

**Report on corporate governance and ownership structures
for the 2016 financial year**

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UnipolSai
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UNIPOLSAI ASSICURAZIONI S.p.A.

**ANNUAL REPORT ON CORPORATE GOVERNANCE
AND SHARE OWNERSHIP
FOR THE 2016 FINANCIAL YEAR**

Bologna, 23 March 2017

This Report is available in the Governance Section of the Company's website www.unipolsai.com

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DEFINITIONS

For the purposes of the provisions in this Report and in addition to the definitions provided in the text below, the expressions and/or words capitalised have the following meaning:

Appointed Director: the Director appointed by the Board of Directors to oversee the operation of the internal control and risk management system.

Code of Conduct or Code: the Code of Conduct for listed companies approved in March 2006 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., with subsequent amendments, available on the website of the latter www.borsaitaliana.it.

Parent Company UGF, Parent Company, Parent company, UGF: Unipol Gruppo Finanziario S.p.A., parent company of the Unipol Group.

Board of Statutory Auditors: the controlling body of the Company.

Company, UnipolSai: UnipolSai Assicurazioni S.p.A.

Board of Directors, the Board: the Board of Directors of the Company.

Financial Reporting Officer: Manager charged with preparing company's financial reports, pursuant to Art. 154-bis of the TUF (as defined below).

Financial Year, Year: the financial year ended 31 December 2016.

Company Control Functions, Control Functions: the Audit, Compliance and Risk Management Functions of the Company.

Group, Unipol Group: Unipol Gruppo Finanziario S.p.A., and the companies directly and indirectly controlled by this, pursuant to Art. 2359 of the Italian Civil Code.

Insurance Group: the Unipol Insurance Group registered to the parent company register under number 046.

Instructions to Stock Exchange Regulations: the Instructions to the Regulations of the Markets organized and managed by Borsa Italiana S.p.A..

ISVAP, IVASS or Authority: the Insurance Sector Regulator (which changed its name to IVASS with effect from 1 January 2013).

Plan, Business Plan, 2016-2018 Business Plan: the Business Plan approved on 12 May 2016, the Board of Directors of UnipolSai.

Shareholders' Meetings Regulation: regulations approved by the Shareholders' Meeting on 29 April 2013, last amended on 27 April 2016, aimed at regulating the orderly and efficient conduct of General Meetings, Ordinary and Extraordinary.

Stock Exchange Regulations: Regulations of the markets organized and managed by Borsa Italiana S.p.A..

Issuers' Regulation: Regulation issued by CONSOB in 1999 with resolution no. 11971 on issuers, with subsequent amendments.

Market Regulation: Regulations on markets issued by CONSOB in 2007 with resolution no. 16191, with

subsequent amendments.

Report: this report, containing information about joining the Code of Conduct and corporate governance and ownership structures that UnipolSai, as issuer of listed shares on the regulated market, are required to draw up under Art. 123-bis of the TUF (as defined below) and 89-bis of the Issuers' Regulation.

Company's website: www.unipolsai.com.

Subsidiaries: the companies controlled, directly or indirectly, by UnipolSai, pursuant to Art. 2359 of the Italian Civil Code.

Solvency II: the set of laws and regulations introduced as a result of the adoption of Directive 2009/138/EC of the European Parliament and Council, 25 November 2009, on the taking-up and pursuit of the insurance and reinsurance business, in force since 1 January 2016.

Consolidated Law on Finance, TUF: Legislative Decree no. 58 of 24 February 1998, with subsequent amendments.

INTRODUCTION

Having adopted since 2006 the recommendations contained in the Code of Conduct, UnipolSai publishes an annual report providing information on its corporate governance and ownership structure, pursuant to Art. 123-bis of TUF, as well as the additional information recommended by the Code.

The Report consists of three parts:

- Section I, which contains summary data on the profile of the Company and the Unipol Group;
- Section II, which provides the main information required by the aforementioned Art. 123-bis of TUF;
- Section III, which contains information on the governance structure and the principles, rules and procedures adopted pursuant to the Code of Conduct and revised to keep into account the developments of the relevant legislation, as well as any additional information required by Art. 123-*bis* of TUF and not provided in Section II.

Unless otherwise indicated, the information contained in this Report refers to the closing of the 2016 financial year.

COMPLIANCE

UnipolSai complies with the Code of Conduct encouraged by Borsa Italiana S.p.A. (available on the website of the latter, in the section of the Committee for Corporate Governance at <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf>).

In the year, the corporate governance structure of UnipolSai was not affected by the provisions of non national or European laws.

SECTION I

ISSUER PROFILE

UnipolSai is an issuer with shares listed on the Computerized Stock Market managed by Borsa Italiana S.p.A., and at the date of this Report, included in the FTSE MIB index, which contains the securities with the highest level of capitalisation; the Company is controlled pursuant to Art. 2359, Paragraph 1:1, of the Italian Civil Code, by UGF and is subject to the direction and coordination of the latter, pursuant to Art. 2497 et seq. of the Italian Civil Code.

UnipolSai is a multi-branch insurance company part of the Unipol Group, operating in the following areas:

- a) insurance, divided into the following sectors:
 - Non-Life and Life;
 - bank-insurance;
- b) real estate;
- c) other activities, including, among the others, financial, hospitality and medical services.

During the Year the administrative body of the Company approved the 2016-2018 Business Plan, which has the priority of ensuring a sustainable profitability over time through an action programme aiming to strengthen the leadership of UnipolSai and of the Unipol Group in the Italian insurance market. The Plan is based on four key areas (innovative and distinctive offer, simplified customer and agent experience, more effective physical distribution and excellence of the business operating mechanism) which highlight, amongst other things, the expertise of the Company and of the Group 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.

In line with the previous year, the review of the organisational structures of the Unipol Group was continued, aimed to achieve greater efficiency and effectiveness while respecting the prerogatives of the different companies and their specificity in terms of positioning of their business. In this context, in the Board Meeting held on 12 May 2016 the new top management organisational structure of UnipolSai was approved, defined in line with the governance model approved by the Board of Directors' meeting held on 27 April 2016, as illustrated in the continuation of the Report.

In parallel, during the year additional Group policies were adopted and updated, in line with current European and national industry regulations.

The governance system

The governance structure of the Company is based on the traditional model of administration and control. Its main bodies are: the Shareholders' Meeting, the Board of Directors (operating with the support of the Board Committees with the role of submitting advice and proposals) and the Board of Statutory Auditors.

With reference to the important events occurred in the Year, it is pointed out that the mandate of the administrative body for the years 2013-2015 expired. The new Board of Directors, appointed by the Ordinary Shareholders' Meeting of 27 April 2016 and met on that same date, sharing the vision of reviewing the

governance structure, resolved:

- to delay the appointment of an Executive Committee and a Chief Executive Officer, as such appointments were not deemed necessary;
- to appoint a General Manager, attributing him specific tasks and powers, responsible for the operational management of the Company.

In the context of the governance and the internal control and risk management system, a few internal committees have been established by the Board of Directors, or by the General Manager, mainly consisting of the Heads of the Joint Local Departments of UnipolSai, with functions of support to the General Manager in the implementation and supervision of the policies of direction, coordination and operational strategy specified by the Board of Directors.

The statutory audit is allocated to PricewaterhouseCoopers S.p.A., pursuant to the current legal provisions on the matter.

The role and powers of the above bodies are discussed in Section III.

UnipolSai and social responsibility

At the Board Meeting of 13 February 2013, the Board of Directors approved the Charter of Values ("Charter of Values") and the Code of Ethics ("Code of Ethics") of the Unipol Group.

With this, the Company has supported the choice of the Unipol Group, which has made corporate social responsibility a deeply integrated strategy in all corporate decisions, from the definition of the management of all its activities, from sales to personnel issues, from its relations with suppliers to those with the community; all this as part of a process that leads gradually, and through a continuous improvement, to the development of an organic corporate policy of sustainability, understood as the ability to combine efficient economic management, social responsibility and environmental protection.

Since 1 January 2016, UnipolSai has also acquired a specific "Sustainability" structure with the objective of ensuring a greater control on the development of social responsibility policies and processes in the Company. In this respect, in 2016 the activity focused on the process of sustainability integration in the planning, control and corporate reporting tools.

In this respect, some sustainability key indicators ("KPI" or "Key Performance Indicators") were identified, to be reached in the three-year period of the Business Plan (which supplements the sustainability commitments of the Company and inside Gruppo Unipol) and some commitments were translated into actions in the Plan, for which UnipolSai plays a leading role. Among the main Plan actions that involve the Company is the feasibility analysis for the development of tools of financial inclusion, the arrangement of an offer dedicated to the Third sector¹ *and the continuation of the path of certification of the Life products.*

¹ Pursuant to Art. 1, Paragraph 1 of Law 106 of 6 June 2016 "Third sector means an ensemble of private non-profit entities pursuing civic, social or solidarity purposes and that, in implementing the principle of subsidiarity and consistently with their respective by-laws or articles of association, promote and perform activities of general interest through forms of voluntary and free action or

The path undertaken in 2016 was effective in that it increasingly combined the commitment to sustainable management with the company competitiveness, as demonstrated by the inclusion, for the first time, of the UnipolSai security in the SRI FTSE4good index and in the STOXX index, both considered significant for responsible investors (SRI).

mutual exchange or production or exchange of goods and services".

SECTION II

INFORMATION ON OWNERSHIP STRUCTURES

(Section drafted also pursuant to Art. 123-bis of TUF)

1. SHARE CAPITAL STRUCTURE

1.1 Composition

On 31 January 2016, as a result of the entering into force of the merger by incorporation of Liguria – Società di Assicurazioni – S.p.A. (“Liguria”) and Liguria Vita S.p.A. into UnipolSai, 12,525 new UnipolSai ordinary shares, having the same characteristics as the outstanding ordinary shares, were issued to Liguria shareholders other than the Merging Company, on the basis of the conversion ratio of 1.2 ordinary shares of the Company for each Liguria share. The share capital of UnipolSai therefore increased by Euro 8,991.71.

On 31 December 2016, as a result of the entering into force of the merger by incorporation of Dialogo S.p.A. in liquidazione (“Dialogo”) into UnipolSai, 1931 new Dialogo ordinary shares, having the same characteristics as the outstanding ordinary shares, were issued to Liguria shareholders other than the Merging Company, on the basis of the conversion ratio of 0.144 ordinary shares of the Company for each Dialogo share. The share capital of UnipolSai therefore increased by Euro 1,386.27.

At the date of this Report, the composition of the share capital, fully subscribed and paid up, equal to Euro 2,031,456,338.00, is summarised in the following table:

Type and name of shares	No. Shares	Market
UnipolSai ordinary	2,829,717,372	MTA

1.2 Rights of classes of shares

At the date of this Report there are no categories of shares with special financial rights, as the share capital consists only of ordinary shares.

1.3 Power to increase share capital and authorisations to buy back treasury shares and shares of the parent company

1.3.1 Powers to increase share capital

At the date of this Report, no powers have been conferred on the Board of Directors to increase the share capital.

1.3.2 Authorisation to the purchase of treasury shares and shares of the Parent company

The ordinary Shareholders’ Meeting called on 27 April 2016 authorised the Board of Directors to purchase and sell treasury shares pursuant to Art. 2357 and 2357-ter of the Italian Civil Code, as well as of shares of the Parent company, for a period of 18 months from the Shareholders’ Meeting resolution.

At the date of this Report, the Company holds in its portfolio treasury shares and shares of UGF.

Specifically, the Company holds:

- directly, 7,005,640 treasury shares (equal to 0.248% of share capital);
- indirectly, 48,344,045 treasury shares (equal to 1.708% of share capital) through the following subsidiaries:
 - UnipolSai Finance S.p.A. for 38,454,775 shares;
 - UnipolSai Nederland BV for 9,443,258 shares;
 - Pronto Assistance S.p.A. for 344,312 shares;
 - Popolare Vita S.p.A. for 101,700 shares.

The changes from 1 January 2016 concerned UnipolSai's purchase, in August 2016, of 1,800,000 treasury shares in the service of compensation plans based on financial instruments (performance share type), intended for the managers of the Company for 2016-2018.

Regarding the shares of the Parent company, at the date of this Report, UnipolSai holds 3,565,504 UGF ordinary shares (equal to 0.497% of the capital); in particular, the changes during 2016 concerned:

- the assignment, on 1 July, of 1,403,356 UGF shares to the managers of the Company to execute the compensation plans based on financial instruments for the periods 2010-2012 and 2013-2015, approved respectively by the Ordinary Shareholders' Meeting of the incorporated Unipol Assicurazioni S.p.A. on 26 April 2012 and the Ordinary Shareholders' Meeting of the Company on 29 April 2013, as subsequently amended by the Ordinary Shareholders' Meeting on 29 April 2014;
- the purchase, in July, of 1,000,000 Parent company shares serving the compensation plans based on financial instruments of the performance share type, intended for the managers of the Company for 2013-2015, approved as above;
- the purchase, in August, of 900,000 UGF shares serving the Compensation plan based on financial instruments of the performance share type, intended for the managers of the Company for 2016-2018, approved by the Ordinary Shareholders' Meeting of the Company on 27 April 2016;
- the sale, in September, of 40,000 shares of the Parent company, allocated to segregated accounts.

Given that the above mentioned authorisation will expire on 27 October 2017, the Board of Directors on 23 March 2017 voted to propose their renewal at the Shareholders Meeting called to approve the annual accounts for the year 2016, for the period of 18 further months.

Specifically, the authorisation to buy and sell treasury shares, in the interests of the Company and in compliance with applicable regulations and accepted market practices, has the following objectives:

- to intervene, directly or through intermediaries, to promote the smooth conduct of trading, against distortions due to an excessive volatility or insufficient market liquidity;
- to take the opportunities to maximise the value that can be derived from market trends - and thus also by pursuing trading objectives - or connected with strategic transactions of interest for the Company;

- to use treasury shares as a form of investment for the efficient use of the liquidity generated by the core activity of the Company and/or for the allocation of the shares to implement the share-based compensation plan based on financial instruments, pursuant to Art. 114-bis of the Consolidated Law on Finance;
- to use these shares to ensure, if necessary, the overall consistency of transactions that create the need to place fractional shares.

The acquisition and disposal of shares of the Parent company, in the interests of the Company and in compliance with applicable regulations and accepted market practices, has the following objectives:

- to take the opportunities to maximise the value that can be derived from the market performance - and thus also by pursuing trading objectives - or connected with any strategic transactions of interest for the Company;
- to use said shares as a form of investment for the efficient use of the liquidity generated by the core activity of the Company and/or for the allocation of the shares to implement the share-based compensation plan based on financial instruments, pursuant to Art. 114-bis of TUF.

The proposal provides for the purchase and sale of treasury shares and shares of the Parent company in the quantities and with the procedures set out below:

- purchases may be carried out up to the maximum amount permitted by law and accepted market practice, in the manner provided for by Art. 132 of the Consolidated Law on Finance and Art. 144-bis, Paragraph 1:a-c, of the Issuers' Regulation, as well as by any other provision, including the provisions of Directive 2003/6/EC and its implementing provision, Italian and European, where applicable;
- the disposal may be carried out in the manner permitted by law, also by carrying out, one or more times, a series of acquisition and sale transactions, until the expiry of the term of the authorisation;
- purchases and sales may be carried out at a price not above 15% and not below 15% of the reference price recorded by the respective securities on the trading day before the date of each transaction, and in any case the expenditure must not exceed Euro 100 million for treasury shares and Euro 50 million for the shares of UGF.

1.4 Share transfer restrictions, limits on possession and approval clauses

The existing Company's By-Laws of UnipolSai set no restrictions on the transfer of shares, nor limits to their holding, nor approval clauses.

2. SHAREHOLDER BASE

The total number of Shareholders of UnipolSai, as shown by the register of Shareholders at the date of this Report, is approximately 65 thousand.

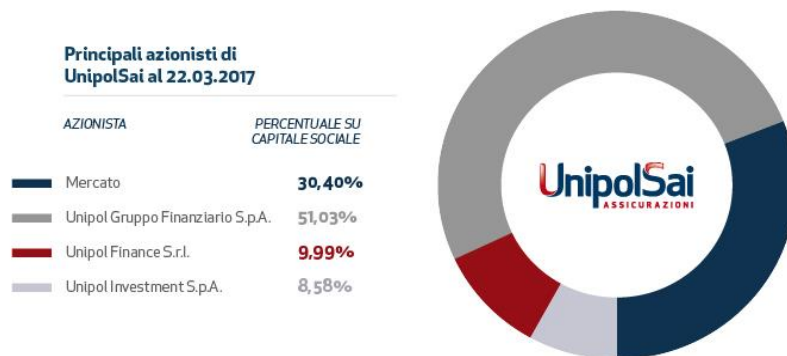
2.1 Relevant shareholdings in the share capital

Relevant shareholdings in the Company, which directly or indirectly, through an intermediary or trust companies, exceed 3% of the share capital with voting rights, on 22 March 2017, as resulting from the

register of the Shareholders, the communications received by law, were:

Registrant	Direct Shareholder	% held
Finsoe S.p.A.		69.60
	Unipol Gruppo Finanziario S.p.A.	51.03
	Unipol Finance S.r.l.	9.99
	Unipol Investment S.p.A.	8.58

The allocation of the share capital is shown below:



2.2 Special control rights

No securities conferring special control rights have been issued.

2.3 Mechanism for the exercise of voting rights in the system of employee shareholding

There is no system of employee shareholding.

2.4 Restrictions on voting rights

There are no restrictions on voting rights, it being understood that UnipolSai treasury shares and those shares held by subsidiaries are deprived by law of this right.

2.5 Agreements between Shareholders

The excerpt of the agreement between UGF and the incorporated Premafin HP S.p.A., concluded on 29 January 2012 (as subsequently amended) was published in the Italian press most recently on 27 June 2012; the description of the essential elements of the agreement can be found on the CONSOB website in the section about the Company.

2.6 Change of control clauses

UnipolSai has concluded distribution agreements for its insurance products with Unicredit Group and Banco Popolare Group (now Banco BPM Group) that may lapse in the event of a change of control of UnipolSai itself.

At the date of this Report, there are no lending agreements containing change of control clauses.

Other financing agreements signed by some Subsidiaries provide for the early repayment and/or withdrawal of the lender in the event of direct and sometimes indirect ownership changes.

2.7 Controlling entity and co-ordination and direction activities

The Company is controlled pursuant to Art. 2359, Paragraph 1:2 of the Italian Civil Code, by Finsoe S.p.A., which - at 22 March 2017 - holds, indirectly through UGF, a stake equal to 69.60% of the ordinary share capital.

