

PRESS RELEASE

Milan, April 19, 2012 – It is announced that, on the request of Consob on April 16, 2012 in accordance with Article 114, paragraph 5 of Legislative Decree 58/98 (the “CFA”), the Board of Directors of Fondiaria-SAI S.p.A. (the “Company”), today approved a number of supplementations to the Directors’ Report at December 31, 2011 published on March 31, 2012 in accordance with Article 154-ter of the CFA and to the Remuneration Report published on March 31, 2012 in accordance with Article 123-ter of the CFA.

The above-stated supplementations and the relative requests of Consob outlined with communication of April 16, 2012 have been made available to the public. The documentation is available on the internet site of the Company (www.gruppofondiarisai.it), at the registered office of the Company (corso Galileo Galilei No. 12, Turin) and at Borsa Italiana S.p.A.

Directors’ Report

In relation to the Directors’ Report, the text of the supplementation request of Consob and the relative replies provided by the Company are reported below.

“In relation to the information in the Directors’ Report on the “ISVAP inspections”, provide further details on the issues notified by ISVAP in relation to the corporate governance system, the control systems – particularly in relation to the adequacy of the internal control system – and the transactions with related parties and the corrective measures put in place in this regard by the company or in course of implementation or updating compared to that outlined in the same report, considering that the “*the significant issues identified currently do not comprise the basis for the initiation of a punitive procedure*”

The supplementary information on the issues notified by ISVAP in relation to the corporate governance system and the controls system – particularly in relation to the adequacy of the internal control system – and the transactions with related parties and the corrective measures put in place in this regard by the company or in course of implementation, is reported below.

In particular, ISVAP noted deficiencies related to:

- the operational procedures of the Board of Directors and the investigative work of the Board;
- the absence of preliminary planning by the Board of Directors in relation to a number of resolutions concerning operations of strategic importance;
- the organisational activities of the Board of Directors;
- the Internal Control Committee activities, the lack of examination concerning the control and data recording systems for related parties and the absence of evaluations concerning the substantial correctness of transactions carried out with such parties;
- within the activities of the Capital Management Committee;
- the organisation of the control related roles and their operation concerning a number of specific matters, the adequacy of the department itself, in addition to its coordination with the Compliance Committee and the coordination of the control roles;
- the Supervisory Board activities concerning the verifications of the Organisation, Management and Control model;
- the absence of a comprehensive evaluation of the financial needs concerning property initiatives both in the start-up phase and in the execution phase, with the consequent liquidity risks which the company remedied with the progressive sale of assets;
- the absence of proper management in relation to transactions with related parties concerning the adequacy of the preliminary investigation and the evaluation of the risk profiles, the adoption of specific procedures concerning the method to identify the operations to be subjected to evaluations by independent experts and the manner to select such experts and the carrying out of specific analysis on a number of operations identified by the control managers.

In relation to the corrective measures put in place by the Company or currently being implemented, reference should be made to the section “ISVAP inspections” in the present Directors’ Report.

In relation to the significant issues identified by ISVAP concerning the corporate governance of the real estate segment of the Group, the reorganisation is currently in progress and has already:

- established the operational guidelines for a Real Estate Committee to be constituted shortly, which responds to the need to create a decision making and coordination centre for all of the strategic activities;
- established that investment activity will be carried out through the listed companies Fondiaria-SAI and Milano Assicurazioni or through special vehicle companies controlled by them. In some specific cases, the Group may also take part in initiatives through minority holdings; for this purpose two specific departments were created - real estate advisory and real estate asset management, which respectively evaluate and analyse real estate opportunities and define the management strategy of the portfolio, controlling the operation of the service providers and
- involve Immobiliare Lombarda S.p.A., engaged also in a series of Group real estate servicing activities, in supporting the decisions, implementing the relevant strategies within its ambit.

Following the inspections carried out, ISVAP notified the Company of two assessments in accordance with Article 326, paragraph 1, of Legislative Decree 209/2005, with the formal beginning of a punitive procedure in order to establish the amount of the penalty between a minimum of Euro 12,000 to a maximum of Euro 120,000 in relation to the inspections carried out on governance issues and of a minimum of Euro 15,800 to a maximum of Euro 145,400 in relation to inspections made on the claims cycle of the Motor TPL class.

Taking account of that reported in the notes in relation to “*irregularities and failings deriving from the absence of formalised procedures and adequate control systems [identified by ISVAP] in relation to both the operational manner of the management and settlement of claims, and the inventory-taking activities*” describe the above-stated “*irregularities and failings*” in addition to the initiatives put in place to overcome the issues met.

