

UnipolSai Assicurazioni **Sustainability Report**2016

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# KEY PERFORMANCE INDICATORS

			Unipo	lSai Group	
Area		Indicator	2016	2016	2016
Governance		Percentage of independent BoD members according to Consolidated Law on Finance and the Code of Conduct	56%	58%	-2 p.p.
		Percentage women on BoD	33%	37%	-4 p.p.
Financial performance		Direct insurance premiums (€m)	12,497	13,982	-10.6%
		Non-Life premiums (€m)	7,218	7.334	-1.6%
		Life premiums (€m)	5,279	6,648	-20.6%
		Loss ratio - net of reinsurance Ratio between claims and premiums in direct business	68.0%	65.4%	+2.6 p.p.
		Combined ratio net of reinsurance	96.5%	93.9%	+2.6 p.p.
		Consolidated net profit (€m)	527	738	-28.6%
		Value of real estate assets (€m)	3,981.5	4,307,0	-7.6%
Social performance	Shareholders	Amount of class C, D debt instruments and equity securities and assets subject to environmental and social monitoring (€m), not including UCIs, on own account	48,100	48,300	-0.4%
		Percentage of assets deemed sustainable following monitoring (not including UCIs, on own account)	98.4%	99.1%	-0.7 p.p.
		Amount of SRI products offered and managed by the Group in pension segment (€m)	82.1	80.3	+2.2%
		Assets in the pension segment corresponding to SRI products (€m)	885.8	845.2	+4.8%
	Employees	Total number employees	10,276	9,514	+8.0%
		Permanent staff	96.4%	97.4%	-1 p.p.
		Percentage of women	51%	50%	+ 1 p.p.
		Percentage of women employees in a position of responsibility	27%	24%	+3 p.p.
	Customers	Number of customers and policyholders (m)	10.1	10.7	-5.6%
		Number of customers - individuals (m)	9.2	9.7	-5.2%
		Number of customers - legal entities (m)	0.9	1.0	-10.0%
		${\it Claims settlement rate for the current year (UnipolSai Assicurazioni)}$	82.0%	80.4%	+1.6 p.p.
		Ratio between fines and claims for the Non-Life business	0.064%	0.037%	+0.027 p.p.
		Amount of products with social and environmental value (€m)	1,224	1,072	+14.2%
		Percentage of products with social and environmental value	17.9%	13.0%	+4.9 p.p.
		Customer Satisfaction Index (CSI) UnipolSai vs Market standard	97.9 (UnipolSai) vs 96.6 (market standard)	95.9 (UnipolSai) vs 95.0 (mkt standard)	+2 p.p.
		Percentage of claims channelled with direct repair services (Auto Presto&Bene)	29.8%	29.4%	+0.4 p.p.
		Amount of fines paid to IVASS (percentage of total Non-Life premiums)	0.037%	0.037%	-
	Agents	Number of agencies in Italy	2,918	3,368	-13.4%
		Number of sub-agencies in Italy	5,740	5,666	+1.3%
		Bancassurance branches	3,583	3,779	-5.2%
		Primary network agency partners in Italy	33,670	36,399	-7.5%
		Direct investment in Unipol Group Academy for network training (€m)	2.2	1.7	+29.4%
		Total number of training hours supplied	1,065,564	900,318	+18.3%
	Suppliers	Total number of suppliers	4,898	4,700	4.2%
		Percentage of expenditure on suppliers in the register	58%	66%	-8 p.p.
		Total amount paid to suppliers (€m)	464	420	10.5%
		Percentage of amount paid to Italian suppliers	97%	97%	-
	Community	Amount of income earned thanks to the "one euro per policy" campaign in favour of Libera, for companies working within the Libera Terra project $(\varepsilon k)$	160	160	-
		Total amount of contributions to the community (€m)	8.2	6.9	18.8%
		Contributions to the community as a percentage of pre-tax profit	1.2%	0.7%	+ 0.5 p.p.
Environmental performance		CO <sub>2</sub> emissions - Scope 1 (tons)	6,315	9,185	-31.2%
•		CO <sub>2</sub> emissions - Scope 2 (tons)	192,376	196,080	-1.9%

### **IDENTITY**

# Organisation profile

After becoming a national leader in Non-Life insurance following the integration of the Fondiaria-Sai Group in 2012, which gave rise to the top Italian company in the Non-Life segment, today UnipolSai Assicurazioni represents a solid business active in three sectors (insurance, real estate and hospitality). The Company stands out due to its ability to offer customised and innovative solutions to everyday needs and the long-term plans of households and companies alike, thanks to its proximity to the customer and its widespread professional agency network.

In 2016, the Group's new Three-Year Strategic Plan ("UnipolToBE") was launched, which aims to strengthen leadership in the Italian insurance market by leveraging its distinctive elements and generating sustainable profitability over the medium/long-term. The Plan is based on four key areas, which highlight, amongst other things, the Group's expertise in the provision of insurance services and in the application of on-line services to insurance products, leveraging the fact that it has the largest agent distribution network in the insurance business in Italy, which will be reorganised in order to increase productivity by optimising territorial coverage and the economic sustainability of the agencies.

# The materiality matrix

The point of departure for operating in continuity with the Strategic Plan is understanding and monitoring material topics<sup>1</sup> with the objective of marking out the topics with regard to which, on the one hand, the interests and expectations of the stakeholders toward the Group and, on the other, the strategic priorities of the Company are concentrated.



<sup>&</sup>lt;sup>1</sup> The analysis and selection of content followed the GRI-G4 standard and is consistent with what is expressed by the IIRC guidelines adopted for the UGF Consolidated Financial Statements.

In line with the matters identified as material in the materiality matrix, the areas of the CSR Policy hinge on:

- **creating shared value** for the advancement of the economic and social conditions of the communities in which we carry on business;
- **monitoring innovation** to react quickly to changes in protection requirements by providing innovative responses;
- **strengthening reliability and quality** as indispensable pillars of the relationship of trust and exchange with stakeholders;
- **favouring the multistakeholder model** to simultaneously enhance relationships with shareholders, employees, customers, agents and suppliers.

The strategy also translates into concrete, demanding and shared actions focusing on sustainability, which are consistent with the *Sustainable Development Goals (SDGs)* set in September 2015 by the governments in the United Nations. Amongst the precise actions identified to achieve the Group Business Plan targets, we note in particular Unipol for the climate and the *DERRIS* (*DisastEr Risk Reduction InSurance*) project funded through the European Life fund; Unipol for the social, an in-depth analysis of the potential and specific needs of the non-profit sector to support its growth; the certification of the Agency sales process and extension to the Savings range in accordance with the standard "The values of the Life product" (I valori del prodotto Vita); the development, consolidation and enhancement of activities carried out with respect to socially responsible financing, through compliance with the Principles of Responsible Investment (PRI<sup>2</sup>).



For detailed information, please refer to the "Sustainability" section of the Unipol Group's website.

<sup>&</sup>lt;sup>2</sup> 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.

### **GOVERNANCE**

## The Corporate Governance system

# 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 are binding for all shareholders, including those which are absent or dissenting. 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 **Board of Statutory Auditors** Independent auditors Exercises supervision over observance of the law and the By-Laws, respect for the principles Pricewaterhouse Coopers S.p.A., external auditor responsible for the legally-required audit of the GENERAL MANAGER of proper management. Responsible for the operating guidance of the Company, in line with the general programmatic and strategic policies defined by the Board of Directors. Chairman's Committee Carries out an advisory and support role in identifying development policies and the guidelines of the Company'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 corporate gover-

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 are correctly identified, and adequately measured, managed and monitored.

### Committee for Related Party Transactions

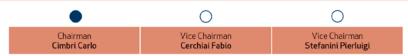
Carries out an advisory, discussion and propositional role with respect to transactions with related parties, in compliance with the provisions of regulations in force.

### Remuneration Committee

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

### **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.



### COMPOSITION OF THE BOARD OF DIRECTORS APPOINTED BY THE SHAREHOLDERS' MEETING OF 27 APRIL 2016

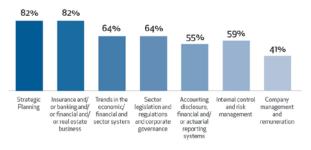
(a)	$\bigcirc$	(a)	○(a)	(a)	$\bigcirc$
<b>Berardini</b> Francesco	<b>Carletti</b> Milva	<b>Cattabiani</b> Paolo	<b>Cottignoli</b> Lorenzo	<b>Dalle Rive</b> Ernesto	<b>Ghiglieno</b> Giorgio
0	$\bigcirc \blacktriangle$	$\bigcirc \blacktriangle$	$\bigcirc \blacktriangle$	$\bigcirc \blacktriangle$	$\bigcirc$
<b>Lauria</b> Salvatore	<b>Masotti</b> Massimo	<b>Maugeri</b> Maria Rosaria	<b>Montagnani</b> Maria Lillà	<b>Picchi</b> Nicla	<b>Recchi</b> Giuseppe
		<b>A</b> 0	<b>A</b>   C	<b>A</b>	
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(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 requirements established by Art. 148, paragraph 3 of the Consolidated Law on Finance.
(a) Director excluded from the group of Independent Directors, as he/she has a role within the company bodies of the direct holding company Unipol Gruppo Finanziario S.p.A. and/or the indirect holding

### Board of Directors - Breakdown by gender (b)

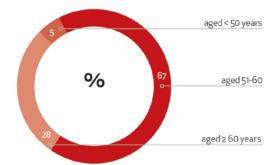
# % Women 67 Men

### Skills (b)

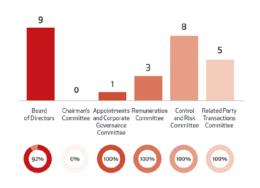


(b) Referring to the Board of Directors in office as of 27 April 2016. (c) For the entire year 2016.

### Board of Directors - Breakdown by age(b)



### Number of meetings and percentage of participation(c)



## Internal Control and Risk Management System

The UnipolSai Assicurazioni internal control and risk management system is structured in accordance with the provisions of ISVAP Regulation no. 20/2008 and similarly to that of the Parent, as described in its Consolidated Financial Statements.

The Company adopts an internal control and risk management system with the goal of ensuring that the main risks relating to the Company and its subsidiaries are properly identified, measured, managed and monitored, while determining the degree of compatibility of such risks with management aligned with the strategic objectives identified. This system is subject to periodic assessment and review in relation to developments in company operations and the reference context.

The Corporate control functions formed within the Company carry out the activities for which they are responsible for the Company itself, handle the outsourcing of the service for the companies that have entered into dedicated service agreements with it and functionally report to the corresponding Parent Functions.

As part of the Group's governance and the internal control and risk management system, the **Emerging and Reputational Risks Observatory** identifies, consistent with the "Risk management policy", the organisation's risk appetite in relation to these types of risks and presents it to the Board of Directors for approval. The relative mapping activity, conducted on the basis of the analysis of internal and external drivers, entailed the identification of 36 basic risk scenarios applicable to the UnipolSai Group, deriving from past experience or plans in place, which were enhanced with 10 "what if" scenarios, or risk/opportunity scenarios that can be useful for strategic purposes. Of these 36 risks, 8 are related to ESG matters.

The Group's decision to create the Reputational & Emerging Risk Observatory meets its objective of guaranteeing structured listening to signs of change in the external environment, represented by the four aspects: "social, technological, environmental and political", and ensuring a 360 degree view of emerging trends, in order to protect itself from threats and identify new opportunities early.

The parties participating in the Company's internal control and risk management system are listed here: <a href="https://www.unipolsai.com/en/Governance/corporate-governance-system/Pages/Internal-Control-System.aspx">www.unipolsai.com/en/Governance/corporate-governance-system/Pages/Internal-Control-System.aspx</a>. For detailed information on the Group's responses to macrotrends, please refer to the Annual Integrated Report available in the Consolidated Financial Statements of Unipol Gruppo Finanziario and in the "Governance-Internal Control System-Risk Management" section of the Unipol Group's website.

For further details on the structure of this system and on the main events in the current year, please refer to what is specified in the dedicated section in the Annual Report on Corporate Governance, which may be downloaded here:
<a href="https://www.unipolsai.com/en/Governance/corporate-governance-system/Pages/Annual-Report.aspx">www.unipolsai.com/en/Governance/corporate-governance-system/Pages/Annual-Report.aspx</a>

## Remuneration policies

The top objective of the Remuneration policies is to guarantee fair remuneration, adequate to the role, responsibilities, degree of professionalism and individual skillset, irrespective of personal characteristics, in compliance with legal and regulatory provisions and consistent with sustainable performance requirements. UnipolSai Assicurazioni applies rigorous remuneration policies on the basis of the guidelines defined by the Board of Directors with a view to efficiency and safeguarding the company's assets. The implementation of these policies is subject to periodic verification by the Internal Control Functions.



For further details, please refer to the "Employees" section and for the Directors, to the following link:

<a href="https://www.unipolsai.com/en/Governance/corporate-governance-system/Pages/Remuneration-policy-to-Board-members.aspx">www.unipolsai.com/en/Governance/corporate-governance-system/Pages/Remuneration-policy-to-Board-members.aspx</a>

# Anti-corruption and anti-money laundering measures

UnipolSai Assicurazioni's commitment to fighting the crimes of corruption and money laundering is based on the adoption and effective implementation of the Group's Organisational, Management and Control Model (OMM) which enables the Company to limit the risk that these crimes may be committed by consolidating a structured, organic system of procedures and control activities. The Company's Internal Control Functions feature dedicated specialised oversight mechanisms responsible for managing the risks relating to the various types of crime. In particular, as regards the crime of money laundering, a dedicated structure has been established with activities aimed at ensuring proper compliance with Anti-money laundering regulations.