At the date of this Report, Finsoe does not exercise direction and coordination activities on UnipolSai, pursuant to Art. 2497 et seq. of the Italian Civil Code, by reason of its exclusive configuration as a holding company with respect to UGF and its subsidiaries, as well as the organisational and functional structure that, in keeping with said role, it has chosen.

Pursuant to Art. 2497 et seq. of the Italian Civil Code, as from 14 November 2012, UGF exercises direction and coordination over UnipolSai and the subsidiaries of the latter.

Also with effect from 14 November 2012, UnipolSai has become part of the Unipol Insurance Group, headed by UGF, entered under no. 46 in the Register of Parent Companies as set forth in Art. 210-ter of Legislative Decree no. 209/2005 and IVASS Regulation no. 22 of 1 June 2016.

3. OTHER INFORMATION

3.1 Compensation of Directors

There are no agreements between the Company and the Directors providing for compensation in the event of resignation, revocation of mandate/appointment or cessation of this following a takeover bid. Similarly, there are no agreements providing for the assignment, or the maintenance, of non-monetary benefits for persons who have ceased their position or the conclusion of consulting contracts for a period subsequent to the termination or compensation for non-compete obligations, nor are there, finally, plans for the succession of Directors.

For more detailed information on this subject, reference is made to the Remuneration Report under Art. 123-ter, TUF, available on the Company's Website.

3.2 Rules concerning the operation of the Shareholders' Meeting

The call and operation of Shareholders' Meeting are governed by Art. 8, 9, 10, 11 and 12 of the By-Laws as well as by the Shareholders' Meetings Regulation.

For a brief description of these rules, reference is made to Chapter 1, Section III, of this Report.

3.3 Rules for the composition, appointment and operation of the corporate bodies

The composition, appointment and operation of the Board of Directors and, where appointed, the Executive Committee are governed by Art. 13, 14, 15, 16, 17 and 18 of the By-Laws.

For a brief description of these rules reference is made to the following Chapters 2 and 7, Section III, of this Report.

3.4 Rules on the amendments of the By-Laws

Amendments to the By-laws are resolved by the extraordinary Shareholders' Meeting or by the Board of Directors, limited to those amendments made to align the By-Laws with legal and regulatory provisions.

3.5 Main features of the internal control and risk management system with regard to financial reporting

The description of the main features of the internal control and risk management system with regard to the Company's financial reporting is found in Paragraph 9.3, Section III, of this Report.

SECTION III

GOVERNANCE SYSTEM AND INFORMATION ON THE IMPLEMENTATION OF THE PROVISIONS OF THE CODE OF CONDUCT

(Section drafted also pursuant to Art. 123-bis of TUF)

1. SHAREHOLDERS' MEETING

The Shareholders' Meeting is the body that expresses the will of the Company through its resolutions; resolutions taken in accordance with the law and the By-Laws are binding on all Shareholders, even if absent or dissenting.

Despite the broad diversification of methods to communicate with the Shareholders, the Board of Directors considers the Shareholders' Meeting an important moment for a fruitful dialogue between Directors and Shareholders, always in compliance with the regulations on the so-called price sensitive information.

Pursuant to Art. 9 of the By-Laws, as allowed by relevant legal provisions in force, the ordinary and extraordinary Shareholders' Meetings are convened on a single call, with the quorums for the meeting and the voting prescribed by legal provisions, without prejudice to the possibility that the notice of call might also set later calls in accordance with Art. 2369, Paragraph 1 of the Italian Civil Code.

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in case of his/her absence by the eldest Deputy Chairman, or in his/her absence by a person elected by the majority of the capital represented.

According to the By-Laws, the Board of Directors may stipulate, in relation to individual Meetings and in compliance with the existing legislation on the subject, that the exercise of the intervention and voting rights be exercised remotely, also by electronic means of communication, provided that the necessary requirements for the identification of the entitled parties and the security of communications are met. The notice of call must in this case specify the procedures for participating in the business of the Shareholders' Meeting, including by reference to the Company's website.

During the Meeting, all those entitled to vote are allowed to speak on any topic under discussion and to make comments and proposals. Those wishing to speak must apply to the Chairman; the Chairman oversees the debate, giving the floor for those who have asked for it, according to the chronological order of the requests, or else according to the alphabetical order of the surnames of the applicants, in the case of multiple simultaneous requests.

The Company may identify for each Meeting a designated representative to whom Shareholders may grant delegation with voting instructions on all or some of the proposals on the agenda; the identity of the representative and the procedures and time limits for the conferral of powers are set out in the notice of call of the Meeting.

The Board of Directors ensures the Shareholders receive adequate information by making available to the public, under the terms and conditions of the law, explanatory reports on the proposals for consideration by the Meeting.

The members of the Board of Directors must attend the Shareholders Meetings.

The Regulation of the Shareholders' Meetings, approved by the latter and available on the Company's

Website (www.unipolsai.com/it/Governance/assemblee/Pagine/Regolamento-Assemblee.aspx), regulates the operation of the ordinary and extraordinary Shareholders' Meetings.

This Regulation was amended, most recently, by the Shareholders' Meeting of 27 April 2016, eliminating the references contained therein to the holders of savings shares of the Company (and, in particular, to their joint representatives), following the conversion, effective on 29 June 2015, of Class A savings shares and of Class B savings shares into ordinary shares of UnipolSai, executing the resolutions of the competent Shareholders' Meetings of 26 and 27 January 2015. On this occasion, Article 18 of the Shareholders' Meetings Regulation was also updated, pertaining to the voting procedures, taking into account the fact that votes are usually carried out with the use of suitable electronic equipment.

2. BOARD OF DIRECTORS

Board of Directors in office until the Shareholders' Meeting of 27 April 2016

Number of meetings during the Year: 2.

Average length of meetings: 2 hours and 35 minutes.

Average participation: 89%.

Board of Directors in office starting from the Shareholders' Meeting of 27 April 2016

Number of meetings during the Year: 7.

Average length of meetings: 2 hours and 30 minutes.

Average participation: 93%.

Number of meetings planned for 2017: 8 (2 of which already held on the date of this Report as well as 1 Extraordinary Meeting).

2.1 Role, responsibilities and operation

The Board of Directors is invested with the broadest powers for the ordinary and extraordinary management of the Company. It therefore has the right to perform all acts, including disposals, which it considers desirable for the achievement of the purpose of business, excluding only those that the law expressly assigns to the Shareholders' Meeting.

In line with the above principle of the centrality of the administrative body, Art. 17 of the Company's By-Laws has assigned to the competence of the Board of Directors, in addition to the resolutions on the issue of non-convertible bonds, the resolutions concerning:

- i) mergers, in the cases provided by Art. 2505 and 2505-bis of the Italian Civil Code, also when reference thereto is made, for de-mergers, by Art. 2506-ter of the Italian Civil Code;
- ii) the opening or closure of secondary offices;
- iii) the indication of which among the Directors - in addition to the Chairman, the Deputy Chairmen and Chief Executive Officers - and among the Managers of the Company have the power to represent the Company pursuant to Art. 21 of the By-Laws;

- iv) the reduction of the share capital following withdrawal of a Shareholder;
- v) the amendments to the By-Laws required to comply with the prescriptions of law;
- vi) the transfer of the registered office within the territory of Italy.

Pursuant to the law, the By-Laws and the internal policies in force, the Board, inter alia:

- a) examines and approves the strategic, financial and business plans of the company, regularly monitoring their implementation;
- b) defines:
 - the tasks and responsibilities of the corporate bodies and the Company Control Functions, as well as information flows, including their timing, among these Departments and corporate bodies and the method of coordination and collaboration, if the control remits have areas of potential overlap or make it possible to create synergies;
 - the nature and level of risk consistent with the strategic objectives of the Company and its subsidiaries, including in its valuations all the risks that may assume importance in light of the medium to long term sustainability;
- c) appoints one or more Appointed Directors chosen among its members;
- d) after hearing the opinion of the Control and Risk Committee:
 - sets the reference guidelines of the internal control and risk management system, to ensure that the main risks for the Company and its subsidiaries are correctly identified and adequately measured, managed and monitored, assessing also the compatibility of these risks with the Company's management consistent with identified strategic objectives;
 - assesses - at least on an annual basis - the adequacy of the internal control system and the management of existing and future risks with respect to the features of the Company and its subsidiaries and to the risk appetite set as well as its effectiveness and its ability to grasp the evolution of corporate risks and the interaction between them;
 - approves, at least once a year, the working plans prepared by the heads of the Control functions, after consulting the Board of Statutory Auditors and the Appointed Director;
 - describes, in the report on corporate governance, the main features of the internal control and risk management system and the methods of coordination among the subjects involved in it, providing an assessment of the adequacy of that system;
 - assesses, after consulting the Board of Statutory Auditors, the conclusions set out by the statutory auditor in the letter of suggestions and report on key issues identified during the statutory audit;
- e) requires the prompt reporting of the most significant weaknesses, giving timely directions for corrective measures, of which it later evaluates the effectiveness;
- f) determines the risk appetite of the Company and the Subsidiaries in line with the objective of safeguarding the assets, establishing consistent levels of risk tolerance which are reviewed at least

once a year, to ensure their effectiveness over time.

- g) appoints, replaces and revokes, on a proposal from the Appointed Director - after a favourable opinion of the Control and Risk Committee and having consulted the Board of Statutory Auditors - the heads of the Company Control Functions, in compliance with the eligibility requirements for the position, in terms of reputation and professionalism set by the corporate policy in place, and defines the remuneration pursuant to the remuneration policy adopted by the Company;
- h) may establish internal commissions and committees with proposals and advisory functions, as deemed appropriate and necessary for the correct operation and development of the Company, ensuring that there is adequate and continuous interaction between them, the Top Management and the Control Functions;
- i) defines, after assessing the proposals of the Remuneration Committee, general policies containing guidelines for the remuneration of Directors and managers with strategic responsibilities (including the Heads of the Company Control Functions), as well as the Risk Takers, to be approved pursuant to the applicable legislation;
- j) appoints and removes the members of the Supervisory Board of the Company pursuant to Legislative Decree no. 231/2001; specifies, with the support of the Remuneration Committee, the remuneration of those members; approves, annually and on a proposal from the Supervisory Board, the estimates of expenditure, including on an extraordinary basis, necessary for the performance of the supervisory tasks laid down by the Organisation, Management and Control Model, as well as the statement of expenditure of the previous year;
- k) assesses the general performance, taking into account, in particular, the information received from the delegated bodies, and periodically comparing the results achieved with those planned;
- l) carries out, at least once a year, with the support of the Nomination and Corporate Governance Committee, an evaluation of the operation of the Board of Directors and its committees (the "Board Performance Evaluation"), as well as of their size and composition, taking into account factors such as the characteristics of professional managerial experience and the gender of its members, and their seniority in office;
- m) taking into account the results of the assessment referred to in the previous paragraph, gives the Shareholders, before the appointment of the new Administrative Body, guidelines on the professional but also managerial figures whose presence in the Board is deemed appropriate;
- n) approves, ensuring adjustment to the context, the system of delegation of powers and responsibilities of the Company, taking care to avoid excessive concentration of powers in a single party and monitoring the exercise of delegated powers, providing for adequate emergency plans (the so-called "contingency arrangements") if the administrative body decides to take over the delegated powers;
- o) approves the guidelines and policies that apply to the Company as required by industry regulations.

Further competencies reserved to the Board of Directors are envisaged by (i) the policies adopted by the Company with regard, amongst other things, to underwriting and insurance investment, reservation and disposal of financial assets, equity and real estate, financing and management of credit and (ii) the internal

system of delegation of powers granted to the General Manager. This legislation seeks to ensure that the Board of Directors examines and resolves on significant transactions of strategic importance and major amount.

Consistently with the recommendations laid down in the Code of Conduct - and in particular in Art. 7 of the same Code, which provides that the Board of Directors "*sets guidelines and assesses the adequacy of the system*" and "*identifies one or more directors within it, in charge of establishing and maintaining an effective system of internal control and risk management*" - the Board of Directors, lastly at the Board Meeting held on 27 April 2016, appointed as Director - by virtue of his in-depth knowledge gathered on the corporate process and the Internal Control and Risk Management System within the Unipol Group – its Chairman Mr Carlo Cimbri; in the outgoing Administrative Body the role was covered by the Deputy Chairman, Mr Pierluigi Stefanini.

Under Art. 15 of the By-Laws, the Board of Directors will meet at least quarterly and whenever the Chairman, or other person standing for the Chairman, deems it appropriate, or when it is requested by at least three Directors. The Board of Directors may also be called, after communication to its Chairman, by at least one Statutory Auditor.

The resolutions are adopted with the favourable vote of the majority of the Directors attending the meeting, unless otherwise provided by law; in case of a tied vote, the vote of the Chairman of the meeting prevails.

With reference to the administrative body in office until the Shareholders' Meeting on 27 April 2016, the Chief Executive Officer reports regularly to the Board of Directors on the situation in the individual business sectors of the Company and its objectives and activities, comparing them with the forward-looking plans and the expected results. After the removal of the figure of the Chief Executive Officer, this information is subsequently provided by the General Manager of the Company.

For the accomplishment of its tasks, the Board has made use of the activities of Committees, including:

- the Control and Risk Committee, which has regularly reported on the analysis and the activities carried out, the findings and proposals for measures and initiatives to be launched, delivering opinions to support the administrative body on specific matters within its competence;
- the Remuneration Committee, the Nomination and Corporate Governance Committee and the Related Party Transactions Committee, which have provided advice and made proposals to be submitted to the Board of Directors with regard to specific matters within their mission;

The Board reviewed the adequacy of the organisational, administrative and accounting procedures and, in particular, of the internal control and risk management system of the Company and its main Subsidiaries, with the support of the Appointed Director on the basis of the regular reports of the Control and Risk Committee and the Company Control Functions (in this regard see the relevant chapter).

The explanatory report on the issues discussed is usually submitted to the Directors and to the Statutory Auditors in the days leading up to meetings, with appropriate highlighting of salient aspects of the items on the agenda (Executive Summary), except in cases of urgency and/or confidentiality requirements. This documentation is made available electronically (Virtual Data Room): as well as allowing more efficient management in terms of shorter times and high standards of privacy ensured, this puts in place effective measures for compliance with the requirements set in Legislative Decree no. 231/2001 and in the Code of

Conduct.

With reference to issues on the agenda, the necessary information will be in any case provided during the Board meetings, in particular where for the reasons mentioned it is not possible to provide the necessary information with reasonable advance notice.

2.2 Appointment and replacement of Directors

Pursuant to laws and By-Laws, the Directors are appointed by the Shareholders' Meeting on the basis of lists submitted by those entitled, which contain the names of candidates, no less than nine and not more than nineteen, identified by a sequential number. The lists must indicate a number of candidates belonging to the less represented gender to ensure, within each list, respect for the balance between genders at least to the minimum extent required by the legislation and regulations currently in force.

In each list there must be included and expressly indicated at least two candidates in possession of such independence requirements for Statutory Auditors under Art. 148, Paragraph 3, of the TUF and subsequent amendments and supplements. If only two candidates possess the above requisites, then such candidates cannot be listed under the last two consecutive numbers of each list, without prejudice – with regard to the Company – to the qualifications of Paragraph 2.4 below with regard to the provisions of Art. 37 of the Market Regulation.

Each entity submitting a list, the parties to a material shareholders' agreement for the purposes of Art. 122 of the TUF, regarding financial instruments issued by the Company, the parent company, subsidiaries and those which are subject to common control for the purposes of Art. 93 of the TUF, cannot present or participate to the presentation, not even through a third party or a fiduciary company, of more than one list, nor can vote, not even through a third party or a fiduciary, for lists other than the list they have presented individually or jointly with others. Any support and votes cast in breach of such provision shall not be allocated to any list.

A candidate can appear on only one list, on pain of ineligibility.

The right to submit a list pertains to Shareholders who, alone or together with other Shareholders, holds a stake identified pursuant to the legal or regulatory provisions in force at the time and which shall be from time to time indicated in the notice of call of the Shareholders' Meeting. With reference to the appointment of the Board of Directors in force by the Shareholders' meeting of 27 April 2016, said stake, identified by CONSOB in its Resolution no. 19499 of 28 January 2016, was equal to 1% of ordinary share capital.

Ownership of the shareholding required for submitting lists is based on the shares registered to the Member(s)/proxy(ies) on the day on which the lists are deposited with the Company.

If during the year one or more Directors cease to hold office, as long as the majority still consists of Directors appointed by the Meeting, the procedure, pursuant to Art. 2386 of the Italian Civil Code, will be as follows:

- a) the Board of Directors selects the new Director from the list the ceased Director used to belong to and the Shareholders' Meeting resolves, with the majorities provided by law, on the basis of the same criteria;
- b) if there are no more non-elected candidates from said list or there are no candidates with the prescribed requisites, or if for any reason whatsoever it is not possible to proceed pursuant to a), the

Board of Directors first, and the Shareholders' Meeting thereafter, resolve on the replacement with the majorities provided by law, disregarding the voting list mechanism.

If the majority of the Directors appointed by the Meeting ceases to apply, the entire Board is understood to have resigned and the remaining Directors must convene the Meeting for the appointment of the entire new Board.

2.3 Composition

According to the By-Laws, the management of the Company pertains to a Board of Directors consisting of no less than 9 and no more than 19 members appointed by the Shareholders' Meeting, after having established the number, and the requirements of professionalism, integrity and independence required by the applicable laws and regulations.

The Directors hold office for three years - or for the shorter term set by the Shareholders at the time of their appointment - and may be re-elected.

The Ordinary Shareholders' Meeting of 27 April 2016 has, most recently, appointed the Board of Directors, consisting of 18 members, giving them a mandate of three years and, therefore, up to the Meeting called to approve the 2018 financial statements.

In accordance with Art. 13 of the By-Laws and pursuant to current legislation and regulations, the appointment of the members of the Board of Directors took place on the basis of the lists submitted, in accordance with the law and the By-Laws, one by the Controlling Shareholder UGF and the other, jointly, by some asset management companies and institutional investors holding a stake of 1.113% of the share capital of the Company. These lists were accompanied, inter alia, by the statements in which the individual candidates declared that there were no grounds for ineligibility or incompatibility, and that the requirements for their respective positions were met, and a curriculum vitae of their personal and professional characteristics with appropriate indication of their suitability to qualify as independent under the Code of Conduct and Art. 147-ter of TUF and the existing provisions of law. The lists with the aforementioned statements are available in the Governance Section/Shareholder's Meetings/Shareholder's Meetings-April-2016 of the Company's Website.