A summary of the principal irregularities and failings met by ISVAP and the principal actions taken are listed below:

- Issues concerning the operational procedures and the activities concerning the settlement network, with particular reference to:
 - The automatic allocation of the closure date for the claim, in relation to which ISVAP reported as imprudent the allocation to the previous year of claims closed in the first days of each year;
 - The closure of claims, although with direct expenses still pending;
 - The establishment of the natural claims reserve, i.e. that concerning the policyholders of the same Company, for which a request was made for it to be considered the management component (valued directly by the settlement network and therefore to be considered as the effective technical commitment) instead of as the debt owing;
 - The automatic closure of claims without any action by the settlement network;
 - Other irregularities reported concerning the opening or management of reported claims or the non recognition in the Motor TPL insurance register of the name of the damaged party, in addition to other minor observations concerning the payment of “closed” claims or with an initial zero balance reserve, disputed claims closed without statement of reasoning, the non-updating of the unchanged claims reserve, the unjustified closure of reopened claims and other issues met with documented evidence and claims recorded on the IT systems.

The Company provided evidence and reasoning to support the various procedures adopted and the variety of situations met, establishing however their availability and willingness (which in the meantime is completed or underway), to deal with the considerations expressed by the Institute concerning:

- strengthening the control of the Networks by the Claims Structure, requiring the network, with related communication, to operate with the necessary attention to avoid the critical issues observed by the Institute;
- further the verification activities on compliance with the procedures, in relation to the strengthening policy of the “Quality Control” unit mentioned above, preparing a control model, supplemented in a relative organisational procedure focused on the operational deficiencies highlighted by the Institute. In relation to this, the results from the execution of the new controls are currently subject to notifications to the Claims Structure (in relation to the non-fulfilment of

duties by Settlement officers) and the Commercial Structure (for those of the Agencies) in order to implement the necessary actions;

- draw up an operational manual (which in the meantime has been issued and published) with all of the provisions issued in relation to the various stages of the claims cycle, circulated immediately to the claims structure (in progress, by the managers), in order to ensure an effective communication of content.

- Issues concerning the inventory-taking procedures of the settlement network, in relation to which ISVAP noted “inaction” in relation to the duly completed review and updating of the inventory reserve, in addition to issues concerning the drawing up of the “average cost” values allocated automatically to each of the claims categories in relation to the establishment of the inventory reserve. Also in this case, the Company provided a detailed analysis concerning the procedures in place and the relative reasoning behind the choices made, reporting the amount of irregularities met to be of a much smaller percentage compared to the observations of the Institute. In addition the Company demonstrated its immediate availability to satisfy the requests of ISVAP, promptly introducing also significant actions; the following examples are noted:

- In order to strengthen communications between the Management and the Claims Network and to develop the activities of the network, from 2012 the Company intends to extend the inventory-taking period dedicated to the analytical review of values allocated to the reserve for each prior year claim from the beginning of July to the end of November (previously ending in the middle of October);
- In order to better control the activities of the settlement officer, the “confirmation” function within the system will be replaced with the mandatory recording by the settlement officer of the new reserve value, even if the amount is unchanged;
- Finally, in relation to the establishment of the “statistical reserve” and the allocation of the “average cost” values, a new table has already been issued, which now allows the establishment with greater accuracy of the average cost values. In addition, processes have been established concerning the drawing up of the table and its periodic validation (e.g. evaluation of statistical

significance), in addition to the application of the table (for example structures to be involved, time periods, operational manners).

The actions taken to remedy the issues stated above have been appointed to a Claims Task Force introduced in December 2011 and coordinated by the Risk Management structure, the objective of which is to ensure control of the activity underway (of a most engaging nature as seen above) to strengthen the controls and the adjustment of the claims management and assessment procedures, therefore consolidating the claims database. The Task Force produces, on approximately a monthly basis, an update report of the individual activities which are periodically shared with the Internal Control Committee of the Company. Therefore at the end of 2011 the Internal Audit Department has prepared an intervention plan (to be carried out between December 2011 and July 2012 and currently in progress) in order to verify the correct implementation of the corrective actions identified by the Company, in relation to all claims management operations and information flows which were highlighted by the Institute and at the end of 2011 had drawn up a specific intervention on the process and the operation of the settlement network in relation to inventory-taking. These activities have been carried out in coordination with the Compliance Department for the respective responsibilities and are in line with the implementation deadlines established for the individual corrective actions.