Dedicated e-learning and classroom training courses on anti-money laundering and the fight against terrorist financing have been made available to employees and all parties that work for any reason at the UnipolSai Group Companies. In particular, in 2016, 88.6% of the staff participated in the "Anti-Money Laundering" course.

The oversight and control mechanisms put into place to combat corruption set forth in Special Part 1 of the OMM make reference to the crimes laid out in Arts. 318, 319, 319 ter, 319 quater, 320, 322 and 322 bis the criminal code. In Special Part 2, reference is made to the crime of corruption between private parties laid out in Art. 2635 of the Civil Code.

In particular, these Special Parts highlight the general conduct principles applied to the corporate bodies and employees directly and to partners on the basis of dedicated contractual clauses.

These principles concern:

- the training of associates by Department Heads in contact with the Public Administration and the tracking of information flows to it:
- the assignment of representation duties to external parties through formal appointments;
- the inclusion in contracts with partners of specific declarations by them concerning their knowledge of Legislative Decree 231/2001 and their commitment to comply with the UGF OMM as well as the fulfilment of integrity requirements.

The specific principles of conduct for preventing the commission of each type of crime specified above are also laid out in detail in the Special Parts of the OMM.

To guarantee the effective implementation of the OMM, the "examination" certification is requested from agents and suppliers, which was received from 73% of agents and 56% of suppliers.

In 2016, specific training continued for the top management and the first line managers of UnipolSai on "The Organisation and Management Model and prevention of crimes pursuant to Legislative Decree 231/2001". During these in-depth meetings specifically organised for each Department, the possible crimes to which each area could be exposed were illustrated, including those concerning corruption.



For more information on the OMM, please refer to the Corporate Governance section of the UnipolSai Company website:

www.unipolsai.com/en/Governance/corporate-governance-system/Pages/mog-2014.aspx

### Percentage of employees trained on anti-corruption policies and procedures

Senior Executives	87.8%
Officers	88.7%
Administrative staff	84.7%
Call-centre staff	87.6%
Total employees	85.7%

Source: Group Joint Legal, Equity Investments and Institutional Relations Department; Group Human Resources and Organisation Department

# Tax Strategy

UnipolSai does not have a tax management strategy explicitly approved by the Board of Directors. Revenues, profit deriving from technical and financial management and taxes for the year are made public in the financial statement documentation. The financial statements also include a statement of reconciliation of the theoretical tax burden compared to the actual tax burden with an explanation of the main reasons for deviations. A disclosure is provided on all of the main items that have resulted in misalignments between taxes paid and taxes accounted for. Starting from 2016, the parent UGF will provide the tax authorities with country-by-country reporting data that also include those of UnipolSai.

# **Human Rights**

The Unipol Group has not currently evaluated the risk of violating human rights as significant, either within its organisational units or with direct suppliers, operating primarily in Italy and making recourse to Italian suppliers for 97% of its supplies, with low-risk product types. Therefore, the commitment made in the Code and then outlined in the CSR Policy was deemed sufficient in this regard.

Indeed, the nature and geographical location of the Company's business do not give rise to particular critical issues along the supply chain. Moreover, also to ensure supplier relationship oversight, UnipolSai is developing a model for the reduction of environmental, social and governance (ESG) risks along the entire supply chain, in accordance with its 2016-2018 Plan objectives.

UnipolSai's approach to human rights is inspired by and complies with the United Nations "Universal Declaration of Human Rights" and the fundamental standards of the International Labour Organisation (ILO). The reference to the Declaration and the ILO standards, which relate to fundamental freedoms, as well as other issues such as child labour, discrimination and working conditions, is included in the responsible investment, supplier selection and human resource management policies. Within this context, UnipolSai promotes specific policies to protect and support individual and family requirements, with no discrimination based on gender, sexual orientation or political, cultural and religious beliefs.

In particular, the topic of Human Rights is also dealt with in the Code of Ethics of the Unipol Group which, in the version updated at the end of 2015, reinforced its reference to human rights, gender equality, transparency and integrity versus international principles of ethics and the fight against corruption and describes the role and behaviours of directors in greater detail. The Code of Ethics makes clear that all stakeholders may contact the Head of Ethics in writing and in non-anonymous form, with no fear of retaliation, to obtain clarifications and/or interpretations concerning the best models of conduct to avoid violations or breaches of the Code of Ethics or to report alleged violations or breaches of the Principles of the Code.



For more information on the Code of Ethics, please refer to the "Our identity" section of the Unipol Group website <a href="http://www.unipol.it/sites/corporate/files/pages related documents/carta-valori-2008-e-codice-etico-gruppo-unipol-2015\_eng.pdf">http://www.unipol.it/sites/corporate/files/pages related documents/carta-valori-2008-e-codice-etico-gruppo-unipol-2015\_eng.pdf</a>

## Main new Governance aspects

In 2016, Procedures, Policies and Guidelines were renewed which call for the strengthening of the governance instruments of the Unipol Group companies with effects on the subsidiary UnipolSai. In particular, the Board of Directors of Unipol Gruppo Finanziario approved:

- the "Procedure for the performance of related party transactions";
- the "Data Quality Management Policy", which aims to define guidelines on the management of company data within the Group;
- the "Procedure for reporting transactions concerning the shares or bonds issued by Unipol Gruppo Finanziario S.p.A. or derivatives or other associated financial instruments", meant to govern **internal dealing** reporting obligations. This new procedure was adopted, even without a clear and complete reference regulatory framework, following the introduction of a new EU regulation on market abuse (Directive 2014/57/EU, or MAD 2, and EU Regulation 596/2014 on **market abuse**, the "MAR").
- the "Business Continuity Management Policy". The policy updates the guidelines on business continuity with the aim of reducing the impacts of disastrous events on significant services to a minimum, whether they are provoked by sector, company, local or extended effects.

# Privacy

UnipolSai has established dedicated organisational controls, including a Function within Legal Affairs devoted to providing legal assistance in the area of privacy (the "Legal Privacy Function") in order to guarantee that personal data (of customers, employees and, in general, everyone who comes into contact with the Company) is processed in compliance with the provisions set forth in the Personal data protection code.

The Legal Privacy Function contributed towards defining, from the legal perspective, priority lines of action intended to guarantee compliance with regulatory requirements, particularly as regards IT security, data access by third parties and the generation of documentation required by law. Agents and employees are properly trained to further ensure the protection of personal data. In 2016, e-learning training courses continued to be provided:

- to Unipol Group employees, with 88.68% participation
- to Group Agents and their partners, with 66% participation.

Remote training courses expected to be activated in 2017 were also developed, concerning video surveillance, system administrators, healthcare facilities and hotels.

In 2016, 2 complaints were received for UnipolSai regarding the protection of personal data, which were appropriately answered.

### **IVASS**

There was an 10% reduction in the trend of IVASS interventions against UnipolSai S.p.A. compared to 2015. This is in line with the reduction in complaints (-13%) that occurred during the same time period. Considering IVASS measures by company area of only UnipolSai, the decrease was transversally distributed across all business areas. In particular, in the sales area there was a 47% decline compared to 2015.

Both the number of IVASS sanctions from complaints and the relative amount paid rose compared to the previous year. Taking into consideration the figure of the Group's main Company, 539 sanctions were paid for a total value of  $\{0.575, 893, up compared to the same period of 2015 (+57%)$ . The increase in sanctions paid in the MV TPL segment involved the entire insurance market with +10.7% in November 2016<sup>3</sup>; UnipolSai rose by 43.1%.

### Number of IVASS interventions and Sanctions paid

Amount of IVASS sanctions paid (€m)	2.7
Number of IVASS interventions	4,257
Number of IVASS sanctions	539

Source: Group Joint Legal, Equity Investments and Institutional Relations Department; Head Office Other Companies

# **Antitrust Authority (AGCM)**

By means of Measure dated 14 November 2012, the Italian Antitrust Authority started preliminary proceedings against Unipol Assicurazioni and Fondiaria-SAI (now UnipolSai) as well as Assicurazioni Generali and INA Assitalia in the assumption of coordination between said insurance companies aimed at limiting the competition between said parties in participation in tenders called by certain Local Public Transport Companies.

UnipolSai, deeming that it acted in full compliance with legality and correctness, retained its lawyers for the protection of its rights.

On 26 March 2015 the Antitrust Authority notified a penalty provision with which UnipolSai Assicurazioni was ordered to pay an administrative penalty of €16.9m.

At the end of the hearing of 2 December 2015, the Regional Administrative Court accepted the appeal filed by UnipolSai and entirely repealed the measure of the Antitrust Authority, indicating that it shares nearly all the substantial remarks raised by the Company.

With appeal served to UnipolSai on 21 March 2016, AGCM challenged the ruling issued by the Regional Administrative Court before the Council of State, which, with judgement dated 1 December 2016, published on 7 March 2017, rejected the appeal, confirming the cancellation of the penalty imposed at the time. The Company has already started an action to recover the sum paid at the time.

<sup>&</sup>lt;sup>3</sup> Source: DB Benchmark, Reporting Office (Complaints and Specialist Assistance To Customers) - ANIA, "Italian direct premiums 2015"

### FINANCIAL PERFORMANCE

€ 12,497mln

Direct insurance premiums

€527m

Consolidated net profit

96.5%

Combined ratio net of reinsurance (94.6% in 2015)

€ 0.125

Proposed unit dividend per share

# Profitability of the Group's activities

In 2016, the UnipolSai Group achieved satisfactory results, in line with the new Business Plan objectives, within a complex macroeconomic and sector situation characterised by persisting low interest rates, high volatility in the financial markets and strong competitive pressures, particularly in the MV insurance segment, in which the Group is the market leader.

During the period in question, direct insurance premiums, gross of reinsurance, were equal to €12,497m (€13,982m in 2015, -10.6%).

Direct premiums in the **Non-Life business** came to €7,218m (-1.6% compared to €7,334m in 2015), impacted by the effects of continuous competitive pressure on MV TPL rates.

In the **Life business**, the volume of direct premiums amounted to €5,279m, with a 20.6% decline when compared with the same period of 2015. The slowdown in business regarded primarily the bancassurance channel and can also be ascribed to the commercial policy adopted by the Group meant to limit traditional policy business, by focusing the offer more on class III or multisegment products: new business in terms of APE, net of non-controlling interests, amounted to €547m.

The **profitability of the financial investments portfolio** produced a significant return in the period in question equal to 3.7% of invested assets, a return which takes into account the write-down on the investment in the Atlante 1 fund in the amount of €19.5m, equal to 24% of the investment. During the year, the policy to gradually reduce the share of domestic government bonds continued to be implemented, with a view to gradual diversification towards a selective increase of corporate securities and other financial assets.

### Key financial and capital indicators

Amounts in €m	31/12/2016	31/12/2015
Non-Life direct insurance premiums	7,218	7,334
% variation	(1.6)	(12.9)
Life direct insurance premiums	5,279	6,648
% variation	(20.6)	(12.3)
of which Life investment products	585	584
% variation	0.1	n.s.
Direct insurance premiums	12,497	13,982
% variation	(10.6)	(12.7)
Net gains on financial instruments (*)	1,580	2,048
% variation	(22.8)	14.8
Consolidated profit (loss)	527	738
% variation	(28.5)	(5.8)
Investments and cash and cash equivalents	63,261	63,291
% variation	(0.0)	0.7
Technical provisions	55,816	56,095
% variation	(0.5)	(0.2)
Shareholders' equity attributable to the owners of the Parent	6,156	6,278
% variation	(1.9)	(0.3)

(\*) 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.

Source: UnipolSai Consolidated Financial Statements



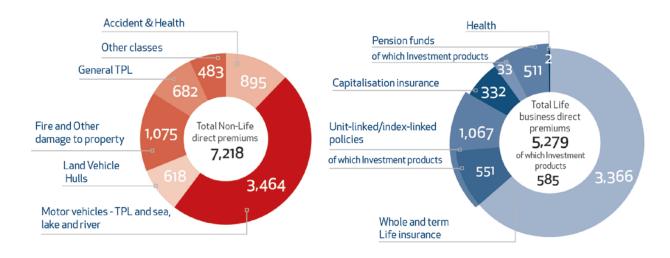
For more detailed information, see the Investor Relations page on the website <a href="http://www.unipolsai.com/en/investor-relations/Pages/default.aspx">http://www.unipolsai.com/en/investor-relations/Pages/default.aspx</a>

### Non-Life-Direct business

Non-Life business	31/12/2016	31/12/2015
Loss ratio - net of reinsurance	68.0%	66.4%
Expense ratio (calculated on premiums earned) - net of reins.	28.5%	28.2%
Combined ratio - net of reinsurance (*)	96.5%	94.6%

(\*) with expense ratio calculated on premiums earned Source: UnipolSai Consolidated Financial Statements

### **Breakdown of Non-Life and Life direct premiums**



Amounts in €m Source: UnipolSai Consolidated Financial Statements

The commercial management and development of the diversified companies continued, along with restructuring initiatives adopted in previous years and in some cases still ongoing. On 29 December 2016, the acquisition of hotel and property management business of UNA S.p.A. was completed, which created the new national leader in the Italian hotel sector, with 43 facilities (business and leisure), 5,500 rooms and with pro-forma turnover of approximately €120m.