Furthermore, for the purpose of the mentioned appointment, the Shareholders were able to consider the "Advice for Shareholders on the size and composition of the new Board of Directors" (the "Advice"), expressed in view of said Meeting of the expiring Board of Directors, with the support of the Nomination and Corporate Governance Committee, taking into account the outcome of the Board Performance Evaluation. In expressing its Advice, the outgoing administrative body also took the applicable regulations to the insurance sector into account, according to which specific requirements of professionalism, integrity and independence must be met by the individual members of the Board and by the Board as a whole.

The mentioned Shareholders' Meetings of 27 April 2016 authorised, pursuant to Art. 2390 of the Italian Civil Code, within the limits of the law (and, therefore, in compliance with the provisions of Art. 36 of Decree-Law no. 201 of 6 December 2011, converted with amendments by law no. 214 of 22 December 2011 on the so-called "prohibition of interlocking") the exercise of concurrent activities by the members of the Board of Directors.

The Board of Directors, during the meeting held on 27 April 2016, has duly fulfilled the obligations assigned

to it by law with regard to the verification of the legal and statutory requirements of its members, in terms of good repute, professionalism and independence, and absence of legal obstacles, of grounds of disqualification and incompatibility situations. This assessment was carried out in compliance with the Policy regarding the eligibility requirements for the position (the "Fit&Proper Policy"), approved by the administrative body of UnipolSai pursuant to current regulations and which entered into force on 1 April 2015.

Mr. Roberto Giay, Head of Law, Shareholdings and Institutional Relations Joint Department of the Company, has been elected pursuant to Art. 14 of the By-Laws as Secretary of the Board of Directors.

The structure, composition and any additional information required by the Code of Conduct concerning the Board of Directors are shown in Tables 1 and 2 attached to this Report.

The CVs of the Directors currently in office can be found on the Company's Website, in the section entitled "Governance/Corporate Bodies/Board of Directors".

Criteria for the holding of offices in other companies

Directors accept office when they feel they can perform their duties diligently for as long as necessary, even taking into account the number of mandates as a Director or Statutory Auditor held by them in other companies listed on regulated markets (including abroad), in major financial, banking and insurance or other large companies.

The regulation on the "Limits to the number of positions held by Directors of UnipolSai S.p.A." was adopted by the Board of Directors in its meeting of 13 February 2013, under the provisions of application criterion 1.C.3. of the Code of Conduct, as the guideline for the maximum number of positions of a Director or Statutory Auditor that can be considered compatible with the effective execution of the mandate of Director of the Company; it provides for the verification of the number of offices held by Directors to be performed by the Board of Directors every year and disclosed in the report on corporate governance and ownership structure.

The regulation in question (which can be consulted in the Governance section of the Company's website) defines certain general criteria, which take account of the actual role that the UnipolSai Director holds in other companies, as well as the nature and size of those companies, introducing different limits, respectively, for the role of Chairman, Executive Director, Non-Executive Director or independent Director of the Company.

The text of the regulations also takes into account the prohibitions introduced by Art. 36 of aforementioned Decree-Law no. 201 of 6 December 2011, converted, with amendments, by Act no. 214 of 22 December 2011, which forbids to take or hold positions in competing companies or groups, operating in the credit, insurance and finance markets (prohibition of interlocking).

The number of offices held by the Directors is verified by the Board of Directors at the time the Directors are appointed and, thereafter, once a year.

In the meeting of 27 April 2016 the Board of Directors assessed the satisfaction of the requirements with regard to the overlapping of tasks for the newly appointed Directors, assessing that all the members of the Board of Directors are capable to perform their duties effectively.

Lastly, no situations of so-called "cross-directorship" were identified.

Induction Program

Pursuant to Art. 5, lett. r), of IVASS Regulation no. 20/2008 and of application criterion 2.C.2. of the Code of Conduct, specific in-depth courses were carried out on some issues in order to enable the Directors and Board of Statutory Auditors to acquire an adequate knowledge of the business sector in which the Company operates, the business dynamics and their evolution, as well as the regulatory reference framework.

Specifically, during the year, three induction sessions were organised, devoted to the in-depth study of issues related to Solvency II, claim management and the management of the financial activity.

The induction sessions were developed on the basis of presentations by the top management of the Company in charge for the subject, who have described the processes object of the training, focusing on the issues of greatest interest for the corporate bodies.

2.4 Non-executive and independent Directors

The Company, in line with international best practices, paying special attention to the requirement of substantial independence of the non-executive Directors, has adopted a restrictive interpretation of the provisions contained in the Code of Conduct, in order to reconcile the interests of all Shareholders, both majority and minority. Consequently, it was decided to exclude from the list of independent Directors - regardless of whether they are in one or more of the situations specified by Art. 3 of the Code - those Directors who:

- (i) hold offices in the corporate bodies of UGF as well as of the companies that indirectly control UnipolSai;
- (ii) are, or in the last three years have been, significant figures (meaning those who hold the position of Chairman of the Board of Directors or executive Director or qualify as Key Managers) of companies belonging to the Unipol Group with strategic importance within the Group itself;
- (iii) hold offices in the corporate bodies of any entity participating in a shareholder's agreement for the control of the Company, or in other ways containing clauses on the composition of the Board of Directors of the Company, or of companies controlled by these pursuant to Art. 2359, Paragraph 1, of the Italian Civil Code (this case, however, did not apply in the previous financial year, nor in the current one).

The current Board of Directors is composed - with the exception of the Chairman and, as explained below, - of non-executive Directors, i.e. without management powers and not holding strategic or management positions in the Company, in subsidiaries of strategic importance or in the parent companies, as provided for in the Code of Conduct.

The Board of Directors, in the meeting of 27 April 2016, resolved not to appoint an Executive Committee, according to the specifications made below.

As mentioned, the Board of Directors, in its meeting of 27 April 2016, identified the Chairman of the Company, Mr. Carlo Cimbri, as Appointed Director, - being a Director without operational powers - for the entire term of office of the Board of Directors. Mr. Cimbri, as a result of the appointment received, has been qualified as an executive Director.

It is also specified that the mentioned Fit&Proper Policy provides that the assessment of the independence of

a Director should take into account any professional services rendered to the company and/or subsidiaries, exceeding 5% of the annual turnover of the Company or Entity which the Director controls or of which the same is an important representative or of the Professional or Consulting Firm of which the same is a partner or shareholder or, at any rate, exceeding the amount of Euro 200,000.

The annual assessment by the Board of Directors of the independence requirements by the non-executive Directors in accordance with the Consolidated Law on Finance and the Code of Conduct was carried out, after the appointment, in the board meeting of 27 April 2016.

The outcome of these assessments is shown in the enclosed Table 1, remembering in this regard that the Company must comply with Paragraph 1, Art. 37 of the Market Regulation which reads "*subsidiaries subject to management and coordination by another Italian or foreign company with shares listed on regulated markets are also required to have a board of directors consisting of a majority of independent directors*" pursuant to TUF and the Code of Conduct.

The Board of Statutory Auditors reports on the outcome of the assessments carried out on the correct application of the assessment criteria and procedures adopted by the Board of Directors in regard to the independence of its members in the Statutory Auditors' report.

In compliance with application criterion 3.C.6. of the Code of Conduct, there was a meeting of the independent Directors, with the participation, at the request of said Directors, of the Chairman. Among the issues, discussed at this meeting, there were issues related to the strategy of the Company and the Group, the prospects for performance of the management and the most significant investments.

2.5 Lead Independent Director

The Company's governance structure has not necessitated the appointment of a Lead Independent Director, there not being the conditions pursuant to application criterion 2.C.3. of the Code of Conduct. The Chairman of the Board of Directors has not been delegated operational powers.

2.6 Remuneration

The Shareholders' Meeting of 27 April 2016 resolved on a gross annual remuneration for each Director of Euro 40,000, in addition to the expenses incurred to perform the office, as well as payment of a gross attendance fee of Euro 1,000 for each Board or Shareholders' Meeting attended, reduced to Euro 500 in case of participation through telephone or audiovisual connection.

This Meeting also resolved to provide insurance coverage, as in the past, for risks related to third party liability arising from the legal and contractual obligations associated with the office of Director and the associated legal protection, with costs borne by the Company, conferring on the Board of Directors and, on its behalf, on the Chairman, the broadest powers for implementation of the resolution, including the power to make any changes to the insurance policy in place that may be appropriate in relation to the terms and conditions, as long as in line with the market.

The Board of Directors, after consultation with the Remuneration Committee and the Board of Statutory Auditors, in its meeting of 30 June 2016, defined the remuneration of the Chairman and Deputy Chairman for the offices held.

The Board of Directors has also approved a fixed gross fee of Euro 1,000 for each Board Committees

meeting attended by a Directors member of such a Committee, reduced to Euro 500 in case of participation through telephone or audiovisual connection.

The remuneration of Directors does not depend on the performance of the Company, nor are there any plans for share-based incentives or, in general, plans based on financial instruments for members of the Board of Directors.

On 10 March 2016, the Board of Directors of the Company approved (i) the new general policy for remuneration of members of corporate bodies and key managers of UnipolSai for 2016, (ii) the Remuneration Report prepared pursuant to Art. 123-ter of TUF and Art. 24 of ISVAP Regulation no. 39 of 9 June 2011, and (iii) the Report on the compensation plan based on financial instruments, pursuant to Art. 114-bis of TUF, with the corresponding Plan Regulations, all documents which were approved, within its area of competence, by the Shareholders' Meeting held on 27 April 2016.

Also during this year, the Board of Directors defined, in line with the previous year, the general policy for remuneration of members of corporate bodies and Key Managers of UnipolSai for 2017, which will be presented to the Meeting called for the approval of the 2016 financial statements.

Please refer to the Remuneration Report (which will be made available in accordance with the law in the Governance section of the Company's website) for information on the objectives pursued by the Remuneration Policy, the principles that underlie it, the criteria used to determine the relationship between the fixed and variable component, the performance objectives to which variable components are linked, the terms for the vesting of rights, as well as mechanisms to incentivise the heads of the Company Control Functions; the same document also provides detailed information on the size of the remunerations received, during the year, by the Chairman, the members of the Board of Directors, by the General Manager as well as the remunerations cumulatively received by the Key Managers.

Succession planning

With reference to the recommendations contained in CONSOB Communication no. DEM/110129884 of 24 February 2011 and the Application criterion 5.C.2 of the Code of Conduct, note that, in the meeting of 9 February 2017, the Board of Directors resolved not to adopt Succession Planning for the Executive directors and the General Manager, in consideration:

1. of the consolidation of the Succession Planning for the Executives of the Group;
2. of the current structure of the executive powers delegated to the first line managers, which allows the execution of the ordinary business operations of the Company;
3. of the stable structure of the control shareholding,

as conditions and instruments that are suitable to promptly face a possible phase of succession of these subjects while guaranteeing the suitable transitional running of the company management.

In this regard, it should be noted that the administrative body in office deemed it not necessary to assign the office of Chief Executive Officer or to delegate executive powers to its Chairman, entrusting the operating guidance of the Company to the General Manager.

In this respect, it is pointed out that the Company has continued the activities aimed at implementing the

Succession Planning project for Group Executives and, more generally, Key Managers.

The activity, in line with the model of managerial skills adopted by the Group, is a continuation of the assessment processes already initiated in previous years and has the objective of identifying short, medium and long term successors for the more prominent organisational positions. The assessment approach envisaged focuses on both the professional skills demonstrated as well as individual potential, also using the direct contribution of management, called upon - through appropriate interview methodologies - to identify a panel of successors not only in the vertical line of responsibility but also in the cross-sectional knowledge of resources belonging to other areas of the company. The methodology adopted uses, among the reference parameters, the Job Description tool, organising the most significant information to define a clear and easy-to-use network of skills. Finally, the process also takes account not only of the importance of the position currently held by the persons identified, but also those which could potentially be covered, considering the attractiveness in terms of retention.

2.7 Annual self-assessment

The Board Performance Evaluation activities on the size, composition and operation of the Board of Directors and Board Committees, carried out by the Nomination and Corporate Governance Committee with the support of a leading external advisor, are divided into: (i) an individual discussion with each Director and Statutory Auditor based on a self-assessment questionnaire; (ii) analysis of the information and comments emerging; and (iii) discussion with the Board of a report on the main results.

It should preliminarily be recalled that the outcome of the Board Performance Evaluation referring to 2015 was examined by the administrative body in the meeting of 10 March 2016 and illustrated in the Annual report on corporate governance and ownership structures for 2015, to which reference is made. Considering the outcome of the mentioned process, the outgoing Board of Directors has expressed, as already said, prior to the appointment of the new Board, its Advice on the professional and managerial figures whose presence in the board was deemed suitable, thus with regard to the optimal size and composition of the administrative body to be appointed.

With reference to 2016, the Board of Directors defined the criteria and tools for conducting the Board Performance Evaluation and, in line with that done in previous years, involved the Board of Auditors, and also deemed it appropriate for Egon Zehnder International S.p.A., advisor of primary standing in the industry, specialised, *inter alia*, in board consulting activities and which carried out the same task for the Company also in previous years - to support Directors and Statutory Auditors in conducting the analysis. The Board appointed the advisor for a three-year term to accompany the entire term of office of the newly appointed Board of Directors and, therefore, follow the evolution of the same during the period 2016-2018: an annual Board Performance Evaluation is carried out, taking into account, on the one hand, the evolution of legislation and the experience of other best practices and, on the other, the work carried out by the Board of Directors over the three years.

We note in this regard that Egon Zehnder International (i) also performs the same assignment for the Parent Company and (ii) conducted, during the year and with reference to the remuneration of the principal officials, an analysis of the market remuneration trends on a panel of companies comparable to UnipolSai and UGF in qualitative and quantitative terms.

Based on the outcome of the assessment process carried out by each Director and Statutory Auditor with the support of the advisor, the results of the Board Performance Evaluation will be examined by the Nomination and Corporate Governance Committee which, if necessary, will make observations and proposals regarding the Board of Directors called to assess the results.

3. THE CHAIRMAN

The Chairman of the Company is elected, pursuant to Art. 14 of the By-Laws, by the Board of Directors from among its members, if the Shareholders' Meeting has not already done so, for three years or for the shorter period of office of the Board itself.

In addition to exercising company representation pursuant to Art. 21 of the By-Laws, the Chairman calls the meetings of the Board of Directors and the Executive Committee, where set up, establishes their agenda, coordinates their work and ensures, according to the particular circumstances, that adequate information on the items on the agenda is provided to all Directors.

The Shareholders' Meeting of 27 April 2016 appointed Mr Carlo Cimbri as Chairman of the Company - in consideration of his experience, his thorough knowledge of the Company, the insurance business and the financial system as a whole - for the duration of office of the Board of Directors and, therefore, until the date of approval of the 2018 financial statements.

The Chairman has the power to provide impetus to the actions of the Board of Directors, ensuring the promotion of transparency in the Company's business, and taking care to represent all Shareholders.

In particular, the Chairman ensures continuity of relations between the Board and General Manager, stimulating their activity and ensuring a fruitful collaboration.

The Chairman ensures that Directors and Statutory Auditors take part in initiatives aimed at increasing their knowledge of the corporate context and dynamics, as well as the evolution of the same, also having regard to the relevant regulatory framework, in order for them to carry out their role in an informed and effective manner. (see paragraph 2.3 – *Induction program*)

The Chairman has access to all information within the structure, informing the General Manager of information acquired from other sources, for the orderly management of the structure.

The Chairman, also at the request of one or more Directors, may request that the Managers of the Company and the Subsidiaries, in charge of the relevant corporate functions according to the subject, attend Board meetings to provide useful information on items on the agenda. During the year, the members of the Company's Top Management – in particular, in addition to the Manager in charge, the Chief Risk Officer and some Managers of the main Company Areas – as well as the main Subsidiaries, took part in the board meetings to make suitable in-depth investigations on the items on the agenda to the extent of their responsibility.

As mentioned previously, the Chairman was identified as the Appointed Director.

4. THE DEPUTY CHAIRMAN

Pursuant to Art. 14 of the By-Laws, the Board of Directors elects from among its members one or more Deputy Chairmen, for three years or for the shorter period of office of the Board itself.

The Board of Directors of 27 April 2016 confirmed as Deputy Chairman Mr Pierluigi Stefanini and likewise appointed Mr Fabio Cerchiai.

The Directors holding the office of Deputy Chairman, in addition to having the power to represent the Company pursuant to Art. 21 of the By-Laws, in case of absence or impediment of the Chairman, stand in for him/her, starting from the eldest.

The Deputy Chairman is automatically a member of the Executive Committee, where formed, pursuant to Art. 18 of the By-Laws.

5. CHIEF EXECUTIVE OFFICER

The Chief Executive Officer may be appointed, pursuant to Art. 14 of the By-Laws, by the Board of Directors from among its members, for three financial years or for the shorter period of office of the Board itself. The Board of Directors, in its meeting of 8 May 2013, in continuity with the Board resolution of 5 November 2012, had confirmed Mr. Carlo Cimbri as Chief Executive Officer of the Company, thus also ensuring, by virtue of the same role held by the latter in UGF, an adequate level of coordination with the policies of the Unipol Group, for the purposes of effective management of the process of integration and rationalisation of the Group primarily pursued with the Merger by incorporation of Unipol Assicurazioni S.p.A., Milano Assicurazioni S.p.A. and Premafin HP S.p.A. into UnipolSai.

In order to fulfil, according to the terms set by the insurance Supervisory Authorities (or the Meeting for the approval of the 2015 financial statements), the requirements relating to governance established by the same authorities at the time of authorising the acquisition of the control over the former Premafin/Fondiarria-SAI group, and with regard to the need to make sure that positions of Chief Executive Officer of UGF and UnipolSai cease to coincide, the Board of Directors of the latter met on 27 April 2016 to review the Company's governance structure and, delaying, as mentioned, the appointment of a Chief Executive Officer, as such appointment was not deemed necessary, attributed the operating guidance of the Company to a General Manager.

6. GENERAL MANAGER

As highlighted above, with regard to adequate discretionary power in identifying the solutions deemed most appropriate for the appointment of the company bodies according to the By-Laws, the Board of Directors, in the meeting of 27 April 2016, appointed a General Manager as the body to be assigned tasks and delegated powers for business operations in the person of Mr Matteo Laterza.