In relation to the role of the settlement network in the reserve formation process, describe the various operational manners adopted in the inventory-taking in 2010 compared to that of 2011 which required a strengthening of the residual prior generation reserves.

To better set out this issue, it was considered necessary first of all to establish the general inventory-taking procedure of the reserves made by the settlement network.

In recent years (in an unchanged manner) the inventory-taking operation by the Claims Structure for the definition of the reserves of the individual policies is carried out from the beginning of the second half of the year. Specific communications are issued before the beginning of the procedure which contain the guidelines, the timelines and the indications given by the IT Structure for the extraction of the inventory-taking tables. In general, the procedure is as follows:

- Prior years: the tables (generated in July) concern all claims, within the ambit of the Claims Structure, open at the beginning of the inventory-taking, independently of the class and type of damage. Inventory-taking is therefore carried out on all open claims at the beginning of the session.
- Current year: the tables (generated in October) concern only some types of damage, within the ambit of the Claims Structure, open at the beginning of the inventory-taking but with the claim made by September 30.

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The “managed” Motor TPL claims with only physical damage, non-motor claims, such as Fire damage – only the Acqua Condotta guarantee - “managed” Motor TPL claims in the last quarter, which are therefore evaluated based on the statistical “average cost” are not subject to inventory-taking.

The operational technical guidelines are based on, for a correct evaluation of damage, the completion of the investigation phase in relation to the definition of the amount, of the situation in terms of responsibility allocated and the extent of the contractual guarantee: independently of the relevant year the reserve valuation is an estimate of the “current cost”.

Considering that stated above, in terms of the strengthening of the residual Motor TPL reserves between 2010 and 2011, two effects have impacted the results:

- Regulatory and judicial developments, with the extension of the use of tables for the settlement of Non-Property damage (the so-called Milan Court Tables). These tables, issued in the first half of 2009, in the course of 2010 and 2011 have resulted in a progressive adjustment of the average values, with particular regard to fatal claims. The Milan Tables, introduced in June 2009, established new parameters for the valuation of physical damage greater than 9% of Permanent Invalidity and fatal injury: The impact of the possible application of these tables on the entire risk portfolio was estimated in 2010 to imply a revaluation of the overall Motor TPL reserves of approx. 14%. In 2010 however the tables of the Milan Court have been applied only to a certain part (approx. 60%) of the country; this implied therefore the adoption of different valuation criteria for the above-stated damage and therefore the need for revaluations. In 2010, the two structures influenced greatest by the above-stated criteria, those of Serious Professional Injury and Professional Disputes, carried out further investigations concerning the analysis of the individual tables and their claims portfolio subject to inventory-taking (regarding the zones where the tables which have been applied), in order to simulate the impact on the revaluation of the reserves of the estimate of these damages, taking account of the application of the most onerous evaluations established by the Milan tables: following this review, a first adjustment of the sums allocated to the reserve was made. This revaluation process was made only in relation to the

inventory-taking of the subsequent year, following the Cassation Court judgment of June 2011 which adopted the Milan Court Tables as a fair value criteria of damage, which at this point had been extended to all of the Italian regions;

- Organisational issues: in the spring of 2011, an organisational change was made to the Claim Structure with the creation of the Technical Structure which concerns fatal claims, claims with a value greater than Euro 300,000 for Motor TPL and Euro 100,000 for non-motor claims and the Generation No. 10 and previous Court Dispute: this restructuring in 2011 resulted in a review of the practices and a new technical valuation of damage more in line with the parameters of the Milan Court tables, also in light of the Cassation Court judgment which in June 2011 – as previously stated – substantially extended the application of the above Tables to all Italian Courts.
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Describe the method for the establishment of the “average cost of accepted claims” adopted in 2011, provide also the reasons for which the Company “renewed compared to the past” this method; show for the years 2005-2010 the “average cost for accepted claims” by the company, comparing with the corresponding market values.

With closure of the 2011 financial year, the Company strengthened the average cost of accepted current generation claims (or the average cost of current generation managed claims already settled in the same year and those allocated to the reserve for settlement in coming years), increasing the average value to Euro 4,190, compared to Euro 3,900 in 2010.

In order to establish the current year reserve for managed claims, the average costs of accepted claims was adopted, based on:

- the results of the Fisher-Lange and Chain-Ladder actuarial models, adopted as the benchmark models for the entire Motor TPL claims reserve portfolio;
- analytical evaluation made by the settlement officers and valuing of the statistical average cost for claims not involved in the inventory-taking;
- average cost of accepted claims of the market in 2010, adjusted for inflation.

