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

Solvency and Financial Condition Report

FY 2020

Board of Directors of 18th March 2021

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

SUMMARY

Introduction

The Solvency II Directive came into effect on 1 January 2016.
In particular, as a result of the amendments to the code of private insurance companies (Italian Legislative Decree no. 209 of 7 September 2005), the Italian Legislative Decree no. 74 of 12 May 2015 enacted the Directive 2009/138/EC of the European Parliament and Council, by providing the Italian regulatory framework with the new solvency regime (Solvency II) to which insurance and reinsurance undertakings are subject.
Solvency II is based on three pillars: first, the quantitative capital requirements and quantification of risks; second, the qualitative requirements, with a particular focus on the corporate governance within the companies; third, the rules of transparency and disclosure to the public and the regulator.
Aimed at fulfilling the market transparency requirements, this Solvency and Financial Condition Report (SFCR) is prepared in accordance with the reporting criteria and structure defined by following laws and regulations:

1st Level Regulation

- Italian Legislative Decree no. 209 of 7 September 2005 and subsequent amendments (Code of private insurance companies (hereinafter "Code").

2nd Level Regulation

- Directive no. 2009/138/EC of the European Parliament and Council (hereinafter "Directive");
- Delegated Regulation (EU) 2015/35 of the Commission, of 10 October 2014;
- Delegated Regulation (EU) 2015/2452 of the Commission, of 2 December 2015.

3rd Level Regulation

- IVASS Regulation no. 33 of 6 December 2016;
- IVASS Regulation no. 42 of 2 August 2018.

The Solvency and Financial Condition report is divided into 5 sections, accompanied by a series of QRT to be attached:

A. Business and performance
B. Governance System
C. Risk profile
D. Valuation for solvency purposes
E. Capital Management

A. Business and performance

Vittoria Assicurazioni S.p.A. is a limited company founded in 1921. It operates in all branches of insurance and bases its activity on a long experience in the insurance field, for the protection of individuals, families and companies, on the whole national territory through a widespread commercial organisation with more than 400 agencies.
Vittoria Assicurazioni S.p.A. and the Group it belongs to are subject to the supervision of IVASS, namely the Italian regulator, based in Rome. The audit firm Deloitte & Touche S.p.A. is appointed for the period 2012 – 2020. On 29 April 2020, the Shareholders' Meeting, in accordance with the proposal of the Board of Directors and the recommendation of the Board of Statutory Auditors, approved the appointment of KPMG S.p.A. as independent auditors for the 2021-2029 financial years.

The Company closes the year with a net profit of 108,624 thousand euro, increased by 46.0% compared to the result of the 2019 financial year (74.370 thousand euro).
The year 2020 was characterised by the Covid-19 pandemic, a disaster of exceptional proportions, to which your Company immediately reacted with a series of actions in favour of personnel, clients and the agency network, continuing to maintain a high level of attention on the management of the emergency that is still ongoing.

With regard to company employees, the agile work mode was promptly activated, in order to guarantee continuity in core processes, without impacting company productivity in relation to premium collection. After the lock-down period, all the necessary measures were put in place to ensure the gradual partial return of employees to company premises in complete safety.

All clients have been given free access to easy payment of premiums, through monthly splits with no interest, the suspension of all legal actions to recover premiums, deductibles and claims for compensation, and the possibility of paying premiums online via the Reserved Area / App. Motor insurance customers have been given the option of suspending and reactivating their motor liability cover free of charge and an increase in the period of grace allowed for premium payment of 15 days.

For the distribution network, support actions were activated to face the difficulties resulting from the pandemic, in terms of safety equipment and extraordinary economic support, both for the primary and secondary network, to ensure continuity of service to customers.
In addition to suspending the collection of instalments on reinsurance and non-insurance items from March 2020 and throughout 2020, an immediate advance of 90% of the payment of accrued incentives was provided for March 2020, in addition to the concession of further extraordinary facilities to support in particular, but not only, the production of the non-marine business.
For these initiatives, the Company incurred expenses of approximately 7 million euro in the 2020 financial year. All of the actions described above highlighted Vittoria Assicurazioni's ability to react, which was able to deal with the emergency very quickly, providing immediate support to all business areas. This capacity enabled us to record a Non-Life premium volume that was essentially unchanged from the previous year (1,221,405 thousand euro, compared with 1,220,946 thousand euro at 31 December 2019), together with a loss ratio and a combined ratio for retained business of 58.0% and 84.3% respectively (65.1% and 89.7% in the previous year). Life business also contributed to the excellent result for the year, showing an improved technical result compared to the previous year. The overall Life business result also benefited from a disinvestment transaction on Italian government bonds which generated profits totalling 11,530 thousand euro. Life business premiums decreased by 10.9% compared to 2019, when large single-premium contracts were taken out.

These results are accompanied by solvency ratios that confirm the solidity of the Company, which promptly responded to requests from IVASS for further information on solvency. Vittoria's capital reinforcement in recent years and its ongoing investment in technological solutions allow us to confirm that there are no elements that might put into question the company's ability to continue as a going concern, the logic on which this Report is based. The Company is solid, liquid, present and careful about what is happening in our country and invests as much as possible to protect and support employees, the distribution network and customers.

B. Governance system

The Company's corporate governance system, which refers to the traditional model governed by Articles 2380 to 2409 of the Civil Code, provides for management activities entrusted to the Board of Directors and control activities entrusted to the Board of Statutory Auditors, both appointed by the Shareholders' Meeting. Accounting control is entrusted to an auditing firm. The corporate governance system adopted by the Company is to be qualified as "enhanced", as there were no substantial changes in the governance during 2020, by maintaining all measures provided for by such regime, according to the results of the self-assessment process performed. The corporate governance system of the Company is founded on the awareness of the strong bond among these elements: the objectives that the Company aims to achieve with related corporate strategies and the risk management system and the internal control system.

For the Board meetings to be facilitated, they may also be held by teleconferencing. As for attendance and representation in the Shareholders' Meeting, in order to facilitate the entitlement to attend and vote, the possibility of using remote communication means, also electronically, has been envisaged, provided that the requirements needed to identify the entitled persons are met.

C. Risk profile

The so-called "tree" of S.C.R., which enables to understand the significance of the risks, as well as the benefits of diversification among modules and sub-modules of risk, can represent the risk profile of Vittoria Assicurazioni as at 31 December 2020: this schema is outlined in chapter E.2 Capital management – Solvency Capital Requirement and Minimum Capital Requirement.

A summary representation is shown in the following table:

Volatility Adjustment Amount			(€/000)
	31/12/2020	**31/12/2019**	**Δ%**
Market Risk	426,327	391,561	8.90%
Counterparty Default Risk	46,340	40,777	13.60%
Life underwriting risk	44,186	32,907	34.30%
Underwriting risk Disease	36,452	32,284	12.90%
Non-life underwriting risk	291,533	266,033	9.60%
Sum of risk components	**844,838**	**763,562**	**10.60%**
Diversification effects	(230,371)	(203,722)	13.10%
Basic S.C.R.	**614,467**	**559,840**	**9.80%**
Operational risk	51,527	51,686	-0.30%
Tax adjustment	(147,185)	(129,032)	14.10%
S.C.R.	**518,809**	**482,494**	**7.50%**

The main changes compared to the previous financial year are due to:

- Life underwriting risk: increase due to the higher incidence of extinguishment risk linked to the reduction in interest rates;
- Default risk: increase due to higher exposure to unrated counterparties ("Type 2");
- Market risk: increase mainly due to the equity component;
- Underwriting risk Health and Non-life: changes reflect the increase in the portfolio and changes in Undertaking Specific Parameters compared to 2019;
- Change in tax benefit: the change mainly reflects the increase in the S.C.R. of the risk modules shown in the table and the higher taxable income considered in the calculation.

D. Valuation for solvency purposes

Assets and liabilities are accounted for in compliance with Article 75 of the Directive, whereby:

a) assets shall be valued at the amount for which they could be traded between knowledgeable willing parties in an arm's length transaction

b) liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

In particular, assets and liabilities other than technical reserves are assessed according to the IFRS/IAS adopted by EC, where compatible with Solvency II regulation.

E. Capital management

Overview of the main data relating to solvency position

The table below sums up the main data that are helpful to understand the solvency situation of the undertaking in relation to the financial year ended 31 December 2020.

Overview of key solvency data (€/000)

		31/12/20	31/12/19	Change %
A	Solvency Capital Requirement (SCR)	518,809	482,494	7.5%
B	Minimum Capital Requirement (MCR)	233,464	217,122	7.5%
C	Eligible own funds to meet Solvency Capital Requirement	1,007,028	931,716	8.1%
E	Subordinated liabilities - Tier 2	212,712	197,822	7.5%
C-D	Eligible own funds to meet Minimum Capital Requirement	794,316	733,894	8.2%
C/A	**Ratio of Eligible own funds to SCR**	**194.1%**	**193.1%**	**1.0**
(C-D)/B	**Ratio of Eligible own funds to MCR**	**340.2%**	**338.0%**	**2.2**

The following table summarizes, separately for each level, information on the structure, amount and quality of own funds at the end of the reference period.

Own funds Solvency II (€/000)

	31/12/20	31/12/19	Change	Tier SII
Ordinary share capital	67,379	67,379	-	Tier 1
Share premium	13,419	13,419	-	Tier 1
Reconciliation reserve before dividends	697,242	622,614	74,628	Tier 1
Net deferred tax assets	30,310	18,230	12,080	Tier 3
Solvency II excess of assets over liabilities	**808,350**	**721,642**	**86,708**	**n.a.**
Foreseeable dividends, distributions and charges*	(30,417)	(12,943)	(17,474)	n.a.
Elimination of deferred tax assets	(30,310)	(18,230)	(12,080)	Tier 3
Inclusion of the eligible subordinated loan tranche	259,405	241,247	18,158	Tier 2
Solvency II eligible own funds to meet Solvency Capital Requirement	**1,007,028**	**931,716**	**75,312**	**n.a.**

* Data calculated assuming a dividend of 0.47 euro per share

Data indicated in the table above were calculated using the Standard Formula with USPs and the Volatility Adjustment. The Undertaking Specific Parameters (USPs) are a subset of parameters of the Standard Formula represented by specific values of the Company that replace, prior approval by the Regulator, the values determined by EIOPA at European level. These parameters are referred to the valuation of the Solvency Capital Requirement.

The Volatility Adjustment (VA) is a mechanism that enables the Companies to reduce the disruptive effects due to the Solvency II valuation approach, which aims to produce some volatility in the Own Funds, as assets and liabilities (valuated with market logic) are generally enhanced through different discounting curves:

- liabilities, through a risk-free interest rate curve, for all European Companies;
- assets, mainly bonds, depend on the type of the issuer which the single Company is exposed to.

The Volatility Adjustment (VA) is used to discount future cash flows related to insurance contracts using, instead of the risk-free curve, a curve that is more representative of the bond portfolio held as at the valuation date. The VA curve is set by EIOPA for each country defining the values of the additional spreads to be applied to the risk-free interest rate curve.
As required by laws and regulations, this Report outlines the quantitative impact of this choice.

A. Business and performance

A.1 Business

A.1.1 Name and legal form of the undertaking

Name: Vittoria Assicurazioni S.p.A.
Legal form: Società per azioni.

A.1.2 Regulator responsible for the undertaking's supervision

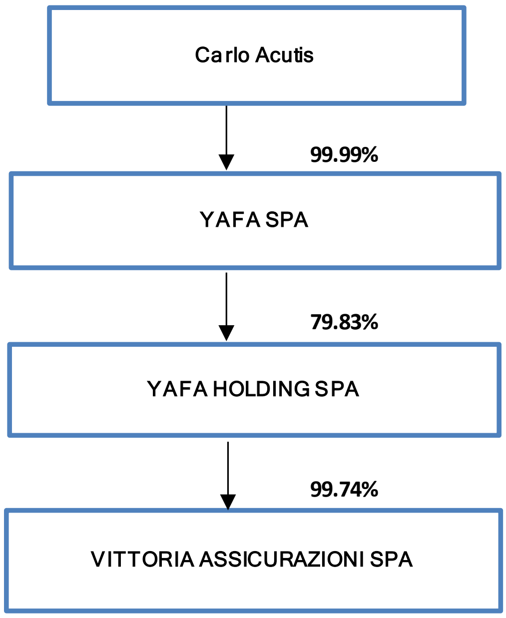
Vittoria Assicurazioni S.p.A. and the Group it belongs to are subject to the supervision of IVASS, namely the Italian regulator, based in Rome.

A.1.3 External auditor

The engagement of Deloitte & Touche S.p.A. of Milan to audit the accounts will expire with the approval of the financial statements for the year 2020.

A.1.4 Qualifying holdings in the undertaking (pursuant to Article 13(21) of Solvency II decree)

The chain of controlling interest in the Company is as follows:

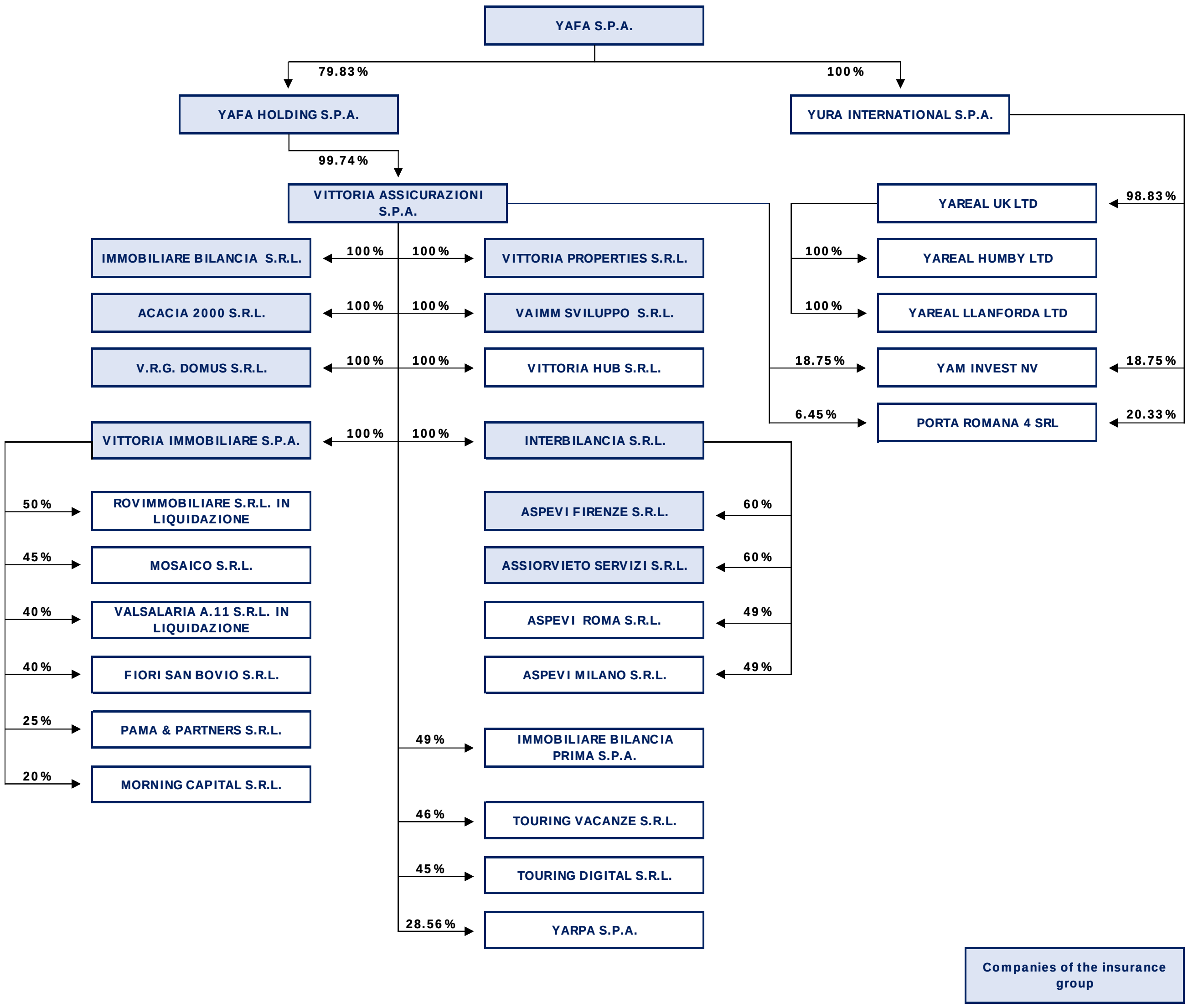


There are no other shareholders holding shares in excess of 10% of share capital.

A.1.5 Undertaking's position within the legal structure of the group

Vittoria Assicurazioni is part of the Vittoria Assicurazioni insurance group, registered under no. 008 of the Insurance Groups Register held by IVASS and, therefore, is subject to the management and coordination of the parent company Yafa S.p.A.