The General Manager has been assigned by the Board of Directors the following functions:

- i) ensure the implementation of the resolutions of the Board of Directors and of the Shareholders' Meeting;

- ii) ensure the ordinary management of the corporate affairs of the Company as well as the governance, supervision and coordination of the entire company activity;
- iii) promote the corporate policies of the Company;
- iv) propose to the Chairman of the Board of Directors the planning of the works of the Board of Directors;
- v) formulate the proposals relating to the long-term plans and the annual budgets of the Company to be submitted to the study and approval of the Board of Directors;
- vi) set guidelines to draw up the financial statements of the Company; predispose the proposals to be submitted to the Board of Directors on the draft separate and consolidated financial statements and on the interim financial reports;
- vii) support the Appointed Director in the execution of his tasks also:
 - taking care of maintaining the functionality and overall adequacy of the organisational structure and of the internal control and risk management system;
 - define in detail the organisational structure of the Company, the tasks and the responsibilities of the operating units and their employees as well as the relevant decision-making processes, consistently with the directives received from the Board of Directors; in this context, ensuring proper separation of tasks among the individual subjects and the departments so to prevent conflicts of interest from arising, as much as possible;
 - implement the policies for the assessment, also forward-looking, and management of risks as set by the Board of Directors, ensuring the definition of the operating limits and their prompt verification as well as the monitoring of the exposures to risks and the compliance with the tolerance levels;
 - implement, in consideration of the strategic objectives and consistently with the risk management policy, the policies for the adoption, underwriting and reinsurance of other techniques for the mitigation of the risk and management of the operational risk as well as the other policies and guidelines defined on the subject by the Board of Directors; support the Appointed Director in implementing the indications of the Board of Directors regarding the measures to be adopted to fix the anomalies found and/or make improvements.

The Board of Directors has also conferred specific executive powers on the General Manager, defining the relevant methods and quantitative limits.

The General Manager attends, by right, the sessions of the Chairman's Committee, with advisory vote.

7. THE EXECUTIVE COMMITTEE

The Board of Directors may appoint, pursuant to Art. 18 of the By-Laws, an Executive Committee, choosing the members from among its members, establishing the number and delegating to the same all or part of its powers, except for those expressly to be retained by law or according to the By-Laws by the Board of Directors.

The Chairman of the Board of Directors, the Deputy Chairman/Chairmen and the Chief Executive Officer are also members of the Executive Committee, if this is appointed.

The Executive Committee in office until 27 April 2016 had been assigned advisory functions and the tasks of cooperating in the identification of development policies and guidelines for the strategic and operating plans to be submitted to the Board of Directors; in particular on the following topics:

- dividends and/or remuneration of the capital policies;
- transactions of an extraordinary nature under the responsibility of the Shareholders' Meeting, more specifically capital increases and issues of convertible bonds, mergers, demergers, reserves distribution, purchase of own shares and amendments to the By-Laws;
- extraordinary transactions of a relevant strategic interest, or intended to significantly affect the value or structure of the share capital or to significantly affect the price of stocks, such as acquisitions or disposal of relevant shareholdings, aggregations or alliances with other groups as well as significant changes in the structure or composition of the Group;
- multi-year strategic plans and annual budgets of the Company and the Group.

The Board of Directors had also conferred specific powers to the Executive Committee, with the corresponding limits, in regard to acts which did not fall within the powers conferred to the Chief Executive Officer.

As part of the review of the governance structure of the Company mentioned above, the Board of Directors' meeting of 27 April 2016 revolved, *inter alia*, to delay the appointment of an Executive Committee, as such appointment was not deemed necessary.

During the Year and until the expiry date of the mandate, the Executive Committee met once.

In the period in question the composition of the Executive Committee is provided in the Table below.

	Members	Office held	Independent	% attendance	Meetings attended
	Fabio Cerchiai	Chairman		100%	1/1
THE EXECUTIVE COMMITTEE	Pierluigi Stefanini	Member		100%	1/1
	Carlo Cimbri	Member		100%	1/1
	Nicla Picchi	Member	X	100%	1/1
	Francesco Vella	Member	X	100%	1/1

8. OTHER COMMITTEES

The Board of Directors, in order to increase the efficiency and efficacy of its activities, has established specific internal Committees, with advisory and propositional functions, and has defined their relevant tasks also taking into account the criteria set forth in the Code.

More specifically, the Board of Directors of 12 May 2016 approved the establishment of the following internal Committees:

- Chairman's Committee;
- Nomination and Corporate Governance Committee;
- Remuneration Committee,
- Control and Risk Committee;
- Related Party Transactions Committee.

The members of each Committee were appointed by the Board of Directors and chosen among the members of the latter. The Committees are dissolved at the end of the term of office of the Board of Directors. If one or more Committee members become unavailable for any reason, the Board of Directors chooses a replacement.

In line with the integrations made to the application criterion 4.C.1 of the Code with reference to the disclosure regarding the meetings of the Board internal committees, at the meeting of 9 February 2017 the Board of Directors deemed it appropriate for the Chairmen of the Committees required by the Code (i.e. the Nomination and Corporate Governance Committee, the Control and Risk Committee and the Remuneration Committee) to inform the administrative body, during the first meeting possible, about the matters dealt with during the meetings of said Committees and the assessments possibly made by them, also when not leading to audits or opinions requested, or in any case preparatory, for the administrative body to pass certain resolutions.

With reference to the comment to Art. 4 of the Code of Conduct as regards the supervision of the medium to long term sustainability issues, also with the support of the purposely established Committee, the Board of Directors of the Company, during the meeting of 9 February 2017, also considered that:

- the aspects pertaining to the risk management that may become significant with respect to medium to long term sustainability should be examined by the Control and Risk Committee, which – in accordance with the regulatory and self-regulation framework of the structure of the system of internal controls and risk management adopted by the Company and the Group to implement the regulations in the insurance sector (particularly with regard to the system of the capital requirements of solvency and assessment of the corporate risks) – is part of the framework aimed at defining the annual and forward-looking risk appetite of the Company, sharing the processes and results of the Own Risk and Solvency Assessment (so-called ORSA);
- the aspects regarding the sustainability issues identified with regard to the interaction of the Company and the Group with their stakeholders are among the tasks of the Sustainability Committee of the Parent company, including that of examining the guidelines and the methodology followed to predispose and monitor the three-year sustainability plan of the Group. To this end, the mentioned Committee of UGF will annually report to the administrative body of the Company about the activity carried out on sustainability issues referring to UnipolSai; this report has already been drawn up with reference to the Year.

For the approach of social responsibility and ethics to be taken as a key element of the business

activity of UnipolSai, it is indispensable to make reference to the Unipol Group and, for it, to the Parent company UGF, which serves as the controlling and guiding holding, providing all the Group companies with the services and tools that make it possible to include sustainability in the culture and life of the company, thus achieving the relevant objectives. This approach encouraged the definition of a specific method for the governance of sustainability and of tools that guarantee the full achievement of the Sustainability objectives at Company and Group level, enhancing the inclusion at all company levels of the social and environmental aspects in the management and business choices.

It is finally highlighted that, during the Year, the Company was actively involved in preparing the first Integrated Consolidated Financial Statements of the Unipol Group, replacing the Group Consolidated Financial Statements, in line with the provisions of Legislative Decree no. 254/2016. The Integrated Financial Statements of the Unipol Group, prepared by UGF, includes the reporting of non financial information of UnipolSai, among others. The Company also includes non financial information in its Sustainability report.

8.1 Chairman's Committee

Number of Meetings held during the Year: 0.

The Chairman's Committee, newly established and formed on 12 May 2016, is composed of the Chairman of the Board of Directors and the Deputy Chairmen. The General Manager of the Company attends, by right, the sessions of the Chairman's Committee, with advisory vote.

During 2017 this Committee met once.

The composition of the Chairman's Committee is detailed in the following Table.

	Members	Office held
	Carlo Cimbri	Chairman
CHAIRMAN'S COMMITTEE	Fabio Cerchiai	Member
	Pierluigi Stefanini	Member

The Chairman's Committee has advisory functions and cooperates in the identification of development policies and guidelines for the strategic and operating plans to be submitted to the Board of Directors; in particular on the following topics:

- a) dividends and/or remuneration of the capital policies;
- b) transactions of an extraordinary nature under the responsibility of the Shareholders' Meeting, more specifically capital increases and issues of convertible bonds, mergers, demergers, reserves distribution, purchase of own shares and amendments to the By-Laws;
- c) extraordinary transactions of a relevant strategic interest, or intended to significantly affect the value or structure of the share capital or to significantly affect the price of stocks, such as acquisitions or disposal of relevant shareholdings, aggregations or alliances with other groups as well as significant changes in the structure or composition of the Group;

d) long-term strategic plans and annual budgets of the Company.

8.2 Nomination and Corporate Governance Committee

Number of Meetings held during the Year: 1.

Duration of the meeting: 45 minutes.

Number of meetings planned for 2017: 4 (of which 3 already held).

The Board of Directors' meeting of 12 May 2016 appointed the members of the Nomination and Corporate Governance Committee, and pursuant to the provisions of Art. 37 of the Market Regulations, called for three Directors to join the Committee, all of them non-executives and independent.

The current composition of the Nomination and Corporate Governance Committee is detailed in the Table below.

	Members	Office held	Independent	% attendance	Meetings attended
NOMINATION AND CORPORATE GOVERNANCE COMMITTEE	Francesco Vella (*)	Chairman	X	100%	1/1
	Maria Lilla Montagnani (*)	Member	X	100%	1/1
	Nicla Picchi (**)	Member	X	0	0/0

(*) Already members of the Nomination and Corporate Governance Committee in the period 1 January – 27 April 2016 and confirmed by the Board of Directors on 12 May 2016.

(**) Appointed member of the Nomination and Corporate Governance Committee on 12 May 2016, after which no meeting has been held.

Members of the committee whose office ended during the Year.

	Members	Office held	Independent	% attendance	Meetings attended
NOMINATION AND CORPORATE GOVERNANCE COMMITTEE	Massimo Masotti	Member	X	100%	1/1

The Chairman of the Committee is responsible for drawing the minutes of the meetings, with the support of the Secretary, whose functions are carried out by the Law, Shareholdings and Institutional Relations Joint Department.

The Board of Directors has assigned the Nomination and Corporate Governance Committee a propositional and advisory role in identifying the best composition of the Board of Directors and in defining the corporate governance system; this Committee is tasked as follows:

- i) to propose to the Board of Directors the candidates for the offices of Directors in the cases of co-option, if any independent Director must be replaced;

- ii) to define times and methods for performing the Board Performance Evaluation;
- iii) to inform and update the Board of Directors of any development of the regulations in force and the best practices applicable to corporate governance;
- iv) to express opinions to the Board of Directors regarding:
 - the appointment of the members of the Board committees of the Company;
 - the appointment of the General Manager and the Deputy General Manager of the Company;
 - the implementation of the governance system of the Company;
 - the size and composition of the Board of Directors, along with recommendations as regards the professional roles to be held within the Board of Directors, as well as the maximum number of assignments and derogations to the non-compete clause.

The Committee has a budget, approved by the Board of Directors, which is adequate for the performance of its tasks.

In the year the Nomination and Corporate Governance Committee performed, inter alia, the following activities:

- defined criteria and methods to carry out the annual Board Performance Evaluation of the Board of Directors, with reference to the year 2015;
- reviewed the induction plan for the Year for the Board of Directors and the Board of Statutory Auditors;
- provided guidelines to the Board of Directors due to expire in March 2016 (reference is made to the indications in paragraph 2.7 above);
- reviewed the annual report on Corporate Governance referring to 2015;

With reference to the meetings held in 2017, the Nomination and Corporate Governance Committee performed, inter alias, the following activities:

- defined criteria and methods to carry out the annual Board Performance Evaluation of the Board of Directors, with reference to the Year;
- reviewed the annual report on Corporate Governance referring to the year;
- issued its opinion concerning the valuations and proposals to adjust the governance to the Code of Conduct.

The meetings of the Nomination and Corporate Governance Committee were attended by employees of the Company, upon invitation by the Chairman, in order to provide input to the discussions on the agenda items.

8.3 Remuneration Committee

Number of Meetings held during the Year: 3.

Average length of meetings: 1 hour, approximately.

Number of meetings planned for 2017: 2 meetings (of which 1 already held).

The Board of Directors' meeting of 12 May 2016 appointed the members of the Remuneration Committee, and pursuant to the provisions of Art. 37 of the Market Regulation, called for three Directors to join the Committee, all of them non-executives and independent. Two of the members of the Remuneration Committee have adequate knowledge and expertise in financial matters or remuneration policies, as assessed by the Board of Directors at the time of their appointment.

The current composition of the Committee is detailed in the Table below.

	Members	Office held	Independent	% attendance	Meetings attended
REMUNERATION COMMITTEE	Francesco Vella (*)	Chairman	X	100%	3/3
	Maria Rosaria Maugeri (*)	Member	X	100%	3/3
	Nicla Picchi (**)	Member	X	100%	2/2

(*) Already members of the Remuneration Committee in the period 1 January – 27 April 2016 and confirmed by the Board of Directors on 12 May 2016.

(*) Appointed member of the Remuneration Committee on 12 May 2016.

Members of the committee whose office ended during the Year.

	Members	Office held	Independent	% attendance	Meetings attended
REMUNERATION COMMITTEE	Giorgio Ghiglieno	Member	X	100%	1/1

The Chairman of the Committee is responsible for drawing the minutes of the meetings, with the support of the Secretary, whose functions are carried out within the Human Resources and Organisation Management Joint Department.

The Board of Directors, pursuant to the Code and ISVAP Regulations no. 39 of 9 June 2011, has assigned to the Remuneration Committee the following tasks as regards remuneration:

- submitting to the Board of Directors proposals regarding Policies for the remuneration of the Directors and the Key Managers of the Company (including the Heads of the Control Functions, consistently with the guidelines set by the Parent company);
- submitting to the Board of Directors proposals for the remuneration of the Executive directors and the other Directors who perform specific duties, as well as for setting up performance objectives related to the variable portions of the remuneration, consistent with the Remuneration policies adopted by the Board of Directors and in consideration of the indications of the Parent company;
- expressing opinions on the monitoring the implementation of the decisions approved by the Board of Directors, while verifying the actual fulfilment of performance objectives;

- expressing opinions on the regular evaluation of the adequacy, the overall consistency and correct application of the Policies for the remuneration of the Directors and the Key Managers (including the Heads of the Control Functions) adopted by the Company, availing itself, in this last regard, of the information provided by the Chief Executive Officer of the Parent company and submitting proposals to the Board of Directors on these matters;
- formulating opinions to the Board of Directors regarding the remuneration of the Supervisory Board of the Company pursuant to Legislative Decree no. 231/2001.

The members of the Board of Statutory Auditors are also invited to attend the meetings of the Remuneration Committee. Three out of three meetings were attended by the Chairman of the Board of Statutory Auditors and by at least one member of the Board of Statutory Auditors.

At the meetings held during the year, the Remuneration Committee carried out mainly the following activities:

- reviewed the remuneration benchmarks of key management personnel comparing them with those of similar Groups and Companies also by hearing of Egon Zehnder International, an external expert on executive compensation invited to this purpose, to establish the overall alignment of the remunerations, thus expressing favourable opinion as regards possible adjustments of the fixed portion of remuneration of key personnel, based on said market benchmarks;
- reviewed and proposed to the Board of Directors the adoption of the Remuneration Policy for 2017;
- reviewed and shared the Remuneration Report prepared pursuant to Art. 123-ter of the TUF (Consolidated Finance Act) and the above-mentioned ISVAP Regulations for 2015 and the Year;
- expressed a favourable opinion to the Board of Directors as regards the adoption of the executive incentive plan of the Company, called Unipol Performance Management, for the 2016-2018 period, the corresponding Regulations for year, and the Remuneration Plan based on financial instruments, pursuant to Art. 114-bis of TUF;
- expressed a favourable opinion to the Board of Directors as regards the adoption of the executive incentive plan called Unipol Performance Management, for the 2016-2018 period and the corresponding Regulations for 2017;
- reviewed the results arising from the UPM System for the 2015 period, acknowledging the presence of the conditions for the payment of the short term variable portion and the long term variable portion and thus expressing a favourable opinion to proceed with said disbursement;
- reviewed the results arising from the UPM System for the 2016 period, acknowledging the presence of the conditions for the payment of the short term variable portion, as a consequence expressing a favourable opinion to proceed with the disbursement of the short term monetary remuneration.

Also, the Committee in question made a prior assessment of the independence of the advisor from whom it had received information on market practices regarding remuneration policies.

The Committee has a budget, approved by the Board of Directors, which is adequate for the performance of its tasks.

8.4 Control and Risk Committee

Number of Meetings held during the Year: 8.

Average length of meetings: about two hours.

Number of meetings planned for 2017: 8 (of which 2 already held).

The Board of Directors, at the meeting of 12 May 2016, appointed, pursuant to Art. 37 of the Market Regulation and the Code, the members of the Control and Risk Committee, composed exclusively of independent Directors, one of whom with adequate expertise in accounting, financial or risk management matters, as assessed by the Board of Directors at the time of his/her appointment.

The composition of the Control and Risk Committee is detailed in the following Table.

	Members	Office held	Independent	% attendance	Meetings attended
CONTROL AND RISK COMMITTEE	Massimo Masotti (*)	Chairman	X	100%	8/8
	Giorgio Ghiglieno (**)	Member	X	100%	7/7
	Elisabetta Righini (**)	Member	X	100%	7/7

(*) Already a member of the Control and Risk Committee in the period 1 January – 27 April 2016 and confirmed by the Board of Directors on 12 May 2016.

(**) Appointed members of the Control and Risk Committee on 12 May 2016.

Members of the committee whose office ended during the Year.

	Members	Office held	Independent	% attendance	Meetings attended
CONTROL AND RISK COMMITTEE	Maria Lillà Montagnani	Member	X	100%	1/1
	Nicla Picchi	Member	X	100%	1/1

The Chairman of the Control and Risk Committee is responsible for drawing the minutes of the meetings, with the support of the Secretary, whose functions are carried out by the Law, Shareholdings and Institutional Relations Joint Department.

The Control and Risk Committee performs, for the Board of Directors, propositional, advisory, investigation and support activities regarding the assessments and resolutions to be issued by the Board in reference mainly to the internal control and risk management system, as well as to the approval of periodical accounting documents.