Among other issues, it is noted that the average statistical cost of 2011 was drawn up based on the new table, issued in November 2011, based on the adoption of a linear generalised model.



The adoption of these methods in the 2011 financial statements took place also in response to that highlighted by ISVAP on September 29, 2011: the Institute in fact did not consider the value of Euro 3,900 as prudent, indicated as the average cost for accepted current generation claims in the calculation of the 2010 reserves, in that the analysis of the 2010 market data highlighted the value of the indicator, net of the IBNR component, of Euro 4,058; this average cost amounted to Euro 4,079 if considering the market data net of that relating to the Fondiaria Sai portfolio. As the market data from the 2010 financial statements was published by ISVAP on February 2, 2012 and as the only data published concerning the valuation of the claims reserves concerning the 2009 and previous financial statements, given that the parameter established by ISVAP indicated for the three year period 2007-2009 a value of approx. Euro 3,900, based on the stability over the 3-year period and the absence of further information, it could have been reasonably considered to be stable also for 2010.

The value of the average cost of accepted claims adopted by the Company between 2005 and 2010 and the corresponding market value (all amounts are net of the IBNR provision) are listed below. For greater clarity, for both aspects, the separate data between Paid and Reserved is reported; this allows greater clarity in how the Reserved Average Cost of the Company is always greater than the market average, and how the comparison between the Average Accepted Claims Costs (where the Company presents lower values than the market) is therefore generated by an effect of the different mix between the Paid and Reserved, most likely attributed to a differing current settlement policy of the Company compared to the market.

Average costs	2005	2006	2007	2008	2009	2010
Fondiaria-SAI S.p.A.						
Accepted	3,896	3,895	3,791	3,771	3,846	3,900
<i>Paid</i>	<i>1,869</i>	<i>1,961</i>	<i>2,028</i>	<i>2,226</i>	<i>2,245</i>	<i>2,300</i>
<i>Reserved</i>	<i>8,599</i>	<i>9,034</i>	<i>9,302</i>	<i>9,644</i>	<i>8,138</i>	<i>9,309</i>
Market						
Accepted	4,046	4,099	3,909	3,913	3,903	4,058
<i>Paid</i>	<i>2,154</i>	<i>2,198</i>	<i>2,229</i>	<i>2,372</i>	<i>2,362</i>	<i>2,428</i>
<i>Reserved</i>	<i>7,531</i>	<i>7,658</i>	<i>7,466</i>	<i>7,455</i>	<i>7,330</i>	<i>7,933</i>

Concerning the declaration issued by the Appointed Actuary, on the request of the company, in relation to the fact that the Motor TPL reserves for 2011 “*may at this point be considered in line with the market averages*” show for the years 2005-2010 the comparison of the claims reserves established by the Fondiaria Group compared to the market averages.

It should be noted that the sentence reported in the Directors’ Report (“*It is noted that the Appointed Actuary, on request of the Company, stated that at this point the Motor TPL reserves may be considered in line with the market averages*”), represents a partial summary of that established by the Appointed Actuary at the meeting of the Board of Directors of March 15, 2012, to which he was invited to attend, a sentence which therefore must be placed and interpreted in a wider context.

In particular at the above-stated meeting of the Board of Directors the Appointed Actuary of the Company, referring to an estimate range of the values, in relation to which he declared the adequacy of the claims reserve at December 31, 2011 of the Vehicle and Pleasure Boat TPL class of the Company - in response to a specific question highlighted that a) the company is in line with the principal competitors in the class; b) but



also these latter – except for very rare exceptions – do not establish positive ranges in relation to the actuarial valuations of claims reserve sufficiency for the Vehicles and Pleasure Boat TPL class.

Taking account of the issues drawn up by ISVAP on September 29, 2011 and November 17, 2011 in relation to the “*observations concerning the calculation of the actuarial models, with highlighting of irregularities in the statistical projections*”, establish if the Group considered it necessary also for 2011 to utilise the same Motor TPL Appointed Actuary and if the actuarial models adopted by this latter had been amended compared to the previous years. Provide further detailed information in relation to a “*close and prudent selection of the parameters applied to the models, assuming a historical series if considered reliable and repeatable*” compared to the procedure utilised in the previous years.