The chart below shows the subsidiaries and associates of Yafa S.p.A. and Vittoria Assicurazioni as at 31 December 2020:



List of subsidiaries and investee companies directly and indirectly owned by Vittoria Assicurazioni:

Subsidiaries

Name and legal form	State of registered office	Shareholding held
ACACIA 2000 S.R.L.	Italy	100%
ASPEVI FIRENZE S.R.L.	Italy	60%
ASSORVIETO SERVIZI S.R.L	Italy	60%
IMMOBILIARE BILANCIA PRIMA S.R.L.	Italy	100%
INTERBILANCIA S.R.L.	Italy	100%
V.R.G DOMUS S.R.L.	Italy	100%
VAIMM SVILUPPO S.R.L.	Italy	100%
VITTORIA HUB S.r.l.	Italy	100%
VITTORIA IMMOBILIARE S.P.A.	Italy	100%
VITTORIA PROPERTIES S.R.L.	Italy	100%

Associates

Name and legal form	State of registered office	Shareholding held
ASPEVI ROMA S.R.L.	Italy	49%
ASPEVI MILANO S.r.l.	Italy	49%
FIORI S.BOVIO S.r.l.	Italy	40%
IMMOBILIARE BILANCIA PRIMA S.R.L.	Italy	49%
MORNING CAPITAL S.r.l.	Italy	20%
MOSAICO S.p.A.	Italy	45%
PAMA & PARTNERS S.r.l.	Italy	25%
ROVIMMOBILIARE S.R.L. - in liquidation	Italy	50%
TOURING DIGITAL S.R.L.	Italy	45%
TOURING VACANZE S.R.L.	Italy	46%
VALSALARIA A.11 S.r.l.	Italy	40%
YARPA S.P.A.	Italy	28.56%

A.1.6 Undertaking's material lines of business and material geographical areas where it carries out its business

Vittoria Assicurazioni operates in all insurance sectors and bases its activity on a long experience in the insurance field, gained from 1921 to today, for the protection of people, family and companies, throughout the national territory through a widespread commercial organization with over 400 Agencies.

A.2 Underwriting performance

The table below provides information on the performance as at 31 December 2020, compared with data of the previous period.

(€/000)

Underwriting performance by line of business	Premiums written		Claims incurred		Changes in other technical provisions		Expenses	
	31/12/20	31/12/19	**31/12/20**	31/12/19	**31/12/20**	31/12/19	**31/12/20**	31/12/19
Direct Business								
Non-life								
(1) Medical expense insurance	20,023	19,226	(6,687)	(7,557)	-	-	(7,260)	(6,942)
(2) Income protection insurance	94,934	91,372	(28,665)	(26,496)	-	-	(34,918)	(34,042)
(4) Motor vehicle liability insurance	705,098	718,203	(441,634)	(527,071)	-	-	(176,051)	(178,052)
(5) Other motor insurance	140,693	134,824	(68,455)	(81,181)	(422)	(404)	(46,351)	(44,447)
(6) Marine, aviation and transport insurance	5,436	4,312	(3,256)	(3,035)	(7)	(5)	(1,831)	(1,386)
(7) Fire and other damage to property insurance	121,916	125,346	(68,793)	(91,924)	(306)	(271)	(50,652)	(48,543)
(8) General liability insurance	77,576	73,979	(28,307)	(25,977)	-	-	(28,698)	(26,715)
(9) Credit and suretyship insurance	3,201	3,274	(3,014)	(3,496)	-	-	(3,011)	(2,948)
(10) Legal expenses insurance	7,288	6,742	(485)	(526)	-	-	(2,129)	(2,051)
(11) Assistance	30,422	29,285	(8,678)	(9,365)	-	-	(13,132)	(13,099)
(12) Miscellaneous financial loss	14,721	14,294	(410)	(307)	-	-	(4,280)	(4,315)
Total Non-life	**1,221,308**	**1,220,857**	**(658,384)**	**(776,935)**	**(735)**	**(681)**	**(368,313)**	**(362,541)**
Life								
(29) Health insurance	1,445	1,266	(44)	(44)	-	-	(33)	4
(30) Insurance with profit participation	178,587	214,986	(97,992)	(97,992)	-	-	(14,298)	(13,456)
(31) Index-linked and unit- linked insurance	28,393	20,418	(5,961)	(3,649)	-	-	(2,293)	(1,755)
(32) Other life insurance	14,062	13,095	(15,690)	(8,491)	-	-	(873)	(622)
Total Life	**222,487**	**249,764**	**(119,687)**	**(110,176)**	**-**	**-**	**(17,497)**	**(15,830)**
Total Direct Business	**1,443,795**	**1,470,621**	**(778,071)**	**(887,111)**	**(735)**	**(681)**	**(385,810)**	**(378,371)**
Reinsurers' share								
Non-life	(36,331)	(57,109)	24,126	68,762	-	-	5,031	7,429
Life	(1,590)	(1,380)	(976)	133	-	-	319	240
Total Reinsurers' share	**(37,921)**	**(58,489)**	**23,150**	**68,895**	**-**	**-**	**5,350**	**7,669**
Total Direct Business net of reinsurers' share	**1,405,874**	**1,412,132**	**(754,921)**	**(818,216)**	**(735)**	**(681)**	**(380,460)**	**(370,702)**

With reference to the Non-Life Business, the Company carries out accepted quota-share reinsurance activity, whose performance as at 31 December 2020 is positive for 54 thousand euro (58 thousand euro at 31 December 2019).
At 31 December 2020, there are no Life Reinsurance obligations. For more details see the QRT S.05.01.

The table below shows the geographical split of the premiums relating to direct business, detected according to the location of the agencies.

(€/000)

Regions	Agencies	Non-Life Business Premiums	%	Life Business Premiums	%
NORTH					
Emilia Romagna	36	104,019		45,586	
Friuli Venezia Giulia	9	12,179		1,010	
Liguria	17	47,429		3,220	
Lombardy	113	230,567		74,733	
Piedmont	60	104,311		10,309	
Trentino Alto Adige	10	17,901		2,307	
Valle d'Aosta	1	5,207		471	
Veneto	42	73,399		14,438	
Total	**288**	**595,012**	**48.7**	**152,074**	**68.4**
CENTRE					
Abruzzo	14	59,984		7,923	
Lazio	29	106,307		11,485	
Marche	19	41,219		6,231	
Tuscany	53	132,196		14,359	
Umbria	15	64,017		10,812	
Total	**130**	**403,723**	**33.1**	**50,810**	**22.8**
SOUTH AND ISLANDS					
Basilicata	4	12,454		1,860	
Calabria	2	2,809		11	
Campania	13	52,302		3,487	
Molise	2	8,174		1,293	
Puglia	7	28,791		8,064	
Sardinia	13	46,742		1,626	
Sicily	13	71,176		3,261	
Total	**54**	**222,448**	**18.2**	**19,602**	**8.8**
Total ITALY	**472**	**1,221,183**	**100.0**	**222,486**	**100.0**
France	**0**	**127**	**0.0**	**0**	**0.0**
OVERALL TOTAL	**472**	**1,221,310**		**222,486**	

A.3 Investment performance

The table below provides the total revenues, net of expenses, from investments held by the Company:

(€/000)

Investment performance	Total income 31/12/2020	Total cost 31/12/2020	**Total net income 31/12/20**	Total net income 31/12/19	Change
Investments (other than assets held for index-linked and unit-linked contracts)					
Property (other than for own use)	6,233	(7,011)	**(778)**	(1,317)	539
Holdings in related undertakings, including participations	6,464	(11,645)	**(5,181)**	(7,783)	2,602
Equities					
-Equities — listed	-	-	**-**	567	(567)
-Equities — unlisted	1,200	(59)	**1,141**	-662	1,803
Bonds					
-Government Bonds	57,815	(22,924)	**34,891**	26,620	8,271
-Corporate Bonds	17,290	(5,964)	**11,326**	10,143	1,183
-Structured notes	-	-	**-**	103	(103)
Collective Investments Undertakings	18,586	(650)	**17,936**	21,157	(3,221)
Deposits other than cash equivalents	8	-	**8**	8	(0)
Total Investments (other than assets held for index-linked and unit-linked contracts)	**107,596**	**(48,253)**	**59,343**	**48,837**	10,506
Assets held for index-linked and unit-linked contracts	6,274	(5,278)	**996**	8,367	(7,371)
Total	**113,870**	**(53,531)**	**60,339**	**57,204**	3,135

The result of investments with risk borne by the Company went from 48,837 thousand euro to 59,343 thousand euro, increasing by 10,506 thousand euro. The result benefits from a divestment transaction on Italian government bonds which resulted in realised gains of 11,530 thousand euro.
The item income from unlisted equity instruments also includes dividends for a total of 6,486 thousand euro and write-downs on investments in real estate companies of 11,340 thousand euro.
The weighted average return of the "bonds and other fixed-income securities" went from 1.9% at 31 December 2019 to 2.3% at 31 December 2020.

A.4 Performance from other activities

The following table summarizes the components of the income statement other than the subscription results and the investment results described in the previous paragraphs:

(€/000)

Results of other activities	31/12/20	31/12/19	Change
Other income	3,629	4,284	(655)
Other charges	(54,558)	(26,303)	(28,255)
Extraordinary income	307	1,293	(986)
Extraordinary charges	(3,643)	(592)	(3,051)
Total results from other activities	**(54,265)**	**(21,319)**	**(32,946)**

The item other income is mainly related to:

- interest on bank current accounts for 619 thousand euro (837 thousand euro in the previous year);
- revenues from invoicing and reimbursements for 2,099 thousand euro (1.792 thousand euro in the previous year);
- withdrawals from the bad debt provision of 608 thousand euro (1.166 thousand euro in the previous year).

The item other charges mainly relates to:

- bank interest and charges for 1,280 thousand euro (823 thousand euro in the previous year);
- amortization of intangible assets for 4,414 thousand euro (818 thousand euro in the previous year);
- expenses and interest expense relating to the subordinated loan for 14,837 thousand euro;
- provisions for risks and charges of 28,548 thousand euro, mainly relating to lawsuits in progress, to the reimbursement of premiums, and to a marketing operation for the purposes of customer loyalty;
- provisions for 4,552 thousand euro relating to bad debts.

Extraordinary income and charges mainly relate to contingencies. The balance of contingent liabilities is mainly composed of the recognition in the Declaration of higher current taxes with respect to the allocation in the 2019 financial statements, which was offset by the recognition of higher deferred tax assets generating a net positive effect on the income statement.

With reference to leasing contracts, according to IFRS 16, the Company has recognized an asset for all types of leasing, (representing the right of use of the leased asset) and, contextually, the debt relating to the fees provided for in the contract. Depreciation (in relation to the new rights of use recorded in the assets) and financial charges (for the remuneration of the debt recorded) are recorded in the income statement for the 2020 financial year, instead of operating costs.

A.5 Other information

Nothing to be reported.

B. System of Governance

B.1 Overall information on the system of governance

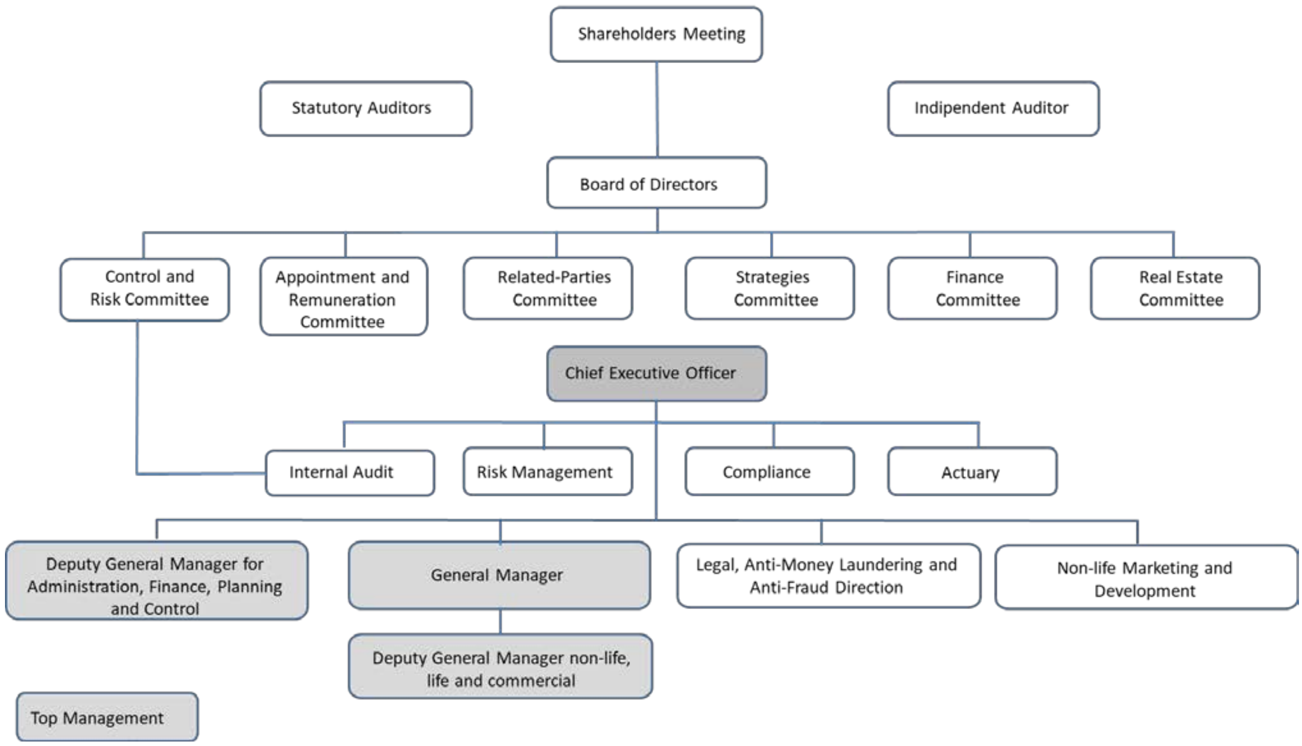
Vittoria Assicurazioni S.p.A. (hereinafter also the "Company") is part of the insurance group of the same name registered under no. 008 of the Insurance Groups Register kept by the Insurance Supervision Institute (hereinafter IVASS) and is subject to management and coordination by the Parent Company Yafa S.p.A., the last Italian parent company. Yafa S.p.A. is responsible for implementing the corporate governance provisions at group level, pursuant to art. 215-bis, paragraph 2 of the Private Insurance Code.
Areas subject to management and coordination by the Parent Group Yafa S.p.A. are identified in the Group's Regulation approved by the Board of Directors of Yafa S.p.A. and Vittoria Assicurazioni S.p.A., respectively.
In particular, the Regulation provides for the differentiated management of the areas of the intra-group coordination, delegating to Vittoria Assicurazioni S.p.A. the management and coordination of its subsidiaries, all its risk control and management measures, currently implemented as defined by the regulation applicable to insurance undertakings.
The Regulation also governs the obligations of the subsidiaries with reference to the activities necessary for the Parent Company Yafa S.p.A. to implement the tasks envisaged by the current regulation on the group solvency, control of the intra-group transactions and management of the risk concentration.
Finally, the Regulation has the purpose of not affecting the duties and responsibilities of the Board of Directors of Vittoria Assicurazioni S.p.A. with regard to the strategic guidelines for which it is responsible, in particular for decisions concerning business strategies, in compliance with the guidelines provided by the Parent Company.
The corporate governance system of the Insurance Company, which refers to the traditional model ruled by Articles 2380 to 2409 of the Italian Civil Code, requires that management activities are entrusted to the Board of Directors and the control activities to the Board of Statutory Auditors, both elected bodies. The accounting control is entrusted to the independent auditor.
Despite the delisting, in September 2018, and subsequent governance obligations required by law, Vittoria Assicurazioni S.p.A. aims to maintain a high level of corporate governance by retaining all measures to ensure transparency and fairness in the relationships with the Stakeholders.
For the Board meetings to be facilitated, they may also be held by teleconferencing, without being necessary in these cases to have both the Chairman and the Secretary attend in the same place. As for attendance and representation in the Shareholders' Meeting, in order to facilitate the entitlement to attend and vote, the possibility of using remote communication means, also electronically, has been envisaged, provided that the requirements needed to identify the entitled persons are met.

The Company's corporate governance system is articulated in the awareness of the essential link that exists between the following elements:

- the objectives that the Company aims to achieve with the related corporate strategies;
- the risk management system, that is, events that may adversely affect the pursuit of objectives, assessed in terms of probability and impact;
- the internal control system, or the protections to be put in place to ensure compliance with regulatory provisions, the effectiveness and efficiency of business operations, as well as the availability and reliability of financial and non-financial information.

The corporate governance system adopted by the Company is to be qualified as "Strengthened", as no substantial changes to governance took place in 2020, maintaining the same all the safeguards provided for by this type of regime, as emerged from the results of the process self-assessment carried out.