As regards the performance of these activities the Control and Risk Committee carries out in particular the following tasks:

- a. expresses its opinions to the Board of Directors regarding the following:
 - definition of the guidelines for the internal control and risk management system, to correctly

identify, measure, manage and monitor the main risks to which the Company and the Subsidiaries are exposed, thus assessing the degree of compatibility of such risks with a management of the company in line with the identified strategic objectives;

- approval, at least once a year, of the work plan prepared by the heads of the Control functions;
 - description, in the annual report on corporate governance, of the main features of the internal control and risk management system and the coordination methods among the subjects involved in it and an assessment of the adequacy of that system;
 - after consulting with the Board of Statutory Auditors, assessments of the results provided by the Auditing Company in its letter of suggestions and in the report on key issues identified during the audit;
 - the appointment and removal of the Heads of the Company Control Functions, the availability of suitable resources in fulfilling their responsibility, defining their remuneration in line with the purposely adopted corporate policies (binding opinion);
- b. together with the Financial Reporting Officer, after consulting with the Auditing Company and the Board of Statutory Auditors, assesses the correct application of accounting standards and, with reference to the Consolidated Financial Statements, their consistent use at the Group level;
- c. expresses opinions on specific issues regarding the identification of the main corporate risks; reviews the regular reports containing assessments about the internal control and risk management system, and those of particular relevance, prepared by the Control functions;
- d. monitors the independence, adequacy, effectiveness and efficiency of the Company Control Functions;
- e. asks, if applicable, the Audit Function to carry out assessments on specific operational areas and inform, at the same time, the Chairman of the Board of Directors and the Chairman of the Board of Statutory Auditors about such assignments;
- f. at least every six months, at the time of the approval of the annual and six month financial statements, reports to the Board of Directors on the activities performed and the adequacy of the internal control and risk management system compared to the characteristics of the company and the risk profile assumed, as well as its effectiveness;
- g. supports, with a suitable appraisal, the assessments and decisions of the Board of Directors relating to the management of the risks deriving from events of default that the Board of Directors is aware of.

The Control and Risk Committee, also on the basis of the powers attributed by Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135 of 17 July 2016, to the Board of Statutory Auditors in its role as a committee for internal control and audit, is responsible for establishing the necessary operational coordination also with the Board in order to ensure an efficient performance of the activities shared by both bodies and in compliance with the respective areas of competence. To this end, and to contain the cost of controls, in 2016, the members of the Board of Statutory Auditors attended, as invited, the

meetings of the Committee.

The Control and Risk Committee examines the information prepared by the Risk Management Function and addressed for the approval of the Board of Directors – concerning intercompany transactions performed by UnipolSai and the insurance companies controlled by them, which cause the operating limits set by the Policy on this type of transactions adopted pursuant to IVASS Regulation no. 30 of 26 October 2016 to be exceeded.

In order to perform its tasks, the Committee makes use of tools and information flows provided specifically by the Control Functions of the Company, so as to allow the Committee itself to issue the required assessments within its area of competence.

The Control and Risk Committee may also:

- request to the members of the bodies of the Subsidiaries to provide all information, including documents, deemed necessary to the correct performance of the assigned tasks;
- propose, with the appropriate reasoning, the appointment of external consultants who would support the Committee itself for the performance of tasks assigned thereto.

The Committee has a budget, approved by the Board of Directors, which is adequate for the performance of its tasks.

At the meetings held in the Year and until the date of this Report, the Control and Risk Committee reviewed and evaluated, *inter alia*:

- the reports on the activities of the Audit Function, including special control activities required by the annual plan and/or outside of said plan and shared with the Committee itself, as well as the corresponding activity plan;
- the reports on the activities of the Risk Management Function and corresponding activity plan, including specific information about the plan for the alignment with Solvency II regulations;
- the reports about the activities carried out by the Compliance Function during the financial period, and related activity plan;
- the reports on the activities carried out by the Anti-Money Laundering Department;
- the correct use and consistency in the application of the accounting standards used in the preparation of the consolidated financial statements, as well as the results of the assessments carried out on the internal control systems related to accounting and financial policies (Law 262/2005), through specific meetings with the Financial Reporting Officer and the independent statutory auditors;
- the proposals related to general policies applied to the remuneration of the Directors and Key Managers of UnipolSai, including the Heads of the Company Control Functions;
- the proposals for the annual update of the ICS Directives (as defined in the following Chapter 9), issuing specific opinions;
- the company's policies, prepared or updated pursuant to the provisions contained in the ISVAP Regulations no. 20/2008;

- the drafts of the annual Report on corporate governance and shareholding structures referring to 2015 and 2016;
- the results of the Audit reports of special significance.

The Committee in question also reported to the Board of Directors on its activities and their results at the time of the approval of the 2015 Draft Financial Statements, interim Financial Statements as at 30 June 2016 and the 2016 Draft Financial Statements.

Employees and external subjects, convened in reference with specific agenda topics, participated in the Committee's meetings upon invitation by the Chairman.

8.5 Related Party Transactions Committee

Number of Meetings held during the Year: 5.

Average length of meetings: 1 hour, approximately.

Number of meetings planned for 2017: 4 (of which 1 already held).

The composition of the Related Party Transactions Committee is shown in the following Table.

	Members	Office held	Independent	% attendance	Meetings attended
RELATED PARTY TRANSACTIONS COMMITTEE	Massimo Masotti (*)	Chairman	X	100%	5/5
	Giorgio Ghiglieno (*)	Member	X	100%	5/5
	Elisabetta Righini (**)	Member	X	100%	4/4
	Barbara Tadolini (**)	Member	X	100%	4/4

(*) Already members of the Related Party Transactions Committee in the period 1 January – 27 April 2016 and confirmed by the Board of Directors on 12 May 2016.

(**) Appointed members of the Related Party Transactions Committee on 12 May 2016.

Members of the committee whose office ended during the Year.

	Members	Office held	Independent	% attendance	Meetings attended
RELATED PARTY TRANSACTIONS COMMITTEE	Nicla Picchi	Member	X	100%	1/1
	Francesco Vella	Member	X	100%	1/1

The Chairman of the Committee is responsible for drawing the minutes of the meetings, with the support of the Secretary, whose functions are carried out by the Law, Shareholdings and Institutional Relations Joint Department.

The Committee has functions of advice, discussion and proposition with respect to the Board of Directors and the corporate structures of UnipolSai and its subsidiaries, on Transactions with related parties, in

compliance with the provisions of the Regulations issued by CONSOB with resolution no. 17221 of 12 March 2010, and subsequent amendments, and the internal procedure adopted by the Board of Directors of UnipolSai for the execution of the Transactions with related parties (Related Party Procedure; see Paragraph 10 below).

More specifically, the Committee:

- expresses to the Board of Directors of the Company an opinion on the methods for the establishment of the Register where the Related Parties are recorded (the “Register of Related Parties”);
- participates in the investigation and any negotiations regarding Transactions of Greater Importance (as defined in the Related Party Procedure);
- expresses to the competent body, on the basis of complete and timely information provided by the company's structure during the investigation, and if appropriate, during negotiations, a reasoned opinion on the interest of the Company to the execution of Transactions of Greater Importance, as well as on the convenience and substantial correctness of their conditions;
- expresses to the competent body a reasoned, non-binding opinion about the interest of the Company in carrying out Transactions of Lesser Importance (as defined in the Related Party Procedure), as well as about the convenience and substantial correctness of related conditions;
- expresses to the delegated body of UnipolSai (identified in the Internal Procedure in the Board of Directors or General Manager, based on the respective areas of competence and/or delegated powers), which has the authority to approve Transactions of Greater and Lesser Importance carried out through the subsidiaries, a reasoned and non-binding opinion regarding the interest of the same Subsidiaries and of UnipolSai in the completion of the Transaction, as well as on the convenience and substantial correctness of all related conditions;
- expresses to the Board of Directors an opinion on the updates made to the Related Party Procedure.

The Committee has a budget, approved by the Board of Directors, which is adequate for the performance of its tasks.

Where necessary or suitable, employees, representatives of the subsidiaries and/or external parties, invited by the Committee's Chairman, are called to participate and deal with the specific issues on the agenda at the meetings of the Related Party Transaction Committee.

9. THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Internal Control and Risk Management System is a key element in the overall corporate governance system. It consists of a set of rules, procedures and organisational structures aimed to ensure:

- effectiveness and efficiency of corporate processes;
- suitable limits on current and future risks;
- preventing the company's involvement, even involuntary, in illegal activities, particularly those associated with money laundering, and terrorism financing;

- the prevention and correct management of the potential conflicts of interest with Related Parties, as identified by legal and regulatory provisions of reference;
- verification that corporate strategies and policies are implemented;
- safeguarding of company asset values, also in the medium to long term;
- reliability and integrity of information provided to corporate bodies and the market and of IT procedures;
- adequacy and promptness of the corporate data reporting system;
- compliance of business activities with the law, supervisory regulations, corporate governance regulations and the company's internal measures.

The Internal Control and Risk Management System is defined in the related Directives (the “ICS Directives”) adopted by the UnipolSai Board of Directors on 20 March 2014 and periodically updated thereafter, the last update being approved in the Board meeting on 22 December 2016.

The ICS Directives define the roles and responsibilities of the parties involved in the internal control and risk management system, as well as the coordination methods and information flows between the different parties involved in this system.

In 2016, the corporate policies referring to the internal control and risk management system were revised and updated, also pursuant to Art. 30, Paragraph 6, of Legislative Decree no. 209/2005, as modified by Legislative Decree no. 74 of 12 May 2015, implementing the Solvency II Directive. These policies were approved by UGF in performing the management and coordination activities, after the involvement of the companies of the Group included in the corresponding scope of application, and were later adopted by the latter, including the Company.

The principles and processes of the risk management system as a whole are governed by the following Group policies: “Risk Management Policy”, “Current and Forward-looking Risk Assessment Policy” and “Operational Risk Management Policy” and “Group-level Risk Concentration Policy”. Also an integral part of the risk management system are the policies that outline the principles and guidelines on: (i) management of specific risk factors (e.g. the Group Investment Policy for market risk and Credit Policy for credit risk), (ii) management of a risk within a specific process, and (iii) mitigation of a risk and (iv) management of risk measurement models.

Risk Management System

The risk management system is the set of processes and tools used in support of the risk management strategy of the Unipol Group; it provides adequate understanding of the nature and significance of risks to which the Group and individual companies, including UnipolSai, are exposed. The risk management system allows the adoption of a single point of view and a holistic approach to risk management, and is an integral part of the management of the business. Within the risk management system, the risk management process, applied also by UnipolSai, is articulated in the following stages:

- identification of risks, consisting in the identification of risks believed to be significant i.e. those the consequences of which can endanger the solvency or reputation of UnipolSai or be a serious obstacle to the achievement of strategic objectives.

- current and forward-looking assessment of risk exposure, the current and forward-looking assessment of risk exposure is performed through methods envisaged in regulations and best practices as regards risks for which measurement is not regulated or defined by high-level principles. With regard to the forward-looking assessment, the Own Risk and Solvency Assessment (ORSA) is used to support the strategic decisions of the Company;
- monitoring of risk exposure and reporting, a system implemented - on the basis of principles of completeness, promptness and disclosure efficiency - to ensure a timely and ongoing monitoring on the evolution of the Risk Profile and the compliance of the Risk Appetite identified. This system guarantees that the quality and quantity of information provided is commensurate with the needs of the different recipients and with the complexity of the business managed, in order for it to be used as a strategic and operating tool in assessing the potential impact of decisions on the Company's risk profile and solvency;
- mitigation of risks, which consists in identifying and proposing action required and/or useful in mitigating existing or prospective levels of risk not in line with the related objectives defined at corporate level.

The risk identification, assessment and monitoring processes are performed on an ongoing basis, to take into account any changes in their nature, business volumes and market context, and the insurgence of new risks, or changes in existing risks.

These processes are carried out using methods that guarantee an integrated approach at Group level. The Parent company ensures that the risk management policy is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of additional supervision and their mutual interdependencies.

Risk Appetite and Risk Appetite Framework

The risk management system is designed with an Enterprise Risk Management approach, i.e. based on consideration from an integrated point of view, as shown above, of all current and forward-looking risks to which the Company and the Group are exposed, assessing the impact these risks could have on achieving the strategic objectives.

In order to pursue these high-level objectives, the approach adopted considers the need to reconcile the demands of the different stakeholders. In particular, the risk management system aims to reflect:

- the need to safeguard assets and reputation;
- the need for security and solvency;
- the desired rating;
- the need to diversify risks and ensure adequate liquidity.

Based on these principles and in order to pursue the assigned objectives, the risk management system is designed around a fundamental concept: Risk Appetite.

The definition of Risk Appetite is based on the following general principles:

- the objective is not to eliminate risks but to manage them in such a way as to ensure sustainable,

long-term growth;

- the components of the risk profile most important to guarantee the security and protection of customers, employees and the market are: capital strength, adequate liquidity and a sound reputation;
- fairness in the relations with all the stakeholders is necessary, balancing their demands and expectations in terms of risk management.

In line with said principles, UnipolSai ensures adequate levels of:

- capitalisation, to avoid revising strategic decisions;
- liquidity, to be able to meet one's commitments even in periods of stress due to company-specific or market-wide events under reasonable conditions and in a reasonable time;
- monitoring of reputational risk, to minimise the risk of negative events that can damage the image of the Company and/or the Group;
- monitoring of emerging risks to anticipate the arising of risks that can damage the capital strength, and arrange for their management;
- monitoring of operating risk, to ensure, even in the case of extreme events, the continuity of business transactions and the safeguard of the corporate capital.

The Risk Appetite can be established as a fixed target or as a range of possible values and is broken down into quantitative and qualitative elements.

In quantitative terms, the Risk Appetite is set on the basis of the following elements:

- risk capital;
- capital adequacy;
- liquidity/ALM (Asset Liability Management) ratios.

Quality objectives are defined in reference to compliance, strategic, emerging, reputational and operational risks.

The Risk Appetite is formalised in the Risk Appetite Statement, which indicates the risks that the Company intends to assume or avoid, sets the quantitative limits and the qualitative criteria to be taken into account for the management of unquantified risks.

The Risk Appetite forms part of a reference framework - called the Risk Appetite Framework (RAF). The RAF is defined in strict compliance and prompt reconciliation with the business model, the strategic plan, the ORSA process, the budget, company organisation and the internal control system. The RAF defines the Risk Appetite and other components ensuring its management, both in normal and stress conditions. These components are:

- Risk Capacity;
- Risk Tolerance;
- Risk Limits (or the operational risk limits);

- Risk Profile.

The activity to set the RAF components is dynamic over time, and reflects the risk management objectives associated with the objectives of the Business Plan. Verification is performed annually as part of the process of assigning budget objectives. Further analyses for the preventive control of Risk Appetite, and capital adequacy in particular, are performed when studying extraordinary transactions (mergers, acquisitions, disposals).

The RAF is articulated in several dimensions of analysis, with the aim of guaranteeing ongoing monitoring of risk trends. The main dimensions of the analysis are: risk category, group, subgroup and individual company.

The ORSA process

In the risk management system, the ORSA process allows the risk profile analysis of the Company, whether final or forward-looking, based on strategy, the market context and business development. In addition, ORSA is an element of the assessments made to support operational and strategic decisions.

9.1 Articulation of control levels

The Internal Control and Risk Management System is divided into various levels:

- **line controls** (so-called “first-level controls”), aimed at ensuring transactions are carried out correctly. These are performed by the same operating structures (e.g. hierarchical, systematic and sample controls), also through the different units which report to the heads of the operating structures, or carried out as part of back office activities; as far as possible, they are incorporated in IT procedure. The operating structures are the primary bodies responsible for the risk management process and must ensure compliance with the adopted procedures for implementing the process and compliance with the established risk tolerance level;
- **risk and compliance controls** (so-called “second-level controls”), which aim to ensure, *inter alia*:
 - the correct implementation of the risk management process;
 - the implementation of activities assigned to them by the risk management process;
 - the observance of the operating limits assigned to the different departments;
 - the compliance of company transactions with the regulations, also self-regulatory.

The departments in charge of these controls are separate from the operating functions; they help define the risk governance policies and the risk management process;

- **internal review** (so-called “third-level controls”), verification of the completeness, functionality and adequacy of the internal control and risk management system (including the first- and second-level controls) and that business operations comply with the System.

9.2 Role of the corporate bodies, the Company Control Functions and the main bodies and parties involved in the internal control and risk management system

CORPORATE BODIES

Board of Directors: the Board of Directors is ultimately responsible for the internal control and risk management system, for which it has to ensure constant completeness, function and effectiveness. In this respect, the Board approves - amongst other things - the organisational structure and the assignment of duties and responsibilities to the operating units, ensuring appropriate segregation of functions. Subject to the opinion of the Control and Risk Committee, it also defines the guidelines for the Internal Control and Risk Management System, performing an annual assessment of system adequacy, effectiveness and actual operation.

Pursuant to the ICS Directives, all parties involved in the internal control and risk management system exchange information flows as envisaged in current regulations and all other information useful to guarantee that the Board of Directors is fully aware of the significant corporate events and that the other parties involved have all the information necessary to perform their own duties.

Appointed Director: the following functions, duties and powers were assigned to the Appointed Director, in compliance with applicable legal and regulatory measures:

- handling the identification of the main corporate risks, taking account of the features of the activities carried out by the Company and its subsidiaries, regularly subjecting them to review by the Board of Directors;
- implementing the guidelines set by the Board of Directors, overseeing the design, implementation and management of the internal control and risk management system, and constantly verifying its adequacy and effectiveness;
- ensuring adaptation of the internal control and risk management system to changes in the operating conditions and in the legal and regulatory framework;
- if necessary, asking the Audit Function to perform audits on specific operating units and of compliance with internal rules and procedures in the execution of corporate transactions, reporting on these to the Chairman of the Control and Risk Committee and the Board of Statutory Auditors;
- checking that the administrative body is periodically informed on the effectiveness and adequacy of the system of internal controls and risk management and the Compliance Function and in any case promptly informing the Control and Risk Committee and the Board of Directors of any significant problem and critical issue identified during his/her activities or anyway notified, so that the appropriate initiatives may be carried out;
- with reference to the Heads of the Company Control Functions, formulating proposals to the Board of Directors, after receiving the favourable opinion from the Control and Risk Committee, for:
 - their appointment and removal;
 - the availability of suitable resources in fulfilling their responsibility;
 - defining their remuneration in line with the corporate policies;

- expressing to the Board of Directors opinions regarding the work plans prepared by the Heads of the Company Control Functions.

Top Management (meaning the General Manager and Top Management with tasks of management oversight²): supports the Appointed Director in designing and implementing the internal control and risk management system, including those deriving from non-compliance with the regulations, in line with the directives and the risk governance policies defined by the Board of Directors and with the guidelines set by the Parent Company.

COMPANY CONTROL FUNCTIONS

Pursuant to applicable industry legislation, the Company's organisational structure requires that the company Control Functions be separated from an organisational point of view, report directly to the Board of Directors and operate under the coordination of the Appointed Director.

With effect from 15 January 2014, the Risk Management and Compliance Functions report to the Chief Risk Officer (in turn reporting to the Board of Directors). This structure makes it possible, by preserving the independence and separateness of the individual Control functions, and guaranteeing compliance with the principle of segregation of transactions from Control functions, to further strengthen the integrated monitoring of the risks to which the Unipol Group is exposed in the different areas in which it carries out its activity, developing synergies between the second-level Control functions so that potential overlaps between control areas are avoided.