The Group decided to employ the services also for 2011 of the same Appointed Actuary. For the valuation of the claims reserves for the financial statements 2008, 2009 and 2010, the Appointed Actuary adopted an appropriate methodological approach (the LDP Paid and Fisher-Lange methodologies), confirmed also in 2011, and the valuation choices were supported by technical elements shown in the relative Actuarial Reports on the technical reserves of the Motor TPL and Pleasure Boats classes. From 2010, the actuarial models were however implemented by each type of management.

In relation however to the actuarial models utilised by the Company and applied by the Strategic Planning and Operational Control Structure to ensure the valuation of the Claims Reserve in terms of Last Cost (or therefore, taking account of the probability that the claim is not settled in the year, but must be reserved also for one or more following years) it was confirmed also for 2011:

- the adoption of a more responsive and weighted actuarial model, establishing the same approach both for the Company and for Milano Assicurazioni S.p.A.; in particular the Fisher Lange (weighted at 35%), taking account that the high number of criteria utilised in this model increases the risk of variability) and the Chain Ladder Paid (weighted at 65%). More specifically:

- The valuation of the Chain-Ladder model was carried out in such a manner to consider payment for up to 15 years.
- The Fisher-Lange model utilised for the 2010 financial statements was drawn up utilising the model for the year of the claim and adapted subsequently. From 2011 the process was optimised, moving to a dynamic type model which is used more frequently in actuarial practice.
- a specific focus was placed on the close and prudent construction of the reference data bases and on the selection of the parameters applied to the models, utilising historical series considered reliable and repeatable. In particular:
 - From the 2011 financial statements, it was considered necessary to introduce an estimate of the claims reserve separately for the Ordinary TPL claims (occurring since 2006), the No Card claims and the Managed Card claims (subsequent to 2007), considering to have reached, by the 5th year of direct indemnity, an adequate level of maturity of these historic series;
 - Another discontinuity compared to past years was the fact that the totality of claims was examined without carrying out any distinction between the type of event and delay. An estimate of the final reserve achieved by the model including the IBNR provision follows, cancelling in this way the estimated risk of the IBNR model present however until the 2010 financial statements; the future inflation rate employed in the Fisher-Lange was 4%, broken down as follows: internal inflation of 2% as established by best practices of the insurance market; external inflation of 2%, taking account of the inflation established at 1.5% and that of the IPCA at 1.7% (source: Public Finance Decision Document).
- Relating to the estimate of the payment times of the Fisher-Lange model, only the irregular and non repeatable values were excluded, reliably selected.
- The development factors (link ratios) of the Chain-Ladder model were selected calculating the average of all the historical series available without making any subjective selections.

Provide the reasons for which it was not considered appropriate to consider the revaluation of the claims reserve following the insufficiency noted by ISVAP at December 31, 2010 as a correction of the error of the previous year in compliance with IAS 8.

As noted, the Motor TPL claims reserve recorded in the accounts represents the result of a multi-phased complex technical valuation, which arises from a preliminary valuation made through an analytical analysis of the single positions open, followed by a process to calculate the last cost assigned to a management level within the company which utilises statistical-actuarial methods for these purposes.

From a regulatory point of view, in fact Article 27 of ISVAP Regulation No. 16 establishes that the claims cost is valued in compliance with the last cost principle based on a projection from historical data and reliable and that, for the classes in which the settlement process is slow or in which the analytical evaluation does not enable the consideration of all the future expected charges, the company must utilise also in the analytical valuations statistical-actuarial methodologies or valuation systems which consider the future development of costs.

The multi-phased process for the determination of the Motor TPL claims reserve (from the inventory-taking phase to that of the establishment of the last cost through utilisation of the actuarial statistical models) is informed by a multitude of parameters and competing variables which cannot be isolated and pinpointed as independent elements, nor re-measurable in a future time period on a “like-for-like” basis. These include, for example purposes and non exhaustive:

- The initial valuation of the settlement network
- The subsequent valuation of the settlement network
- The average costs paid by claim duration for closed claims
- The rate of closed claims broken down by unaccepted and reopened
- The status of the initial reserve
- The judicial outlook in relation to claim damages
- The general and sector rate of inflation
- Differing weights allocated to the actuarial statistical methodologies drawn up by professional practice

As indicated in the accounting principles, the current generation is valued based on the average cost, which is determined taking account of the best currently available information.

However the claims reserves, at like-for-like receivable due dates, of the obsolescence of inventory and the determination of the fair value of a number of financial assets and liabilities, may not be precisely measured, but may only be estimated, in order to reasonably determine its sufficiency.