Tenute del Cerro, owner of approximately 5,000 hectares of land in Central Italy and a national reference in the production of high quality wine, operates in the agricultural sector.

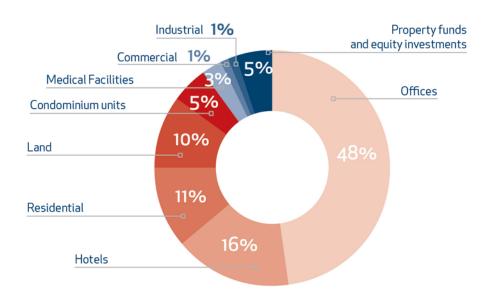
In the real estate segment, UnipolSai is one of the leading operators in Italy by extent of assets and is committed to the development, renovation and requalification of several buildings, some with a view to subsequent income generation through their sale or lease, and others for utilisation by the companies in the Group. With respect to changes in the real estate portfolio, the policies followed were to enhance and stabilise the impact of the real estate portfolio on all Group assets, increase the quality of the real estate portfolio through the disposal of properties with a return of lower than 3% and activities for the repositioning of *core* properties already in the portfolio, in order to improve the *vacancy* rate by 7 p.p. At the end of 2016, the rate quantified on the basis of the leasable *core* and *value added* portfolio is equal to 27.8%, an improvement of 0.7% compared to the previous period.

The most significant transactions are developing in the Milan area. They include the following:

- the construction of a new multi-storey building for business use in piazza Gae Aulenti (Porta Nuova Garibaldi area). The project entails building an approximately 100 metre tall office tower; construction work is starting. The tower will be built to have the highest certification in terms of energy and water saving and ecological quality of the spaces (Leed Platinum certification);
- completion and refurbishment of a headquarters building in via De Castilia (Porta Nuova area) to obtain a new ecosustainable, cutting edge building;
- refurbishment of Torre Galfa, via Fara 41, a 30-storey building in a central location in Milan, unused for approximately 15 years, which thanks to this initiative will become a multifunctional building with a hotel in the first 13 storeys and residential apartments in the remaining storeys. The top floor of the Tower will contain a restaurant-bar;
- refurbishment of a historic property in via Pantano 26 /Corso di Porta Romana 19, consisting of two independent blocks built at different times, which develop around a central courtyard. The Via Pantano 26 is for residential use and sales have already started with the "Residenze Ca' Litta" brand, while the building in Corso di Porta Romana 19 will be used for high-end head office purposes.
- refurbishment of the hotel property in via De Cristoforis 6/8 (Atahotel The Big). The refurbishment will make it possible to increase the number of rooms (over 160 rooms are planned) and the integration of wellness facilities, such as spa, fitness area and solarium, to raise the quality and positioning of the facility on the market;
- in addition, in the last quarter of 2016, refurbishment work started on two office complexes located in Milan: Via Tucidide 56, comprising seven towers of approximately 42 thousand square metres, and Via Dei Missaglia 97 (called Milano Business Park) comprising fourteen buildings of approximately 140 thousand square metres, areas where the shared parts of some of the buildings are being refurbished and auxiliary services are being created (cafeterias and car parking spots), and integrating commercial services directed at improving usability in order to make them more attractive, in particular in the office market in Milan.

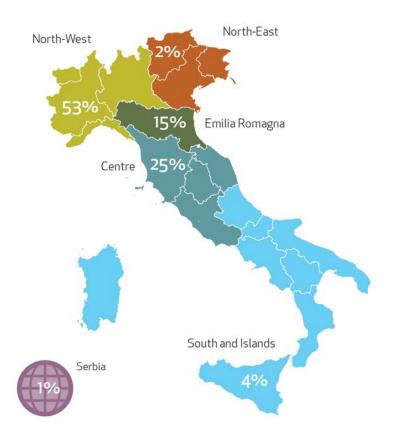
Currently, around 1,700 lease agreements with third parties are managed primarily located in Central and Northern Italy. The majority of customers are professional offices, while residential leases represent a minimal share.

### Real estate assets by intended use



 $Source: \ Group\ Joint\ Administration,\ Management\ Control\ and\ Operations\ Department$ 

# Geographical breakdown of the real estate assets



 $Source: Group\ Joint\ Administration,\ Management\ Control\ and\ Operations\ Department$ 

### SOCIAL PERFORMANCE

### **SHAREHOLDERS**

€ 1.75

Average price in the year of UnipolSai ordinary shares €5.8bn

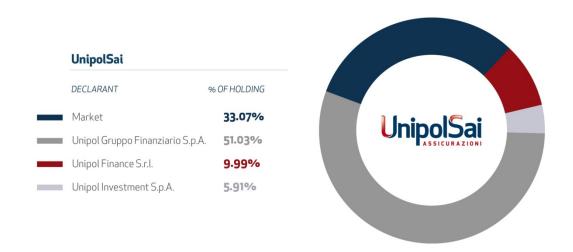
Stock Exchange Capitalisation 98.4%

of assets deemed sustainable following ESG monitoring UnipolSai admitted in

FTSE4Good Index

## Shareholding structure

The company is controlled by Unipol Gruppo Finanziario S.p.A., pursuant to Art. 2359, paragraph 1 of the Civil Code. The shareholding structure is shown in the chart below:



Investor relations activities were carried out consistently across Unipol Group and UnipolSai.

In 2016, meetings were held with more than 200 investors, while the number of financial markets covered by communications activities grew, to include for the first time this year Asia (with road shows in Hong Kong and Singapore) and new European offices in Madrid and Helsinki. The decision to aim for geographical diversification entailed, inter alia, a decline in the weight of UK investors met and an increase in Asian investors as well as investors from other European countries.

Financial analysts continue to provide positive opinions on the UnipolSai security (2 buy recommendations and 6 neutral).

With respect to capital management strategies and objectives, the Group places particular attention on applying a "Capital management and dividend distribution Policy", which provides the proper description of the capital management and dividend distribution process as well as the roles and responsibilities of the bodies and company structures involved in that process. In 2016, the Unipol Gruppo Finanziario S.p.A. Board of Directors approved an update of the above-mentioned Policy, amending the procedure to be activated for the distribution of other elements of own funds aside from dividends.

### Investment policies

The investment policies implemented by the Group adhered, in terms of long-term investments, to the general criteria of prudence and of preserving asset quality through a process of selecting issuers based on their strength and diversification, in line with the "Investment Policy".

The policy was updated in 2016 to incorporate provisions on investments and assets covering technical provisions introduced by the most recent IVASS Regulation, which adopts the Guidelines issued by EIOPA on the corporate governance system, with particular reference to the **prudent person principle** laid out in Solvency II pertaining to investments.

## Responsible investments

In order to verify the compliance of investments with the values expressed by the Group, a **Policy with exclusion criteria** was defined which calls for independent quarterly sustainability monitoring<sup>4</sup> as of 2012, but adopted in practice over time. To further strengthen this monitoring, starting this year the Group pledged to comply with the **Principles for Responsible Investment (PRI)**<sup>5</sup>.

Sustainability monitoring analyses investments in listed and unlisted financial instruments, excluding Investment Trusts (unit trusts set up and managed by SGR, Open-Ended Investment Companies), including investments in assets held as a hedge against technical provisions, including investments relating to supplementary pension schemes, and unit-linked and index-linked investments managed directly by UnipolSai.

The exclusion criteria at the basis of the sustainability monitoring are supplemented by the assessment of the level of compliance with the ESG principles of each issuer (expressed by means of a rating which identifies its minimum acceptable standard), according to the methodology described in the document "Proprietary Portfolio Black List Rules".

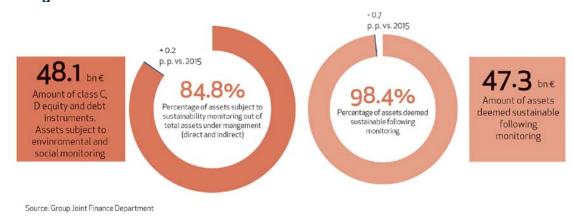
The exclusion criteria at the basis of sustainability monitoring consider, in the case of countries, the study of a series of indicators which demonstrate an insufficient degree of compliance with the principles defined by the United Nations in the UN Global Compact<sup>6</sup>; the countries classified publicly by the Freedom House NGO as "not free" or "partly free" in terms of civil liberties and political rights are also excluded.

<sup>&</sup>lt;sup>4</sup> This monitoring is carried out with the support of the external consultant ECPI S.r.l. (<a href="https://www.ecpigroup.com">www.ecpigroup.com</a>). This is an independent company specialised in assigning ESG ratings and building sustainability indices, which analyses issuer environmental and social performance and governance structure strength in accordance with its rigorous proprietary qualitative and quantitative research method.

<sup>&</sup>lt;sup>5</sup> See note in "Identity" section.

<sup>&</sup>lt;sup>6</sup>United Nations initiative launched in 2000 to encourage companies all over the world to adopt sustainable policies and make their results public. In detail, the Global Compact requires participating businesses and organisations to share, support and apply within their sphere of influence a set of fundamental principles regarding human rights, labour standards, environmental protection and the fight against corruption.

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





As an insurance company exposed to the Non-Life business, the matter of climate change is a material aspect considered in UnipolSai's responsible investment policies, with respect to which the Company became a CDP Investors signatory in order to properly evaluate the climate impact of its investment choices and committed to the Paris Pledge for Action.

In 2016, it participated in the Italian "National Dialogue on Sustainable Finance" roundtable discussion. This initiative, coordinated by the Ministry for the Environment and Protection of the Land and Sea (MATTM) in partnership with UNEP, aims to explore policies/actions/criteria to mobilise the financial system and align it with the country's Sustainable Development Goals (SDGs).

In drawing up its investment policy, UnipolSai also focussed greatly on the issue of speculation on the **agricultural commodities** market (soft commodities), and chose not to invest either directly or indirectly (as the manager of its customers' assets) in that market. Likewise, in the area of investment property, UnipolSai has never invested in the purchase or sale of land, adopting a precautionary approach, to protect the rights of the weakest members of society with regard to the phenomenon of **land grabbing**, or the large-scale, coercive hoarding of "unused" land, which is sold or rented to third parties (companies or governments of other countries) without the consent of the communities that live there or cultivate that land for food. To verify the maintenance of this commitment, a dedicated coding and monitoring activity will be launched in 2017.

At the same time, UnipolSai applies the selection of investments in the area of supplementary pension schemes as well. The results of the screening on the individual assets of the Open Pension Funds, Personal Pension Plans and Individual Pension Schemes are published in the next section entitled "Customers".



For detailed information, please refer to the "Technical articles" published in the Sustainability section of the website <a href="https://www.unipol.it">www.unipol.it</a>.

This approach is also strengthened by means of transactions that combine the objectives of profitability and risk management with significant social and environmental sustainability characteristics of the investee company

(Sustainable and Responsible Investments, or SRI). In this regard, UnipolSai invests in **alternative funds**, a category that includes Private Equity Funds, Hedge Funds and investments in Real Assets, **which are also relevant for SRI purposes.** 

For the selection and reporting of investments in this area, methodological *due diligence* was conducted which, alongside the usual financial analyses, calls for an analysis of social/environmental and governance (ESG) criteria which are continuously revised and updated, and the mapping of non-financial risks which could have an impact (reputational, regarding the carbon footprint, etc.). Currently, the methodology for the selection of investments in real assets which are also relevant for SRI purposes is applied to all evaluation analyses. **In 2016, the total value** of these investments amounted to approximately €148m.

In the field of the green economy, investments were made primarily in alternative energies, also selecting important sustainable mobility initiatives. In this regard, the investment in funds for the acquisition of existing forests is significant, which generate income based on the annual cutting of trees but which are constantly replanted to maintain the value of the *asset* at the end of the duration of the Fund. The "income-generating" forests are also more controlled and managed than virgin forests, and therefore they are less subject to fires and disease.

In Welfare, we maintained our investment in residential care services.

We also boosted investments in the area of infrastructure for digital innovation (particularly fibre for high-speed connections) also dedicated to introducing networks into rural areas, triggering social benefits for local communities. There is also a fund which applies the sustainable investment strategies, defined by Eurosif<sup>7</sup>, of integration<sup>8</sup> and soft engagement<sup>9</sup>.

As regards **investments with social impact**, Unipol is present in the social housing sector through equity investments in the Housing Toscano Fund, the Polaris Parma Social House Fund and the FVG Social Housing Fund. During the year, the portfolio was enhanced with the equity investment in the Uni HS AbitaRE Fund. These Funds develop and manage social real estate with the goal of supporting a new supply of accommodation for those who are unable to satisfy their housing needs in the market, for economic reasons as well as due to the lack of adequate availability. According to the Eurosif classification of ethical and sustainable investment strategies, the above-mentioned funds were classified as Impact Investments<sup>10</sup>, with a percentage of actual impact in accordance with the new Eurosif guidelines (corresponding to the value of investment property<sup>11</sup>):

Funds	Percentage of impact
Polaris Parma Social House	89.1%
Housing Toscano Fund	83.2%
FVG Social Housing Fund	42.2%
Uni HS AbitaRE Fund	0%

Data at 30 June 2016.

The Uni HS AbitaRE Fund is newly established and at 30 June 2016 it had not yet completed its investment in real estate.

