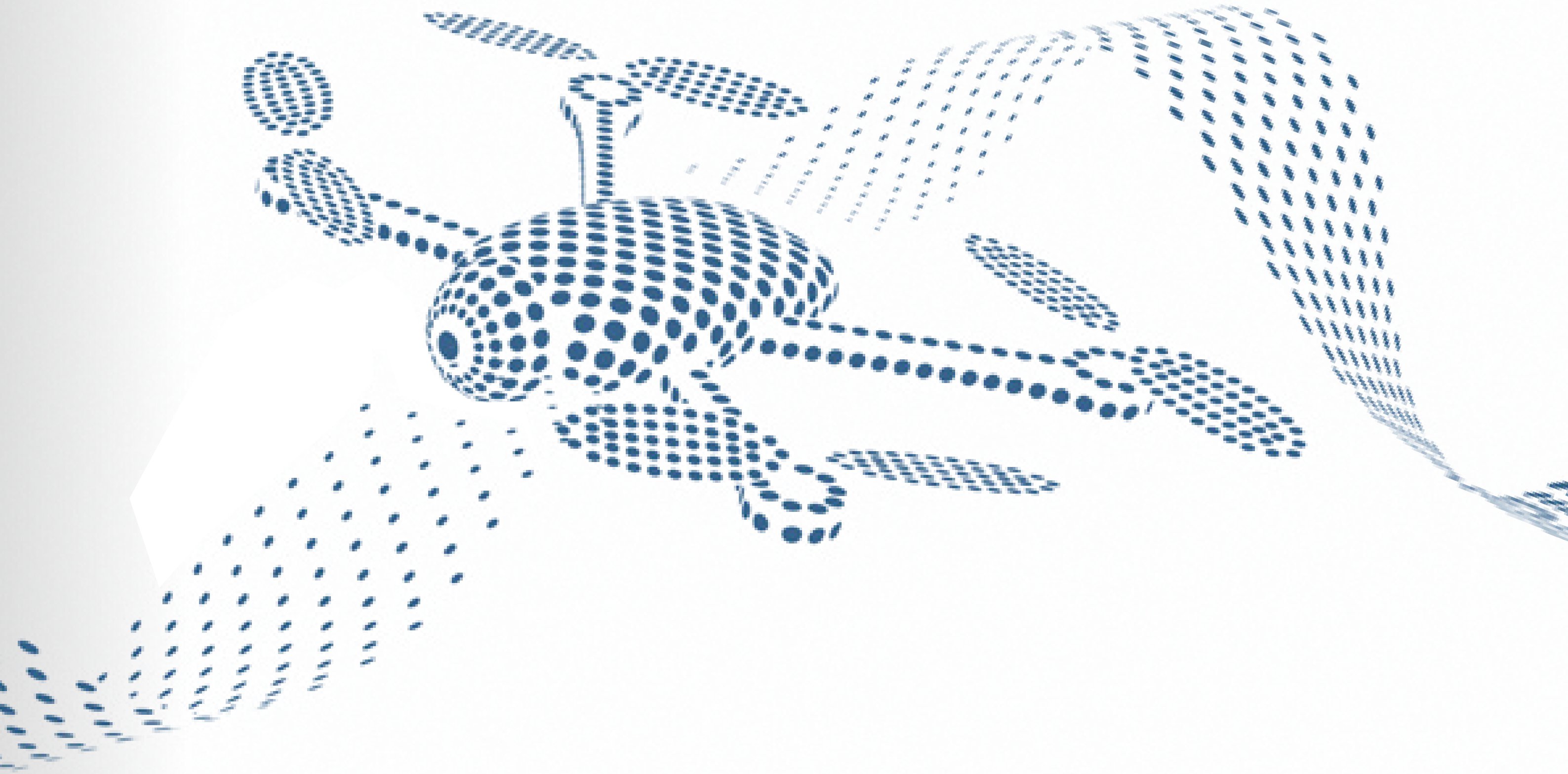
		Level 1		Level 2		Level 3		Total	
Amounts in €m		31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Assets and liabilities at fair value on a recurring basis									
Available-for-sale financial assets		46,713.2	41,781.3	338.5	377.3	1,568.3	1,280.6	48,620.0	43,439.2
Financial assets at fair value through OCI		689.5	663.3					689.5	663.3
Financial assets at fair value through profit or loss	Held for trading financial assets	111.5	108.8	157.7	164.0	14.7	15.2	283.8	288.0
	Financial assets at fair value	7,465.0	6,203.5		0.7	0.6	1.3	7,465.6	6,205.5
	Financial assets at fair value through profit or loss	85.7	3.3			0.4	1.7	86.1	5.0
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets at fair value on a recurring basis		***55,064.8***	***48,760.2***	***496.2***	***542.0***	***1,584.1***	***1,298.8***	***57,145.1***	***50,601.0***
Financial liabilities at fair value through profit or loss	Held for trading financial liabilities	20.7	14.9	220.6	241.5	11.3	21.9	252.6	278.3
	Financial liabilities at fair value through profit or loss					2,661.8	2,261.0	2,661.8	2,261.0
Total liabilities measured at fair value on a recurring basis		***20.7***	***14.9***	***220.6***	***241.5***	***2,673.0***	***2,282.9***	***2,914.4***	***2,539.3***
Assets and liabilities at fair value on a non-recurring basis									
Non-current assets or assets of disposal groups held for sale									
Liabilities associated with disposal groups									

Details of changes in level 3 financial assets and liabilities at fair value on a recurring basis