The introduction of predictive elements characterise the claims reserve such as the estimated items and in confirmation of this, Article 4 of the above-stated ISVAP Regulation No. 16, establishing the general valuation principles of the financial statement reserves, introduces the concept of sufficiency of technical reserves, which were considered reasonably estimatable, and for the definition includes elements of flexibility in the valuation criteria.

Based on that commented upon above, the estimate of the reserve involves valuations based on the most recent reliable information available at the date of the preparation of the financial statements. In relation to claims not yet settled and concerning prior generations the review of the estimate was in line and recurring: this was carried out considering the changes in the circumstances on which the estimates were based, of the new information available and/or based on greater experience (including the updating of the historical database of the claims parameters, the result of the changes in the initial reserve, the judicial outlook cited on a number of occasions in the notes to the financial statements and concerning the Supreme Court judgment in June 2011 which adopted, as a reference criteria for non-property damage compensation, the Milan Court Tables).

By its nature, the review of the estimate was therefore not correlated to previous years and therefore did not correct the error as per IAS 8.

In relation to this it is noted that ISVAP, in relation to the deficiency noted on the 2010 current generation, made reference to 2010 market data concerning the average cost of accepted claims, by definition not available (it could not be reasonably assumed that it would be available in such a timeframe) at the moment

of valuation of the claims reserve for the 2010 financial statements, reported in the written inspection of 29/9/2011 and subsequently to the market in February 2012.

Therefore the increase in the Motor TPL claims reserve in the 2011 financial statements should be considered, in view of that outlined above, as the product of elaborations and analyses concerning the forecast cost of claims not yet settled, established in light of the information available at the time of the preparation of the above-stated financial statements, information which differs from that utilised and available, or which could not have been forecast at the time of the preparation of the previous financial statements and therefore in line with that established by IAS 8.

In relation to the information concerning the issues related to the Board of Statutory Auditors in accordance with Article 2408 of the civil code contained in the Directors' Report, provide information on:

- a) for each of the operations highlighted, (i) the state of the advancement of the investigation on the conclusions and the proposals drawn up by the Board of Statutory Auditors in the report prepared by the Shareholders' Meeting of March 19, 2012, in addition to that on the other operations subject to further examination, (ii) the initiatives undertaken and to be undertaken, establishing also if legal actions are intended (for example, damage for compensation, settlement of contracts, request for penalties, triggering of sureties), except for any decision concerning the transactions subject to the claim, which are undertaken, also in the negative outcome, by the Company carrying out the operation with related parties and to be treated in compliance with the procedures adopted in accordance with Regulation No. 17221 of March 12, 2010;
- b) information concerning the composition of and the duties allocated to the Committee of Independent Directors which has been appointed, among others, to identify the independent experts which, from an economic, real estate and legal viewpoint, assist the Company in analyses concerning the activities carried out to date by the Committee.



In relation to the information regarding the issues highlighted by the Board of Statutory Auditors, in accordance with Article 2408 of the civil code, contained in the Directors' Report, the following is noted.

As previously reported, the Board of Directors in the meeting of March 23, 2012 unanimously approved the mandating of a committee, comprising exclusively of independent directors, to identify the consultants to be entrusted – possibly jointly with Milano Assicurazioni – to further examine the issues relating to the procedure as per Article 2408.

The committee of independent directors selected the legal consultants as Mr. Francesco Gianni and Mr. Valerio Di Gravio. These professionals will operate alongside Mr. Carlo Pedersoli, who was appointed to a similar role by the Board of Directors of the subsidiary Milano Assicurazioni. It was also agreed together with the subsidiary Milano Assicurazioni to appoint jointly, both for the accounting and real estate aspects, consultants respectively in the form of PricewaterhouseCoopers and REAG. It will be the duty of the Committee of Independent Directors to interview the above-stated consultants in relation to the investigations requested, coordinating the activities and ensuring a timely conclusion for a prompt and exhaustive reporting to the Boards involved.

The Company formed an internal team in order to report and provide to the consultants all of the necessary documentation or that considered useful for the carrying out of their appointment. A data room was therefore prepared which is constantly updated, also based on the requests of the above stated professionals. Currently, a number of meetings have already taken place between the appointed consultants and the members of the above-stated team. The consultants have already begun to examine the documentation present in the data room. These analysis are preparatory to the carrying out of all further evaluations concerning the possibility of undertaking initiatives and to take legal steps of any nature.