Source: Finance Department

At the end of 2016, the UnipolSai share is present in 10 international SRI Finance indexes.

- ECPI Euro ESG Equity
- ECPI World ESG Equity
- FTSE4Good Global Index
- FTSE4Good Europe
- STOXX Europe Industry Neutral ESG
- STOXX Europe Ex Tobacco Industry Neutral ESG Ex AGTAF (Alcohol Gambling Tobacco Armaments & Firearms)
- Euro STOXX Sustainability
- STOXX Europe Sustainability
- Euro STOXX Sustainability Ex AGTAF (Alcohol Gambling Tobacco Armaments & Firearms)
- Standard Ethics Italian Index

<sup>&</sup>lt;sup>7</sup> Eurosif (European Sustainable Investment Forum) is an international non-profit association whose mission is to develop sustainability through the European financial market.

<sup>&</sup>lt;sup>8</sup> Explicit integration by the financial operator of ESG opportunities and risks within traditional financial analysis and investment decisions based on a systematic process and appropriate research sources.

<sup>&</sup>lt;sup>9</sup> Dialogue between the investor and the investee company

<sup>&</sup>lt;sup>10</sup> Investments made with the intention of generating positive social and/or environmental impact along with a financial return. Impact investments may be made in either emerging or developed markets and may have market or below-market returns depending on the circumstances. These investments focus on specific projects and are distinguished from philanthropy. They include for example microfinance, community investments, social investments, the French *fonds solidaires* funds, etc.

<sup>&</sup>lt;sup>11</sup> An investment portfolio should always be diversified, therefore alongside investments in social housing properties, the portfolio should also include the liquidity to make further possible investments in property and it should be profitably invested in financial assets with adequate risk.

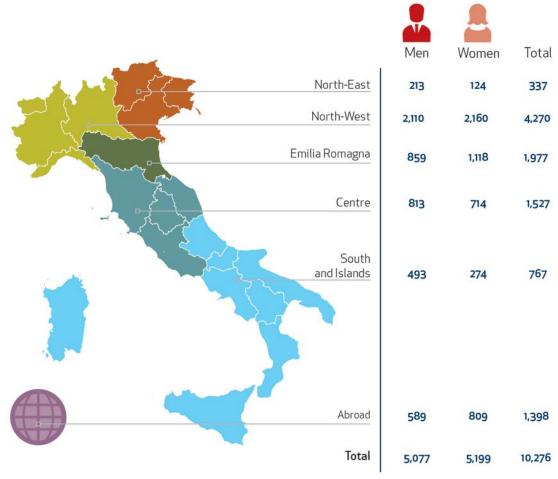
### **EMPLOYEES**

10,276	51%	27%	17%
Total	women	women employees in a position of responsibility	Turnover
employees	employees		ratio

## **Employment**

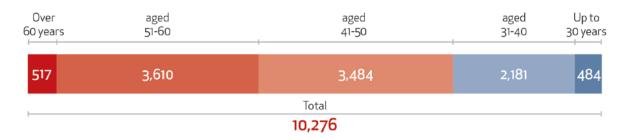
At 31 December 2016, the UnipolSai Group recorded a positive balance of higher employment (+325): Indeed, UnipolSai continued to invest in new employment, hiring 1,174 people (50% women) with a particular focus on those under 30 (28%). Turnover, i.e. the ratio between the sum of the number of people taken on and those leaving and the total number of employees, was 17%. Use of staff supply contracts is marginal: only 73 employees fall within this category, while overall 96.4% of employees have a permanent contract, confirming the focus on the protection of stable employment. There were 1,649 part-time workers, amounting to 16% of the total staff, while seasonal workers in the tourism and agricultural sectors accounted for 0.9% of all employees.

### Number of employees by geographical area



Source: Group Joint Human Resources and Organisation Department

### Number of employees by age brackets



Source: Group Joint Human Resources and Organisation Department

It should be noted that in 2016, just two years after the merger, a single Supplemental Corporate Agreement ("CIA") was defined the approval of which was subject to consultation by means of employee vote, which made it possible to unify the regulatory, economic and support conditions for all of the Group's insurance area employees. The compensation packages unified and harmonised by the new Group CIA led to an increase in costs of approximately €24.2m when fully implemented, 15% growth compared to the current supplementary compensation packages.

Once the insurance restructuring process was completed, other critical situations were also managed in agreement with the union: the mobility procedure (pursuant to Law 223/1991) was activated for 110 employees following the placement into liquidation of Centro Oncologico Fiorentino with the relative dismissal of the company's entire staff (for whom public sector solutions and specific incentives were activated) and for 135 employees of AtaHotel, following the termination of hospitality activities at the properties owned by ENPAM, which were returned when the lease agreements expired. This model of union relations based on the principles of transparency, interaction and dialogue, which are implemented through structured, formal processes, led to the use during the contractual renewal phase in 2016 of 31,991 hours of strikes and 192,341 hours of union leave as well as the organisation of 56 union meetings for a total of 18,190 hours.

All employees are covered by the sector collective agreements, while 59% are union members with reference to the companies to which the national insurance sector and services sector agreements apply.

The constant investment in employees is one of UnipolSai's responses to achieve the strategic targets established for 2018 and to deal with changing trends sweeping through the insurance segment.

From training to organisational model simplification, from development plans to contractual harmonisation, a range of instruments are adopted to enhance individual capabilities and favour professional employee growth by cultivating their knowledge and loyalty.

### Human resource development

With respect to training, the strengthening of internal skills supports the service model evolution plan: in March 2016, Unica was founded, the Unipol Group's **Corporate Academy** focusing on professional and skills training for all structures in Italy, with a direct and indirect investment of more than **€9m**. The goal of the Academy is to spread and increase knowledge, and share the managerial model while strengthening the corporate culture. The real estate and diversified companies were mainly concerned by technical and regulatory training activities. Indeed, significant space was reserved for safety training.

More specifically for the development of innovation capacities, also through forms of internal and external participation and cooperation, in 2016, AlfaEvolution Technology SpA was established, which operates as a technological and competence centre on the Group's entire telematics portfolio, as well as Leithà, a structure dedicated to innovation with the purpose of providing support in the construction of software prototypes and of testing new technologies as well as the predictive analysis of data to aid development of the Group's businesses and insurance IT systems.

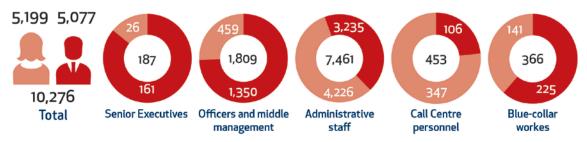
Employees are also leveraged through significant recourse to internal mobility, a solution which has been applied for many years now. This enables the company to satisfy the majority of potential staff requirements by leveraging internal professionals and offering them the opportunity to take advantage of new jobs offered, in line with their skills and aspirations. In the course of 2016, 25% of the open positions were filled with internal candidates, while 1,050, equal to 10% of the entire staff, found a new position within UnipolSai Group Companies.

In relation to job promotions, during the year 7.1% of employees were promoted to the next highest job classification level.

### Managing diversity

UnipolSai's approach to *diversity* is based on the *empowerment* of women and the improvement of the conditions of well-being and productivity of the disabled within the company. Women account for 51% of all employees: 14% of executives are women while, considering all positions of responsibility including officers, women amount to 27%, for a total of 485 employees. In 2016, 1,402 employees worked part time. Of these, 86% were women.

### Number of employees by job-level category



Source: Group Joint Human Resources and Organisation Department

As part of the projects dedicated to employees with disabilities, support and integration actions continued. One project area regarded employees impacted primarily by ALS and multiple sclerosis and called for the introduction of solutions for adjustment to the work environment, psychological support and, in the most severe cases, the creation of an at-home workstation.

For visually impaired and blind employees, specific support services were activated for office transfers to provide specific training regarding orientation to the new commute as well as mobility within the new work space.

Another project area regarded hearing impaired and deaf employees and called for, again in 2016, the continuation of the training programme for their managers and co-workers to favour greater understanding of the characteristics of this disability and to facilitate integration.

In addition, the project for in-sourcing General Services activities continued, which calls for the launch of IT and technical training courses for those with serious disabilities who belong to that department.

In addition, in 2016 no episodes of discrimination (according to Legislative Decree 215 and 216 of 2003) were recorded and there were no final decisions or sanctions on this matter.

### Remuneration system

The top objective of the Remuneration policies is 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 key principles for determining remuneration are also internal fairness, meritocracy and comparison with the reference markets.

The professional performance expressed by the employees is subject to evaluation through specific incentive schemes for the most part meant for the personnel of the main business lines. The main characteristic of the systems in place is the self-funding requirement and, as a result, the indicators used are based on company results, as well as those specific to the individual's professional area, so as to guarantee sustainable performance over time.

In the evaluation and incentive process for executive personnel, qualitative indicators correlated with performance in

terms of project and behavioural capacities consistent with the Unipol management model are also highly important. These include behaviours meant to favour a managerial approach based on criteria of fairness, farsightedness and responsibility in which indicators connected to sustainable governance capacities are particularly relevant.

In the definition of its remuneration policies, the UnipolSai Group pays particular attention to guaranteeing pay equality for all employees. With regard to the **pay gaps between women and men**, the levels were calculated without including any type of variable compensation or the top management on the Board of Directors, who are all men. The Group figures show a salary differential to the advantage of women among call centre personnel and seasonal personnel, due to the responsibilities they currently have at present. Vice versa, for the other job categories the median salary of women is lower than that of men.

### Pay gaps by gender and job level category



\*excluding the companies abroad and Seis. Source: Group Joint Human Resources and Organisation Department

Bonus schemes based on specific targets for staff throughout the Group other than Senior Executives identified 3,279 potential employees in 2016, equal to 34% of UnipolSai workforce.



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

# The Welfare system

With the goal of improving the well-being of its employees, UnipolSai invests in the development of work-life balance programmes and initiatives. The keystone of this strategy is the **welfare system**, which encompasses institutions existing for many years resulting from negotiations with the trade unions such as the employee pension funds, the healthcare assistance funds, preventative healthcare and others which over the years have been added or expanded, including new elements in the Supplemental Corporate Agreement ("CIA").

In the Group, 12 Pension Funds and 15 Welfare Funds are active to cover workers in the insurance, agricultural, commercial, tourism and services sectors. As regards the pension system, more than 8,500 employees, including managers, are enrolled in the Pension Funds. Overall, more than €17.4m in contributions were made by UnipolSai Group companies. With reference to all Employee Pension Fund members, in 2016 more than €44m was paid, including contributions borne by the Companies, for the Workers and post-employment benefits paid out; the contributions paid in the same year for all members of the Senior Executives Pension Fund amounted to roughly €4m, including contributions borne by the Companies, for the Senior Executives and post-employment benefits paid out.

The regulations of the Pension Fund provides that it is possible to maintain membership and consequently make voluntary payments into it even when personnel is no longer employed by the UnipolSai Group Companies.

More than 9,200 workers have subscribed to the UnipolSai Group Welfare Funds, including senior executives, for which the companies paid the total amount of roughly €13.5m in contributions in 2016. Contributions paid into the Employees Welfare Funds in 2016 by employer companies and personnel for the total number of members amounted to over €12.4m; the payments made for the Senior Executives Welfare Funds by the employer companies and the executive personnel totalled around €2.2m.

In specific cases in point regulated by the contracts, collective contracts and company regulations, enrolees can continue to benefit from assistance coverage for the time the sources establish even if no longer employees of the Group Companies.

### Percentage of members and contributions paid into the Pension Funds and Welfare Funds

Pension Fund	Senior Executives	Employees
Percentage of <b>members</b>	97.3%	82.7%
Total contributions (€m)	4.1	44.2
Impact of company contributions	54.7%	34.4%

Welfare Fund	Senior Executives	Employees
Percentage of <b>members</b>	97.9%	89.4%
Total contributions (€m)	2.2	12.5
Impact of company contributions	94.1%	91.7%

Source: Group Joint Human Resources and Organisation Department

Alongside these welfare initiatives, the Company has also provided a structured optional company welfare system for some time now to improve time management and work-life balance: "**Noi Unipol**" is broken down into three areas: Time-Saving Services, Services for Individuals and volunteer opportunities. The first are developed especially at the offices to facilitate the management of everyday needs; the second reconcile supply and demand to make a range of services as broad, flexible and differentiated as possible available in light of the multiple requirements that arise throughout the lifecycle, from nurseries to *care givers* for the elderly.

To support **occupational health and safety**, aside from routine activities such as workplace inspections (more than 3,028 in 2016), health monitoring and activities linked to properly following reference laws, voluntary health monitoring activity continued, a new work-related stress assessment was conducted in accordance with the INAIL 2011 Guidelines and the **Health and Safety Management System** manual inspired by the **BS OHSAS 18001:2007** standard was instituted. In addition, volunteer activities continued with seasonal flu and cardiovascular prevention initiatives; 6 sessions of a smoking dissuasion course were also held. As regards the verification of the comfort of offices and workplaces, layouts and logistic parameters were taken into consideration as well as environmental aspects (microclimate, lighting, noise, legionella risk).

With respect to workplace accidents, in 2016 there were 149, of which 111 while on the move, while 1,698 people participated in the specific training courses, for a total of 10,293 man-hours.

This Group commitment contributes to improving the employee absenteeism index. This rate, calculated by taking into account the total number of days of absence <sup>12</sup> and the total number of theoretical employee working days at period-end, is 6.6%.