GOVERNANCE STRUCTURE



B.1.1 Roles and responsibilities of the administrative, management or supervisory bodies and key functions

Structure of the Board of Directors

The Board of Directors in office was appointed by the Shareholders' Meeting held on 30 April 2019 for the FYs 2019, 2020 and 2021, hence until the date of the Meeting that will approve the financial statements as at 31 December 2021.

The Board of Directors has set up six internal committees with advisory and proposing functions:

- Strategy Committee
- Finance Committee
- Real Estate Committee
- Related Parties Committee
- Appointments and Remuneration Committee
- Control and Risk Committee

COMPOSITION OF THE BOARD OF DIRECTORS

According to the Articles of Association, the Board of Directors consists of no less than 7 members and no more than 16 members, appointed by the Shareholders' Meeting after determining the number of members to be elected. At the date of preparation of this Report, the Board of Directors has 12 members and is composed as follows:

		Esec.	Indep.	Control and Risk	Appoint. Remuner	Related Parties	Finance	Real Estate	Strateg.
ACUTIS Carlo	Emeritus Chairman						X	X	X
ACUTIS Andrea	Chairman						P	P	P
ACUTIS Adriana	Vice Chairman						X	X	X
CALDARELLI Cesare	Manging Director	X					X	X	X
ANTONARELLI Massimo	Director		X	P					
GOBBI Luciano	Director		X	X	X	X	X		X
MARSIAJ Giorgio	Director		X						
MASSARI Maria Antonella	Director		X	X	P	P			
MINDER Urs	Director		X						
MORENA Marzia	Director		X					X	
PAVERI FONTANA Luca	Director				X		X	X	X
SPADAFORA Giuseppe	Director						X	X	X

P: Chairman of the Commitee

Functions of the Board of Directors

Pursuant to Article 18 of the By-Laws, the Board of Directors has the broadest and unlimited powers for the ordinary and extraordinary management of the Company; all the necessary and opportune powers are conferred upon it for implementation and achievement of the corporate objectives that are not expressly reserved to the Shareholders' Meeting.
The members of the Board, appointed by the Shareholders' Meeting, are subjects of proven integrity and professionalism. At least a quarter of the Directors must meet the independence requirement set out in the current Articles of Association.

The Board carries out, on an annual basis, a self-assessment on the size, composition and effective functioning of the Administrative Body itself, as well as of its internal board committees.

The Board of Directors has ultimate responsibility for the corporate governance system and ensures that it is suitable for achieving the following objectives:

- the efficiency and effectiveness of company processes;
- the identification, even the prospective assessment, the management and the adequate control of risks, in line with the strategic guidelines and the risk appetite of the company also in a medium-long term perspective;
- the timeliness of the corporate information reporting system;
- the reliability and integrity of accounting and management information;
- safeguarding the assets in a medium-long term perspective
- compliance of the company's activities with current legislation, directives and company procedures.

The tasks and responsibilities of the Board of Directors in the definition of the corporate governance system concern the following areas:

- <u>Strategies</u>

  The Board is responsible for defining, on the proposal of the management and with the support of the Strategies Committee, the objectives and strategies in a medium-long term perspective, in order to pursue the business objectives, as well as to guarantee the protection of the assets, in compliance with the guidelines provided by the Parent Company.

  The Board is therefore responsible for approving, based on the macroeconomic market framework, the strategic plans, including the ICT strategic plan including corporate cyber security and annual budgets.

  The Board is responsible for supervising management activities for the pursuit of the corporate purpose.

- <u>Governance system</u>

  The Board of Directors defines and approves the directives on the subject of corporate governance, reviewing them at least once a year, and takes care of adapting them to changes in corporate operations and external conditions.
  Approves the organizational structure of the Company, as well as the assignment of tasks and responsibilities, ensuring that adequate decision-making processes are adopted and formalized, with an appropriate separation of functions and ensuring that the tasks and responsibilities are properly assigned and coordinated in line with the Company Policies. To this end, the Board approves, taking care of its adequacy over time, the system of delegation of powers and responsibilities, taking care to avoid excessive concentration of powers in a single subject, through verification tools on the exercise of delegated powers, with the consequent possibility of providing adequate measures if he decides to invoke delegated powers to himself.
  It ensures the presence of an adequate and effective interaction between all the Committees, the Senior Management and the Fundamental Functions, guaranteeing also the continuous professional updating.

The Board defines the remuneration policies annually by submitting them to the approval of the Shareholders' Meeting.

- Internal control and risk management

  The Board of Directors is responsible for defining the strategies and guidelines for internal control and risk management and for guaranteeing its adequacy and durability, in terms of completeness, functionality and effectiveness.

  To this end, it determines the system of risk objectives, defining, also on the basis of the internal risk and solvency assessment, the risk propensity of the Company consistent with its solvency requirement. It identifies the types of risks that it considers to be taking, consistently setting the relative tolerance limits, which it reviews at least once a year, in order to ensure its effectiveness over time.

  With regard to internal control and risk management, including the environmental and social risks generated and suffered, the Board adopts suitable Policies, including the Data Governance Policy, which includes data quality and cyber security profiles, whose controls are an integral part of the ICT strategic plan. It also approves the Emergency Plan (so-called Contingency Plan) by checking it annually to assess its effectiveness.

Chairman of the board of directors

Pursuant to Article 15 of the Articles of Association, the Chairman of the Board of Directors has a non-executive role and does not perform any management function.

The main function of the President is to regulate and coordinate the collegial activity of the members of the Boad, of which he chairs the meetings; he convenes the Board of Directors, sets the agenda, coordinates the work and ensures that all the directors are provided with adequate information on the items on the agenda; draws up and signs, together with the secretary, the minutes of the meetings.

CEO

The Chief Executive Officer ensures the pursuit of the objectives defined by the Board of Directors, imparting the consequent management directives; handles the implementation of the resolutions of the Board of Directors and the operational management of corporate affairs, making use of the Company's Senior Management; ensures the governance, supervision and coordination of the entire activity of the subsidiaries.

The Board of Directors has given the Chief Executive Officer the broadest management and executive powers, defining quantitative methods and limits for their exercise, as well as the role of Director in charge of the internal control and risk management system.

General Manager

In accordance with Article 20 of the By-Laws, the General Manager is appointed by the Board of Directors, which determines the relevant powers, and is also vested with the legal representation.

The General Manager helps to define the strategic objectives and actions aimed at developing the profitability of the products and portfolio of the Non-Life Business and Life Business, ensures the overall governance of the human resources and guarantees that all operating and functioning levers of the organizational structure are consistent with the strategic lines of the Insurance Company.

In particular, the General Manager has the responsibility of ensuring:

- the development and profitability of products and portfolio of Non-Life and Life Business, by governing the sales, technical underwriting, settlement, reinsurance and product policies and ensuring that reserves are adequate;

- the overall governance of human resources, by guaranteeing the consistency between the organizational aspects, staff needs, the professional development and the economic/administrative conditions;
- the monitoring and development of IT systems and alignment of organizational levers (IT systems, organizational structure, corporate processes and roles) and the framework of projects related to the Insurance Company's strategic objectives; the governance and the development of real estate subsidiary and participating companies, by ensuring that the business objectives are pursued, while targeting its investments and enhancing its real-estate assets;
- the constant quantitative monitoring of business processes supporting the Insurance Company's decision-making.

The General Manager takes part in the BoD meetings with the entitlement to express non-binding opinions on matters at issue.

Control and Risk Committee

The Committee is made up of non-executive directors, the majority of whom are independent. The Chairman of the Committee is chosen from among the independent directors.
The main function of the Control and Risk Committee, composed of non-executive Directors, the majority of whom are independent, is to assist the Administrative Body in determining the guidelines of the internal control and risk management system, in the periodic verification of its adequacy and of its actual functioning and in the identification and management of the main business risks. It also carries out surveys.
In particular, it supports the Board of Directors in the definition of the governance system and the internal control and risk management system with an adequate inquiry activity, carrying out the continuous verification of the adequacy and efficacy of the internal control and risk management system with respect to the characteristics of the Company and the assumed risk profile.
The activity carried out by the Control and Risk Committee is coordinated and harmonized with that of the Board of Statutory Auditors, through:

- systematic and legal participation in the meetings of the Control and Risk Committee of all the members of the Board of Statutory Auditors;
- coordination on the agenda of the Control and Risks Committee, in order to achieve greater efficiency, avoiding duplication in the performance of the respective tasks.

In order to ensure constant and effective monitoring of the internal control and risk management system, the Managing Directors, General Managers, Heads of Fundamental Functions and any other persons, including external ones, whose presence is deemed appropriate, may be invited to participate in the Committee.
In carrying out its duties, the Committee has the right to access the information and the Company Functions necessary for the performance of its duties and may use external consultants.

Appointment and Remuneration Committee

The Committee is made up of non-executive directors, the majority of whom are independent. The chairman of the Committee is chosen from among the independent directors.
The Committee has consultative and preliminary functions in the process of appointment of the Directors and, for the assignment of corporate offices, for appointments concerning top management, in the assessment of the eligibility requirements for corporate offices and in the Board's self-evaluation process.
As regards remuneration, the Committee has advisory and preliminary functions for determining the remuneration of directors vested with particular offices, as well as on remuneration and loyalty policies relating to Relevant Personnel.

Related-Party Committee

The Related Parties Committee examines in advance the Intra-Group transactions carried out with persons whose amount exceeds 100 thousand euro, with the parent companies, as well as those transactions which, exceptionally, are not carried out at market conditions.
The Committee examines in advance the operations that are submitted by the competent corporate structures and expresses a reasoned opinion on the interest of the Company in carrying out the operation, as well as on the convenience and substantial correctness of the related conditions.

Strategies Committee

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

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

Finance Committee

The Finance Committee has the task of supporting the Board:

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

Real-Estate Committee

The Real Estate Committee has the task of supporting the Board:

- define the development strategies of the real estate sector;
- evaluate the investment proposals in the real estate sector that are proposed by the operational managers;
- supervise the performance of the Group's real estate investments.

Structure of the Board of Statutory Auditors

The Board of Statutory Auditors in office was appointed by the Shareholders' Meeting held on 30 April 2019 for the FYs 2019, 2020 and 2021, and hence till the date of the Meeting that will approve the financial statements as at 31 December 2021.

As at the date of this Report, the Board of Statutory Auditors was as follows:

Giuseppe CERATI	Chairman
Giovanni MARITANO	Standing statutory auditor
Francesca SANGIANI	Standing statutory auditor
Antonio SALVI	Substitute statutory auditor
Luca LAURINI	Substitute statutory auditor

The Board of Statutory Auditors performs the functions required by sector regulations and, in particular, what is set forth in Article 8 of IVASS Regulation n. 38/2018, as well as by article 19 of Legislative Decree n. 39/2010 and attends the meetings of the Control and Risk Committee and the Board of Directors.

Auditor

Deloitte & Touche S.p.A. has been appointed of the statutory audit of accounts by the Shareholders' Meeting held on 20 April 2012 for the period 2012 - 2020, which will expire with the approval of the financial statements as at 31 December 2020. In view of the upcoming expiry of the assignment, on 29 April 2020, the Shareholders' Meeting, in accordance with the proposal of the Board of Directors and the recommendation of the Board of Statutory Auditors, approved the assignment of the engagement for the legal audit of the accounts for the financial years 2021-2029 to the auditing firm K.P.M.G. S.p.A.

Senior Management

Pursuant to current legislation, Senior Management means the Chief Executive Officer, the General Manager and the senior management responsible for decision-making and strategy implementation.

In Vittoria Assicurazioni SpA this category includes the roles of Chief Executive Officer, Co-General Manager for Services and Real Estate, the Deputy General Manager for Non-Life and Commercial and the Deputy General Manager for Administration, Finance, Planning and Control, who are responsible at a high level for the decision-making process and for the implementation of the strategies as well as for maintaining and monitoring the governance system company.

These subjects participate in the discussion of the fundamental choices of the company, which are submitted to the Board of Directors and guarantee the implementation of the guidelines and guidelines through the operational Functions, taking care to make an adequate separation of duties both between individuals subjects who between functions, aimed at achieving an adequate dialectic between them and avoiding potential conflicts of interest.

The highest executive powers are attributed to senior management, in line with the model of powers and delegations adopted.

Top Management, in particular:

- defines in detail the organizational structure of the Company, the tasks and responsibilities of the basic operating units, as well as the decision-making processes in accordance with the directives issued by the Board;
- helps to ensure the definition of operational limits consistent with exposure to risk and solvency and ensures the timely verification of the limits themselves, as well as the monitoring of risk exposures and compliance with tolerance limits;
- implements the Policies relating to the corporate governance system;
- takes care of the operational aspects, proposes and informs the Board of Directors on the overall adequacy of the organizational structure and corporate governance system with the utmost timeliness if significant criticalities are found;
- implements the indications of the Board of Directors regarding the measures to be taken to correct the anomalies found to make improvements.

Fundamental Functions

Premise

In order to ensure the sound and prudent management of its business, the Company, in line with the provisions of the Private Insurance Code, has established the following basic functions: the Internal Audit Function (hereinafter "Internal Audit Function") , the Compliance Verification Function (hereinafter the "Compliance Function"), the Risk Management Function (hereinafter "Risk Management Function") and the Actuarial Function (hereinafter "Actuarial Function").
The Board of Directors has defined the responsibilities, tasks, operating procedures of the Fundamental Functions as well as the nature and frequency of reporting to the Corporate Bodies and to the other Functions concerned, as required by art. 26, paragraph 2, of IVASS Regulation n. 38 of 3 July 2018.
The Functions are proportionate to the nature, extent and complexity of the risks inherent to the Company's activity and, in compliance with the principle of separation between operational and fundamental functions, independence, autonomy and objectivity of judgment are guaranteed.
In light of the above, the organizational solutions adopted are reported:

- the Fundamental Functions are set up as a specific organizational unit and each unit has been assigned one of the four Functions, according to the required specializations;
- the Fundamental Functions cannot be outsourced;
- the Owner of the Fundamental Functions is not the head of operating areas, nor is he / she hierarchically dependent on subjects responsible for said areas;
- the Fundamental Functions have human resources in possession of specialized knowledge and are responsible for the professional, technological and financial updating necessary for the performance of the activity;
- the Fundamental Functions report directly to the Board of Directors, also through the Control and Risks Committee, through appropriate reporting procedures in which the activity carried out, the results of the checks carried out and any recommendations are given;
- the Fundamental Functions have free access to the activities of the company, to the company structures and to all the pertinent information.

The Fundamental Functions work together to carry out their respective duties and ensure adequate collaboration, including information, with the Board of Statutory Auditors.

The Owner of each Function is appointed and revoked by the Board of Directors and meets the eligibility requirements for the office set by the Policy of Eligibility in force. The Owner attends the meetings of the Control and Risk Committee and, at the request of the respective Chairs, the meetings of the Board of Directors and the Board of Statutory Auditors. The Owner of each Function annually submits to the Board of Directors, also through the Control and Risk Committee, an activity Plan - for the relative approval - which indicates the interventions it intends to perform. If necessary, the

owner of each function can prepare checks not provided for in the activity plan. Significant changes to the Plan are subject to approval by the Board, subject to preliminary investigation by the Control and Risk Committee.
The Owner of each Function submits, at least annually, or in any case when deemed necessary, a Report of the activity to the Board of Directors, also through the Control and Risk Committee which summarizes, in accordance with the Activity Plan, the activity carried out and the checks carried out, the assessments carried out, the results that emerged, the critical issues and the shortcomings found and the recommendations made for their removal, as well as the status and timing of implementation of the improvement measures.

COMPLIANCE FUNCTION

The Board of Directors has established the Compliance Function, as an integral part of the internal control and risk management system, within which it carries out second level controls.
In implementation of articles 30 quater of the CAP, of the articles 33 and 34 of IVASS Regulation n. 38/2018, the Board of Directors approves the Policy of the Compliance Function in which it establishes the objectives, roles, responsibilities, tasks and operating procedures assigned to the Function, as well as the frequency of reporting to the corporate bodies and corporate functions affected.
In general, the main objective of the Function is to identify and assess the risk of non-compliance with the rules with particular attention:

- compliance with the rules relating to transparency and fairness of conduct in the insured and injured parties;
- pre-contractual and contractual information;
- the correct execution of contracts with specific reference to claims management;
- the protection of policyholders and others entitled to insurance benefits.

The Compliance Function is, among other things, responsible for:

- identify, on an ongoing basis, the rules applicable to the Company, evaluate their impact on company processes and procedures, providing support and advice to the Board of Directors, the Board Committees, the Board of Statutory Auditors, Senior Management and others company functions on the matters for which the risk of non-compliance is important, including product design;
- evaluate the adequacy and effectiveness of the organizational measures adopted to prevent the risk of non-compliance with the rules and propose organizational and procedural changes aimed at ensuring adequate risk control;
- evaluate the effectiveness of organizational adjustments following the suggested changes;
- prepare adequate information flows directed to the corporate bodies of the company and the other structures involved.
- draw up an annual report to be submitted to the Board of Directors for approval and forwarded to IVASS, on the controls carried out on the distribution network, the contents of which are set out in Article 46 of IVASS Regulation No. 40/2018.