The Company control functions use a method and a reporting system in common, which offer maximum convergence in the description of processes, the assessment of operational risks and assessment of Internal Control and Risk Management System.

In the organisational model designed in the ICS Directives, in addition to conducting their own activities for the Company, the Control Functions, besides carrying out the activities within their competence for the Company, guarantee outsourcing of the service for the companies that have signed specific service agreements with UnipolSai and which report to the corresponding departments of the Parent Company.

The previously mentioned Fit&Proper Policy also describes the procedure for assessing the eligibility requirements for the position in reference to the Heads of the Control functions and the Chief Risk Officer.

Audit

The Audit Function assesses the completeness, function, reliability and adequacy of the internal control and risk management system according to the nature of the business activities and the level of risks undertaken, as well as its updating, also through support and advisory activities provided to other company departments. The methods of execution of the tasks assigned to the Audit Function are defined and formalised in the document "Audit Function Regulations", attached to the ICS Directives.

The Audit Manager, Mr Andrea Alessandri, was appointed by the Board of Directors of the Company on 13 November 2012, and his duties were specified and approved by a resolution of the Board of Directors, which also established his powers, responsibilities and reporting methods. He is not in charge of any

² Key managers are those identified for the purposes of the application of the supervisory regulations on intercompany transactions.

operating department.

Personnel assigned to this Function must be granted freedom of access to all company structures and to documentation relating to audit tasks, including information useful in verifying the adequacy of controls carried out by outsourced corporate departments. The structures being audited must also provide accurate and complete information.

Both continuously and in relation to specific needs, and in compliance with international standards, the Audit Function verifies the operations and suitability of the Internal Control and Risk Management System by means of an audit plan, approved by the Board of Directors, based on a structured process of analysis and prioritisation of the main risks. The 2016 plan was approved by the Board of Directors on 10 March 2016 after prior examination by the Control and Risk Committee and after consulting the Board of Statutory Auditors and the Appointed Director.

The Audit Function's duties include the following types of activity:

- process audit (insurance, operational, financial and information technology);
- within its competence, the preparation of reports required by regulations and the performance of related activities;
- compliance verification/audit of the insurance agencies and claims settlement services;
- verification of internal fraud by employees, trustees and salespeople;
- cooperation with the Control and Risk Committee, the independent statutory auditors, the Board of Statutory Auditors and the Supervisory Body set up according to Legislative Decree no. 231/2001.

As part of these activities, the audits refer in particular to:

- the function of the overall internal control and risk management system as regards risks intrinsic to the processes examined and the identification of anomalous trends;
- compliance with regulations, policies and directives approved by the Board of Directors, organisational procedures and, in general, internal regulations;
- compliance with limits envisaged by delegated power mechanisms and the full and correct use of available information;
- IT system adequacy and reliability in ensuring that the quality of information on which Top Management bases its decisions is not compromised;
- compliance of administrative and accounting processes with the criteria of accounting accuracy and correct record-keeping.
- effectiveness and efficiency of controls on outsourced activities.

At the end of each audit, the corresponding report is prepared for Top Management and the parties concerned. If particularly significant or serious situations are found, these must be promptly reported to the Board of Directors, the Board of Statutory Auditors, the Control and Risk Committee and the Appointed Director, for which the half-year reports on the activity performed are prepared, as a summary of the audits carried out.

The Audit Function is given a budget based on its own estimation of requirements which, where necessary, can also be supplemented during the year.

Risk Management

In the risk management system, the Risk Management Function is required to identify, measure, evaluate and monitor on an ongoing basis the current and future risks to which the company is or might be exposed, at the individual and aggregate level, as well as their interconnections.

In exercising its role, the Risk Management Function is in charge of the development, implementation and maintenance of the risk measurement and control systems. Among these, special relevance is given to the definition and the use of instruments to calculate the capital needed against the risks identified.

In this regard, we point out that, with measure of 7 February 2017 IVASS authorised UnipolSai to use the partial internal model for calculating the individual solvency capital requirement with effect from 31 December 2016, in compliance with Solvency II.

Within the Company, the responsibility for the design and implementation of this model is separated from the responsibility for its validation.

The Risk Management Function is also in charge of:

- monitoring data quality with special reference to the calculation of the solvency capital requirement for Solvency II purposes;
- assessing the impact of operating risk deriving from catastrophic events as specified in the Business Continuity Policy and for these objectives it co-operates with the department in charge of the Business Continuity Plan.

The Risk Management Function also contributes to the dissemination of a risk culture throughout the Group.

Compliance

The Compliance Function is in charge of evaluating, with a risk-based approach, the adequacy of procedures, processes, policies, and internal organisation to prevent the risk of non-compliance, i.e. the risk of incurring judicial or administrative sanctions, significant financial losses or reputational damage as a result of violations of mandatory rules (laws, regulations, rulings of Supervisory Authorities) and self-regulation (e.g. by-laws, ethics codes, self-governance codes, internal policies and corporate communications).

This risk is found at all levels of the organisation; accordingly its correct management is a major topic and deeply connected with day-to-day transactions, with particular reference to relations with clients. Specifically, its main feature is the considerable pervasiveness in business activities and the involvement of several organizational structures.

The Compliance Function operates through:

- the continuous identification of the applicable rules and the evaluation of their impact on business processes and procedures;
- assessing the adequacy and effectiveness of the measures adopted by the Company to prevent compliance risk, and recommending the implementation of organizational and procedural changes aimed at ensuring such risk is effectively monitored;

- the evaluation of the effectiveness of organisational adjustments (structures, processes and procedures) as a result of the suggested changes;
- arranging information flows aimed at corporate bodies and the structures involved.

To this end, the methodology used provides for different types of activities that can be broken down into:

- ex-ante activities, with the aim of supporting Top Management in the adjustment activity in relation to new projects/products/processes/regulations: the Compliance Function analyses the reference regulations, the impacted corporate processes and the actions identified by management, also supporting in the identification of the most suitable actions/measures to guarantee that the compliance risk is kept within certain acceptable limits in line with the Risk Appetite of the Company and the Unipol Group;
- ex-post activities that are aimed at representing the level of compliance of the procedures, the process, the policies and the internal organisation of the Company to the applicable legislation and the compliance risk.

As part of the Compliance Function, the “Model 231 monitoring” Function is established, which has the responsibility of monitoring the legislative changes concerning Legislative Decree no. 231/2001, ensuring compliance with the regulations and updating the Organisation, Management and Control Model prepared pursuant to this regulation, as well as the management of the related risk mapping.

FINANCIAL REPORTING OFFICER

The Financial Reporting Officer is entrusted with the task of contributing to the proper management of the Company, arranging, in a strategic area such as that of correct financial information, appropriate organisational measures to ensure the achievement of this objective.

The Financial Reporting Officer of the Company is Mr. Maurizio Castellina, manager of the Administration, Management Control and Operations Joint Department, appointed to his office by the Board of Directors at the meeting of 27 April 2016.

Pursuant to the provisions of the By-Laws, the Board appointed him after obtaining the favourable opinion of the Board of Statutory Auditors and verifying that he possessed the professional requisites established by the By-Laws which state that the Manager in charge of financial reporting should be an individual “*with adequate professionalism that has carried out management activities in the administrative/accounting or financial or management control or internal audit sector of a company whose financial instruments are listed in a regulated market or one that carries out banking, insurance or financial activities or, in any case, a large corporation.*”

The Financial Reporting Officer has an independent staff structure and can request the support of any other structure of the Company and its subsidiaries; in particular, the Audit, Compliance and Organisation Functions, in cooperation with the Board of Statutory Auditors, the Control and Risk Committee and the Supervisory Board. In addition, he may avail himself of the assistance of the Independent Statutory Auditors for the exchange of information on the system of administrative and accounting control. Twice a year, the Financial Reporting Officer meets the Board of Statutory Auditors to share the results of the monitoring of the control system.

The Financial Reporting Officer may also intervene in respect of Subsidiaries that contribute significantly to the consolidated annual accounts, setting - subject to the independence and prerogatives of those companies - guidelines on approach and method for all departments that could significantly affect the administrative and accounting processes relevant to the statements and certificates that must be issued.

The Financial Reporting Officer attends, as a guest, the meetings of the Board of Directors that approve the individual and consolidated financial statements and other regular accounting reports.

AUDITING COMPANY

The Company has engaged PriceWaterhouseCoopers S.p.A. as independent auditors. This audits both the separate and consolidated financial statements, as well as for the limited audit review of the summary six-month consolidated financial statements.

The aforesaid engagement was conferred, for the 2013-2021 period, by resolution passed at the Shareholders' Meeting of 30 July 2013.

METHODS OF COORDINATION AMONG THE SUBJECTS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

It is essential within the internal control and risk management system that interaction is guaranteed between the subjects involved in it, together with a regular flow of information between these subjects and the corporate bodies.

The Board of Statutory Auditors, the Independent Auditors, the Control functions, the Supervisory Board pursuant to Legislative Decree no. 231/2001 and any other board and department assigned specific control responsibilities co-operate with each other, exchanging useful information to perform the tasks assigned to them. To this end, specific reports are required on the activities carried out and on the risk situation, towards the corporate bodies and the Top Management and the Board and corporate Committees, which ensure the involvement of and sharing with all the departments concerned.

In particular, mutual connections are already in place between the various Company Control Functions, implying:

- participation in the meetings of the Control and Risk Committee and the Supervisory Board;
- disclosure and discussion about the annual planning of the activities of the same Departments;
- periodic meetings aimed at sharing the results emerged from the control activity performed and the assessment of the residual risks and the internal control and risk management system, also through a common application platform, as described below;
- information flows that imply the mutual exchange of the documents produced by the individual control functions (such as, for example, the results of the audits performed, the episodes of failed regulatory compliance and regular reports on complaints).

The Company Control Functions annually submit to the Board of Directors their scheduled activities planned for the reference year and also inform the administrative body every six months on the activities performed and on the main critical elements found and on any actions proposed. In performing the advisory and propositional functions concerning the internal control and risk management system, the Control and Risk Committee and the Board of Statutory Auditors receive the plan of activities and periodic information from the

Company Control Functions with regard to the activities carried out.

The Group has also adopted a common application platform that is accessed by the Company Control Functions and by the other bodies/subjects with control tasks, in order to guarantee an integrated approach to the activities of mapping and analysing processes, risks and controls, for each Group company, and the continuous monitoring of any placement actions communicated to the operating structures following the analyses carried out by the same Company Control Functions.

This platform thus allows the latter:

- to share the wealth of information gathered as a result of the analysis/audit activities;
- to attain synergies in order to better monitor all the corporate activities;

to produce summary reports for the Top Management.

9.3 Main features of the existing internal control and risk management systems with regard to the financial reporting process, including consolidated accounts

UnipolSai, in compliance with the provisions of the TUF - Section V-bis "Financial Information", has implemented a control model, to support the Financial Reporting Officer, for verifying the adequacy and effective application of the administrative procedures relating to accounting and financial reporting.

The "model of financial reporting risk" adopted is based on a process defined in accordance with the following reference framework, generally recognized and accepted internationally:

- I. CoSo Framework (Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Tradeway Commission), widely recognized as the standard of reference for the implementation and evaluation of internal control systems;
- II. COBIT (Control Objective for IT and Related Technology), outline of best practices developed by ISACA (Information Systems Audit and Control Association) and ITGI (IT Governance Institute) which is the standard benchmark for IT Governance.

Specifically, as regards the elements of internal control on financial information set out in the CoSo Report, the Company has adopted the following guidelines:

- control environment: it reflects the attention paid by Top Management to the importance of the internal control culture in the company's organization and is monitored through control assessments and the documentation at Group level (Entity Level Control);
- risk assessment: risk analysis methods at the process level have been defined and implemented, through a preliminary Top-Down analysis, both qualitative and quantitative, which leads to the definition of the relevant processes (Scoping). For these processes an identification and analytical assessment is then carried out of the risks of failure to achieve control objectives, in respect of reliability, accuracy, trustworthiness and timeliness of the financial reporting;
- control activities: the activities for proper management and mitigation of risks described earlier have been identified, documented and evaluated;
- information and communication: a process of assessment of the proper management of information flows between the different departments of the Company and the Top Management has been

implemented in order to ensure that all parties belonging to the structure execute properly the tasks attributed to them. This evaluation is formalised within the analysis of the components “Control Environment” and “Control Activities”;

- monitoring: the Company has implemented a process of regular monitoring of the long-term reliability of the internal control and risk management system.

In line with the guidelines described above, the risk management and internal control process on financial information comprises the following stages:

Stage 1 – Definition of the scope of analysis: this activity is carried out every year, after the approval of the financial statements, and is articulated as follows:

- identification of significant Subsidiaries: the selection is performed on the basis of both quantitative criteria (percentage contribution by the individual company to consolidated assets and consolidated profit) and qualitative criteria, based on the risk profile of the single companies;
- identification of significant items/accounts: for the companies identified, the identification of related items and accounts is performed by defining materiality thresholds;
- matching significant items/accounts with processes: for significant accounts, through the identification of classes of supply transactions, an array of matching accounts – processes is prepared. This array is the tool through which to identify the processes subject to later analysis.

Stage 2 – Evaluation of the Control Environment: annually, the documentation is updated for group-wide and company controls (Entity Level Control-ELC) and the assessment of the level of achievement of the control objectives is performed. This analysis makes it possible to:

- verify the adequacy of the control model dimensions not covered directly through the process-level analysis, internal corporate information/communications, monitoring and risk assessment processes;
- draw a picture of the business context in which the internal control and risk management system operates, thus obtaining useful information to direct the subsequent stages of risk analysis/controls and tests in the context of the processes;
- obtain an immediate picture of the monitoring level of the controls and internal regulations of the companies of the Unipol Group, to support the statements of the Financial Reporting Officer and the Chairman.

Stage 3 – Assessment of risks and of the chart of controls at process level: regularly, in the case of revisions of the processes of business structures as a result of organisational changes, the documentation of risks and controls related to the financial reporting process is updated. This documentation is implemented through the provision, for each process identified as relevant in Stage 1 "Definition of the scope of analysis", of the Risk and Control Arrays (Risk & Control Analysis-RCA). In particular, the Risk & Control Analysis is structured as follows:

- definition of the risks through the identification and description of the type of risk;
- identifying the control objectives associated with risk and indication of the financial assertion of the accounts affected;

- control assessment through:
 - the description of the control activities under the control objective and the risk factor identified.
 - identifying the type of control;
 - the evaluation of the adequacy and effectiveness of the audit activities, in terms of risk mitigation, on the basis of the evidence collected;
 - the assessment/presentation of the evidence of the control;
 - an overall judgement by the correlation between the effectiveness of the control and the presence of the relevant check evidence;
- the areas for improvement collected on the control in respect of improvements in control design and/or its documentation.

Stage 4 – Verification of the actual application of controls at the process level: this stage, carried out twice a year, with the annual and six-month abbreviated consolidated annual accounts, is designed to monitor the effectiveness of the internal control system, and therefore assess its reliability.

The test of effectiveness of the controls consists in verifying the effective performance of all "key controls" of a manual nature by the structure involved, as well as the ways in which controls are carried out by the organisational units involved.

During the test the following activities are carried out:

- definition of the test specimen for the key controls identified;
- performance of the tests according to three procedures, namely observation, analysis of evidence and rerunning the audit activity;
- assigning a relative weight to the issues identified and their evaluation.

The number of the selected sample takes into account the nature of the controls to be tested or types of controls (manual or automated) and frequency.

At the end of the testing phase, after the evaluation and formalisation of the reliability level found, further corrective actions can be identified aimed at improving the effectiveness of the control system.

Stage 5 – Claims release process under Art. 154-bis of TUF: prior to the release of the statements attached to the yearly financial statements and the separate six-month report, the yearly consolidated financial statements and the summary six-month consolidated financial statements of the Company, a Report on the internal control and risk management system is drawn up pursuant to the applicable legislation, that highlights, in depth, the features of the internal control system implemented and the findings of the verification and monitoring activities performed. The Financial Reporting Officer sends the Report to the Chairman of the Board of Directors, the General Manager, the Chairman of the Board of Statutory Auditors, the Chairman of the Control and Risk Committee, the Audit Function Manager and, for information, to the independent statutory auditors.

The Board of Directors, at its meeting of 23 March 2017, examined the contents of the report of the Financial

Reporting Officer prepared with reference to 31 December 2016.

On the basis of the report highlighted above and the data verification activities carried out by the administrative structures, the Chairman, purposefully delegated, and the Reporting Officer will prepare the certificates laid down in Art. 154-bis of the TUF.

In the case of statements concerning communications to the market containing material accounting data, the Financial Reporting Officer, after a verification process, issues the statement of alignment of the data to the results of the accounting books and records.

9.4 The Organisation, Management and Control Model

On 6 October 2016, the Board of Directors, upon proposal by the Supervisory Body, approved the updated version of the Organisation, Management and Control Model ("Model" or "MOG"), adopted pursuant to Art. 6, Paragraph 1:a of Legislative Decree no. 231/2001, "Rules on the administrative liability of legal persons, companies and associations with or without legal status, pursuant to Art. 11 of Act no. 300 of 29 September 2000" ("Decree 231/2001").

The updating was performed mainly in order to adjust the MOG to the recently introduced related legislation, including the introduction, in the list of offences assumed by Legislative Decree no. 231/2001, of the new self-money laundering offence.

Following a detailed analysis of company processes and operations, UnipolSai has identified the risk areas of its MOG that can be traced back to the following categories of offences, relevant pursuant to Decree no. 231/2001, namely:

1. offences against the Public Administration;
2. corporate offences;
3. offences and misdemeanours of abuse of information, market manipulation and market rigging;
4. receiving stolen goods, money laundering, self-money laundering and offences for the purposes of terrorism or subversion of the democratic order;
5. computer crime and unlawful use of data;
6. crimes of manslaughter and serious personal injury resulting from violations of the Health & Safety workplace regulations;
7. crimes of money counterfeiting;
8. organised crime and cross-border offences;
9. environmental offences;
10. crimes against industry and trade;
11. infringement of copyrights;
12. employment of third-country citizens without the required work permits;
13. incitement not to testify or to provide false statements to legal authorities.

The General Part of the Model can be found in the Governance section of the Company's Website.

Art. 5.1 of the existing MOG provides for the Supervisory Body to consist of five members, identified as follows:

- the three members of the Control and Risk Committee, Independent non-executive directors;
- another two members, chosen among external professionals with adequate competences and professionalism or by Top Managers, in charge of the Audit and/or Compliance Function.

With reference to the other two members, the second alternative mentioned above was chosen.