Considering the complex distribution of UnipolSai throughout the country, it has made a particular commitment to promoting and supporting sustainable mobility. It has a travel management policy in place which promotes expanded use of public transport and conference calls, car pooling, the identification of cycle mobility interventions, investments in infomobility and activities to support safe driving. As regards commuting, 2016 was the first year in which a commuting plan was prepared by the Unipol Group on all 8 offices present in Bologna, which outlined the behavioural policy and helped to develop a consistent and systematic sustainable mobility strategy across all of the Group's cities and offices. In the next three years, commuting plans will be developed in all cities in which UnipolSai has offices.

The tools adopted include *car pooling*, in use since 2011 through an online platform, and the experimental *bike sharing* programme (in various cities, in addition to the presence of a fleet of roughly 50 pedal assist bikes, bike stations were installed where employees can park their bicycles). In addition to these initiatives, a system of financial incentives to use

<sup>12</sup> absence refers to a brief illness, accident, public duties, leave to donate blood and other, absences pursuant to Law 104/92, meetings/strikes

public transport is also in place, structured differently depending on the city and the types of travel passes available. In 2016, a total of 1,754 employees took advantage of these benefits.

Overall, the collective negotiations and welfare approach contributed to limiting legal disputes with employees to just 125 (equivalent to 0.012% of employees), of which 96 opened during the year. None of the above-mentioned disputes specifically regard "health and safety", understood as disputes concerning violations of regulations on safety in the workplace and/or demands for compensation for damages to health attributable to the Company due to its failure to meet its safety obligations pursuant to Legislative Decree 81/2008. In only two cases were there final rulings, while UnipolSai was not subject to any sanctions for any of these disputes.

These initiatives represent UnipolSai's concrete contribution to achieving the objective of the Unipol Group's 2016-2018 Sustainability Plan relating to Corporate well-being: the commitment consists, on one hand, of completing and strengthening the process of integrating company welfare, preventative healthcare and work environment qualification activities, and on the other hand, of reaching a significant share of "ambassadors", i.e., those who attribute an excellent reputation to Unipol<sup>13</sup>. In reporting in March 2016, out of a sample of roughly 2,000 employees, the percentage was 21%, compared to the target of 25% for 2018.

<sup>13</sup> employees who gave Unipol a reputational assessment higher than 80 points and also expressed a strategy alignment higher than 80 points

### **CUSTOMERS**

10.1

million customers and policyholders

17.9%

Impact of premiums of products and services with social and environmental value: 82.0%

Claims settlement rate for the current year (UnipolSai Assicurazioni)

16,106

complaints received by Italian companies of the UnipolSai Group 0.71%

Number of complaints as a percentage of the number of claims reported:

(UnipolSai Assicurazioni)

97.9%

Customer Satisfaction Index

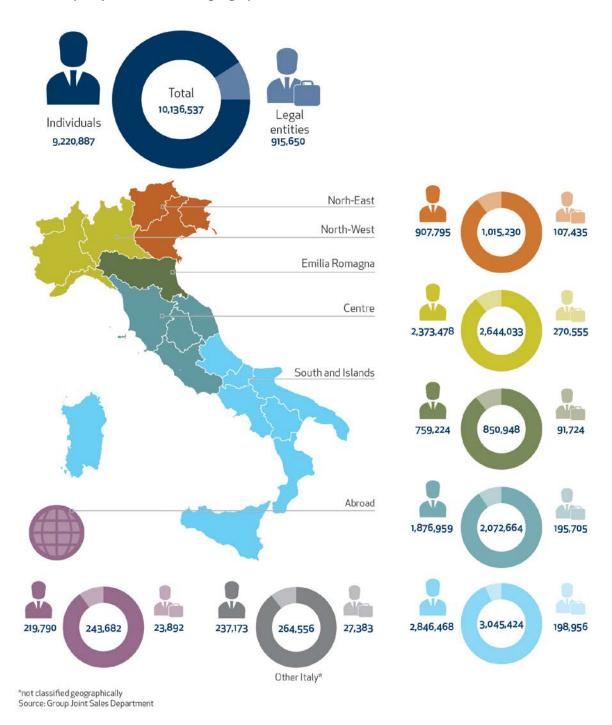
## Customer's profile

UnipolSai provides its insurance services to more than 10 million direct customers and policyholders through collective policies: of these, 9.2 million are individuals, with a good rate of retention and cross selling amongst the other Unipol Group companies.

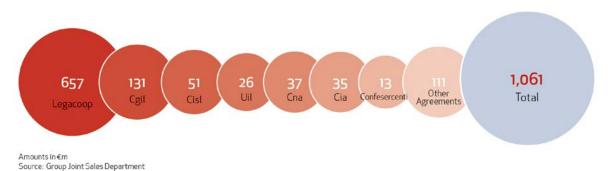
The segment of companies is broken down into two macro-categories based on characteristics and needs: small and medium-sized enterprises (SMEs) and Corporate. The former come to a significant extent from Member Organisations, autonomous workers' organisations and associations of small and medium-sized companies (CNA, Confesercenti, CIA) and cooperatives (Legacoop) historically close to Unipol. This relationship is developed particularly through their participation in Unipol Regional Councils (URC) and by entering into specific agreements, which represent a specific relational model focusing on the aggregation of demand by the members and associates.

At the end of 2016, the premiums from National Agreements with Member Organisations exceeded €1bn, in line with the previous year. Overall, the amount of premiums earned from agreements with the Member Organisations accounts for 8% of the UnipolSai Group's premium income, in addition to roughly €600 thousand in premiums earned through the Workplace Agreements and around €5m in premiums from collective memberships with organisations and associations.

# Customers/policyholders based on geographical area



### Amount of premiums from agreements



In the Corporate segment, defined based on turnover (above €50m) or on the number of employees (more than 200), UnipolSai offers a complete range of insurance products and solutions geared to the needs and characteristics of the large companies. The presence of so-called "Large Customers" was particularly important, associated with the world of cooperation and medium-large manufacturing businesses, reached primarily through brokers.

One characteristic of the relationship with the corporate world is the **development courses** aimed especially at SMEs which receive support from risk management specialists in their internationalisation processes and with the expansion of direct repair services supplemented by assistance services. The measures implemented to boost the productivity and competitiveness of business customers leverage Group excellence: the specialisation of the agent network and process innovation. These measures, along with the strengthening of coverage for production risks and financing for innovation and growth, aim to improve policyholder services and reduce the impact of losses. Indeed, to deal with an interruption in production activities, UnipolSai and its specialised partners have launched a service for business customers (particularly SMEs) which entails **prevention** activities based on the definition of *Disaster Recovery Plans* and **highly specialised support services** post claim, such as emergency intervention and rescue actions, which reduce recovery times to a minimum. The commitment to supporting the adoption of risk reduction behaviours at individual and company level is a fundamental lever to boost production system resilience. This is why in 2015 UnipolSai launched a European project entitled **Life DERRIS** – *Disaster Risk Reduction Insurance* to try out an innovative multi-stakeholder collaboration model that involves the public administration, insurance companies, the world of research and businesses to reduce the risks caused by extraordinary weather events.

The DERRIS project, in which the Unipol Group plays a leading role along with its partners the City of Turin, Cineas, Anci, Coordinamento Agende 21 and UnipolSai, calls for the implementation of a series of actions to transfer risk evaluation and management skills, as well as knowledge about tools and steps to take to reduce vulnerabilities, and as a result damages, for individual businesses.

In September 2016, the pilot test phase was launched in the Municipality of Turin, with the involvement of 30 small businesses in a course that includes 20 hours of training as well as technical support (through two inspections at each company) to evaluate and reduce weather/climate risk exposure. During the pilot phase, it was also possible to test the risk self-evaluation tool (CRAM tool) designed in the first phase of the project which, using georeferencing, analyses the level of danger of the area where the company is located with reference to the 7 dangers of the DERRIS project (flood, precipitation, wind, lightning, hail, temperature - heat and cold waves - and landslides) and provides the company with information on its risk and resilience index based on a series of questions. Based on the replies provided by the company, the tool makes several suggestions (selected from amongst the 70 suggestions contained in the tool) regarding the actions to be implemented to mitigate or manage the risk. The pilot test phase under way in Turin aims to guide Turin-based companies in preparing an action plan by the end of March 2017 before extending the project to another 10 cities and 200 SMEs located throughout the country, which will in turn be engaged in a process for the adoption of business adaptation plans.

At the end of 2016, the Group's companies portfolio (Corporate and SMEs) counted over 900 thousand customers (equal to 9% of the total), of which roughly 96% in Italy.

Outside Italy, UnipolSai also operates in Serbia: the subsidiary **DDOR Novi Sad represents** the second operator in the Serbian market with a portfolio of more than 230 thousand customers, to which it provides Non-Life and Life services and products.

## The range of products

Considering current *trends* and new emerging risks, UnipolSai is moving along two paths: the application of telematics and Big Data analysis on one hand, and direct and integrated governance of service processes contiguous with the core business, on the other.

In this first regard, the Company boasts a significant position with 3m devices installed in Italy, also thanks to the ongoing launch of new products that use telematics, such as the trials with Business policies and the agribox applied on agricultural machines.

With regard to the integration of processes and services contiguous with the core business, UnipolSai stands out due to its in-housing of support, emergency response, maintenance and direct damage repair, supporting its customers by providing solutions, not only compensation, for the damages suffered. As a result, the following play a decisive role:

- Finitalia for payment by monthly instalments with no additional costs;
- **Auto Presto&Bene** and **AP&B Car Service**, constituting a network of more than 2,700 repair shops present throughout the country to offer MV policyholders certified repairs with no cash advance;
- MyGlass, which provides repair and glass replacement services through 187 glass-fitting centres;
- the network of craftsmen distributed throughout the country for direct repair anywhere in Italy.

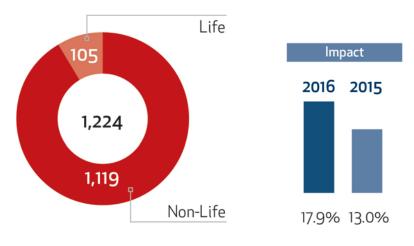
At the end of 2016, 29.8% of the claims managed were channelled to repair centres belonging to the Auto Presto&Bene network, reducing the average repair cost by 29%. In the case of MyGlass, 65% of claims are channelled to its network, resulting in an average financial benefit for the Company of 14%.

The service provided helps to consolidate customer relationships, as demonstrated by the 85.5% retention rate of customers that acquire policies with integrated services provided by the AP&B network, against the MV TPL average of 81.2%.

Another distinctive element of the UnipolSai offer is its long-lasting commitment to responding to a changing society by meeting new environmental or social requirements. In particular, UnipolSai's **leadership position in the Non-Life and Pension Funds segments** is in and of itself an important response to the increasingly significant welfare and security needs arising in the communities in which the Company carries on business.

Overall, premiums of policies with environmental and social value totalled €1,224m, equal to 17.9% of the total of the corresponding product families.

### Amount of products of social and environmental value



Amounts in €m Source: Group Joint Administration, Management Control and Operations Department

In Non-Life protection business, the following have a significant social and environmental value:

- restoration of original conditions (flood, earthquake, compensation in kind to companies);
- safeguard of purchasing power (monthly fractioning, welfare protection, premium protection and zero-rate financing);

- public welfare integration (Health and some policies in the Accident business, such as Comatose Conditions);
- support to new entrants to the labour market (the Smart Activity products, in particular the offer to start-ups and new self-employed);
- climate change (products to protect solar panel systems from climate/weather phenomena, the "salvastagione" product, which provides coverage for weather risk to merchants operating in tourist areas).

Now all products, **including Life products as well as those for SMEs**, **can be paid for** in monthly instalments with no additional costs. This service is important to maintain and strengthen relationships with customers, as seen by our higher retention rate (87.8%) for those who use it compared to the UnipolSai average, which amounts to 86.9% for MV TPL policies upon expiry, and is higher than the market average (83%).

In the **Life protection business**, the products with a particularly high social value

include the UnipolSai Autonomia low-cost policy, an extendable LTC policy for those over 70 years of age with no medical checks; TCM UnipolSaiSmart for single-income families earning up to €30k and UnipolSai Risparmio Giovane.

Also in the Life Business, despite the difficult competitive environment, UnipolSai plays a key role in all **forms of supplementary pension schemes** dedicated to employees and other workers, managing the assets of 405,565 enrolees of the Occupational Pension Funds and 45,133 enrolees of the Open Pension Funds.

In addition, a total of 89,907 people participate in personal pension funds and individual pension schemes, and there are 87,967 insured through the Pre-existing Pension Funds. One of the four segments of the Unipol Insieme Open Pension Fund managed by UnipolSai Assicurazioni, the "Protezione Etica" segment invests in a diversified portfolio of primarily bonds and marginally equity instruments in the Eurozone which are fully managed according to ESG (Environmental, Social and Governance) criteria. The relative assets amount to €82.1m, up 2.2% compared to 2015, equal to 9.2% of the assets of the corresponding pension segment. For the "Protezione Etica" subfund, UnipolSai has published a voluntary report dedicated to current and potential subscribers for years now, which adheres to the model of the "European SRI Transparency Code" issued by Eurosif - European Sustainable Investment Forum. Likewise, the percentage of investments for the Individual Pension Schemes and the Personal Pension Plans currently under management that satisfy the ESG criteria was published in the obligatory documents required under the Covip regulation (calculated for each individual pension scheme and personal pension plan).