RISK MANAGEMENT FUNCTION

The Company's Board of Directors has established the Risk Management Function as an integral part of the internal control and risk management system, within which it carries out second-level controls.
In implementation of articles 30 - bis paragraph 10 of the Code of Private Insurance, and art. 32 of IVASS Regulation no. 38/2018, the Board of Directors approves the Risk Management Function Policy in which it establishes the objectives, roles, responsibilities, tasks and operating procedures assigned to the Function, as well as the frequency of reporting to corporate bodies and corporate Functions concerned.
In general, the main objectives of the Function are as follows:

- contributing to the definition of the Risk Management Policy and, in particular, to the choice of the criteria and the related risk measurement methodologies, as well as the Risk and Solvency Assessment Policy;
- establishing the methodological approach and defining the Risk Appetite, by contributing to its formalization and proposing the related monitoring to the Board of Directors;
- defining the methods to be used for the assessment of the financial assets and their safety degree, liquidity, quality, profitability and availability with particular respect to the assets deemed to be complex, direct financing and occasional investments;
- helping to define the capital management system, by monitoring the consistency between the company plan, capital needs and available capital resources and the adoption of any corrective measures needed;

- defining the criteria, methods, scenarios and stress tests and models for the corporate risk measurement and assessment and helping to choose the assumptions used for the internal assessment of risks and solvency on an ongoing basis;
- assessing and monitoring the Group's risk profile on a continuing basis by performing the ORSA assessments while determining the specific capital requirement of the Insurance Company and its subsidiaries in the present and future, reporting any risks deemed as highly significant, also potentially, to the Governing Board, and proposing any response reactions or mitigation measures;
- drawing up reports and providing information to corporate bodies also by helping to produce reporting;
- reporting to the Board of Directors on the assessments on the adequacy and efficiency of the risk management system.

ACTUARIAL FUNCTION

The Company's Board of Directors has established the Actuarial Function, as an integral part of the internal control and risk management system, within which it carries out second-level controls.
In implementation of art. 30 - sexies of the Private Insurance Code and of article 38 of IVASS Regulation 38/2018, the Board of Directors approved the Actuarial Function Policy in which it establishes the objectives, roles, responsibilities, tasks and operating methods assigned to the Actuarial Function, as well as the frequency of reporting to the corporate bodies and corporate functions concerned.
The main objective of the Function is to oversee the risk of reservation and underwriting and to verify the appropriateness of the data and the adequacy of the assumptions and models used in this area, adequately informing the corporate bodies about this.
Therefore, the Actuarial Function is, among other things, responsible for:

- coordinate the calculation of the Non-Life and Life Technical Reserves according to the Solvency II principles;
- assess the accuracy, appropriateness and completeness of the data used for the calculation of the Solvency II Technical Reserves, also reporting any improvements to be made in the respective reports;
- assess the sufficiency of the Non-Life and Life Technical Reserves, calculated for the purposes of preparing the Local GAAP and Solvency II Financial Statements and certify the correctness of the procedures followed;
- provide information, upon request, on the adequacy of the methodologies, the underlying models and the assumptions on which the calculation of technical provisions is based;
- evaluate the global underwriting policies and reinsurance agreements, also considering the risk appetite, providing specific opinions;
- provide the Board of Directors with information regarding any significant difference between the actual experience and the best estimate, identifying the causes and, if necessary, proposing changes to the assumptions and the evaluation model, in order to improve the calculation.

INTERNAL AUDIT FUNCTION

The Company's Board of Directors has established the Internal Audit Function, as an integral part of the internal control and risk management system, within which it carries out third-level controls.
In implementation of articles 30 - quinques of the Private Insurance Code, article 47 of the Solvency II Directive and articles 35, 36 and 37 of IVASS Regulation n. 38/2018, the Board of Directors approved the Internal Audit Function Policy in which it establishes the objectives, powers, responsibilities and main activities of the Function, also describing the methodological principles of the audit activity and relations with the bodies and other corporate functions.
In general, the main objectives of the Function are:

- monitor and evaluate the effectiveness and efficiency of the internal control system and of the other components of the corporate governance system;
- monitor and evaluate any need for adaptation, including through support and consultancy activities for other corporate functions.

Therefore, the Internal Audit Function is, among other things, responsible for:

- verify the correctness of management processes and organizational procedures, including the regularity of information flows between company sectors;
- verify the reliability of information systems and their adequacy;

- verify the compliance of the administrative-accounting processes with the criteria of correct and regular bookkeeping;
- establish, apply and continuously maintain an audit plan that indicates the activities to be carried out, in the Company and in the companies controlled by them, by establishing organic connections with all the owners of the internal control functions;
- establish an "assurance" and quality improvement program through which to evaluate its auditing activities and promote professional growth, communicating to the Board of Directors the elements that allow to evaluate future performance;
- ensure, in coordination with the other Control Functions, an adequate approach to risk and control management and a systematic assessment process of the internal control system and of the other components of the corporate governance system;
- verify the effectiveness of the checks carried out on outsourced activities.

B.1.2 Significant changes to the governance system introduced in the reference period

The main changes in the governance system in the course of 2020 are reported in chronological order:

23/03/2020 The Board of Directors appointed the new Data Protection Officer (DPO) pursuant to the Regulation EU 2016/679, with effect from 1 April 2020.

22/07/2020 The Shareholders' Meeting approved the following amendments to the Company By-Laws:

- It was necessary to update the equity elements, pursuant to Article 5(4) of ISVAP Regulation 17/2018, as they were reduced by more than 20% by effect of the merger by incorporation of Vittoria Capital S.p.A. into Vittoria Assicurazioni S.p.A., completed in FY2019.
- With reference to the Shareholders' Meetings and in compliance with current legislation, the possibility of using remote communication means, also electronically, has been envisaged for the exercise of the right to attend and vote; electronic notification of proxy is provided for according to methods specified in the notice of call.
- The so-called concept of "record date" has been introduced, determining in the seventh day of open market previous to the Shareholders' meeting the moment when a person, having the right to vote in that specific moment, is entitled to participate and vote in the Shareholders' Meeting. The purpose is to align the related regulation to the regulation applicable to the company with listed shares, given the dematerialized system and central management of financial instruments;
- It has also been envisaged that the Board meetings, which take place with remote communication means, can be held without indication of the place of meeting and without being necessary to have both the Chairman and the Secretary attend in the same place.

30/06/2020 In accordance with Article 5 of Leg. Decree 205/2005 on the "Regulation on the supplementary pension funds", as amended and supplemented by Leg. Decree 147/2018, the Board of Directors of Vittoria Assicurazioni S.p.A., as Company establishing the Vittoria Formula Lavoro open-ended pension fund, has revoked the existing tasks relating to the Supervisory Body.

16/09/2020 With effect 1 October 2020, the Board of Directors of Vittoria Assicurazioni S.p.A. entrusted the Anti-Money Laundering Function to the Head of the Central Legal, Anti-Money Laundering and Anti-Fraud Department, who is also in charge of reporting any suspicious transactions. On the same date, the new Secretary of the Board of Directors was appointed, always with effect 1 October 2020.

12/11/2020 In compliance with Article 20 of the By-Laws, the Board of Directors appointed the General Manager (office not held on this date, but present in the past) with effect 1 January 2021.

On the same date, it was resolved upon positioning, always with effect 1 January 2021, the Complaints Service within the "Non-Life Marketing and Development" Business Unit, by keeping the function responsibility unchanged.

B.1.3 Information on the remuneration policy and practices

Principles of the Remuneration Policy

Vittoria Assicurazioni S.p.A. has always had a remuneration policy oriented to a sound and prudent risk management and in line with the strategic objectives of the Company's ongoing balanced growth, profitability and prominent position in the domestic insurance.

The primary objective of the remuneration policy implemented by Vittoria Assicurazioni S.p.A. is to ensure an adequate remuneration to attract, motivate and retain resources with the professional qualities required to successfully pursue the Company's or the Group's goals, which mainly strive to achieve continual excellent results in the attainment of its corporate purpose, and as a result, to create value for shareholders and safeguard company assets over the long term.

The Company's remuneration policy does not provide for incentives aimed at risk-taking that could conflict with the above objectives.

For both senior positions and all staff, the determination of remuneration is based on responsibilities assigned to the individual concerned, the position held, the individual's skills and the reference market, in accordance with fairness principles.

Vittoria Assicurazioni S.p.A. believes that a correct remuneration policy is based, in continuity with the history of the Company, on the principle of determining the remuneration of the management so as to ensure that the fixed component of remuneration is in any case suitable to remunerate the service, regardless of the achievement objectives that give the right to receive the variable part of the salary, guaranteeing a correct balance between the fixed and the variable component.

<u>Non-executive Directors</u>

The Ordinary Shareholders' Meeting sets the remuneration for each financial year, in order to remunerate the Directors for their participation in the Committees and for the specific tasks assigned within these Committees. As provided by Article 15 of the By-Laws, this amount does not include compensation for Directors with specific duties.

There are no incentive-based remuneration systems for Non-executive Directors that do not hold corporate offices.

<u>Control Bodies</u>

The Ordinary Shareholders' Meeting sets the gross annual compensation of the Board of Statutory Auditors. There is no provision for lump-sum reimbursements or attendance fees for attending Board and committee meetings.

There are no incentive remuneration systems for members of supervisory bodies control bodies.

<u>Managing Director, Senior Managers and other Managers</u>

The Company considers it appropriate to determine management compensation in such a way as to ensure that the fixed component of compensation is, in all cases, sufficient to remunerate the service performed regardless of the achievement of objectives that entitle the individual to receive a variable remuneration portion as calculated below, ensuring a proper balance between the fixed and variable components.

The fixed remuneration is proportional to the role held and the responsibilities assigned, also considering the experience and skills required, as well as the quality of contribution in the attainment of business results.

The variable remuneration is tied to the achievement of business objectives with a direct link between incentives and objectives of the Company, the department and, not least, the individual objectives, in terms of quality and quantity.

The weight of the variable component of remuneration is determined uniformly for top management and the managerial population.

The variable remuneration provided by the 2019 Remuneration Policy refers to a single variable remuneration system that takes into account the short and long term, through the adoption of a corrective mechanism of the deferred accrued operating for the entire duration of the deferral applicable to the managerial population (basic functions are excluded).

In fact, the adoption of a deferral mechanism for the provision of the variable component (no deferral, 3 or 5 years) which varies according to the amount of variable remuneration accrued has been envisaged.

All incentive systems adopted by the Company provide for the achievement of a common and formalized corporate objective of risk-adjusted corporate performance (access threshold to the variable remuneration system).

There are no "Incentive plans based on financial instruments, other than stock options, in favor of the members of the administrative body, top management or other subjects falling within the perimeter of the relevant staff.

Non-management Personnel

In order to enable the non-management personnel to achieve the objectives of the Company, incentive systems have been structured so that resources may access a variable compensation.

All incentive systems adopted by the Company provide for the achievement of a common formalized risk-adjusted objective of corporate performance (gate access to the variable remuneration system), which is the same one used to determine the variable part of the remuneration of the Managing Director, the General Manager, the Senior Managers and other Managers.

Information on the individual and collective performance criteria on which any entitlement to share options, shares or variable components of remuneration is based

There are no individual and collective performance criteria on which any entitlement to share options, shares or variable components in addition to those indicated under paragraphs: “Principles of the remuneration policy” and “Relevance of fixed and variable remuneration components”.

Description of the main features of the supplementary pension or early retirement schemes for the members of the administrative, management or supervisory body and for holders of other key functions

Members of the Senior Management and the Company’s Managers are recipients of a supplementary pension plan provided for by the National Regulatory and Financial Agreement for insurance companies executives, accounting for 13% of the contractual remuneration minimum, supplemented by a further 3%.

No supplementary pension schemes are provided for the members of the administrative, management and supervisory bodies.

No early retirement schemes are provided for the members of the administrative, management or supervisory bodies, as well as for holders of other key functions.

B.1.4 Information about material transactions performed during the reporting period with the shareholders, with persons who exercise a significant influence on the undertaking and with the members of the administrative, management or supervisory bodies.

With reference to material transactions carried out by the Company's shareholders during the reporting period, it should be noted that in June 2020 the parent company YAFA Holding S.p.A. completed a capital increase through the transfer of shares of Vittoria Assicurazioni S.p.A., as a result of which the participation of Yafa Holding S.p.A. is 99.74%.

B.2 Fit and proper requirements

B.2.1 List of persons who carry out key functions within the company

The fundamental functions, identified pursuant to the Solvency II directive, are the Internal Audit Function, the Compliance Function, the Risk Management Function and the Actuarial Function.

The holders of these functions are:

- Internal Audit function: Vincenzo Coppa;
- Compliance function: Giuseppina Marchetti;
- Risk Management Function: Ignazio Oggioni;
- Actuarial function: Cristina Mataloni.

B.2.2 Policies and procedures established by the company to ensure that such persons are fit and proper

Subject to constant updating by the Board of Directors of Vittoria Assicurazioni S.p.A., the Fit & Proper Policy ensures that persons performing administrative, management and control functions, the relevant staff, the holders of Key Functions and their collaborators, as well as the Persons in charge of the direct distribution and the directors and statutory auditors of subsidiaries having the professional qualifications, knowledge and experiences for a sound and prudent management of the Insurance Company, have a good reputation and integrity, and, where provided for, meet the independence requirement.
The verification of the fulfillment of the requirements is carried out at the time of appointment and on an annual basis with reference to the following subjects:

- Directors and Auditors;
- Managers with strategic responsibilities (Senior Management);
- Holders of the Basic Functions included in the governance system;
- Higher level personnel of the Basic Functions;
- Holder of the Anti-Money Laundering Function;
- additional relevant personnel, or those whose activities may have a significant impact on the risk profile of the company, identified annually by the Board of Directors;
- Responsible for direct distribution;
- Directors and Statutory Auditors of subsidiaries.

PROFESSIONALISM

With regard to the professionalism requirement, it is considered adequate when the subject has professional qualifications, knowledge and experience suitable to allow the correct and effective fulfillment of the tasks deriving from his / her corporate position. This includes common behaviors and values as described in the Group's Code of Ethics, as well as experience in leadership and managerial skills, including significant technical skills for the specific company position to be covered.
In particular, with reference to the professionalism of the members of the Board of Directors, the Policy is aimed at ensuring that the Board of Directors has the presence of subjects who, collegially, have adequate qualifications, experiences and knowledge regarding:

- insurance and financial markets, in terms of understanding and awareness of the economic and market context in which the Company operates;
- business strategy and business model, in terms of understanding the Company's strategy and business model;
- governance systems, in terms of understanding and awareness of the risks to which the Company is exposed and the ability to manage them; this area of competence also includes the ability to assess the effectiveness of the business governance, supervision and control system;
- actuarial and financial analysis, in terms of ability to interpret the Company's actuarial and financial information, identify the main problems, implement adequate controls and take the necessary measures based on this information;

- regulatory and self-regulatory context, in terms of understanding and awareness of the regulatory environment in which the Company operates, both from the point of view of regulatory requirements, and for the ability to promptly adapt to regulatory updates;

HONORABILITY

Without prejudice to the need to ensure compliance with the requirements of the applicable legislation (Ministerial Decree No. 220/2011 for members of the administrative, management and control bodies, also applicable to the Owners, to the collaborators of the Fundamental Functions, as well as to those who perform functions of direction and control in the Subsidiaries), honorabilty is not considered adequate when the following circumstances exist which, moreover, do not automatically imply the lack of reputability requirement, leading to the need for a case by case assessment:

- previous convictions, or current criminal proceedings, which may lead to a conviction for a crime other than those expressly provided for by the applicable reference legislation;
- administrative sanctions imposed in the last 5 years for non-compliance with the financial and insurance services legislation, or subject to administrative sanction procedures for the alleged violation of the financial and insurance services legislation or for disciplinary proceedings and / or sanctions by a professional order;
- any further circumstance that could determine the risk of a financial crime or that could endanger the healthy and prudent management of the Company.

It should also be noted that for Direct Distribution Managers, the honourability requirements are expressly laid down in Article 110 of the Private Insurance Code.

Independence

Notwithstanding the provisions under the Ministerial Decree no. 220/2011 and the applicable regulation with reference to the independence requirements, the corporate By-Laws, in line with the provisions by IVASS Regulation no. 38/2018 on the matter, define the necessary requirements for the Directors to be considered independent, and set forth that at least one fourth of them, rounded up, must satisfy said requirements. The loss of the independence requirement does not constitute forfeiture if the minimum number of directors meets the requirement. As for the appointment of Board Committee members, this requirement also establishes that Committees must be made up of, in whole or in the majority, independent directors, including the Control and Risk Committe, the Appointments and Remuneration Committee and the Related-Party Committee.