Considering the significant amount of documentation to be analysed, the consultants have communicated the virtual impossibility to reach in a short timeframe a proper opinion in relation to the issues established concerning the procedure in accordance with Article 2408 of the civil code: currently it is not possible to reply in detail concerning the initiatives to be undertaken in relation to the individual operations subject to the claims reported to the Board of Statutory Auditors. It is stated in this regard that the mandate of the above-mentioned professionals is not limited to respond to the questions raised in the Board of Statutory Auditors' report, but extended to a complete examination of each of the operations highlighted, also under



the specific profile to identify the necessary initiatives, legal and extra legal actions to be undertaken to protect the company.

Therefore at the shareholders' meeting of the Company scheduled for April 23/24, 2012, at which the 2011 financial statements will be approved, they will not be in a position to respond in a comprehensive manner to any shareholder questions on the matter.

The advancement of the work and its conclusion will be subject to specific updating, in compliance with the primary requirement to inform the market.

In relation to the information on the integration project with the Unipol Group contained in the Directors' Report, provide information on:

- a) the implementation of the procedures for transactions with related parties in accordance with Regulation No. 17221 of March 12, 2010 in relation to the integration project with the Unipol Group;**
- b) the state of advancement of the negotiations and the manner and the timeframe with which the Committee of Independent Directors called to evaluate the interest of the Company to participate in the integration project and the extent and substantial correctness of the relative conditions, including any decision concerning share swap ratios of the proposed merger.**

Following the binding agreement, signed on January 29, 2012 between the Unipol Group and Premafin concerning the acquisition by the Unipol Group of control of Premafin, with consequent indirect acquisition of control of the Fondiaria-SAI Group, the Board of Directors of the Company appointed on the same date, a committee of independent directors which will express opinions concerning the legal and economic issues concerning the proposed merger.

In compliance with the provisions of the regulation of the Company in relation to the transactions with related parties, the Company, on the indication of the committee, appointed Citigroup Global Markets Limited, a company headed by Citigroup Inc., to assist the committee in the necessary activities to prepare the opinion required by the above stated regulation and by applicable laws.

According to that reported by the members of the committee, the advisor Citigroup is comprehensively and efficiently carrying out that requested by the committee, carrying out analyses and valuations and reporting

results in frequent meetings and/or telephone conferences, in addition to participating on the request of the committee at meetings with the management and advisors of the company involved in the proposed operation. In this context, the committee is continually and promptly updated on the developments of the analysis and the valuations carried out.

At the time of issue of the present document, the Board of Directors of the Company is meeting which, following the proposal of the Unipol Group on the integration project communalised to the market on April 16, 2012, will examine the above-stated proposal. The result of this Board meeting will be subject to a separate press release to which reference should be made for further details.

Remuneration Report

In relation to the remuneration report, Consob requested its supplementation with the following issues: a) in relation to Section I of Table 7-*bis* of Attachment 3A of the Issuers' Regulations;

- i) the information required by letter a) in relation to the role and the parties involved in the preparation and approval of the remuneration policy for the members of the Board of Directors;
- ii) the information required by letter d), in relation to the objectives pursued by the remuneration policy, also in relation to the members of the Board of Directors and to the principles on which it is based, highlighting compliance with that established by Isvap regulation No. 39 of June 9, 2011;
- iii) the description of the remuneration policies, also in relation to the members of the Board of Directors, as required by letter e);
- iv) with specific reference to the variable component of the remuneration approved for the Chief Executive Officer; (i) disclosure as established by letters g) and h) in relation to the "two quantitative objectives, related to the 2011 results, in terms of the current combined ratio and the solvency margin" on which the bonus is based; (ii) clarifications on the "qualitative valuation of the individual work carried out by the Chairman of the Company" which is an additional condition concerning the issue of a bonus; (iii) compliance with that declared in the report and in particular that "the remuneration of the directors with particular offices was established by fixed basis, without an incentivised component", in addition to the principles established by Isvap Regulation No. 39 of June 9, 2011;

- v) the information required at letter i), highlighting the compliance of the policy with the long-term interests of the Company and the risk management policy;
- vi) a clarification in relation to that reported, in accordance with letter l), at point 7) of the Remuneration Report, specifying in particular the annual contribution to the employee leaving indemnity for the General Manager in the case of the advanced conclusion of his contract;
- vii) the information required at letter f) on the policy followed in relation to non-monetary benefits;
- viii) the inclusion, under the information on insurance, social security or pension coverage, of information on the policies with life and permanent invalidity from illness coverage which – according to that indicated in the report prepared by the Board of Statutory Auditors of the Company for the Shareholders' Meeting of March 19, 2012 – agreed with a number of directors, in addition to any further policies signed;
- ix) the reasons for which, following the revocation by the Chairman of all the executive powers conferred, at the meeting of the Board of Directors of 21.7.2011, no consequent resolutions were undertaken in relation to the remuneration deriving to the Chairman, which was established on 24.4.2009 as a gross amount of Euro 2,350,000.