For the Open Pension Funds, compliance with the criteria amounts to an average of 98%, for Personal Pension Plans 99% and for Individual Multi-Segment 98.8%, while the Individual Pension Schemes reached 99.4%.

In the Life business, with a view to simplifying the acquisition of products by customers while reducing "mismatch" risk, the Life product certification procedure continued alongside a significant streamlining of the Life product price list, to ensure reliability and reduce the structural informational asymmetry existing between customers and the insurance company. This certification calls for the verification by Bureau Veritas - a company specialised in control, compliance audit and quality certification services - of UnipolSai's compliance with product specifications in accordance with the values of transparency (full, understandable and trackable information), fairness (clear and balanced cost) and product value (protection of capital and investments selected). The certification body checked compliance with these values by monitoring requisites and indicators running along the entire process, ranging from identification of needs to after-sales management, thanks to transparent and fully tracked organisational practices. The relevant aspects are, on one hand, respect for the balance between meeting the interests of the final customer, the Company and the community, and on the other the search for simple and transparent communication to enable customers to make informed choices. Currently, the UnipolSai Life product range concerned by this certification is the "Investment" line, including class III products. During 2017, the products from the Savings line will also be audited, in accordance with the Three-Year Sustainability Plan.

With respect to the opportunity arising from **financial inclusion** and the expansion of access to financial services to disadvantaged segments of our society, aside from the initiatives already mentioned in the Life segment, UnipolSai is developing micro-insurance products and innovative sales and accumulation models for the base of the pyramid, and is also conducting detailed analyses concerning the potential and specific needs of the non-profit sector to support its growth as well.

Alongside these initiatives present in the 2016-2018 Three-Year Sustainability Plan is the "Local Welfare" action, also to be implemented during the Plan period, and aiming to develop policyholder aggregation solutions to extend healthcare and welfare coverage outside the world of work.

## Claims handling

Claims handling is a critical step in which the customer interfaces with the Company and assesses its fairness, efficiency and quality. This is why UnipolSai has maintained and strengthened its commitment to improving the excellence of its operating mechanism through settlement structure specialisation and investment in electronic settlements.

In particular, on the claims settlement efficiency front, significant initiatives are being carried out in three main areas:

- an organisational restructuring which led to the specialisation of the settlement structures while maintaining a widespread geographical presence. In the community, the UnipolSai Group has decided to sign partnership agreements with adjusters, physicians and claims handlers. The network of approved representatives consists of 1213 adjusters, 429 medical experts and 1290 lawyers in Italy and abroad;
- the evolution of settlement processes integrated with telematics, as a tool to guarantee increasing speed of execution and capacity to combat fraud. In the case of vehicle black boxes, the effectiveness guaranteed by the use of online data during settlements is greater in areas which historically have more claims, where the vehicle black box has been used due to expected improvements in risk assessments and, as a result, is more widespread. Indeed, in the Centre-South, 48% of claims allow for the use of data from telematics, and settlement process speed has improved by 2.8%, compared to claims with personal injury not supported by telematics, with an average cost for the company of less than €377. Also with a view to combating fraud, an innovative anti-fraud engine has been developed which selects the sample of potentially fraudulent claims to be channelled to the dedicated settlement structure;
- the new claims management system which continues to evolve so as to allow for an increasingly direct relationship with customers and enable important process innovations (from anti-fraud engines to proprietary portals for trustee management).

### **Anti-fraud measures**

UnipolSai strengthened its commitment to pursue fraud and other criminal behaviour by preventing and combating fraud in order to protect not only the interests of the Company (to reduce costs arising from undue settlements) and the insurance market but also those of the customer and consequently of society as a whole, to avoid speculation which may impact rates. In addition, in 2016 significant new legislation impacted criminal-law initiatives to a considerable extent, especially in the underwriting phase: the abrogation of the crime of falsification of private agreements (Legislative Decree No. 7 of 15 January 2016). This abrogation resulted in a further concentration of anti-fraud activities on the identification of cases of fraud for which document falsification and alterations constitute instrumental aspects, and not the primary objective of the conduct.

Activities for preventing and combating fraud are broken down over two levels:

- the **Special Claims Area Function**, which centralises the management and settlement of claims at risk of fraud, of all types (with the exception of the Transport, Assistance, Bonds, Legal Expenses and Health segments), operating for all Companies (except Ddor Novi Sad) and reporting to the Fraud function, where necessary, the claims subject to in-depth examination. In 2016, this Function received a total of 20,395 reports (67% were reports from the network) of suspicious claims, which resulted in 12,162 challenges;
- the **Anti-fraud Function**, which carries out further investigations, also aimed at possible criminal-law initiatives, and deals if applicable with complaint-related activities, also managing the criminal proceedings and handling relations with the Police Authorities. In 2016, the UnipolSai Assicurazioni S.p.A. Anti-fraud Function managed a total of 5,623 reports of fraud associated in part with the underwriting of policies entered into fraudulently and in part with falsified documents, and reports relating to claims at risk of fraud.

In response to these reports, the Function identified 1,505 deserving of investigation for the necessary assessments and filed 412 complaints, while the total cases under management, irrespective of the year in which they were opened, amounts to roughly 10,000.

In the UnipolSai Group's Life bancassurance segment, there are two types of control. The first is conducted by the management offices on the operations of individual adjusters. The second consists of widespread control over all documentation provided to the Company by the branches for transactions requiring management authorisation.

### **Customer relations**

Our focus on the customer takes the form of a digital strategy meant to simplify customers' decision-making processes through all channels and devices as well as the digitalisation and streamlining of sales and administrative processes in the agency. In terms of **Customer experience**, to foster direct contact between the Company and Customers, the UnipolSai business model has begun to shift towards a multi-channel structure by means of a gradual process that will make all customer services fully accessible from remote and mobile channels, while maintaining the presence and advisory skills of the agency network as a central element. Through a multi-channel model supported by professional agents, a series of personalisable online services have been activated which seek to facilitate and simplify the customer's decision-making process. Also with a view to comprehensibility, transparency, fairness and accessibility in communications between UnipolSai and its customers, information tools - newsletters and blogs on specific topics based on the Company - have been improved upon, and the service has been updated, resulting in a 12% increase in UnipolSai home insurance. Apps have also had good productivity, with a considerable increase in downloads by customers in the last year (+142%). These initiatives join those already launched on process simplification, digitalisation and integration between the agency and the Company, described in the "Agents and Agencies" section.

## Complaint management

UnipolSai aims to avoid, as much as possible, recourse to the judicial authorities if disputes arise with customers. The approach to dispute management is based, in fact, on safeguarding the customer's interest, preferring to strive for out-of-court solutions also in order to avoid, where possible, with respect to the prevalently cost-generating nature of this type of dispute, costly lengthening of dispute management times and of related costs charged to customers. Recourse to judicial proceedings mainly occurs in the event of a clear attempt to speculate, of excessive and/or unjustified demands for compensation and other fraudulent conduct.

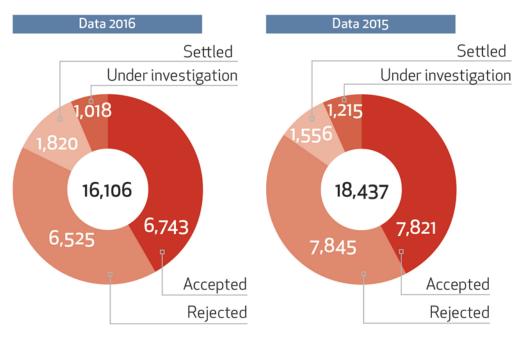
Therefore, the function that receives complaints and provides specialised support to customers is very important, not only to avoid or reduce the occurrence of sanctionable cases, but especially to ensure that customers feel that their rights are protected, supporting the reputation of a knowledgeable and efficient Company. Customers are invited to resolve the dispute first of all by speaking with the Agent, the closest "player" to him or her.

In this regard, during the year the Unipol Gruppo Finanziario S.p.A. Board of Directors updated and approved the "Complaints management policy" to incorporate the provisions of IVASS Measure No. 46 of 3 May 2016, which introduced new requirements on the management of complaints relating to the conduct of insurance intermediaries. The complaints management policy defines guidelines for the proper, timely management of complaints relating to the conduct of the Unipol Group's insurance companies, as well as the agents and direct brokers on which the former rely for brokerage activities, inspired by the principles of **fair treatment** of policyholders, insured parties, beneficiaries and injured parties.

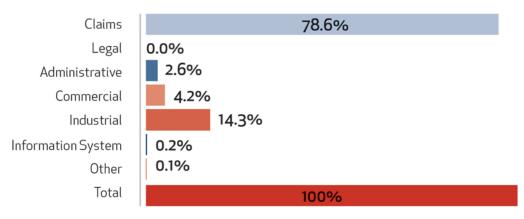
In the course of 2016, **complaints** addressed only to UnipolSai declined by 13% compared to the previous year (2,348 fewer cases). Non-Life complaints marked a downturn of 15%, while Life complaints rose by 17%, although the initial figure was not particularly relevant.

The breakdown of complaints by area shows that the decrease was concentrated above all in the Claims and Industrial Areas; however the percentage breakdown reflects the results from 2015. Indeed, roughly 79% of complaints related to claims, while the remainder were linked primarily to technical/underwriting (industrial area) and commercial type issues. Lastly, again with reference only to the Company UnipolSai, there has been a constant reduction over the years in average days for responding to complaints, which reached 23.4 in 2016, and the percentage of complaints out of all claims reported came to 0.71%.

## Complaint management and division of complaints by area



Source: Group Joint Legal, Equity Investments and Institutional Relations Department



Source: Group Joint Legal, Equity Investments and Institutional Relations Department

The charts regarding complaint management and the breakdown by area include all UnipolSai Group companies, but do not include complaints for the Company Ddor Novi Sad (2,580 in 2016), since the divisions established by IVASS are not applicable.

Requests for information and assistance to customers translated into 255k contacts, concentrated primarily in the technical, commercial and claims areas. All information collected by the Assistance Services of the Group companies is catalogued and used to improve the quality of the services/products provided according to a specific structured process for each entity.

The model of direct governance and integration with service processes contiguous with the core business is reflected in the results of the **customer satisfaction and loyalty surveys**. Amongst the elements that were most appreciated is recourse to telematics for settlements, making the process more objective and reliable while also speeding up timing, and therefore reducing any inconvenient delays.

Customer satisfaction (CSI) measured with respect to the relationship with UnipolSai is better than the market average in the individuals segment and is quite considerable especially in relations with SMEs<sup>14</sup>. The results measured for UnipolSai MV customers are also good, leading the Company to be recognised as the "best company of the year"<sup>15</sup>. UnipolSai customers have had high levels of satisfaction overall (UnipolSai CSI 97.9%) in the relations (99%) and service (97%) areas. The high levels of overall satisfaction in the various segments confirm the increasing trend seen in recent years.

The most significant factor in the Company's MV TPL churn rate is the financial component, although UnipolSai customers have demonstrated their appreciation for and positive assessment of the breadth of products and accessory services offered. Customers also recognise that the Agents are competent, available to offer insurance support on a continuous basis and clear and accurate in the responses provided, formulating an opinion that is positive on the whole regarding these relationships.

Against the significant investments made in service digitalisation and the development of innovation, customers recognise the speed and fairness of settlements, the professionalism and skill of the adjusters and the ease of relationships with agents and/or claims handlers as the points of excellence of the company UnipolSai.

In addition, the Net Promoter Score, which indicates how highly UnipolSai would be recommended, came to 11.2 in 2016, which is positive overall, although the Company's share of detractors was higher than the market standard, penalising its total

<sup>&</sup>lt;sup>14</sup> Source: GFK Multifinanziaria Aziende 2016 ® XVI edition - 1,500 FtoF interviews with owners and administrative/financial managers of companies in the Industry, Services and Commerce segments

<sup>&</sup>lt;sup>15</sup> Source: Cerved Group Monitor MV TPL policy market

#### AGENTS AND AGENCIES

8,658 agencies and sub-agencies

in Italy

3,583 bancassurance branches

Assicoop points of sale

33,670

agency partners €2.2m

in direct investments for agent training

## Geographical presence

The UnipolSai agency network, the top Italian network in terms of widespread geographical presence and the number of people making up its sales force, represents the main strategic asset and the enabling factor for the achievement of the development and growth objectives laid out in the 2016-2018 Business Plan.

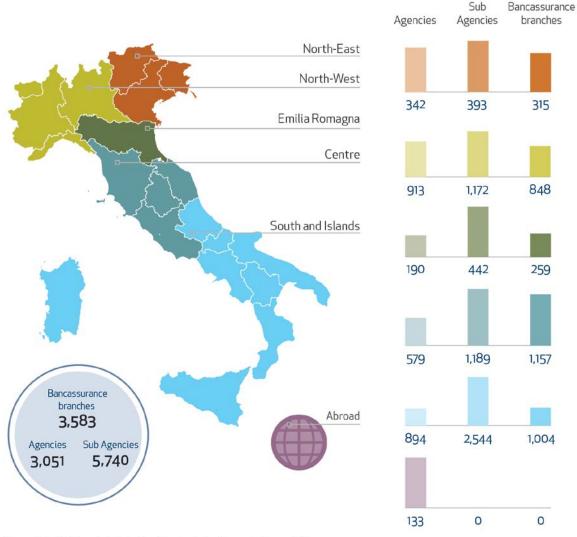
In 2016, the network continued its strategic restructuring process, with a view to managing overlaps generated with the merger, to guarantee the competitiveness and economic sustainability of the agencies and the capacity to cover the reference area.