Amounts in €	Available-for-sale financial assets	Financial assets at fair value through OCI	Financial assets at fair value through profit or loss			Investment property	Property, plant and equipment	Intangible assets	Financial liabilities at fair value	
			Held-for-trading financial assets	Financial assets at fair value	Other financial assets mandatorily at fair value			Held-for-trading financial liabilities	Financial liabilities at fair value through profit or loss	
Opening balance	**1,280.6**		**15.2**	**1.3**	**1.7**				**21.9**	**2,261.0**
Acquisitions/Issues	320.9		0.1						(3.4)	
Sales/Repurchases	(42.9)									
Repayments	(2.4)									
Gains or losses recognised through profit or loss			(3.5)	(0.7)	(0.0)					
- of which unrealised gains/losses			*(3.5)*	*(0.7)*	*(0.0)*					
Gains or losses recognised in the statement of other comprehensive income	5.2									
Transfers to level 3	1.0									
Transfers to other levels										
Other changes	5.9		2.9	(0.0)	(1.2)				(7.2)	400.7
Closing balance	**1,568.3**		**14.7**	**0.6**	**0.4**				**11.3**	**2,661.8**

Assets and liabilities not measured at fair value: breakdown by fair value level

	Carrying amount		Fair value							
			Level 1		Level 2		Level 3		Total	
Amounts in €m	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Assets										
Held-to-maturity investments	454.6	459.6	543.2	497.3	37.9	34.5	2.2		583.2	531.7
Loans and receivables	4,006.6	3,921.0			2,854.5	2,650.3	1,330.0	1,179.5	4,184.4	3,829.9
Financial assets at amortised cost	516.1	490.1					516.1	490.1	516.1	490.1
Investments in subsidiaries, associates and interests in joint ventures	1,003.4	74.5	649.7				93.3	74.5	743.1	74.5
Investment property	1,991.1	1,996.7					2,167.8	2,097.2	2,167.8	2,097.2
Property, plant and equipment	2,484.2	1,887.4					2,624.5	2,084.2	2,624.5	2,084.2
Total assets	**10,456.0**	**8,829.4**	**1,192.9**	**497.3**	**2,892.4**	**2,684.8**	**6,733.8**	**5,925.6**	**10,819.1**	**9,107.7**
Liabilities										
Financial liabilities at amortised cost	4,857.7	4,382.4	3,915.9	3,668.5			1,365.3	719.1	5,281.2	4,387.6



5

SUMMARY OF FEES FOR THE YEAR FOR SERVICES PROVIDED BY THE INDEPENDENT AUDITORS

Summary of fees for the year for services provided by the Independent Auditors (Art. 149-duodecies of Issuer's Regulation)

Amounts in €k

Type of services	Provider of the service	Recipient	Fees (*)
Legally-required audit	PricewaterhouseCoopers S.p.A.	Unipol Gruppo S.p.A.	148
Other professional services	PricewaterhouseCoopers S.p.A.	Unipol Gruppo S.p.A.	108
Total Unipol Gruppo			**257**
Legally-required audit	PricewaterhouseCoopers S.p.A.	Subsidiaries	2,708
Legally-required audit	PricewaterhouseCoopers Dublin	Subsidiaries	160
Legally-required audit	PricewaterhouseCoopers d.o.o.	Subsidiaries	77
Attestation services	PricewaterhouseCoopers S.p.A.	Subsidiaries	510
Other professional services	PricewaterhouseCoopers S.p.A.	Subsidiaries	428
Other professional services	PricewaterhouseCoopers Dublin	Subsidiaries	30
Other professional services	PricewaterhouseCoopers Actuarial Services S.r.l.	Subsidiaries	433
Total subsidiaries			**4,346**
Grand total			**4,603**

(*) the fees do not include any non-deductible VAT or charged back expenses

6

STATEMENT
ON THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with art. 81-Ter of
CONSOB regulation no. 11971/1999

STATEMENT ON THE INTEGRATED CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ART. 81-ter, CONSOB REGULATION No. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned, Carlo Cimbri, as Chief Executive Officer, and Maurizio Castellina, as Manager in charge of financial reporting of Unipol Gruppo S.p.A., hereby certify, also taking into account the provisions of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:
   - the adequacy in relation to the characteristics of the company and
   - the effective application,

   of the administrative and accounting procedures for the preparation of the **integrated consolidated financial statements** for the period 1 January 2019-31 December 2019.
2. The assessment of the adequacy of the administrative and accounting procedures for preparing the integrated consolidated financial statements at 31 December 2019 is based on a process defined by Unipol Gruppo S.p.A., inspired by the COSO Framework (Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organisations of the Treadway Commission), internationally recognised as the reference standards for the implementation and evaluation of internal control systems.
3. It is also certified that:

   3.1. the integrated consolidated financial statements at 31 December 2019:
   - were prepared in compliance with the International Accounting Standards recognised in the European Community in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, Legislative Decree 38/2005, Legislative Decree 209/2005 and applicable IVASS measures, regulations and circulars;
   - correspond to the book results and accounting records;
   - are suitable to provide a true and fair view of the equity, economic and financial situation of the issuer and of the consolidated companies;

   3.2. the management report includes a reliable analysis of the performance and of the operating result, and of the situation of the issuer and of the consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

Bologna, 19 March 2020

The Manager in charge of financial reporting	The Chief Executive Officer
Maurizio Castellina	*Carlo Cimbri*

(signed on the original)

Unipol Gruppo S.p.A.

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Share capital
€3,365,292,408.03 fully paid-up
Bologna Register of Companies
Tax No. 00284160371
VAT No. 03740811207
R.E.A. No.160304

Parent company of the Unipol Insurance Group
entered in the Register of the parent companies
at No. 046

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