The assessment of eligibility is mainly based on proper documentation provided by the persons involved, as well as on any other information available to the Company.

The verification of the existence of requirements and their maintenance, that is performed on an annual basis, is carried out by the relevant body for the appointment. For appointments and posts conferred by the Board, the verification of the existence of applicable requirements is performed by the Board itself, after preliminary activity of the Appointments and Remuneration Committee.

All persons involved are required to promptly notify any non-fulfilment of the fit & proper requirements, as well as any changes concerning the requirements they have declared.
In particular, those that are found in situations that entail forfeiture or suspension of the office or have been prosecuted for offences that may impact on maintenance of the integrity requirement promptly notify these circumstances to the Board of Directors.

B.3 Risk management system, including the own risk and solvency assessment (ORSA)

The corporate governance system rules the way in which the Company is governed and controlled. The basic elements of the corporate governance system are the risk management system and the internal control system.
The Company has appropriately adopted, and continuously maintains, these systems so that it guarantees the fulfillment of the commitments towards its insured and beneficiaries, as well as their counterparts, and achieves the safeguarding of the assets in the pursuit of long-term strategic objectives and in compliance with regulatory and regulatory requirements from time to time in force.
The risk management system adopted by the Company complies with the following general principles:

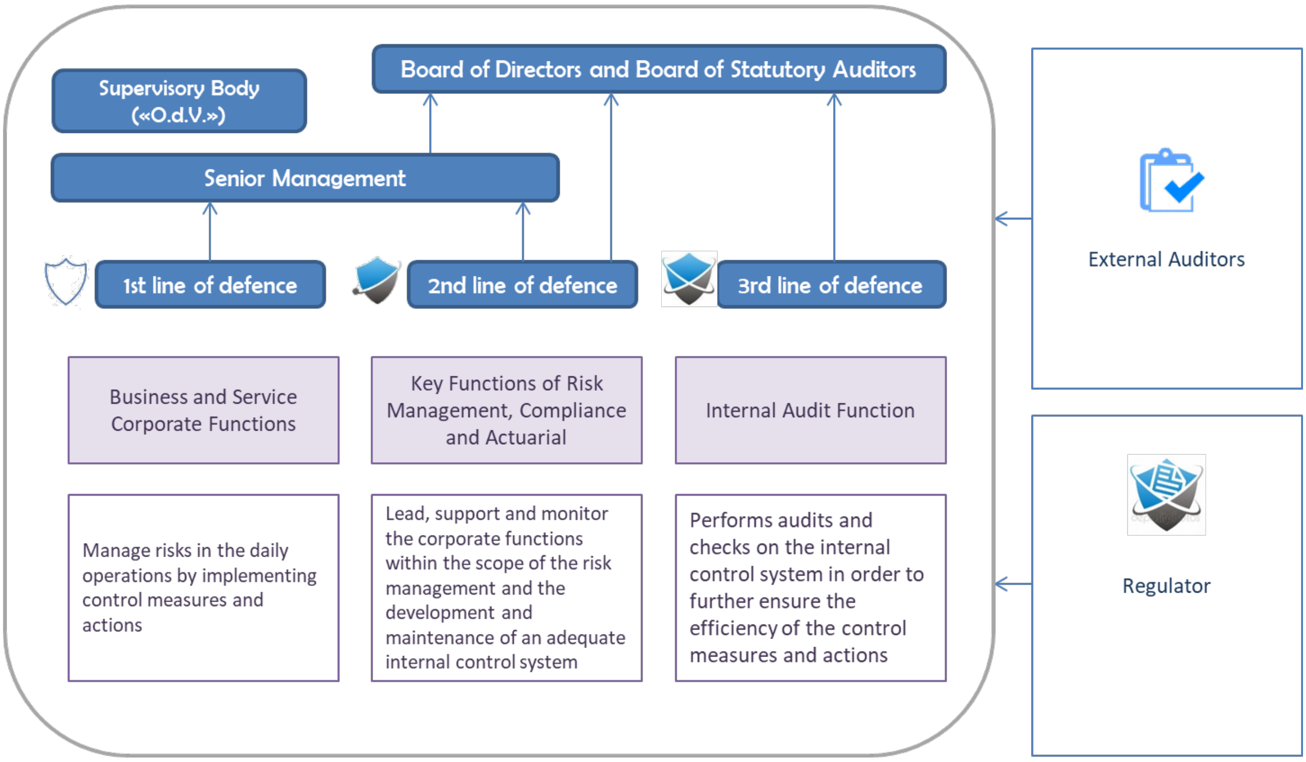
- spreading the culture of risk within the Company, where possible, leveraging synergies, "best practices" and specific skills;
- responsibility, delegation and control, in risk management and treatment, of the operational functions through the dissemination of governance policies at all levels;
- timeliness in identifying and controlling risks, including those of an environmental and social nature;
- independence and separation from the operational functions of the Basic Functions to monitor corporate risks.

B.3.1 Description of the risk management system

The Risk Management function, within the corporate governance system, is in charge of implementing and monitoring the risk management system, based on an organic view of all the risks to which the Company and its subsidiaries are or could be exposed.

The Board of Directors has defined the principles and characteristics of the risk management system and of the internal control system, regulating its purposes, structure, roles and responsibilities.

Within these systems, the corporate bodies and company functions operate according to the well-known organizational model based on three lines of defense.



The risk management system at a glance is:

- based on the joint activity of the following main players: Board of Directors, its Committees, Board of Statutory Auditors, Risk Management Function, Actuarial Function, Compliance Function and Business and Service Functions (so-called Risk Owner);
- made up of the set of principles, guidelines and lines of conduct, rules and processes and resources (human, technological and organizational) and of the instruments supporting the risk management strategy defined by the Company's Board of Directors, which includes the propensity, risk preferences and objectives.

Therefore, with reference to the risk management system:

- the Board of Directors, with the support of the Board Committees, and the Board of Statutory Auditors, each for the competences and responsibilities referred to in chapter "B.1 General information on the governance system", ensure its adequacy and effective functioning and ensure that the risks to which the Company is or could be exposed are identified, adequately managed, monitored and communicated, also through synthetic indexes such as, for example, those that measure the level of risk / performance;
- the business functions of the company and service (first line of defense) integrate the execution of the control mechanisms in daily operations, notifying the fundamental functions of any circumstances or the occurrence of events that can be critical;
- the fundamental functions (second line of defense) guide and support company functions, monitor risks and promote the development and maintenance of a system that allows an adequate understanding of the nature and significance of risks and allows a holistic approach to the management of risks, as an integral part of business management.

The Board of Directors ensures that all company levels are aware of and strictly adopt the directives envisaged by the risk management system. To this end, it ensures the widespread dissemination of the Guidelines issued by the same Board and the implementation and maintenance of a suitable system of organizational and operational rules. It also ensures that the risk appetite document (i.e. Risk Appetite Statement: which governs risk preferences and the level of risk that the Company is willing to assume for the pursuit of its strategic objectives) and the report on internal risk assessment and solvency are brought to the knowledge of the staff at the appropriate hierarchical and decision-making levels.

The aforementioned policies issued by the Board include all relevant aspects of business and corporate risk. Each of them describes the objective, principles, guidelines, scope of application, macro process or implementation methods, roles and responsibilities of the bodies and functions involved and methods of coordination between the parties involved, including information flows. These flows envisage the top-down approach with regards to communications from the Board of Directors, bottom-up with regard to information to the Board of Directors, transversal between the various corporate functions and intercompany with particular reference to the information flows to the parent company.

The risk management process adopted by the Company, which reflects the relevant market standards, consists of the phases of (i) identification of risks, (ii) assessment of risk exposure, (iii) monitoring and control, (iv) risk management and (v) management of information.

As aforesaid, every corporate function is called to notify any circumstances or the occurrence of events that may be critical (eg risks at an individual level). The fundamental functions (Risk Management, Actuarial and Compliance) conduct or supervise, each for the area of specific competence, the most comprehensive process which leads the Risk Management function to an aggregate risk management and to the determination of the Capital of Solvency, that is, the amount of own resources that the Company must hold, for regulatory purposes and capital solidity, for the risks deriving from the exercise of its activities.

An integral part of the risk management system adopted by the Company is the system of risk objectives, implemented in close connection with the Mission, the multi-year strategic plan, the Business Plan, the prospective risk profile, the asset and financial management and the model business and organizational organization. Risk appetite is embedded in a structured way in company processes as a necessary component for strategic risk management.

As part of the risk appetite document referred to above, quantitative risk objectives and synthetic ratios are formalized to measure the level of its achievement. The risk appetite also defines qualitative and monitoring objectives with particular reference to the types of risk, which due to their nature and characteristics are difficult to quantify and are not covered by the capital requirements required by the regulations: risk of non-compliance with the regulations, and related reputational risk, risk of fraud and risk of operational discontinuity.

In particular, the synthetic ratios adopted refer to risk measures, yield measures and risk drivers. For them are set target values (target) or ranges of desired values (range), tolerance ranges and maximum limits. As part of the monitoring phases, the occurrence of any undesired values is managed through the process of defining recovery actions which envisages a process of differentiated escalation according to the severity of the violation.

In this sense too, the risk management system directs planning and strategic choices, supports decision-making processes and guides organizational and operational aspects, representing, in other words, the connecting element between the governing, direction and control bodies, and operational units.

Indeed:

- the owners of the fundamental functions participate in the meetings of the Control and Risk Committee and, each according to their respective competence, to other Committees and to the Supervisory Body;
- those who perform fundamental functions are involved in the business processes in order to perform evaluations and provide opinions such as, for example:
    - the assessment of the Risk Management function with reference to the asset allocation, to the acquisition of equity investments and to the design of new products, also in terms of solvency requirements;
    - the opinion of the Actuarial Function on the Company's underwriting policy and on reinsurance agreements and the assessments carried out with reference to the Data Quality system;

- the evaluations carried out and the support provided by the Compliance function with particular reference to compliance with the primary and secondary rules directly applicable to the Company.

B.3.2 Internal assessment of risks and solvency

By issuing the relevant Policy, the Board of Directors has defined the methodological principles, the guidelines and the macro-processes aimed at evaluating the overall solvency needs and the ability of the Company to satisfy, in the continuous and considering the strategic planning of medium and long-term, mandatory capital requirements and requirements for technical provisions. In defining the principles and responsibilities, the Policy aims to establish a risk management that allows to preserve the stability and solvency, even in extreme conditions ("stress").

These principles refer to:

▪ integration	of the own risk and solvency assessment in the process for the analysis of the business strategy. The assessment is, in fact, an instrument of risk and capital management strategic planning;
▪ proportionality	pursued through the assessment of nature, scope and complexity of risks relating to the business performed by the Company and its subsidiaries;
▪ reliability	of the assessment, based also on compliance with principles laid down by the Data Governance Policy;
▪ substantiality	solidity of assumptions and estimates, by considering the current and forward-looking macro-economic scenarios;
▪ ongoing improvement	refinement of estimation techniques for individual risks, also by comparing the exposure values estimated in the previous assessment and those actually achieved;
▪ compliance	with applicable law: supranational, national, primary and secondary, and Group's internal.

The methodology adopted refers to:

- the current and future assessment of risks and solvency, with reference to:
  - the quantitative assessment with Solvency II Standard Formula metrics (for insurance, market, credit and operational risks);
  - using stress test and scenario analysis, what-if and sensitivity (type of analysis that is carried out with the support of the Actuarial Function for the identification of scenarios and stresses);
  - the qualitative analysis used, for example, in the assessment of the risks of non-compliance with the rules (and of the potential related reputational risk), operational risks (for example *Business Continuity and Cyber Security*), the risk of fraud and the risk related to the activities of the *Outsourcers*;
  - the risk monitoring processes, also by verifying the risk and performance indicators adopted, as well as the solvency indicator;
- the continuous assessment of compliance with capital requirements and those relating to technical reserves (the so-called second assessment of the ORSA);
- the analysis of deviations from the assumptions underlying the calculation of the Standard Formula (c.d. third assessment ORSA).

The internal assessment of risks and solvency, carried out and documented by the Risk Management function, supports the identification and classification of risks to which the Company is exposed, also in potential terms, and provides the Board of Directors with the elements aimed at determining which are the significant risks, i.e. those whose consequences can undermine the solvency of the company or represent a serious obstacle to the achievement of medium / long-term objectives.

The complete assessment, carried out on an annual basis, is assessed and commented on by the Board of Directors and transmitted to the Supervisory Authority. The assessment is repeated when there are significant changes concerning, for example, the macroeconomic scenario or the market sectors in which the Company carries out its business or makes investments or when substantial changes in the portfolio occur. Assessments are also carried out on a quarterly basis, mainly referring to the continuous verification of capital requirements and those relating to technical reserves, following which, to the possible occurrence of significant deviations and, in any case, to the emergence of critical elements, a specific information escalation is envisaged in relation to the Top Management and the Board of Directors.

Internal assessment of risks and solvency, in particular:

- determines the plausibility of strategic planning that covers a period of three years;
- is the basis of asset planning also for solvency purposes;
- supports the monitoring of risk appetite indicators.

B.4 Internal control system

B.4.1 Overview of the internal control system

The internal control system is made up of the set of rules, procedures and organizational structures aimed at ensuring the proper running and sound administration of the undertaking and guaranteeing, with a reasonable safety margin:

- efficiency and effectiveness of the company processes;
- adequate control of current and forward-looking risks;
- timeliness of the system of reporting company information;
- accountability and integrity of the accounting and management information;
- safeguard of the assets also in a medium-long perspective;
- compliance of the undertaking's business with current regulations, directives and company procedures.

The structure of the Company's Internal Control System complies with the basic principles established by the Supervisory Authority and is also based on the principle of proportionality that the IVASS regulation n. 38/2018 declines in the concept of adequacy to the nature, scope and complexity of the current and future business risks inherent to the activity.

Following elements of the internal control system are included in this concept of structure:

- the Corporate Governance Directive, approved by the Board of Directors, which describes the corporate governance system chosen by the Company, with particular attention to the internal control and risk management system, the tasks of the main players involved, information flows and coordination methods, as well as guidelines for subsidiaries;
- the Code of Ethics approved by the Board of Directors;
- an extensive system of governance policies issued by the Board of Directors, that:
    - identify the guidelines for the pursuit of corporate strategies in compliance with the legislation in force;
    - are periodically reviewed to guarantee compliance with regulatory, organizational or business changes.
- an organized system of human and technological resources, consistent with the company strategy and policies, that is formalized:
    - in the drawing up of the Company's organizational chart and functions chart, periodically updated, that outline tasks assigned to each business unit with indication of their related heads;
    - in the model of delegations.
- attribution of responsibility to individual company functions:
    - apply the guidelines, approved by the Board of Directors, on risk management and controls;
    - identify the risks associated with their business, assessing their impact and monitoring their performance on an ongoing basis;
    - guarantee an adequate level of reporting to the functions in charge;

    - activate, where necessary, the necessary mitigation and treatment actions;
- the existence of second level control functions (Risk Management, Compliance, Actuarial Function, Anti-Money Laundering) overseeing the process of identification, assessment and mitigation of risks while ensuring consistency with company targets and meeting the independence criteria;
- the existence of a third level function (Internal Audit) which provides independent assessment on the design and functioning of the internal control system and risk management system, by giving assurance to the Board of Directors and Senior Management in relation to effectiveness of the organization's assessment and management of its risks, including the procedure by which the first and second line of defense operate;

- a system of corporate provisions, as the set of macro-processes, processes, procedures, organizational arrangements and circulars, aimed at ensuring the achievement of the company targets with a reasonable safety margin, including a constant monitoring and adjustment of these rules. These provisions represent the instrument through which company processes are set forth, roles, responsibilities, operating and control procedures are identified. The main feature of these instruments is to provide for levels of segregation of duties and responsibilities among different organizational units or inside them. Provisions are formalized and made available to all the Company's staff;
- a constant training activity for all employees and members of Corporate Bodies, focused not only on the technical/insurance issues, but also on the principles that guide the company actions, also defined by the Code of Ethics, as well as on the primary and secondary regulations.

B.4.2 Compliance Function

The Board of Directors annually approves the Policy of the Compliance Function in which it establishes the objectives, roles, responsibilities, tasks and operating procedures assigned to the Function, as well as the frequency of reporting to the corporate bodies and corporate functions affected.

The holder of the Compliance Function proposes revisions to the Policy at least annually. The proposed changes are subject to the approval of the Board of Directors, subject to preliminary investigation by the Control and Risk Committee.

The Policy has the objective of continuously guaranteeing:

- the identification and assessment of the risk of non-compliance with the rules and compliance with the same, with particular attention to those relating to the transparency and correctness of conduct towards policyholders and damaged parties;
- the correctness and transparency of the pre-contractual and contractual information and the correct execution of the contracts with specific reference to the management of claims and, more generally, to the protection of policyholders and others entitled to insurance benefits.