At 31 December 2016, 2,918 agencies were active in Italy (-450 compared to 2015), within which more than 4,600 agents were working (of which 524 multi-firm agents).

UnipolSai also places Life products through the 269 branches of Unipol Banca and through the networks of financial advisors of Credit Suisse Italy. Furthermore, the leading bancassurance companies of the Group placed their products through the following sales networks:

- Popolare Vita and The Lawrence Life through the sales network of Banco BPM SpA and Banca Aletti;
- BIM Vita through the branches of Banca Intermobiliare and of Banca Consulia (formerly Banca Ipibi) and solely with regard to post-sale activities, of Cassa di Risparmio di Fermo;
- Incontra Assicurazioni through Unicredit Group.

#### Local distribution network



Source: UnipolSai Group Joint Sales Department and other Companies' General Offices

Alongside this network are the seven Corporate Agencies (Assicoop) that provide their services through 313 points of sale present throughout Emilia Romagna and Tuscany.

The Corporate Agencies, whose Assicoop ownership structure sees the participation of Cooperatives, Political/Trade Union Organisations and Employee and SME Representatives, as well as significant representation of the Company, guaranteed services to more than 446k customers (+1.7% compared to 2015), of which 11% are also Unipol Banca customers. Premium income totalled more than €655m, of which 60% in the Non-Life business.

The Corporate Agencies represent an original distribution model that unites effective geographical coverage with a high degree of specialisation in the advisory services offered to customers. This translates into an approach capable of proposing insurance solutions that can meet the needs of households and customers, which also represent stakeholders of the ownership. Also in 2016, the process of strengthening local sales presence continued. This target was pursued by streamlining and consolidating the profitability of points of sale while at the same time hiring new sales resources from competing Companies. In terms of development, the Assicoops moved forward with commercial activities in accordance with planned guidelines, dedicating significant resources to objectives such as:

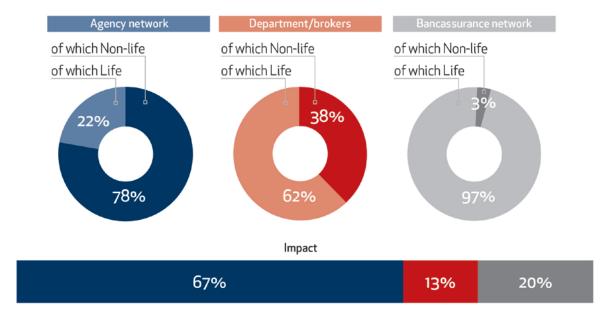
- the improvement of the network's commercial productivity;
- the consolidation of market shares and life product offerings;

- the development and integration of the Unipol Banca standardised banking product offer component;
- the acquisition of greater technical/underwriting autonomy;
- the development of relationships with brokers present or operating in the individual units;
- the creation of synergies amongst the Assicoops, which in some instances involved combining adjoining units.

Outside Italy, the Group operates in Serbia through a multi-channel network made up of both internal and external structures. The 133 points of sale (+23% over 2015) rely on roughly one thousand external partners and employees to provide services mainly in the northern part of the country, supported by direct sales channels through the Internet.

The network's **organisational model** is oriented towards maximising customer relationships by boosting the specialisation of the sales force by customer segment, envisaging, over the period covered by the Plan, a consistent rise in the number of Family Welfare Consultants and SME Business Specialists, with a view to increasing Affluent clientele and the SME and Small Business segment. The former are consultants dedicated to the protection of family-related needs (health, assets, property), through a special training process and tools that analyse insurance requirements (at 31 December 2016, there were 197 Family Welfare Consultants active, out of roughly 350 planned by the end of 2018). The latter are specialised in offering Risk Assessment advisory services and personalised pricing approaches based on experience with large corporate customers (at 31 December 2016, there were 323 Business Specialist consultants active, out of around 450 planned by the end of 2018).

#### Breakdown of Premium income (direct business) by channel



 $Source: Unipol Sai\ Group\ Joint\ Administration,\ Management\ Control\ and\ Operations\ Department$ 

## **Network-support services**

Focus on the agency network is another central element of the 2016-2018 Business Plan, which involves a significant investment made on developing the network, in terms of **simplifying and digitalising** both sales and administrative processes. In particular, some of the initiatives launched include mobile sales (from price estimation to the issue of the policy and receipt of payments) on an initial pilot group of agencies, which is expected to be gradually extended to the entire network in 2017; simplifying the MV underwriting process, particularly with regard to agency autonomy (through a controlled mechanism for the underwriting derogation process) and implementing tools to boost the efficiency of the work of underwriters and the network; industrialising the Assistance model and processes and tools for quantitative and qualitative monitoring of the management of network requests; and streamlining content and methods for communication with the network.

To increase the digitalisation of customer relationships, efforts have been made to promote the use of the **graphometric Advanced Digital Signature (Firma Elettronica Avanzata)**. In 2016, this process led to the activation of the advanced electronic signature option at 1,514 agencies, which provided 86,834 policies to 143,695 customers, while the possibility to use mobile digital signatures to enter into insurance contracts and to pay premiums by means of a Company m-POS integrated within information systems was tested at 26 agencies. In addition, new, easier to use product sales tools were adopted at the agencies and solutions were implemented to enhance the security of Company data and transactions.

In 2016, there was a significant rise in the operational use of the **CRM (Customer Relationship Management)** tool, adopted by UnipolSai to support sales initiatives and customer management. In particular, the project to extend the new digital receipt management process to the entire agency network was completed. Thus, CRM tools dedicated to the analysis and planning of sales and management activities, up to and including providing receipts, are now fully available to all UnipolSai private and corporate agencies. Agencies are able to manage the entire process digitally through electronic signatures or print receipts on their own if required. This improves and streamlines sales analysis and proactive Customer contract management activities while also opening the process up to new, continuously evolving technologies to enhance customer service. In the second half of 2016, activities were also launched for the evolution of the current CRM system with a view to mobile management, also integrating new applications to support the network and provide personalised insurance advice to customers.

Relationships with the network are monitored by an annual survey on agent satisfaction, which expresses the degree of network satisfaction with and loyalty to the company and positioning with respect to the market benchmark.

The survey, conducted by Innovation Team (Mbs Consulting Group), provides the **sentiment indicator**, representing the weighted arithmetic average of two indicators: network satisfaction with the product range, service and relationships (weighting coefficient of 60%) and brand top of mind (weighting coefficient of 40%).

In 2015, UnipolSai was below market levels (2.67 vs 2.74), while in 2016 it already reached its target of improving its positioning compared to that surveyed throughout the plan (3.19 vs 3.12), improving over the previous year and close to a "good" rating.

## Training the network

In terms of training, improving the skills of the entire sales network is key to the achievement of Plan objectives, the satisfaction of training requirements and especially the enhancement of the professional capabilities of intermediaries. In March 2016, Unica was founded, the Unipol Group's **Corporate Academy** focusing on professional and skills training for all Unipol Group structures in Italy, with a direct investment in excess of €5.5m. The goal of the Academy is to spread and increase knowledge, and share the managerial model while strengthening the corporate culture.

With regard solely to the sales network, the direct investment totalled €2.2m, while more than 1m hours of training were provided and dedicated training courses were developed with 30,500 people participating in courses devoted to the distribution network, amounting to an average of 2.2 hours of training per participant.



For detailed information on stakeholder engagement activities relating to Agents, please refer to the UGF Consolidated Financial Statements, "Annual Integrated Report" section, also available on the Unipol Group website.

#### SUPPLIERS

4,898 UnipolSai Group

trading partners

€464m paid to suppliers

97% expenditure for supplies in Italy

58%

percentage of expenditure to suppliers in the register

56 days

average payment time

Suppliers are regularly registered, monitored and selected with a view to long-term partnerships, and relationships with them are founded on the principles of transparency, fairness and simplification. The Unipol Group's Purchasing policy applies to all Companies including UnipolSai Assicurazioni and its subsidiaries in all sectors, and is meant to favour the creation of measurable value in the development of synergies and integration opportunities in risk management, cost containment and the limitation of social and environmental impacts. The UnipolSai Group's suppliers are regularly and accurately surveyed, monitored and selected with a view to establishing partnerships and long-term relationships that take shape in the Supplier Portal where, aside from highlighting economic and financial capacities and technical/organisational characteristics, the approval process also provides information to guarantee regulatory/legal compliance. This translates into commitments by the same suppliers to fight against all forms of discrimination, comply with anti-corruption measures, occupational safety regulations, current laws and National Labour Agreements and ensure to the Group that they have enacted the necessary protections which govern the assignment of activities to external individuals/businesses.

In addition to the information ensuring legal regulatory conformity, financial solvency and qualitative performance, the approval process therefore requires suppliers to provide information relating to their conformity with the **legality rating** and commitment to sustainability, illustrating the extent to which they take account of and observe **social and environmental aspects**. This information is associated with the possession of environmental certifications, the measurement of polluting emissions, the use of non-discriminatory company policies, the promotion of diversity, the cultivation of work-life balance and the management of worker health and safety, in order to enhance the sustainability policies they have already adopted. All of these aspect contribute to giving a rating score that approves the supplier on the whole.

The nature and geographical location of the Company's business do not give rise to particular critical issues along the supply chain. Moreover, also to ensure supplier relationship oversight, UnipolSai is developing a model for the reduction of environmental, social and governance (ESG) risks along the entire supply chain, in accordance with its 2016-2018 Plan objectives. The control system, as well as compliance with the Global Compact<sup>16</sup> International Standard, will be implemented next year. Overall, 97% of expenditure for supplies was in Italy<sup>17</sup>.

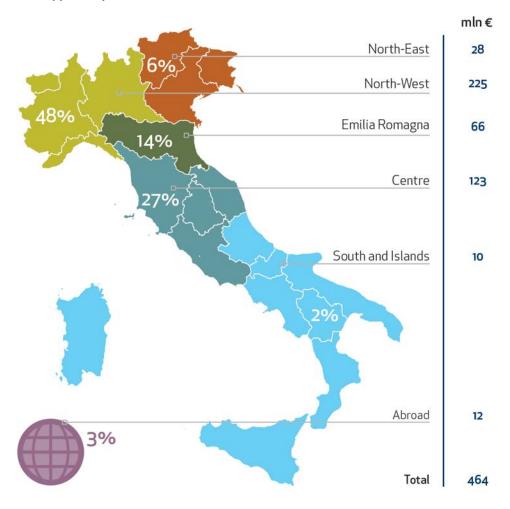
In addition, in 2016 the Group updated its "Outsourcing policy", which lays out guidelines governing the decision-making process, responsibilities, duties and expected controls concerning the outsourcing of company activities and functions within the Unipol Group, as well as to third parties, thus making the monitoring of risks deriving from outsourcing decisions more robust as well as controlling and reducing recourse to outsourcing.

<sup>&</sup>lt;sup>16</sup>United Nations initiative launched in 2000 to encourage companies all over the world to adopt sustainable policies and make their results public. In detail, the Global Compact requires participating businesses and organisations to share, support and apply within their sphere of influence a set of fundamental principles regarding human rights, labour standards, environmental protection and the fight against corruption.

<sup>&</sup>lt;sup>17</sup> This figure does not include the foreign Company Ddor Novi Sad, due to the different market conditions and the business model which cannot be integrated with the rest of the Group

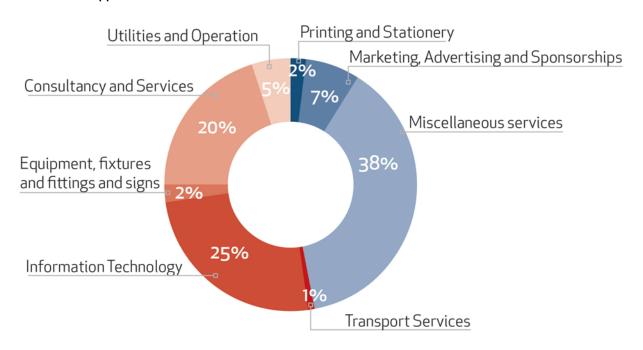
Excluding the foreign suppliers of the subsidiary Ddor Novi Sad, at 31 December 2016, 385 suppliers were enrolled in the Register, i.e. qualified, representing the partners with which the UnipolSai Group has an ongoing and significant relationship in terms of size as well as strategic importance of the products/services purchased.