This composition was believed to be the most efficient and appropriate for the performance of the tasks that Decree no. 231/2001 assigns to that body.

The Supervisory Body in office was appointed by the Board of Directors at the meeting held on 12 May 2016. The current composition keeps into account the changes that have taken place in the board and the succession in the corporate offices.

The term of office of the Supervisory Body is the same as for the Board of Directors.

The composition of the Supervisory Body is shown in the Table below.

Members	Office held	Member in office since	Member in office until ⁽⁴⁾	Independent ⁽⁵⁾	% Holding ⁽⁶⁾
Massimo Masotti ⁽¹⁾	Chairman	12/05/2016	31/12/2018	X	100%
Elisabetta Righini ⁽¹⁾	Member	12/05/2016	31/12/2018	X	100%
SUPERVISORY BODY					
Giorgio Ghiglieno ⁽¹⁾	Member	12/05/2016	31/12/2018	X	100%
Andrea Alessandri ⁽²⁾	Member	12/05/2016	31/12/2018	X	100%
Vittorio Corsano ⁽³⁾	Member	12/05/2016	31/12/2018	X	100%

(1) Members of the Control and Risk Committee

(2) Manager of the Audit Function

(3) Manager of the Compliance Function

(4) The term of office of the Supervisory Body is the same as for the Board of Directors, i.e. until the Meeting to approve the financial statements on 31 December 2018.

(5) Independence requirement foreseen in the current Organisation, Management and Control Model.

(6) The percentage was calculated on the basis of the number of meetings attended by the individual member of the Supervisory Body, compared with the number of meetings held during the duration of office.

Until 27 April 2016, the Supervisory Body comprised Massimo Masotti, Maria Lillà Montagnani and Nicla Picchi (members of the Control and Risk Committee) as well as Andrea Alessandri (Audit Function Manager) and Vittorio Corsano (Compliance Function Manager).

In the context of its supervisory and control activities, the Body, during 2016, has continued to:

- supervise the effectiveness of the Model, verifying the consistence between the Model adopted and

the actual behaviour;

- examine the adequacy of the Model and its real ability to prevent unwanted conduct and in particular the commission of offences pursuant to Decree no. 231/2001;
- analyse that the requirements of strength and reliability of the Model are retained over time;
- dynamically update the MOG as necessary by formulating specific suggestions and adjustment proposals and through subsequent checks of the implementation and effective functionality of the solutions proposed.

The Supervisory Body, in order to ensure appropriate information flows to the Board of Directors, has also prepared an adequate reporting system, to the Board itself, containing, in addition to the attendance of the meetings held in the period:

- a description of the activity performed;
- any reports received and the consequent surveys carried out;
- any critical issues found;
- any findings to be submitted to the management body to start the actions needed to ensure that the Model is updated, effective and efficient;
- the planning of the activities scheduled in the next period;
- on an annual basis, the demand for freely usable financial means (budget) and the statement on their use made in the previous period.

10. INTERCOMPANY AND RELATED-PARTY TRANSACTIONS AND DIRECTORS' INTERESTS

The Related Party Procedure first adopted by the Board of Directors of the Company on 30 November 2010, pursuant to CONSOB Regulation no. 17221 of 12 March 2010 and subsequent amendments (the "CONSOB Regulations"), and amended on 23 December 2011, was fully revised on 15 May 2014 in the context of the wider process of standardisation and alignment of procedures and rules within the Unipol Group resulting from the integration of the former Fondiaria-SAI Group.

During 2016, the Board of Directors of the Company, after receiving the favourable opinion of the Related Party Transactions Committee, resolved to modify the Related Party Procedure on two occasions:

- in the meeting of 3 August 2016, for the purpose of adjusting to the procedural provisions of the new corporate governance structure adopted by the Company, attributing to the General Manager the tasks previously entrusted to the Chief Executive Officer, and aligning the content concerning the identification of the Key Managers (as well as the Directors and Auditors) to the provision established concerning the procedure recently adopted concerning Internal Dealing (see below);
- in the meeting of 6 October 2016, to exclude from the subjective scope of application of the procedural provisions the company Immobiliare Grande Distribuzione Società di Investimento Immobiliare Quotata S.p.A. ("IGD") - included in this framework, on a voluntary basis, on

6 August 2015 - after the partnership agreement entered into at the time between UGF, UnipolSai and IGD itself ceased, which concerned a specific initiative in the real estate and diversified sector.

The most recently updated Related Party Procedure entered into force on 6 October 2016 and can be found in the Corporate Governance section of the Company's Website.

The Related Party Procedure aims at defining the rules, methods and principles needed to ensure the transparency as well as substantive and procedural fairness of transactions with the Related Parties of the Company, either directly or through Subsidiaries ("Related Party Transactions" or "Transactions"). Specifically, the Related Party Procedure:

- identifies the scope of application of the regulatory framework, identifying the recipients as the Related Parties of the Company, whether direct or indirect, to be identified on the basis of the criteria set out in the CONSOB Regulations, also extending the definition of Related Party to additional subjects, not included among those specified in the list contained in IAS 24;
- identifies the methods to prepare and update the Register of Related Parties, the tool that provides support to all the business structures of the Company and its Subsidiaries, for a correct and prompt identification of Related Party Transactions deemed relevant for the Procedure in question;
- identifies the scope of application of the regulatory framework, identifying types of "Exempt" transactions to which the regulations, whether procedural or information-related, do not apply, either wholly or in part:
- identifies the examination and decision-making process applied to transactions and identifies the rules to follow where the Company examines the transactions entered into by its subsidiaries, as well as the information flows aimed at guaranteeing the transparency of transactions and compliance with the aforesaid procedural rules;
- pursuant to the CONSOB Regulation, provides for the approval of Related Party Transactions to be conditional to the prior reasoned opinion of the Related Party Transactions Committee, as described earlier on, that such transactions are in the Company's interest and that the related terms and conditions are correct and represent good value for money.

The rules for the Transactions are articulated differently, both in terms of procedures and in terms of transparency, according to the value of such transactions, with a distinction between (i) "Transactions of Greater Importance", identified by transposing, without modification, the thresholds specified in the CONSOB Regulation and to which more stringent rules apply, and (ii) "Transactions of Lesser Importance", subject to less strict rules.

The approval of the Transactions of Greater Importance pertains to the Board of Directors after a favourable reasoned opinion of the Related Party Transactions Committee. The Related Party Procedure also regulates the situation in which this Committee was to express an opinion against the Transaction.

As regards the identification of Transactions of Lesser Importance, the Procedure establishes specific relevance thresholds; as regards the approval process instead:

- in the case of a negative opinion of the Related Party Transactions Committee, the power to make a decision pertains to the Board of Directors;

- in the case of a favourable opinion of this Committee, the decision is made by the competent Corporate Function on the basis of the powers mandated to this.

With regard to Transactions carried out by the Subsidiaries, taking into account the presence of two listed companies in the participatory chain of the Unipol Group, each of which must comply with these rules, to avoid wherever possible the duplication of procedures, the operation of the subsidiaries of, respectively, UGF and UnipolSai has been regulated in a coordinated manner.

The Related Party Procedure defines replacement mechanisms (equivalent devices) in the event that one or more members of the Committee is related, by stipulating that, in the case of a relationship of all members, the opinion to be given by it will be expressed by the Board of Statutory Auditors, or, if the relevant provisions cannot be applied, by an independent expert appointed by the Board of Directors.

As regards the identification of the subjects to be considered as “Related Parties”, by letter dated 13 December 2012, ISVAP requested - until a new order is issued by the Authority - that the Company’s procedures adopted to implement the legal regulation currently governing intercompany transactions and Related Party transactions be extended to any transaction carried out with subjects (physical and legal persons) qualifying as related parties at 19 July 2012, the date when UGF acquired control of Premafin, hence indirectly of FONDIARIA-SAI (now UnipolSai). Therefore, these subjects are currently included in the list of the so-called “former related parties”.

On 22 December 2016, the Board of Directors of UnipolSai approved, pursuant to ISVAP Regulation no. 30 of 26 October 2016 (the “IVASS Regulation”), concerning supervisory provisions on intercompany transactions and the risk concentrations according to Title XV (Group Supervision), Section III (Supervisory instruments on the group), of Legislative Decree no. 209 of 7 September 2005 – Private Insurance Code – amended by Legislative Decree no. 74 of 12 May 2015, the Policy on intercompany transactions.

In compliance with the provisions contained in IVASS Regulation, the latter Policy defines:

- the internal rules aimed at equipping the Group and the insurance companies, including UnipolSai, that are part of it with an internal control and risk management system that includes the processes and procedures for the identification, measurement, monitoring, management and reporting of intercompany transactions;
- internal policies on the intercompany transactions of each company, consistently with the relevant strategies and the policies on investments, and particularly:
 - the criteria and the methods for carrying out intercompany transactions;
 - the methods of identifying and classifying intercompany parties;
 - the types of intercompany transactions that characterise company operations, the criteria of significance for their classification and the relevant decision-making and approval processes, considering the corresponding risk profiles;
 - the criteria to verify the reasonableness of the price of the different types of transactions envisaged;
 - suitable operational thresholds that are in line with the features of the different categories of intercompany transactions and relevant counterparties;

- the management of the transactions that may cause the set limits set to be exceeded;
- the obligations to communicate the transactions to IVASS assigned to the last Italian parent company.

11. INTERNAL DEALING

The Company has adopted a procedure which defines the rules for the fulfilment by the Relevant Persons of UnipolSai (as defined above) for the purposes of this procedure and the information obligations to CONSOB and to the market on purchase, sale, subscription or exchange involving UnipolSai, shares or financial instruments linked to shares in UnipolSai carried out by such persons even vicariously (The “Internal Dealing Procedure” or the “Procedure”).

It guarantees suitable transparency and homogeneity of the information on the transactions that – being performed (i) by people (*i.e.* directors, auditors and key managers) who actively participate in the decision-making processes or in any case have a significant knowledge of the corporate strategies, by virtue of the functions performed (the “Relevant Persons”) or, if appropriate, (ii) by people closely related (as identified by the Procedure) to the mentioned Relevant Persons – may serve a specific “reporting purpose” for the market and thus represent an extremely valuable element for investors.

The Internal Dealing Procedure defines the rules for the fulfilment by the Relevant Persons and the people closely related to them, as well as by UnipolSai, of the information obligations to CONSOB and to the market on Significant Transactions (as defined in the Procedure) – involving the shares or bonds issued by UnipolSai or the derivatives or the other financial instruments connected to them – carried out by the subjects mentioned above, even vicariously, excluding those for which the applicable legislation requires a specific exemption.

It also pursues the purpose of preventing the abuse of privileged information, also envisaging specific prohibitions for the Relevant Persons to perform certain transactions in the periods before the approval and the distribution of mandatory and forecasting periodic accounting documents of the Company (so-called blocking period).

The Internal Dealing Procedure – which is intended to block the possession by the Relevant Persons of privileged information and its possible misuse (a case that constitutes the offence of insider trading) – thus represents a tool for the pursuit of adequate informational transparency to investors about the possible evolution and future prospects of the Company and its Group.

The Internal Dealing Procedure was finally submitted to the Board of Directors for review on 22 December 2016 (effective from 1 January 2017), in order to take into account the enforcement, in the European Union Member States – starting on 3 July 2016 and without any need for acknowledgement by the national legislators – of the new EU regulations on market abuse introduced by Directive 2014/57/EU (MAD 2) and Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 (the so-called “Market Abuse Regulation”).

The system of rules laid down by the Internal Dealing Procedure includes, *inter alia*:

- (i) the criteria for the identification of the managers at UnipolSai who have regular access to privileged

information and have the power to take management decisions that can affect the evolution and future prospects of UnipolSai, are qualified as “Relevant Persons” and, accordingly, required to carry out the communication in question³;

- (ii) the arrangements for the implementation, on the part of the Relevant Persons, of communication obligations to CONSOB and to the Company of the major operations;
- (iii) the regulation of conditions for the provision by the Relevant Persons of an appropriate task for the Company for the latter to carry out, on their behalf, communications to CONSOB of the major operations carried out by them.

In order to ensure conditions which enable the Company to carry out with timeliness and correctness of the information obligations as mentioned above, the Internal Dealing Procedure provides that the Relevant Persons who have entrusted the task referred to in point (iii) above must undertake to communicate to the appropriate unit of the Company all major operations, of any amount, even less than the amount required by the relevant standards, carried out by themselves or by persons closely related to them, within 2 open market days starting from the date of their performance, of the Issuers’ Regulation.

In accordance with the Procedure, Relevant Transactions are all the transactions performed by or on the behalf of the Relevant Persons or the people closely related to them concerning the shares or bonds of UnipolSai or the derivatives and the other financial instruments connected to them, excluding the transactions with a total accumulated amount, without netting, not reaching Euro 5,000 by the end of the year.

In order to prevent potential conflicts of interest and to protect the Company and the Group, the Relevant Persons are forbidden to carry out operations on securities issued by UnipolSai:

- in the 30 calendar days before the announcement: (i) of the preliminary results (or, when the company does not approve the preliminary results, of the draft financial statements and the consolidated financial statements) and (ii) the half-yearly report;
- in the 7 (seven) calendar days before the announcement: (a) periodic financial information in addition to the annual and half-yearly financial report; and (b) the forecasting data.

The Procedure can be examined in the Governance section of the Company's website.

12. PROCESSING OF PRIVILEGED INFORMATION

As mentioned previously, on 3 July 2016 Regulation (EU) no. 596/2014 of the European Parliament and of the Council of 16 April 2014 (“MAR”) entered into force, subsequently supplemented by other second-level

³ “Relevant Persons” means: a) the Directors, the Statutory Auditors and the General Manager of UnipolSai; b) the other Key Managers of UnipolSai (different from the persons under letter a) above) - who have regular access to privileged information directly or indirectly concerning UnipolSai and with the power to take management decisions that may affect the future development and the prospects of the Company - identified, on the basis of the organisational roles and the respective responsibilities, by the Human Resources and Organisation Management Joint Department of UnipolSai, which submits its list to the Chairman of the Board of Directors of the Company for approval

regulations, which establishes the regulatory framework concerning market abuse that is harmonised and directly applicable inside the European Union.

With the adoption of the MAR, the European legislator intended to update and strengthen the previous framework, extending its scope of application to new markets and new negotiation strategies while introducing new requirements aimed at preventing market abuse, with the objective of guaranteeing the integrity of the financial markets of the Union and intensifying the protection of investors and the trust in the market.

The overall reference regulatory framework is currently not clear or complete yet, while awaiting the national reconciling legislation; the Board of Directors of UnipolSai thus believes that the conditions are not present to adopt a new procedure in this respect, replacing the last one approved by the administrative body on 6 August 2014.

In order to operate in compliance with the new EU legislation in any case, UnipolSai has given specific operating instructions for the management and communication of privileged information (the “Instructions”) addressing the company structures of UnipolSai: and its subsidiaries, which was reported to the Board of Directors in the meeting of 22 December 2016.

In the context described above, the Instructions identified, on a transitional basis, applicative measures that allow the Company to have suitable control for the company transactions to be performed in compliance with the new legislation, particularly with regard to the obligation to keep a Register of the people who possess privileged information (the “Register”). Once the reference regulatory and interpretative framework is completed, a new procedure will be submitted to the administrative body of the Company for examination.

One of the main elements introduced by the MAR concerns the identification of the moment when the obligation arises to communicate the privileged information to the public or – in case, if the requirements are met, this communication has not been made – to register in the Register those who have such information. According to the MAR, information that qualifies as privileged shall be published (barring delay, as specified) without having to wait for another and subsequent moment set by the applicable regulation, which means when the event the information refers to occurs. According to the Instructions in particular, the registration in the Register must take place (i) in the presence of information that qualifies as privileged according to the new legislation, based on the assessments made by the Company in accordance with the Instructions (which, in this respect, identify the roles and responsibilities) and (ii), if not done already, the publication of such information.

The Instructions envisage the possibility for the Company, pursuant to Art. 17 of the MAR, to delay, under its responsibility, the communication to the public of privileged information when the following conditions are met:

- a) immediate communication is likely to jeopardise the Company’s legitimate interest;
- b) the delay is not likely to have the effect of misleading the public;
- c) the issuer is able to guarantee the confidentiality of the privileged information.

The Instructions require the registration in the Register, when applicable, to be made on an “occasional” basis, which means by separate sections referring to each piece of privileged information generated, it being no longer possible to have a section for a “category” of privileged information. Benefitting from the right

granted by the new reference legislation, the Instructions also envisage the addition to the Register of a supplementary section reporting the data of the people who always have access to all privileged information (the so-called “permanent insiders”). The details of permanent insiders included in the supplementary section are not mentioned in the other sections of the Register; in line with the interpretative indications given by CONSOB, the Instructions identify a very limited number of Permanent Persons, essentially limited to the top managers and those who have contacts with the media.

13. BOARD OF STATUTORY AUDITORS

Number of meetings held during the Year: 18.

Average length of meetings: 2 hours.

Average participation: 100%.

Number of meetings already held in 2017: 5.

Average attendance by the Board of Statutory Auditors to the meetings of the Control and Risk Committee: at least one member of the Board of Statutory Auditors attended, in 100% of the cases, the meetings of the Control and Risk Committee.

13.1 Role and Responsibilities

In accordance with Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016, on the statutory audits of consolidated financial statements (that has made substantial changes to the rules governing the supervisory functions falling under the responsibility of the control body of public interest entities, which UnipolSai is included in), besides supervising compliance with legal provisions, By-Laws and principles of sound management, the Board of Statutory Auditors is also responsible – also while carrying out its tasks as internal control and audit committee – for:

- informing the administrative body of the Company about the outcome of the statutory audit;
- monitoring the financial reporting process and presenting the recommendations or the proposals aimed at guaranteeing the integrity;
- controlling the effectiveness of the systems for the internal control of the quality and management of the risk profile and internal review as regards the financial reporting of the Company;
- supervising the independent audit of the accounts;
- verifying and monitoring the independence of the independent statutory auditors, especially as regards non-audit services rendered to the Company by the same independent statutory auditors and the entities belonging to the same network.
- formulating the proposal of appointment for the audit to be submitted to the Meeting, based on the procedure for the selection of the independent auditors. The Board of Statutory Auditors is also responsible for the fairness of this procedure.

13.2 Appointment

Pursuant to the Law and the By-Laws, the Board of Statutory Auditors is appointed on the basis of lists

submitted by the Shareholders who are entitled to vote at the related Shareholders' Meetings at the time of their presentation.

The lists are divided in two sections, one for the candidates for the office of Standing Auditor, the other for the candidates for the office of Alternate Auditor. They must contain a number of candidates not exceeding the number of members to be elected (max. three names in each section) to be listed in sequential order. The lists must be filed with the registered office of the Company within 25 days before the date of the Shareholders' Meeting convened to resolve upon the appointment of the members of the Board of Statutory Auditors.