The process of managing the risk of non-compliance and the operation of the Function consists of the following macro-phases:

- regulatory reconnaissance (so-called "regulatory scoping"): carried out through the regulatory reporting, aimed at identifying and analyzing the relevant internal and external regulations;
- risk assessment (so-called "Compliance Risk Assessment"): analysis of residual risks, result of the assessment between the potential risk (understood as risk of sanctions/frequency of regulatory interventions in this field/reputational aspects) and the existing controls relating to the management of that risk;
- ex-post controls: carried out according to a risk-based approach based on the results of the Compliance Risk Assessment or following appropriate assessments of merit by the Owner. They are expressed in organizational and / or operational recommendations for the removal of any critical points that may be detected;
- "Follow-up" activities: aimed at verifying that the adjustments suggested through the results of the checks referred to in the previous point and the recommendations made as part of the advisory activity have actually been carried out in the timescales envisaged;
- reporting: formalisation of the activities carried out, of the results of the checks, of any criticalities detected and of the recommendations suggested, reporting to the Corporate Boards, the other Fundamental Functions and the other corporate structures concerned;

- Consulting activities (clearing): aimed at providing advice and assistance on request or in the context of projects on matters where the risk of non-compliance is relevant.

The Function defines a model for monitoring non-compliance risks that enhances the specific skills within its team. For some "technical" or highly "specialized" areas, the risk control model involves the involvement of other company functions in the assessment of the risk of non-compliance with the regulations (so-called Indirect Protection) always based on the "Compliance Risk Assessment" model for those specific areas. Without prejudice, therefore, to the ultimate responsibility of the Function, the following areas of indirect control are identified:

- Regulation on the administrative liability of legal persons;
- Regulation on Health and Safety at Work;
- anti-money laundering and anti-terrorism legislation;
- Financial, Tax and Real Estate legislation (the latter also with reference to the Subsidiaries);
- labour law.

The Function is responsible for:

- identifying, on a continuous basis, the rules applicable to the Insurance Company, assessing their impact on corporate processes and procedures, by providing support and advice to the Board of Directors, Board Committees, the Board of Statutory Auditors, the Top Management and the other corporate functions in relation to the issues where the non-compliance risk is important, including the designing of products;
- assessing the adequacy and effectiveness of organisational measures to prevent the risk of non-compliance with laws and regulations and proposing changes to organisation and procedure to ensure adequate protection against risk;
- assessing the efficiency of the organizational adjustments after suggested changes;
- providing adequate information flows to corporate bodies and other departments involved;
- drawing up an annual report to be submitted to the Board of Directors for approval and to IVASS, on the checks performed on the distribution network, whose contents are set forth by Article 46 of IVASS Regulation no. 40/2018.

The Function also:

- annually carries out the Compliance Risk Assessment on the basis of which it plans second level controls;
- transmits and spreads the culture of compliance with standards by issuing specific regulatory and information reports;
- coordinates the process of drafting and updating of governance policies, supporting, for each policy, the function responsible for them;
- annually checks that the remuneration policies are consistent with the reference legislation, the Articles of Association and the Group Code of Ethics and other possible standards of conduct applicable to the Company;
- updates the registers of conflicts of interest (general and specific for IBIPs products), on the basis of reports from the responsible functions, submitting to Top Management, by event or at least once a year, the written report on the situations detected on the IBIPs products. The Function also supervises the criteria useful for mapping potential conflict situations;
- in the context of outsourcing processes, verifies the nature of the outsourced activity as essential or important and updates the register of essential or important outsourced activities;
- after preliminary inquiry by the CCR, notifies the Board of Directors and IVASS as required by the rules;
- draws up the report on compliance checks in the distribution of IBIPs products to CONSOB;
- fill in the assigned sections of the Solvency and Financial Condition Report (SFCR) and the Periodic Report to IVASS (so-called RSR);
- within the POG, it supports the functions responsible in verifying the consistency of the pre-contractual and contractual documentation of the insurance products issued with current legislation and identifying the most appropriate corrective action on new or substantially modified products or on the way in which they are distributed;
- takes action and issues opinions at the specific request of the competent authorities and corporate boards;

- verifies the consistency of the internal regulations represented by the circulars to the distribution network with respect to laws and regulations.

The ex post control activities are carried out according to an annual planning (Annual Compliance Plan), presented to the Control and Risk Committee, approved by the Board of Directors and prepared, in light of the nature, size and complexity of the business risks of non-compliance.

The Function submits a report to the Administrative Body on the checks carried out and any critical issues that may have been encountered.

B.5 Internal Audit Function

The Board of Directors of the Company has established the Internal Audit Function as integral part of the system of internal control and risk management, whereby it performs third-level controls.

For the purpose of implementing Articles 30 - quinques of the Code of Private Insurance Companies, Article 271 of Delegated Acts, Article 47 of the Solvency II Directive and Articles 35, 36 and 37 of IVASS Regulation no. 38/2018, the Board of Directors has approved the Internal Audit Policy where it defines objectives, powers, responsibilities and main activities of the Function and outlines the methodological principles of the audit activity and the relationships with corporate bodies and other company Functions.

Main objectives of the Internal Audit Function are:

- monitoring and assessing the functioning, efficiency and effectiveness of the system of internal control and risk management, as well as the other elements of the governance system;
- monitoring and assessing the areas of improvement of the internal control system, also through activities of support and advice to the company functions.

The Internal Audit Function is responsible for:

- verifying the correctness of management processes and organizational procedures, including the regularity of information flows between company sectors;
- verifying the reliability of information systems and their adequacy;
- verifying the compliance of the administrative-accounting processes with the criteria of correct and regular bookkeeping;
- establishing, applying and continuously maintaining an audit plan that indicates the activities to be carried out, in the Company and in the companies controlled by them, by establishing organic connections with all the owners of the internal control functions;
- establishing an "assurance" and quality improvement program through which to evaluate its auditing activities and promote professional growth, communicating to the Board of Directors the elements that allow to evaluate future performance;
- ensuring, in coordination with the other control functions, an adequate approach in risk and control management and a systematic assessment process of the internal control system and of the other components of the corporate governance system
- verifying the effectiveness of the checks carried out on outsourced activities.

IMPLEMENTATION

In carrying out the assigned tasks:

- is authorized to have free access, without restrictions, to the registrations, physical properties and documentation of Vittoria staff. Access to this information must be relevant to the performance of its operating activity. All employees must provide Internal Audit support in achieving their role and in achieving the responsibilities associated with it. Internal Audit has direct and unrestricted access to the Board.
- has human resources with specialist knowledge and professional updating.

The Holder of the Internal Audit Function annually submits to the Board of Directors, through the Internal Control and Risk Committee, an activity Plan - for the relative approval - which indicates the interventions that it intends to perform.

The Plan:

- is based on a methodical analysis of the risks that takes into account all the activities and the entire corporate governance system, as well as the expected developments of the activities and innovations;
- includes all significant activities that are reviewed within a reasonable period of time;
- is defined in order to face unexpected needs;
- takes into account any shortcomings found in the previous checks and any new risks identified.

In particular, the Internal Audit Function defines and formalizes the planning of its activities through a three-year plan. The audit plan includes both operational planning and requests in terms of budget and resources.
The Data Controller communicates the impact of any resource limitations to the Board, also through the Audit and Risk Committee, and Top Management. The audit plan is carried out based on a prioritization of the audit universe. This activity takes place using a "risk based" methodology that also includes the reports of the Board, the Control and Risk Committee, the Board of Statutory Auditors and Top Management.
The Data Controller reviews and supplements the plan in the event of changes to the company business, risks, processes, programs, systems and controls. Each variation is communicated to the Board and Top Management during the periodic reporting phase.
The Function structures the audit plan also taking into account the indications expressed by the Supervisory Body and informs the Supervisory Body about the progress of the plan and the outcome of the activities where aspects inherent to the areas of competence of the Body itself emerge.
The audit plan, approved by the Board of Directors, is brought to the attention of the Top Management, the Board of Statutory Auditors and the Supervisory Body.
The planned activities are carried out in compliance with the aforementioned plan and can be varied and supplemented by interventions that have become necessary in the face of the emergence of new needs.
The plan is consequently updated by giving notice and specific motivation to the Board of Directors, also through the Control and Risk Committee. Changes to the plan are also communicated to the Supervisory Body.
The Internal Audit function can be entrusted with carrying out assurance interventions, consultancy interventions and project activities.
The assurance interventions have the purpose of expressing an "opinion" on the adequacy of the internal control system and of the additional Governance components as designed and implemented by management.
The consultative interventions have the purpose of providing a preliminary opinion on the implementation by management of the internal control system and other governance components.
Project activities include the participation of the Internal Audit function in corporate projects promoted by other functions or the carrying out of project activities promoted by the function itself. In carrying out the assignment, the independence of the Internal Audit function and compliance with the code of ethics and the standards of the Internal Audit profession promoted by the relevant international bodies must always be safeguarded.
The Holder of the Internal Audit function submits, at least annually, or in any case when deemed necessary, a Report of the activity to the Board of Directors, also through the Control and Risk Committee which summarizes, in accordance with the Activity Plan, the activity carried out and the verifications carried out, the evaluations carried out, the results emerged, the critical points and shortcomings found and the recommendations made for their removal, as well as the status and timing of implementation of the improvement measures.

In order to guarantee autonomy and independence:
- the Function is established in the form of a specific organizational unit;
- the Board of Directors decides on the following points:
  - appointment and revocation of the Function Holder, after consulting the Board of Statutory Auditors and the Control and Risk Committee;
  - approval of the Function Policy;
  - remuneration of the Function Holder;
  - assignment of objectives and assessment of the performance of the Function Holder;
  - approval of the function's business plan, resource plan and related budget.

The Control and Risk Committee is involved in the approval processes of the aspects mentioned above. In particular, the appointment of the Head of the Internal Audit Function is proposed by the Chief Executive Officer, after consulting the control body and subject to the favorable opinion of the Control and Risk Committee and of the Nomination and Remuneration Committee. The Holder of the Internal Audit Function hierarchically depends on the Control and Risk Committee, the body of the Board of Directors, and functionally on the Chief Executive Officer.
In order to guarantee the objectivity in carrying out the activities, the Function is free from conditions that prejudice its judgment since:
- formulates its own assessments through rigorous analyzes and in any case deriving from an impartial and bias-free attitude. It also avoids any conflict of interest. In this regard, the staff of the Function cannot carry out the review of processes on which it had managerial responsibilities or an operational role in the period analyzed. The

staff is required to promptly report any conflict of interest that concerns them in the audit activity they are preparing to carry out, to allow the Data Controller to carry out the appropriate assessments;

- the Activity Plan takes into consideration the need to rotate the duties of the staff of the Function in order to ensure their objectivity, taking into account the availability of resources and their skills;
- the remuneration of the members of the Function (including the Owner) is determined, as established in the Remuneration Policy, based on specific objectives of the Function which are consistent with the assigned tasks, independent of the results achieved by the operating units subject to control and linked to the achievement of objectives related to the effectiveness and quality of the control action, provided that they are not a source of conflict of interest.

B.6 Actuarial Function

The Company's Board of Directors has established the Actuarial Function as an integral part of the internal control and risk management system, within which it carries out second-level controls.

In general, the main objectives of the Function are:

- monitor the risk of reservation and subscription and verify the appropriateness of the data and the adequacy of the hypotheses and models used in this area, adequately informing the corporate bodies about them.

Therefore, the Actuarial function is, in particular, responsible for:

- coordinating the calculation of Non-Life and Life Technical Reserves, also checking consistency between the amounts of technical reserves calculated on the basis of valuation criteria applicable to statutory financial statements and calculations from the application of Solvency II criteria;
- certifying, both for the Statutory Financial Statements and Solvency II, the correctness of procedures used for the assessment of Life and Non-Life Business Technical Reserves, while checking the appropriateness of data used to support the assumptions and the adequacy of methods, models and assumptions used;
- evaluating the general underwriting policies and the reinsurance agreements, also considering the risk appetite, providing specific opinions;
- supporting, when designing a new product (Life or Non-Life Business), the functions in charge of performing quantitative tests and check the assumptions made, assessments performed and the compliance with the Policies at issue;
- analysing the appropriateness of assumptions and models used to calculate the undertaking specific parameters and support the Risk Management in identifying and analysing the corporate risks, with particular regard to the technical risk, the ORSA process and the assessment of the mitigation effect of the risk provided by the reinsurance in the calculation of the Solvency Capital Requirement;
- guaranteeing the preparation of reports for the benefit of the Board of Directors and the Risk Management Committee, as well as for the Parent Company.

B.7 Outsourcing

The Outsourcing Policy, drafted pursuant to Art. 61 Reg. IVASS n. 38/2018, has the aim of identifying the criteria to be followed for the outsourcing of the essential or important functions or activities of the company and for the choice of suppliers. The Policy applies to the Company and its Subsidiaries. The Compliance Function proposes revisions to the Policy at least annually. The proposed changes are subject to the approval of the Board of Directors, subject to preliminary investigation by the Control and Risk Committee.
The Company may resort to outsourcing its activities or functions to third parties by following the following principles:

- sound and prudent management;
- economy, efficiency and reliability;
- fair remuneration;
- transparency and fairness in the choice of suppliers.

Therefore, the entrustment of a certain activity or function to third party suppliers is allowed only in cases where this is justified:

- from support to "core business";
- its internal development has significant impacts on the corporate organizational system;
- is newly implemented;
- implies the use of skills not available within the Company;
- leads to greater elasticity and structural and / or operational efficiency.

Again in compliance with the principles listed above, the Company does not resort to the outsourcing of activities or functions when this may lead to the emptying of the Company's activities, an undue increase in operational risk, a reduction in the quality standards offered to policyholders, policyholders and to those entitled, a prejudice to the control activity of the Supervisory Authority.

The Company does not outsource the Basic Functions and the risk-taking activity. In the event of outsourcing with a Related Party, it submits the authorization to the prior opinion of the Related Party Committee.
The contracts for outsourcing essential or important activities or functions contain mandatory clauses pursuant to the relevant legislation protecting the Company. The clauses must also include those for assessing the level of performance of the supplier on the basis of shared, objective and measurable indicators (so-called "SLA") with the methods for monitoring and quantifying penalties in the event of their non-compliance. The performance evaluation takes into account:

- quality of the service offered;
- execution times;
- technical assistance;
- guarantee of technological updating;
- management of critical issues in terms of intervention and resolution times.

The Company considers all outsourcing of activities or functions to be essential or important, regardless of their nature, if the annual consideration for the supplier for the individual contract exceeds 1 million euro including VAT. They are also considered as essential or important, depending on their nature or particular relevance also in reputational terms, the outsourcing of activities or functions such as:

- ✓ Claims management
- ✓ In cases of outsourcing to third party suppliers:
    - o claims settlement activity (excluding, therefore, the mere administrative / preliminary activity on the same) with decision-making autonomy of more than 3,000 euro per single claim and provided that the same supplier is assigned the annual management of a number greater than 2,000 claims and / or an annual fee in excess of 200,000 euro;
    - o activities relating to the management of requests for access to documents by contractors and injured parties at the conclusion of the procedures for assessing, ascertaining and settling the damages that concern them in the context of civil liability deriving from the movement of motor vehicles and boats and provided that the annual fee paid to the supplier exceeds the annual amount of 500,000 euro.
- ✓ Product design and related pricing.
  If the supplier is entrusted with a decision-making role in the design and development of an insurance product and, in more detail, when, both in the creation of a new product and in the modification of an existing product, the supplier is entrusted with the task of independently determining the elements significant such as, for example, coverage, costs, risks, benefits and guarantees.
- ✓ Investment management
  If the supplier is entrusted with activities that entail the signing of a specific asset management contract which governs the delegation of decision-making power inherent to the choice of investments (the so-called "front office") and the delegation to carry out ancillary administrative activities and accounting (so-called "back / middle office"). The same contract may concern financial assets not exceeding 10% of the total assets managed by the Company valued at historical cost.
- ✓ ORSA process
  If the supplier is entrusted with activities that provide for the formulation of hypotheses and / or the carrying out of analyzes and assessments with the exclusion of those relating to the mere uploading of data into the calculation systems (so-called "data entry").

In the cases of outsourcing of essential or important activities or functions, the Company provides contingency or emergency plans to guarantee the continuity of the service as indicated in the related organizational provision. In addition, in cases of early termination of the contract, measures (so-called "exit strategy") are envisaged to identify possible alternatives whose feasibility in terms of costs / benefits is analyzed with the development of specific strategies. Periodic monitoring is provided on the effectiveness of the strategies implemented.

According to the policy, the Heads of Control Activities for essential or important outsourcing are identified by the Area Manager of the Requesting Function and their duties and responsibilities formalised by a letter of appointment. The managers of the control activities constantly monitor all outsourced activities to ensure standards similar to those that would be implemented if the activities were carried out directly, thus ensuring the possibility of prompt intervention if the supplier did not comply with the commitments made or the quality of the service rendered was lacking.