#### Value disbursed to suppliers by area



 $Source: Group\ Joint\ Administration,\ Management\ Control\ and\ Operations\ Department$ 

#### Breakdown of suppliers



Source: Group Joint Administration, Management Control and Operations Department

In line with the partnership approach described above, during the year UnipolSai took concrete steps in collaboration with its suppliers to reduce **indirect impacts**, i.e., those which derive from activities connected and functional to the core business but which are out of the company's control. By testing a **system for the online resale of assets recovered from insured events**, UnipolSai gave life to an **asset recycling process** that reduces costs and improves profit margins. There are several advantages: for the Company, a net limitation of claim costs, as the indirect costs of settlement to the insured decline, and a decrease in timing for settlement and collaboration with the adjuster in accounting for property; for the insured, the possibility of benefitting from reduced business interruption times, as recovering assets quickly frees up warehouses, avoiding reputational damage and reducing business down time. If they cannot be sold, the assets are donated to charity organisations. This is one way in which UnipolSai seeks to favour the full use of resources by extending their useful life, with a view to promoting the circular economy and

#### THE COMMUNITY

€8.2m

Total amount of contributions

€528k

match giving in favour of areas struck by earthquakes

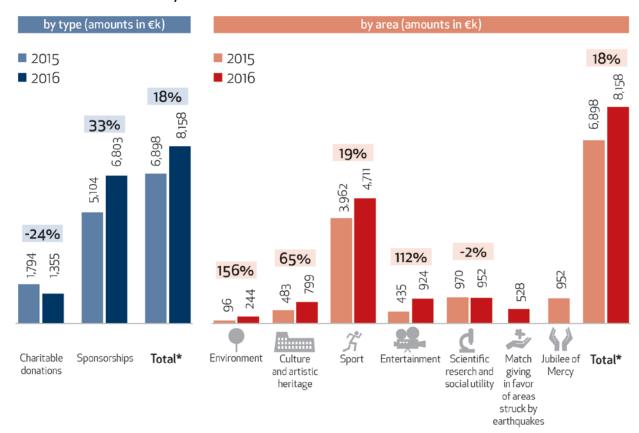
€160k

income earned thanks to the "one euro per policy" campaign: in favour of Libera - Associations, names and numbers against the Mafia

UnipolSai stands out due to its deep roots in and focus on the community, and its continuous and significant support of the areas in which it operates. This support is governed by the "Corporate Sponsorship Program" which supports numerous projects in five important areas: artistic and cultural heritage, the environment, scientific research and social benefits, sports and entertainment. The adoption of the Corporate Sponsorship Program enabled the clear definition of an internal policy on donations and sponsorships, made actions more effective and facilitated the monitoring of the process for approving encouraged projects. For more detailed information, see the dedicated page on the website <a href="https://www.unipol.it/en/our-identity/corporate-sponsorship-program">www.unipol.it/en/our-identity/corporate-sponsorship-program</a>.

In 2016, the total financial resources invested in the Community by the UnipolSai Group reached €8.2m, including sponsorships and donations. This figure rose by 18% compared to the previous year, and amounts to 1.2% of the pre-tax profit of €681m, corresponding to an average contribution per employee of around €800.

#### Contributions to the community



<sup>\*</sup> Excludes the contribution to the Unipolis Fondation. A report on the activities of Unipolis Fondation is published in the Mission Report, available on the webside www.fondazioneunipolis.org

Source: Group Joint Administration, Management Control and Operations Department

Following the earthquake that struck Central Italy on 24 August 2016, UnipolSai, along with the entire Unipol Group, launched a support plan for communities hit by the earthquake. The Company offered its concrete commitment to the people and businesses involved in the disaster through its insurance structures, guaranteeing special support to its customers. In particular, for customers insured against the risk of earthquakes, UnipolSai activated a settlement task force to rapidly assess the damages. For the August earthquake, it disbursed compensation for damages totalling €9m, while for the October earthquake compensation totalled €20m. In both cases, advances were provided within 15 days of the date of the event.

For compensation exceeding a certain threshold, UnipolSai also issued a **catastrophe bond** in the summer of 2015, which provides UnipolSai with additional coverage against the risk of earthquakes in Italy and neighbouring countries.

For all insurance customers residing in the municipalities struck by the earthquake, insurance premium payment terms were also extended by 90 days; for MV TPL customers, prices were blocked in the absence of claims.

For the population as a whole, UnipolSai, along with other Unipol Group companies, launched a structured integrated fundraising plan involving the voluntary participation of employees and agents. The amount collected from employees and agents was doubled by the Unipol Group, reaching a total of €1.055m, which will be handed over the Government's Special commissioner for the reconstruction of the areas impacted by the earthquake.

In 2016, support was also provided to the Italian National Olympic Committee and the Italian Olympic Team was sponsored at the Olympic Games in Rio de Janeiro. The commitment to sports also takes shape through support of the UnipolSai Young Italy Team, a team of young athletes who are standard-bearers of Italian sport's excellence and values in the world.

Unipol has also entered into a significant partnership with the UNHCR, which will allow life-saving and emergency hospital care-including natural or Caesarean births - to Syrian refugees in Lebanon. This two-year commitment involves covering 75% - or 90% in more vulnerable cases - of the hospitalisation costs of refugees and of treatment to be provided through the hospital network with which the UNHCR already has agreements. The collaboration between the Unipol Group and the UNHCR also includes a series of awareness-raising initiatives for employees, partners and customers who can contribute to the healthcare assistance programme by making a voluntary donation.

Other initiatives supported included:

- in the cultural sphere, the promotion as main sponsor of the exhibit "The force of matter" dedicated to Joan Miró;
- in the environmental realm, the continuation of the "Bellezza Italia Tuteliamo insieme le meraviglie del Paese" project, the campaign born from the collaboration between the Unipol Group and Legambiente to promote and carry out actions for the recovery and revitalisation of neglected areas of Italy;
- amongst the scientific research and social benefit projects, the promotion of the national **Wing4Students** competition, the unique Italian edutainment event dedicated to young people for learning English in a fun and innovative manner;
- in the realm of entertainment, the year 2016 saw a continuation of the collaboration with **Fondazione Musica Insieme**, with the goal of promoting an original artistic formula combining music and poetry which aims to create high quality cultural events accessible to the wider public. In the same area, the collaboration continued with **Biografilm Festival** and **Cineteca di Bologna** (Bologna Film Library).
- to support youth, amateur and professional sports initiatives, note the sponsorship agreement with the **Federazione Italiana Nuoto (Italian Swimming Federation)**, the Lega Pallavolo Serie A (Italian Volleyball League) and the Federazione Italiana Atletica Leggera (FIDAL the Italian Athletics Federation) as well as support for the youth segment of Virtus Basket, in addition to our enduring support for Briantea84, a basketball team of disabled players.

The Company has also made a significant commitment to increasing the financial and insurance knowledge and awareness of the general public, particularly young people. The "Per Gioco Non Per Azzardo" ("For Fun, Not for Risk") campaign continued, in order to increase the awareness of citizens regarding the risks of promiscuous and compulsive gambling, by organising an exhibit/competition travelling throughout Italy in collaboration with the Naples Academy of Fine Arts, accompanied by debates, theatrical performances and workshops for young people.

The insurance literacy programme "Eos, Conoscere l'Assicurazione" aimed at upper secondary schools became even more widespread, with the participation of roughly 2000 students.

Both of these commitments were resoundingly reaffirmed in the new Plan.

Lastly, again with a view to increasing awareness and knowledge on insurance and financial topics in Italy, UnipolSai continued its "Welfare, Italia" initiative to study and propose innovative solutions for private and public welfare integration processes. This project has attracted a broad range of institutional representatives and stakeholders, called upon to reflect on the role that the public and the private can have together in organising the social/healthcare, social security and welfare services chain (the "White Economy"), a segment which is and will continue to be strategic for the development of insurance services, and which will require commitment in terms of products, distribution, network training and the regulatory

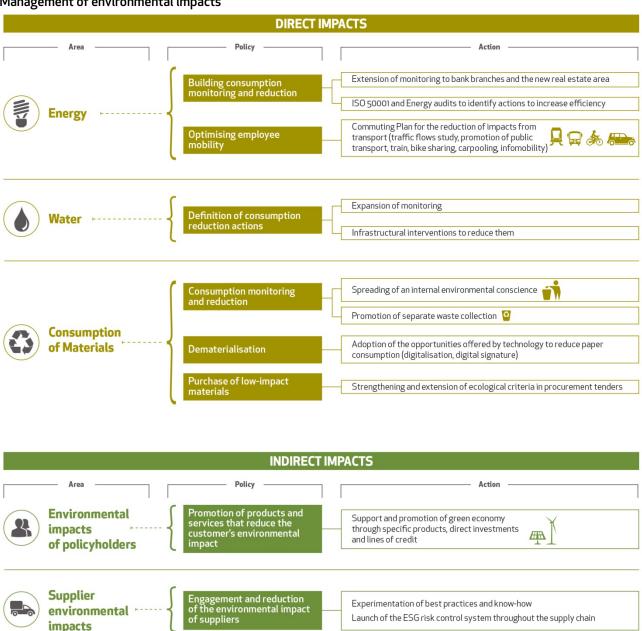
#### **ENVIRONMENTAL PERFORMANCE**

## **Environmental impacts**

As the owner of almost all properties belonging to the Unipol Group, UnipolSai adopts and implements the specific policies and commitments of the Unipol Group to reduce its direct and indirect impacts on the environment.

Over the years, they have been defined to obtain a reduction in the direct and indirect effects on the environment, also thanks to the involvement of employees, associates and suppliers, that the Group incentivises and supports in this area.

#### Management of environmental impacts



As regards the year 2016 specifically, the process of certifying consumption management in all buildings owned by UnipolSai, and in particular at the operating sites, in accordance with the ISO 50001 standard, continued. During the year, the number of buildings rose from 17 to 19 and, aside from constant monitoring of document-related and technological aspects to improve energy efficiency, a structured system for the collection of consumption data continued to be built. As regards the certified buildings, the Company committed to reducing its electricity and thermal energy consumption by 2% compared to 2014, and based on the certification of 2016 data, the objective was met and renewed for this year. The aim of this objective is to pursue standardisation in the activities carried out, by enabling the reporting, tracking and repeatability of the Energy Management System as an integral part of the Certification. Since 2015, 100% of the energy supplied comes from renewable sources, based on framework supply agreements.

#### Consumption and emissions

	Consumption	Emissions	Var. 15-16
Gas	2,541,381 m <sup>3</sup>		
Diesel	323,251 Lt	Direct emissions (Scope 1) 6,315 t CO <sub>2</sub>	-31%
Gpl	89,360 Lt		
Electricity  District heating and District cooling	77,334 mWh 896,204 mWh	Emissions from purchase of energy (Scope 2) 192,376 t CO <sub>2</sub>	-2%
Total		198,691 t CO <sub>2</sub>	-3%

Source: Group Joint Real Estate and Diversified Companies Department

The basis of reporting electricity consumption is based on the concept of "control" again this year. Therefore, the consumption of the buildings over which UnipolSai has direct control is reported, from the operating sites, to the diversified companies, such as Tenute del Cerro and Marina di Loano, also including the properties in which Atahotels carries out its activities. For other sources of energy and water, reporting includes only the large properties among the operating sites.

With respect to reporting, for many years now the calculation methodology laid out in Directive EU/86 of 2003 on the *emission* trading scheme has been adopted, in addition to the international classification laid out by the GHG Protocol standard in Scope 1, Scope 2 and Scope 3. This decision was dictated by the desire to promote greater transparency and comparability of environmental data, including in comparison with other Companies, in addition to cultivating a culture of transparency regarding environmental data, which is not very widespread in the sector, although UnipolSai has placed importance on this aspect with a view to the full assessment of its corporate performance and responsibility.

Consumption was also impacted by the initiatives to increase the efficiency of the information technology structures, among the main sources of energy consumption, after heating, in relation to Unipol's business.

The **server virtualisation** process allowed a further reduction of around 16,720 MWh/year in electricity consumption for powering and cooling IT equipment, corresponding to roughly 6,715 tonnes of CO2 not emitted.

In addition, all workstation IT assets and 95% of the server farm equipment have been certified as meeting high energy and green standards, thanks to the careful selection of suppliers (like Energy Star, RoHS). Furthermore, the migrations of different structures which had previously been spread throughout the country to the new Data Processing Centre have been completed. The Data Processing Centre has been certified Tier core 4, the highest level of guarantee which makes it possible to deal with serious technical incidents without ever interrupting server availability, bearing witness to the Centre's high degree of innovation and security.

In the future, UnipolSai will continue to be committed to maintaining its downward trend in direct emissions of CO<sup>2</sup> recorded in recent years by coming into line with what has been defined at European level with regard to the achievement of COP211 objectives.

The use of water is primarily linked to civil uses; in limited cases it is also used for technological purposes in air conditioning systems. The water used comes from the mains system or other water service management companies. The total consumption came to 1,585,013 m<sup>3</sup> in 2016.

For waste management, the Group followed municipal directives for proper waste disposal, including by changing its processes and procedures to comply with separation rules. The majority of separated waste collected is paper and cardboard. Waste toner and other hazardous waste (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.



For detailed information on UnipolSai's environmental policies, please refer to the "Sustainability" section of the Unipol Group's website.

<sup>18</sup> Paris climate change conference held from 30 November to 12 December 2015. This was the 21st annual Conference of Parties to the United Nations Framework Convention on Climate Change (UNFCCC). The conference negotiated the Paris agreement, a global agreement on limiting climate change, which will become legally binding if ratified by at least 55 countries, which together represent at least 55% of global greenhouse gas emissions. The parties should sign the agreement in New York between 22 April 2016 and 21 April 2017, and also adopt it within their legal systems (through ratification, acceptance, approval or adhesion). Italy ratified the agreement in 2016. The commitment assumed by the countries and governments is to maintain the temperature increase below 2°C with respect to the pre-industrial period, while making all possible efforts to limit this increase to 1.5°C.

### UnipolSai Assicurazioni S.p.A.

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> Share capital €2,031,456,338.00 fully paid-up Bologna Register of Companies Tax and VAT No. 00818570012 R.E.A. No. 511469

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

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