Each list that, considering both sections, contains a number of candidates equal to or greater than three must ensure compliance with the gender proportion laid down by the laws and regulations in force (mandatory legislative provisions introduced by law no. 120 of 12 July 2011 Articles 147-ter, Paragraph 1-ter and 148 Paragraph 1-bis of the TUF and CONSOB Resolution no. 18098 in Art. 144-undecies of the Issuers' Regulation concerning equal access to administrative and supervision bodies of companies listed on regulated markets).

A candidate can appear on only one list, on pain of ineligibility.

The lists can be submitted by entitled Shareholders who, alone or together with other Shareholders, own the stake specified by the law and other regulations in force governing the appointment of the members of the management and control bodies of the companies: at the date of this Report, said stake, set most recently by CONSOB, with Resolution no. 19586 of 27 January 2017, is equal to 1% of ordinary share capital.

Those submitting a "minority list" are also recipients of the recommendations made by CONSOB in its document DEM/9017893 of 26 February 2009.

The lists will be accompanied by full information regarding the personal and professional characteristics of the candidates, a statement of the absence of causes of ineligibility and incompatibility, as well as the satisfaction of the requirements for the holding of positions, including compliance with the limits to the holding of positions established by the current regulations.

The lists, accompanied by information on the characteristics of the candidates, are published in a timely manner on the Company's website.

The election of the members takes place as follows:

1. from the list which has obtained the largest number of Shareholders' votes, according to the progressive order in which they are listed in the sections of the list, two full members and one deputy member are taken;
2. the remaining Standing Auditor and the remaining Alternate Auditor are taken from the list that came second in terms of votes and that is not linked, not even indirectly, to those who submitted or voted the list that obtained the highest number of votes. In the case of a tie vote between two or more lists, a ballot will be held between such lists, the candidates elected being from the list that obtains the relative majority of the votes.

The Board of Statutory Auditors will be chaired by the Standing Auditor elected from the list that ranked second in terms of votes.

If a Statutory Auditor must be replaced, the replacement is the Alternate Auditor from the same list. Failing this, in the event that the minority Statutory Auditor terminates his office, the candidate immediately following the outgoing one in the same list will take over or else, the first candidate of the list ranking third in terms of votes; the replacement must guarantee compliance with the balance of genders prescribed by the law and other regulations in force.

As regards the provisions of Art. 36 of Decree-Law no. 201 of 6 December 2011 (converted into Act no. 214 of 22 December 2011), which provides for the prohibition from accepting or exercising offices between companies and groups of competing companies operating in the credit, insurance and financial markets, the Company verifies the existence of potential cases of incompatibility of its Standing Auditors.

13.3 Composition and operation

The Shareholders' Meeting of 17 June 2015 appointed, on the basis of the two lists presented by the Shareholders – of which one jointly presented by the majority shareholder UGF and the other, jointly, by some asset management companies and institutional investors holding a total of 0.525% of the ordinary share capital of the Company – the Board of Statutory Auditors currently in office, comprising three Standing Auditors and three Alternate Auditors, conferring upon the same a three-year mandate and, therefore, until the Shareholders' Meeting called to approve the 2017 financial statements.

The composition of the Committee is detailed in the enclosed Table no. 3.

With reference to the CVs of the full members of the Body, said documentation is published on the Company's website.

All Auditors meet the requirements set by the current provisions of laws and By-Laws. All members of the Board of Statutory Auditors are entered in the register of auditors and auditing companies with the exception of the Alternate Auditor Donatella Busso.

The Board of Statutory Auditors, at the meeting of 11 May 2016, verified that its members meet the independence requirements set by the Code of Conduct for Directors and observed that its composition is adequate and the above requirements are met by its members.

The Board of Directors at the meeting held on 12 May 2016 verified that the members of the control body met the independence requisites prescribed by Art. 148, Paragraph 3 of TUF, pursuant to the provisions of Art. 144-novies of the Issuers' Regulation, with subsequent amendments by CONSOB Resolution no. 17326 of 13 May 2010.

The current By-Laws do not stipulate any limits to the cumulation of positions beyond those provided for by Art. 144-terdecies of the Issuers' Regulation.

The Board of Statutory Auditors meets at least every 90 days.

The members who, on their own or through third parties, have an interest in a particular Company's operation must inform promptly and thoroughly the other members and the Chairman of the Board of Directors about the nature, terms, origin and scope of that interest. In 2016 no situations arose in respect of which the members of the Board of Statutory Auditors had to file such reports.

The members participated in the meetings of the Board of Directors, held in 2016, with an average attendance of 96%.

The Board of Statutory Auditors has supervised the independence of the Independent Statutory Auditors, especially as regards non-audit services rendered to the Company and its Subsidiaries by the same Independent Statutory Auditors and the entities belonging to the same network.

The Board has not made use of its power to request the Audit Function to carry out verifications on specific operating areas or company operations, as it believed that the control activity performed on the activities carried out and the outcome of the controls carried out, also through exchanges and interviews with the aforementioned Audit Function – by the Board, as part of its supervisory duties – to be satisfactory.

In 2016 the Board of Statutory Auditors has been invited to attend the meetings of the Control and Risk Committee, obtaining adequate information to coordinate the activities of the Board with those carried out by the aforesaid Committee.

14. RELATIONSHIPS WITH THE SHAREHOLDERS

By tradition, the Company pays particular attention to the relationships with its shareholders, maintaining a constant dialogue with the market, pursuant to the law and other regulations governing the matter, ensuring at the same time that any press release, financial and corporate documentation or presentations made to the financial community are readily available in the Investor Relations and Governance sections of the company's website; all of this to provide the Shareholders and the market with adequate and comprehensible information.

In 2016 relations with investors – in connection with the Group's configuration, jointly with Unipol Gruppo Finanziario – were maintained through meetings in person and conference calls with institutional investors and brokers, road shows and conferences.

In this regard, in May 2016 the Group approved the 2016-2018 Business Plan and presented it to the markets. While the industry phenomena resulted in a marked sensitivity of the financial markets and a certain scepticism and diminishing interest in Italian financial securities, the specific phenomena regarding UnipolSai and UGF generated great expectations about the strategic lines and the objectives of the mentioned Plan, fuelled by the full achievement of the main targets of the previous plan.

In this context, the activity of the Investor Relations Department intensified in particular, requiring a support effort from management consequently to the growing activity of communication towards investors compared to previous years. Meetings with more than 200 investors were held in 2016 and the number of financial centres covered by the communication activity rose, this year including Asia for the first time (with road shows in Hong Kong and Singapore) and new European offices like Madrid and Helsinki. Most of the investors we met are based in the United Kingdom (37%), 8% in the United States, 13% in Italy, 22% in other European countries and 11% in Asia. We also took part in 7 public conferences in the industry, assisted by specialised brokers, 13 road shows (1 in Italy, 2 in the United Kingdom, 1 in the United States, 2 in Asia and 7 in other European countries). 238 people were met in total.

24 meetings were also held with financial analysts who cover the Group securities, while informal contacts are held and information exchanged with such analysts on a daily basis.

As regards the relationships with the media, the Company also facilitates the attendance of journalists and qualified experts at Shareholders' Meetings.

Relations with investors and financial analysts are managed by the officer in charge of Investor Relations, Mr Adriano Donati, within the Strategic Planning, Investor Relations and M&A Department; (Tel +39 051 5077933 – e-mail: investor.relations@unipolsai.it – or on the Company website in the "Investor Relations" section under the heading "Contacts").

Bologna, 23 March 2017

The Board of Directors

ATTACHMENTS TO THE REPORT

TABLE NO. 1 – Board of Directors

Name	Office held	Date of birth	Date of first appointment	In office since (date of last appointment)	In office until	List ⁽¹⁾ M/m	Exec.	Non-Exec.	Indep. as per Code ⁽²⁾	Indep. d. as per TUF ⁽³⁾	% BoD ⁽⁴⁾	Number of BoD meetings attended	Other assignments ⁽⁵⁾
Carlo Cimbri	Chairman	31/05/1965	30/10/2012	27/04/2016	31/12/2018	M	x				100%	9/9	2
Fabio Cerchiai	Deputy Chairman	14/02/1944	30/10/2012	27/04/2016	31/12/2018	M		x			100%	9/9	6
Pierluigi Stefanini	Deputy Chairman	28/06/1953	30/10/2012	27/04/2016	31/12/2018	M		x			100%	9/9	2
Francesco Berardini	Director	11/07/1947	30/10/2012	27/04/2016	31/12/2018	M		x	(a)		100%	9/9	6
Milva Carletti	Director	12/01/1963	29/04/2013	27/04/2016	31/12/2018	M		x	x	x	100%	9/9	1
Paolo Cattabiani	Director	11/07/1958	20/03/2014	27/04/2016	31/12/2018	M		x	(a)		56%	5/9	4
Lorenzo Cottignoli	Director	13/05/1953	29/04/2013	27/04/2016	31/12/2018	M		x	(a)		78%	7/9	5
Ernesto Dalle Rive	Director	02/12/1960	30/10/2012	27/04/2016	31/12/2018	M		x	(a)		89%	8/9	5
Giorgio Ghiglieno	Director	12/10/1955	29/04/2013	27/04/2016	31/12/2018	m		x	x	x	100%	9/9	0
Salvatore Lauria	Director	14/11/1965	27/04/2016	27/04/2016	31/12/2018	M		x			100%	7/7	0
Massimo Masotti	Director	07/02/1962	29/04/2013	27/04/2016	31/12/2018	M		x	x	x	100%	9/9	0
Maria Rosaria Maugeri	Director	20/02/1965	29/04/2013	27/04/2016	31/12/2018	M		x	x	x	100%	9/9	1
Maria Lillà Montagnani	Director	03/04/1971	30/10/2012	27/04/2016	31/12/2018	M		x	x	x	89%	8/9	0
Nicla Picchi	Director	12/07/1960	30/10/2012	27/04/2016	31/12/2018	M		x	x	x	100%	9/9	2
Giuseppe Recchi	Director	20/01/1964	13/11/2014	27/04/2016	31/12/2018	M		x	x	x	67%	6/9	2
Elisabetta Righini	Director	25/03/1961	27/04/2016	27/04/2016	31/12/2016	M		x	x	x	100%	7/7	1
Barbara Tadolini	Director	20/03/1960	29/04/2013	27/04/2016	31/12/2018	M		x	x	x	100%	9/9	1
Francesco Vella	Director	05/02/1958	29/04/2013	27/04/2016	31/12/2018	M		x	x	x	100%	9/9	2

Directors whose office ended during the Year:

Name	Office held	Date of birth	Date of first appointment	In office since (date of last appointment)	In office until	List ⁽¹⁾ M/m	Exec	Non-Exec.	Indep. as per Code ⁽²⁾	Independ. as per TUF ⁽³⁾	% BoD ⁽⁴⁾	Number of BoD meetings attended	Other assignments ⁽⁵⁾
Cristina De Benetti	Director	29/04/1966	10/02/2015	10/02/2015	27/04/2016	M(*)		x	x	x	100%	2/2	-
Ethel Frasinetti	Director	05/10/1977	30/10/2012	29/04/2013	27/04/2016	M		x	x	x	50%	1/2	-
Mario Zucchelli	Director	23/01/1946	29/04/2013	29/04/2013	27/04/2016	M		x	(a)		50%	1/2	-

(1) This column indicates if the member was elected from a list voted with majority (M) or minority (m) votes.

As regards the appointment of the Board of Directors, two lists were submitted, one by the majority shareholder Unipol Gruppo Finanziario S.p.A. and the other by some asset management companies and institutional investors.

(2) Indicates if the Director was identified by the Board of Directors as an independent member of the Board, according to the criteria set forth in the Code of Conduct.

(3) Indicates if the Director meets the requirements of independence established by Art. 148, Paragraph 3, of the TUF.

(4) Indicates the attendance, in percentage, of the Director to the meetings of the Board of Directors (in calculating this percentage, the number of meetings attended by the Director is compared with the number of meetings held by the Board during the period or after accepting the assignment, if appointed for the first time in 2016).

(5) Indicates the total number of offices held in other companies listed in regulated markets (including foreign markets), or in financial, banking and insurance companies or other large companies. The list of these companies, with reference to each Director, is included in Table 2.

(a) Director excluded from any independence assessment – aside from the requirements set forth in the Code – since he/she holds offices in the corporate bodies of the direct holding company, Unipol Gruppo Finanziario S.p.A. and/or of the indirect holding company Finsoe S.p.A. (see Paragraph 3.4 Section II).

(*) Director co-opted by the Board of Directors on 10/02/2015 and confirmed by the Shareholders' Meeting of 17/06/2015

TABLE NO. 2 – List of relevant offices held by the Directors

As regards the provisions set forth in the Code of Conduct, following is the evidence of offices held by the Directors in companies listed in regulated markets (including foreign markets) or in financial, banking, insurance companies, or in large companies, as at the date of this report.

The companies belonging to the Unipol Group are marked with (*).

Name	Office held in UnipolSai	Offices held in other companies
Carlo Cimbri	Chairman	Chief Executive Officer and General Manager of Unipol Gruppo Finanziario S.p.A.(*) Director of Rizzoli Corriere della Sera Mediagroup S.p.A.
Fabio Cerchiai	Deputy Chairman	Chairman of Arca Assicurazioni S.p.A. (*) Chairman of Arca Vita S.p.A. (*) Chairman of SIAT Società Italiana Assicurazioni e Riassicurazioni S.p.A.(*) Chairman of Atlantia S.p.A. Chairman of Cerved Information Solutions S.p.A. Chairman of Autostrade per l'Italia S.p.A.
Pierluigi Stefanini	Deputy Chairman	Director of Finsoe S.p.A. Chairman of Unipol Gruppo Finanziario S.p.A.(*)
Francesco Berardini	Director	Director of Finsoe S.p.A. Director of Unipol Gruppo Finanziario S.p.A. ⁽¹⁾ Deputy Chairman of Coop Consorzio Nord Ovest S.c a r.l. Chairman of Coop Liguria Company Cooperativa di Consumo Director of Coop Italia Soc. Coop. Deputy Chairman of SIAT Società Italiana Assicurazioni e Riassicurazioni S.p.A.(*)
Milva Carletti	Director	Director of IGD SIIQ S.p.A.
Paolo Cattabiani	Director	Director of Finsoe S.p.A. Director of Coop Italia Soc. Coop. Chief Executive Officer of Alleanza Coop 3.0 Soc. Coop. Director of Unipol Gruppo Finanziario S.p.A. ⁽¹⁾

Lorenzo Cottignoli	Director	<p>Director of Finsoe S.p.A.</p> <p>Director of Assicoop Toscana S.p.A.</p> <p>Chairman and Chief Executive Officer of Assicoop Romagna Futura S.r.l.</p> <p>Director of C.M.C. of Ravenna Soc. Coop.</p> <p>Deputy Chairman of Integra Broker S.r.l.</p>
Ernesto Dalle Rive	Director	<p>Director of Finsoe S.p.A.</p> <p>Director of Unipol Gruppo Finanziario S.p.A. (*)</p> <p>Chairman, Chief Executive Officer and General Manager of Nova Coop Soc. Coop.</p> <p>Deputy Chairman of Coop Italia Soc. Coop.</p> <p>Deputy Chairman of Coop Consorzio Nord Ovest S.c. a r.l.</p>
Giorgio Ghiglieno	Director	--
Salvatore Lauria	Director	--
Massimo Masotti	Director	--
Maria Rosaria Maugeri	Director	Director of Trenitalia S.p.A.
Maria Lillà Montagnani	Director	--
Nicla Picchi	Director	<p>Director of SABAF S.p.A.</p> <p>Director of SAIPEM S.p.A.</p>
Giuseppe Recchi	Director	<p>Chairman of Telecom Italia S.p.A.</p> <p>Director of Investindustrial Industrial Advisors Limited</p>
Elisabetta Righini	Director	Director of Biesse S.p.A.
Barbara Tadolini	Director	Statutory Auditor of Luxottica Group S.p.A.
Francesco Vella	Director	<p>Chairman of the Board of Statutory Auditors of Luxottica Group S.p.A.</p> <p>Director of Unipol Banca S.p.A. (*)</p>

TABLE NO. 3 – Board of Statutory Auditors

Name	Office held	Date of birth	Date of first appointment	In office since (date of last appointment)	In office until	M/m List ⁽¹⁾	Indep. as per Code	% BoD ⁽²⁾	Number of BoD meetings attended	% Board of S.A. ⁽³⁾	Number of Board of S.A. meetings attended	Other assignments ⁽⁴⁾
Paolo Fumagalli	Chairman	24/06/1960	17/06/2015	17/06/2015	31/12/2017	m	x	89%	8/9	100%	18/18	8
Giuseppe Angiolini	Statutory Auditor	18/06/1939	24/04/2012	17/06/2015	31/12/2017	M	x	100%	9/9	100%	18/18	5
Silvia Bocci	Statutory Auditor	28/04/1967	17/06/2015	17/06/2015	31/12/2017	M	x	100%	9/9	100%	18/18	12

⁽¹⁾ This column indicates if the member was elected from a list voted with majority (M) or minority (m) votes.

As regards the appointment of the Board of Statutory Auditors, two lists were submitted, one by the majority shareholder Unipol Gruppo Finanziario S.p.A. and the other by some asset management companies and institutional investors.

⁽²⁾ Indicates the attendance, in percentage, by the Statutory Auditor to the meetings of the Board of Directors (in calculating this percentage, the number of meetings attended by the Statutory Auditor compared with the number of meetings held by the Board during the year or after accepting the assignment).

⁽³⁾ Indicates the attendance, in percentage, by the Statutory Auditor to the meetings of the Board of Statutory Auditors (in calculating this percentage, the number of meetings attended by the Statutory Auditor compared with the number of meetings held by the Board during the year or after accepting the assignment).

⁽⁴⁾ Indicates the number of positions as Director or Statutory Auditor held by the person in other companies.

All members of the Board of Statutory Auditors meet the requirements of experience and integrity as set forth in the applicable legal and regulatory provisions. As regards the personal and professional characteristics of each auditor, please see the information posted on the website: “www.unipolsai.com” Section Governance/Corporate Bodies/Board of Statutory Auditors.

UnipolSai Assicurazioni S.p.A.

Registered office
Via Stalingrado, 45
40128 Bologna (Italy)
unipolsaiassicurazioni@pec.unipol.it
Tel.: +39 051 5077111
Fax: +39 051 7096584

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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Registered office
Via Stalingrado, 45
40128 Bologna (Italy)