The Compliance Function monitors the progress of essential and important outsourcing by periodically checking the reports prepared by the heads of the control activities. The results of this monitoring are brought to the attention of the Board of Directors at least annually, subject to preliminary investigation by the Control and Risk Committee.
The Company has entered into only essential or important contractual outsourcing agreements with suppliers located on the national territory for services in connection with the daily operations of its business. The most significant outsourced activities refer to IT infrastructure services, claims management and document management services.

B.8 Other information

The Insurance Company considers that the result of its financial management mainly depends more upon the allocation choices among the different available asset classes than upon the selection of specific securities within each asset class. In particular, it considers that it is more efficient and compliant with its investment policy to use financial instruments that are commonly available on the market and can be easily traded such as the ETFs or the mutual investment funds, to realize the stock exposure.
In addition to these instruments, it has invested, over time, in direct equity investments other than those in the real-estate sector and insurance services. These investments refer to some Credit Institutions with which some distribution agreements have been concluded and which, individually, are not significant if compared to Total Investments. Hence, to date, no Policy of Commitment to Transparency towards institutional investors has been defined, just in consideration of the amount of assets managed, the subsequent Asset Allocation and the organizational structure of the Insurance Company.

C. Risk profile

The Company's exposure to risk, including any exposure arising from off-balance sheet, is measured with the Standard Formula envisaged by Solvency II regulation.

As at 31 December 2020, there are no cases of risk transfer through securitization or other Special Purpose Vehicles.

The risk profile of Vittoria Assicurazioni as at 31 December 2020 can be represented by the so-called "tree" of SCR, which enables to understand the significance of the risks, as well as the benefits of diversification among modules and sub-modules of risk: this schema is outlined in chapter E.2 Capital management – Solvency Capital Requirement and Minimum Capital Requirement.

A summary representation is shown in the following table:

Volatility Adjustment Amount			(€/000)
	31/12/2020	**31/12/2019**	**Δ%**
Market Risk	426,327	391,561	8.90%
Counterparty Default Risk	46,340	40,777	13.60%
Life underwriting risk	44,186	32,907	34.30%
Underwriting risk Disease	36,452	32,284	12.90%
Non-life underwriting risk	291,533	266,033	9.60%
Sum of risk components	**844,838**	**763,562**	**10.60%**
Diversification effects	(230,371)	(203,722)	13.10%
Basic S.C.R.	**614,467**	**559,840**	**9.80%**
Operational risk	51,527	51,686	-0.30%
Tax adjustment	(147,185)	(129,032)	14.10%
S.C.R.	**518,809**	**482,494**	**7.50%**

The main changes compared to the previous financial year are due to:

- Default risk: increase due to higher exposure to unrated counterparties ("Type 2");
- Market risk: increase mainly due to the equity component;
- Life underwriting risk: increase due to the higher incidence of the extinction risk, linked to the reduction in interest rates;
- Health and Non-Life underwriting risk: changes reflect the increase of portfolio and the changes of Undertaking Specific Parameters compared to 2019.

C.1 Underwriting risk

Capital absorption for the underwriting risk is referred to possible unexpected losses both on the covered risks, and on processes used in the conduct of business. These losses are a possible increase in the technical provisions as a result of adverse and unexpected events, and their amount is calculated by aggregating:

- three sub-modules, premium and reserve, lapse and catastrophe, for Non-life and Health ;
- seven sub-modules, mortality, longevity, disability/morbidity, lapse, expense, revision and catastrophe, for Life.

Non-life and health underwriting

The Non-life and health premium and reserve sub-module is referred to:

- for the premium component, the risk that premiums generated from existing contracts are not sufficient to cover claims and the expenses incurred and to be incurred arising from these contracts;
- for the reserve component, the risk that the amount of the claims reserves is estimated in an improper manner and that, due to the stochastic nature of the payments of claims, these latter may fluctuate around the best estimate.

The Non-Life and Health lapse risk sub-module covers the risk of losses or the increase of the technical provisions arising from changes in the renewal rates, in case of contracts with unilateral renewal options available for the contracting party, in other words, it quantifies the capital requirements related to the possible inadequacy of the estimates on assumptions of discontinuance of the portfolio used for the calculation of the technical provisions, or of changes to the policy holders' behaviors.

Still in the context Non-life and Health, the catastrophe risk sub-module quantifies the risk of losses or increase in technical reserves linked to possible extreme or exceptional events such as natural catastrophes (storm, flood, pandemic, etc.) or artificial catastrophes (fire, terrorism, other events involving a place where there are many insured parties etc.).

Losses determined at sub-module take into account the mitigation provided by the passive reinsurance, where provided for by the Standard Formula.

Life underwriting

The mortality risk sub-module is related to the policies subjects to mortality risk, for which an increase in the mortality rate results in an increase of the technical provisions and the payment of benefits to the recipients.

The longevity risk sub-module is related to the policies subject to longevity risk, for which a decrease in the mortality rate results in an increase in the technical provisions and the payment of the benefits to the recipients.

Similarly, the disability/morbidity risk sub-module quantifies the capital requirements related to a possible increase in the disability and morbidity rates.

The lapse risk sub-module is related to options offered to the insured parties, whose exercise can change the future cash flows and therefore the technical provisions (termination, surrender, decrease, restriction or suspension of insurance covers, annuity appetite etc.).

The expense risk sub-module is related to the risk linked to the change in expenses resulting from the contract management, and aims at covering the risk that the management costs received upon premium collection cannot be sufficient to cover a future expense increase.

The revision risk sub-module quantifies the capital necessary against an instantaneous permanent increase of the annuity benefits paid by the Company where the benefits may increase as a result of changes in the legal framework or state of health of the person insured (contractual clause not included in the insurance policies issued by Vittoria Assicurazioni).

The catastrophe risk sub-module reflects a scenario in which the mortality is subject to one-off increase as a result of extreme and irregular events.

C.2 Market risk

The capital absorption for the market risk reflects the risk arising from the level or volatility of the market prices of the investments impacting on the value of the Company's assets and liabilities, as well as structural mismatch between assets and liabilities, in particular with respect to their duration, and is calculated by aggregating the following sub-modules: equity, real-estate, spread, currency and concentration.

Assets and liabilities held by the Company directly or by Funds are taken into account.

The different components of the market risk, like the Own Funds, take into account the derivative contracts concluded by the Insurance Company. To this end, the outright transaction of long-term treasury bonds (BTP) defined in October to protect the fair value of a portion of the bond portfolio held has impacted on the Own Funds, practically by discounting the change in value of the securities hedged, but with no impact on the market risk calculated with the Standard Formula.

Equity risk

The equity risk reflects the possible losses arising from the changes in the level or volatility of the market prices of the equity instruments and is directly linked to the market value of related financial instruments.
Two different levels of capital absorption are provided for:

- 39% for equities listed in regulated markets in the EEA o in OECD countries;
- 49% for other equities listed in stock exchanges, not listed equities and alternative investments.

Percentages above mentioned are then adjusted by ±10% relating to a symmetric mechanism of counter-cyclical adjustment (as at 31 December 2020 it is -0.48%).
Equity investments (in subsidiaries and associates) qualified as strategic may benefit from a lower level of capital absorbtion (22%). Following the changes to the Standard Formula, in this category, at 31 December 2020, investments in real estate companies directly owned by the Company are no longer included (see point C.7).
Furthermore, the calculation of the capital absorption took into account the fact that, in the Delegated Acts, "Transitional Measures" on equity risk were introduced which, in order to avoid anomalous increases in market volatility, made it possible to reduce the absorption of capital of equity investments already held on 1 January 2016, including those present in the Funds.
The expected capital absorption for 2016 was 22%, and this percentage is realigned to the ordinary rates (39% for listed instruments, 49% for unlisted) by 2023, with at least a linear progression.

Real estate risk

The volatility of the real-estate markets, within the Standard Formula, is considered by determining a capital absorption that is 25% of the market value (in this case identified in the appraisal values) of the real-estate investments, regardless of destination and nature.

Spread

This risk reflects the sensitivity of the value of assets and liabilities and the financial instruments to changes in the level or volatility of credit spreads against risk-free term structure.
Government bonds, or anyway connected to them, are not included in this risk. The amount of the capital absorption increases as the rating class decreases and the duration of the securities considered increases.

Currency risk
The currency risk reflects the changes in the level or the volatility of the currency interest rates, to which the undertakings may be exposed both with reference to the assets and liabilities held. The capital absorption provided for by the Standard Formula is 25% of the related net exposures denominated in each currency.

Interest risk
The interest risk arises from the sensitivity of the value of assets, liabilities and financial instruments to changes of the maturity structure or volatility of spreads.
After quantifying the base NAV value as difference between Assets and Liabilities that are sensitive to the spreads, the capital absorption corresponds to the worst of the two changes in NAV occurring in two scenarios, where the value of Assets and Liabilities is re-calculated with a spread curve altered with upwards and downwards shocks.

Concentration
The sub-module measures the additional risks arising from investment portfolios that are particularly focused on some counterparties, by taking into account the significant exposures to the same counterparty or Group. To this end, activities considered in the spread, equity and real-estate risk sub-modules are examined, with exclusion of the investments in government bonds or in subsidiaries.
Based on the foregoing, at 31 December 2020, no investment resulted in a capital absorption for the sub-module in question.

The "Prudent person principle" under Article 132 of the Solvency II Directive has been transposed, at governance level, through the adoption of the specific Investments, ALM and liquidity Policy, whose main objective is to define the conditions that enable the Company to permanently generate future cash flows to fulfil the contractual obligations with insured persons while maintaining an adequate profit.
In particular, the specific objectives for the management of the investments, consistently with the overall Risk Management System and with the Risk Appetite, are as follows:

- guaranteeing the capital strength of the Company through an efficient allocation of financial assets to be implemented in relation to the risk and return objectives defined according to the commitments made to policyholders;
- defining an investment process that disciplines the methods for determining investment decisions within a defined framework of limits and risks consistent with the business activity performed;
- determining the tactical asset allocation based on the medium / long-term strategic asset allocation and on the performance of the economy and the reference markets.

The Investments, ALM and Liquidity Policy envisages a portfolio division in "core-satellite".

The core component is invested in debt securities with Investment Grade or liquidity instruments, with features that are compatible with liabilities both in terms of the average duration and time frame of cash flows.
In order to limit the investment risk, the securities in the "core" portfolio are selected according to the established criteria (key economic data, past and expected for the future, of the issuing country such as EBIT and EBITDA and credit margins, such as the Debt/Equity ratio, etc.), and income information is also examined for the instruments issued by companies. EBIT and EBITDA and credit margins, such as the Debt / Equity ratio, etc.), and in particular with maturities and coupon flows that ensure a regular liquidity contribution without the need to normally sell them.

The "satellite" component normally provides for the investment in financial instruments and / or strategies that cannot be replicated internally, or whose implementation would not be efficient through the purchase or sale of individual securities. These are less liquid financial instruments, such as private debt or private equity funds or strategic financial and real estate equity investments. In this case, the selection of instruments (in particular debt and private equity) takes place through an internal due diligence process which, once the third-party management companies have been identified, envisages the preparation of a specific questionnaire and the subsequent analysis of the answers provided as well as the meeting with the selected management company, followed by an assessment of the consistency between the investment and the overall objectives of liquidity, return and risk of both the individual portfolio and, as regards the risk, of the total assets of the Company.

As a whole, the investment portfolio composition is structured in such a way as to provide for an adequate level of diversification among the different asset classes, consistently with risk profile of liabilities and in the pursuit of safety, profitability and liquidity of the portfolio as a whole, also resulting in its proper dispersion.

In managing the investments, the Company takes into account the features of each portfolio, with particular reference to the various profiles of insurance liabilities maintaining the objective of obtaining adequate future cash flows in relation to the commitments made.

The investment policy, ALM and liquidity provides for the monitoring, through specific reporting, of existing positions.

Assets held in relation to Life insurance contracts whereby the investment risk is supported by the policyholders (linked insurance policies and pension-fund management) are handled according to the objectives and strategies provided for by related insurance policies and regulations, pursuant to the total transparency towards policyholders and beneficiaries.

The Company, in order to evaluate the investment risks taken, carries out proper stress tests (i.e. impact of a depreciation of the equity and real-estate prices, of the change in the term structure of changes in the spread).
As for the safety of the investments, the Company has implemented, in addition to the usage of ratings issued by independent parties (ECAI), its own instruments and techniques to evaluate the credit risk, such as the leverage and the performance of the shares of the issuer and related Credit Default Swap spreads.

Besides the limitations for the purposes of managing the liquidity risk, the Company established rules and limits on the investments, including:

- The definition of rules for the allocation of investments to the investment portfolio or trading portfolio, and minimum limits to be assigned to the trading portfolio, with a distinction between Life Business Management and Non-Life Business Management;
- A percentage cap to the securities that are not listed in regulated markets and therefore potentially low liquid;
- A higher cap for the changed duration, consistently with the liabilities structure, with a distinction between Life Business and Non-Life Business;
- A cap that is higher than the ratio between SCR Market (Standard Formula) and the total assets subject to Market Risk;
- Investment limits per geographical area, currency, rating grade (between A and AAA, Investment Grade and non-Investment Grade) and issuer category (Italy, other countries, other issuers);
- Investment limits in derivatives;
- Limits to lending, broken down per counterparty, type of guarantee etc.

C.3 Credit risk

The credit risk module reflects potential losses generated by an unexpected default or deterioration in the credit standing (i.e. rating) of the counterparties and debtors in the following twelve months. Exposures are divided in two types:

- Type 1: counterparties, aggregated per Group, having a rating that enables to assess the probability of default (credits to insurance or reinsurance companies and balances on bank or post accounts).
- Type 2: includes exposures where the counterparty is unrated (policyholders, intermediaries, residential mortgage lending etc.).

The capital requirement considers the default probability of the counterparty (Type 1) and the credit seniority (Type 2).

C.4 Liquidity risk

The liquidity risk reflects possible losses arising from the difficulty of fulfilling the cash commitments, expected or unexpected, owed to counterparties, and arises mainly by:

a) Market Liquidity Risk, i.e. the sale of assets in unfair economic and timing conditions, accordingly influencing the Net Asset Value of the company;

b) Liquidity Mismatch Risk, i.e. the mismatch between cash inflows and cash outflows or an inadequate treasury management.

In particular, the liquidity risk for the Company mainly arises from:

- Management of the insurance portfolio, mainly for the uncertainty of the amount and timing linked to occurrence of the obligations take in the insurance portfolio (compensation for claims, claims payments, etc.);
- Management of insurance and reinsurance assets, in particular linked to the risk that the reinsurance contractual counterparty which the Company is exposed to cannot fulfil obligations entered into;
- Management of the debt financing, with the risk that the Company cannot fulfil existing obligations because of insufficient resources;
- Management of investments, including the liquidity risks connected to those assets that may potentially become illiquid and lead to unexpected losses from disinvestment.

The Company established a policy that, inter alia, provides for:

- The control of the liquidity risk in the short term and in the medium-long term;
- The creation of a minimum level of liquidity to be kept on the bank accounts and a minimum level of liquidity buffer (liquidity and free and readily cashed in short-term investments);
- The procedure for monitoring said levels;
- The estimate of financial flows forecasts and their check in the final balance.

The Standard Formula of Solvency II does not provide for a capital absorption for the liquidity risk.

C.5 Operational risk

The operational risk refers to the exposure to risks that are not considered in the other modules: possible losses arising from inadequate internal procedures, personnel or system mistakes or from external events.

It is a residual operating risk, additional compared to the operating risks already included in the other sub-modules.

It includes the legal risks and excludes risks arising from strategic and reputational decisions.

The Standard Formula, that cannot evaluate the adequacy of procedures and systems of each company, quantifies the operating risk with a calculation that takes into account only three company dimensions (mainly technical provisions, premiums and related growth).

C.6 Other material risks

No other material risks are to be found.

C.7 Other information

Following the so-called 2018 review of the Standard Formula, from 2019 the Company assesses the exposure to the risks of equity investments no longer in the Equity module, but in transparency, or in relation to the risks associated with the activities of the subsidiaries in which it is a subsidiary.

This assessment applies to investee companies

- whose main objective is to hold and manage assets on behalf of the participating enterprise,
- who carry out investment activities on the basis of a specific and documented investment mandate, and
- do not carry out other significant activities other than investing for the benefit of the participating company.

The Company assessed that the wholly-owned real estate companies comply with the three regulatory requirements.The Company implemented the adequate techniques of risk mitigation (that influence the probability that adverse events occur), consisting mainly of the use of reinsurance coverages, as well as the recourse to real guarantees (mortgages and deposits).

As for the first ones, the Reinsurance Policy of the Company aims at pursuing the balance of the preservation of each segment, and as a whole, for all segments.

Based on the vision of the overall exposure to the insurance risk, the proper reinsurance strategy is deployed to determine outward reinsurance properly and in line with the its risk appetite, while optimizing the use of the capital. Outward reinsurance, included in the relevant plan, are carried out by following the guidelines of said Policy.