In relation to this request, it is stated that subsequently on April 17, 2012 a note was sent by Isvap which related in particular to a number of critical aspects concerning both the disclosure provided to the Shareholders' Meeting and the content of the remuneration policies to support their approval.

In the first instance, Isvap objects to the imprecise nature of the remuneration policies established by the Board of Directors on which the Shareholders' Meeting is called to express itself, which does not allow – as highlighted by the Institute – to understand the effective establishment of the policy and that *“in contradiction with the objectives of Isvap Regulation No. 39 which requires the Board of Directors to establish, for the various categories of beneficiary parties under the regulation, certain policies which guarantee compliance with the Isvap regulation in this regard in order to align the remuneration policies to the long-term objectives of the company, not undertaking incentives which may encourage the excessive undertaking of risk”*.

Isvap notes therefore a number of deficiencies in the remuneration policies outlined in the Report compared to that established under the regulations.

Isvap finally highlights the disproportional nature of a number of fees paid in 2011 to the relative roles.

In light of that stated above, Isvap considers that the *“remuneration policies prepared by the Board of Directors of the company are not in line with Regulation No. 39/11 which, from June 23, 2011 introduced new provisions in order to ensure the adoption of remuneration systems which comply with commonly shared international practice and in use in the banking sector”*.

In consideration of the issues highlighted, Isvap states that *“it is not possible to subject to the shareholders’ meeting scheduled for April 23/24, 2012, the remuneration policies as highlighted in the remuneration report; on the other hand once they have been substantially reviewed to take account of the above highlighted issues, they may be put to the approval of a subsequent Shareholders’ Meeting”*.

During the Shareholders’ Meeting of April 23/24, 2012, in highlighting the reasons upon which it was decided not to subject the remuneration policies to the approval of the meeting, the Isvap note will be read. Isvap finally requires that the following is brought to the attention of the Shareholders’ Meeting *“in the determination of the fixed remuneration of the members of the Board of Directors with specific powers, adequate account should be taken also of the state of the capitalisation of the company, as a proportional criteria to be considered between the office undertaken and the measure of remuneration”*.

In relation to this, with the agreement of Consob, the supplementations required by the Commission to section I of the remuneration report are not provided for, taking account that such will not be proposed to the Shareholders’ Meeting of April 23/24.

The Board of Directors, subsequent to its appointment by the next Shareholders’ Meeting, will appoint a Remuneration Committee to draw up proposals concerning the remuneration policies which will take account of all of the issues highlighted by Isvap and by Consob in order to propose approval by the Board of Directors and thereafter the approval of the Shareholders’ Meeting held thereafter.

In relation to Section II of Table 7-*bis* of Attachment 3A of Consob Regulation 11971/99, Consob has requested the following additional information:

- ‘i) in the First Part, for the members of the Boards of Directors and Control Boards and General Managers, an adequate representation of each of the items which comprise remuneration, including

post employment benefits, highlighting the compliance with the remuneration policy, as required by the table;

- ii) in the First Part, in particular:
- with reference to the directors who have received an employee leaving indemnity, an adequate representation of the criteria for which the indemnity was established, in addition to any further remuneration approved and paid, including the remuneration in favour of Mr. Fausto Marchionni approved as a supplement to the employee leaving indemnity, integrating, where necessary, the tables contained in the Second Part of the same Section;
 - in relation to the remuneration received by Mr. Fausto Marchionni in his employment with Fondiaria-SAI in the period 1-31.01.2011 – indicated in the account “Other remuneration” in the relative table of the Second Part and amounting to Euro 625,950.92 – adequate representation of the criteria for the determination of the remuneration;
- iii) in the First Part, the highlighting of the annual fee in favour of the directors, also those who have left office, taking account that under Attachment 7.1 (vi) of the integration contract signed between Premafin Finanziaria S.p.A. and Unipol Gruppo Finanziario S.p.A. the issue by the Company of an annual fee of Euro 129,114.22 in favour of a director is established;
- iv) both in the First and Second Parts, provide indication of the number of senior managers with strategic responsibilities to which the aggregated information on remuneration paid refers.”

For the responses of the Company to the above stated requests by Consob, reference should be made to the supplementary documentation made available to the public.

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