With reference to the net level of risk retention, the assessment of the best retention is made considering:

- An assessment of the capital margins available;
- An assessment on the experiences of claims rate of the portfolio checked on the technical results of the Company;
- The level of risk tolerance defined in the Risk Appetite statement.

Specific tools used enabled to determine that the maximum possible damage is referred to the portfolio relating to the Fire and Technological Risk sectors for the Earthquake guarantee considering, through simulation, the effects of a single catastrophe event on the portfolio in a return period of 1/250 years.

Consistently with the retention objectives, it is defined whether to use the proportional or non-proportional reinsurance and, for the underwriting of risks that do not have quantitative or qualitative features established by insurance treaties, but falling into the philosophy of the Company's underwriting, specific facultative outward reinsurance arrangements are used.

The Reinsurance Policy defines also procedures for selecting the counterparties, that provides for assessing and monitoring the credit worthiness of reinsurer counterparties and checking any restrictions to procedures of the balances settlement, as well as the maximum exposure to a single counterparty or group.

The verification of the efficiency of the risk mitigation performed through reinsurance is carried out when the annual plan of outward reinsurance and half-year changes is defined.

For example, during the Internal Risk and Solvency Assessment (O.R.S.A.), various financial and insurance stress tests were carried out.

The most severe of these, inspired by the same scenarios contained in the Stress Test conducted by EIOPA in 2018 on the European insurance market, is called "Macroeconomic" and provides for an increase in risk-free returns, an increase in credit spreads on both corporate and governmental and severe shocks in the stock and real estate markets, accompanied by insurance-type stress, or an increase in claims inflation for Non-Life insurance policies.

The simultaneous situation of severe criticality both in the government and corporate bond sector and in the equity and real estate sector, sectors usually characterized by a certain decorrelation, is the reason why this scenario is not only to be considered particularly negative, but also has characteristics that can be considered imagine unlikely (the probability that these events may occur jointly has not been quantified by EIOPA).

In addition, the circumstance, hypothesized here, which provides for the instantaneous occurrence of all stress scenarios, both financial and insurance, without therefore leaving the Company the possibility to react to the predetermined events, also lays down in favor of a situation that is difficult to reproduce and it is with these warnings that the results obtained must be read.

It should also be remembered that, given the extreme severity of the 2018 stress test, EIOPA did not classify it as a "pass or fail", the failure to overcome which would have implied the need for a recapitalization.

Further stress scenarios were the following:

- hypothesis of increase in the frequency of R.C. Auto for the following three years, with consequent recalculation of the specific company parameters;
- hypothesis of two catastrophic events (earthquake and flood) accompanied by the default of the main reinsurer involved in the protection program;
- hypothesis of worsening of the Company's image, with a consequent reduction in premium income and an increase in advertising costs and operational risks.

The results of the different scenarios have provided comforting guidance. The serious “Macroeconomic” scenario has a Solvency II ratio of 118.7%, slightly lower than the Risk Cap defined by the Insurance Company, but largely higher than 100%.

D. Valuation for solvency purposes

General principles

For the purposes of preparing the Solvency II financial statements, the Company values assets and liabilities in compliance with Article 75 of the Directive, whereby:

a) assets shall be valued at the amount for which they could be traded between knowledgeable willing parties in an arm's length transaction;

b) liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

In particular, above provisions were evaluated according to the international accounting standards adopted by the Commission under the EC Regulation no. 1606/2002, compatible with Solvency II regulation.
The Company has not used criteria of valuation that are not allowed by Article 16 of the Delegated Acts.

Fair value hierarchy

In identifying the fair value levels, the Company follows the following hierarchy:

- assets and liabilities are valued with listed prices in active markets for the same assets and liabilities, if any;
- when the use of listed prices in active markets for the same assets and liabilities is not possible, assets and liabilities are valued using prices that are listed in active markets for similar assets and liabilities with adjustments to reflect the differences;
- where the two previous methods cannot be applied, the Company avails itself of alternative valuation methods.

Factors for determining an active market are, in order:

a. Trading volume;
b. Trading frequency;
c. Market participants' willingness to trade the asset at market prices.

When using alternative valuation methods, the Company relies on valuation techniques that are consistent with one or more of the following approaches:

- Market approach, which uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or a group of assets and liabilities, quoted in markets that are not active;
- Income approach, which converts future amounts, such as cash flows or income and expenses, to a single current amount. The fair value reflects current market expectations about these future amounts;
- Cost approach or current replacement cost approach, which reflects the amount that would be required currently to replace the service capacity of an asset. From the perspective of a market participant seller, the price that would be received for the asset is based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable quality adjusted for obsolescence.

When using alternative valuation methods, the Company defines, chooses and makes the maximum use of relevant market inputs, including:

- quoted prices for identical or similar assets or liabilities in markets that are not active;
- inputs other than quoted prices that are observable for the asset or liability, including interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads;
- market-corroborated inputs, which may not be directly observable, but are based on or supported by observable market data.

To the extent that relevant observable inputs are not available including in circumstances where there is little, if any, market activity for the asset or liability at the valuation date, the Company uses unobservable inputs reflecting the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

The valuation can be performed internally or by relying on appraisals drawn up by external independent experts, or by any offers received from market operators.

When making valuation of assets and liabilities, **separately for each class,** the Company applies the principle of **materiality** and **proportionality** of data, in compliance with Delegated Acts.

Valuation is performed on a **going-concern** basis.

The Company aggregated the individual balance sheet items in the different classifications provided for the Solvency II Regulation, given the nature and risks relating to each item. In particular, the plan of the individual balance sheet was reviewed in order to identify the homogenous indicators based on the features of each item.

D.1 Assets

(€/000)

Assets	Statutory accounts value	Reclassifications	Accounting policy differences	Solvency II value
Intangible assets	10,173	-	(10,173)	-
Deferred tax assets	61,163	-	92,818	153,981
Property	182,177	-	87,492	269,669
Participations	429,015	-	2,997	432,012
Equities, Bonds and Other investments	3,223,534	-	207,012	3,430,546
Assets held for index-linked and unit-linked contracts	113,796	-	-	113,796
Reinsurance recoverables	67,213	-	(18,778)	48,435
Receivables and other assets	379,975	(26,549)	-	353,426
Cash and cash equivalents	2,302	-	-	2,302
Total assets	**4,469,348**	**(26,549)**	**361,368**	**4,804,167**

Valuation method

A. Intangible assets

For the purposes of Solvency II, the value of the intangible assets, including goodwill, deferred acquisition costs, as well as other intangible assets not tradeable in active markets, is set to zero, as not tradeable on an active market. When an item of the other intangible assets is tradeable on active markets, this is valued on Fair Value.

In the individual balance sheets, the intangible assets are amortized on the basis of the residual useful life, that is periodically reviewed.

B. Deferred tax assets

The item includes deferred tax assets found in the balance sheet, with all differences arising from local GAAP values and Solvency II values.
Differed taxes are due to:

- Temporary differences, i.e. mismatch between the moment when a component of expenses or income is entered in the balance sheet and the related taxability or deductibility;
- Differences between the values recognized for tax purposes and the book values ascribed to assets or liabilities in the balance sheet or the statement of assets and liabilities prepared with Solvency II accounting standards;
- Any benefits on previous tax losses.

The differed taxes are calculated based on tax rates in force in the year when there is the reversal of differences, notwithstanding the laws issued as at the date of the balance sheet drafting, given the peculiar tax regime applicable to the different items of the statement of assets and liabilities.
The deferred tax assets are recorded to the extent that there is the reasonable assurance of adequate future taxable income in the years in which the deductible temporary differences come due. The assumptions used to determine the future taxed profit reflect the three-year plan of the Insurance Company which provides for all sectors to be developed, through a constant focus on the underwriting stage, the consolidation of the distribution channels and improvement of their sales efficiency; the organic growth will prioritize the attainment of the technical profit, with focus on the efficacy of the operational machine and the quality of customer service, with a complete and tailor-made supply by targets, families, small and medium enterprises and Affinity groups.

In particular, it is expected that deferred tax assets, are recovered as follows:

- Within 1 year: 58.4%;
- from 2 to 5 years: 33.1%;
- over 5 years: 8.5%.

There are no unused tax losses or tax credits for which no deferred tax asset is found in the balance sheet.

In the individual financial statements deferred tax assets and liabilities are calculated on the basis of the rates in force at the time when the temporary differences reverse, making appropriate adjustments in the event of a change in rate compared to previous years, provided that the law that varies the the rate has already been issued at the financial statements date.

C. Property

The assets included in this category are valued at fair value, through alternative methods according to the valuation hierarchy set out above. The evaluation is based on appraisals prepared by independent external experts, based on financial variables, such as the discount rate used, (which incorporates the most recent market data, as well as the cost of capital) and non-financial, such as fees, realization expectations and the relative timing, and through any offers received from market operators. For the purposes of the individual financial statements, properties are valued at the adjusted cost for depreciation, write-downs and any accumulated tax revaluations. The useful life considered for depreciation is fifty years for the registered office and thirty-three years for all the others.
The uncertainty factors in determining the market value of real-estate are mainly due to the accuracy in the estimate of future cash flows, in particular in assuming the sales values, lease rentals and the timeframe for the market to absorb the property to sell and rent, that are subject to assessment.
There are also financial variables such as the capitalization rates and actualization rates of future cash flows inferred from current average conditions of the economic and financial context of the capital market.
To mitigate the level of uncertainty, the independent assessor in charge of that, combines the capitalised-earned method with the comparative procedure, which consists of an analysis aimed at identifying properties recently sold and purchased or offered for sale on the market, comparable by type, construction and location. There are no significant deviations from the results of this comparison.

In accordance with IFRS 16, the property item also includes leased property and equipment net of the related depreciation fund. For this category of assets, the principle provides that an asset must be recognized, which represents the right of use of the leased asset. This item is assessed on the basis of the provisions of art. 75 of the Directive.
The plants and equipment classified in these items have been evaluated in accordance with art. 75 of the Directive.

D. Investments

The item includes investments in subsidiaries, associates and joint ventures, in which the Company holds, directly or by way of control, 20% or more of the voting rights or capital or a dominant or significant influence.
The classification between subsidiaries and associates reflects, respectively, the presence of control or significant influence on the investee companies.
As these participations are not listed, the value for Solvency II purposes was determined using the adjusted equity method (pursuant to Article 13 of the Delegated Acts) which requires the undertaking to value its holdings in related undertakings based on the share of the excess of assets over liabilities of the related undertaking held by the participating undertaking, by valuating with Solvency II criteria any assets and liabilities ascribed to the balance sheet of the participating undertaking.
For non-significant investments in associated companies, the valuations were made considering the principle of proportionality.
The fair value of fund shares is represented by the NAV determined by the management company.
In the individual balance sheet, participations are valued to the acquisition cost, including related charges net of any durable losses of value. These losses are recovered in the following balance sheets if the reasons for the valuation adjustments made no longer apply.

E. Equities, bonds and other investments

Equities, bonds and investment funds listed are valued to the market price traded on active markets, of the last available trading day.

With particular reference to the Investment Funds, the Fair Value is represented by the value of the equity published and, if not available, valued using the last value of the equity available, including instalments or reimbursements issued in the reference period.

Valuation applied to unlisted shares and bonds were carried out as follows:

- Unlisted equities: for unlisted capital equities, but for which transactions in liquid markets take place, the Fair Value is measured on the basis of prices of recent transactions;
- Unlisted bonds: in case of bonds unlisted on regulated markets, the Fair Value is measured alternatively as follows:

    1) on the basis of prices of recent transactions, if transactions are carried out in liquid markets;
    2) on the basis of the observation of the market prices of similar instruments;
    3) using the cost net of any impairments cumulated for bonds of not material value.

The unlisted equity investments mainly refer to the shares held in the company Yam Invest N.V. for which a report prepared by independent experts was used. The fair value determined is equal to 59,749 thousand euro at 31 December 2020.

The evaluation methods applied are:

- the Sum of the Parties ("SOP") method, based on the principle that the economic value of a company is determined summing the fair value of each individual asset and liability, measured separately, and deducting the holding costs net of the tax effect;
- the Simple Capital Method based essentially on the principle of the expression, at current values, of the individual assets that make up the company's capital and the updating of passive elements.

As for the stress tests adopted by the Company, reference is made to chapter: "*B.3 Management risk system, including Own Risk and Solvency Assessment (ORSA*)".

For the purposes of the individual balance sheet, these investments are recorded at the purchase cost less any durable losses of value, losses that are not kept in the following balance sheets if the reasons for the valuation adjustments made no longer apply. With regard to short term bonds, they are recorded at acquisition cost including all ancillary charges and are valued in the financial statements at the weighted average cost or, if lower, at the realizable market value. This lower value is not maintained in the subsequent financial statements if the reasons for the adjustments made no longer apply. The cost of fixed-income securities is adjusted by the amount accrued in the year of the issue discount, equal to the difference between the issue price and the redemption value.

F. Assets held for index-linked and unit-linked contracts

These investments are related to insurance policies with risk borne by the Life policyholders and are valued at the price and exchange rate of the last trading day of the year, both for Solvency II purposes and for the individual balance sheet.

G. Amounts recoverable from reinsurance

Similarly to what happens to the technical provisions of direct and indirect business, resinsurers' and retrocessionaires' shares are redrafted, against the balance sheet, with the Solvency II criteria, that take into account the expected financial flows related to the recoveries on the obligations of the direct and indirect business, discounted on the basis of the Volatility Adjustment curve.

H. Receivables and other assets

This item is valued according to provisions under the Article 75 of the Directive.

In the individual balance sheet they are valued at the expected realizable value, calculated from the adjusted nominal value by dedicated Allowance for doubtful accounts and determined by the valuations made by the Industrial

Accounting Function, given, for insurance receivables, the historical trend of recoverability and seniority of the receivable, recorded for each segment. In the individual balance sheet, the insurance receivables and receivables to intermediaries include the amounts to be recovered by Policyholders and third parties for claims payments on policies with "no claims bonus" clause, deductibles and subrogations, which for Solvency II purposes are reversed from the receivables, as already included in the Best Estimate calculation (amounting to 26,549 thousand euro).

Other assets of the financial statements mainly include prepaid items that are calculated with the pro-rata temporis method.

I. Cash and cash-equivalent

Available balances are recorded, both for Solvency II purposes and for the individual balance sheet, at the nominal value. Balances of currency accounts are calculated at the exchange rates at the end of the period.

D.2 Technical provisions

D.2.1 Technical provisions: value for material asset area

Reference is made to the quantitative models S.12.01.02 and S.17.01.02, attached hereto, which outline respectively the value of Life and Non-Life technical provisions, separately for each line of business.

D.2.2 Technical provisions: main bases, methods and assumptions used for the solvency assessment

Composition

Solvency II regulation provides that all items are reported on the balance sheet at the fair value.
If the Technical Reserves are replicable from financial instruments, the Technical Provisions can be calculated as a Whole according to the market value of financial instruments used.
For all other technical provisions, the Solvency II regulation provides that the market value is determined as the sum of Best Estimate and Risk Margin.

The Best Estimate is determined by the discounting of all expected cash outflows (net of cash inflows), without prudent elements provided for by the current local GAAP and supervisory regulation: ultimate cost (Claims Reserve), premium linear deferral (Premium reserve) and usage of prudential technical bases (Mathematical Reserve).
Discounting is carried out using risk-free rates and Volatility Adjustment.
The Best Estimate is not the market price to which obligations to policyholders could be transferred, insofar as, just because of the lack of prudency required for its calculation, the potential acquirer of the liabilities would have the same probabilities (50%) to yield a profit or a loss from the settlement of acquired obligations.

For this reason, the Best Estimate is integrated by the Risk Margin that, in the context of transferring insurance liabilities, represents the "risk remuneration" required by the acquirer in order to take the risk that the Best Estimate is insufficient. The Risk Margin is equal to the remuneration of the Own Funds that the acquirer of insurance liabilities must hold to cover the SCR needed till complete payment of the liabilities. The quantification method is defined Cost of Capital and the figurative remuneration rate of the capital is defined by the Supervisory regulation.

The method applies also consistently with the reserves and reinsurance Recoverables.

Best Estimate

Financial flows provided for in relation to the settlement of Technical Provisions (payments for claims, expenses, etc. gross of premium receipts, recoveries etc.) are calculated gross and net of the reinsurance recoveries and discounted with the EIOPA curve.

Non-Life Best Estimate: Claims and Recoveries, Direct and Indirect business, gross of the reinsurance:

Claims reserve Direct Business (claims reported and IBNR) - net of ULAE (unallocated expenses): for all Homogeneous Risk Groups ("Homogeneous Risk Groups" or HRG) the Run Off triangles are analyzed on the observation date. For HRG which include risks with a longer dismantling horizon (and therefore are more sensitive to management changes and uncertainty in the occurrence of phenomena), four deterministic estimation models have been implemented and integrated (Chain Ladder Paid, Chain Ladder Incurred , Fisher Lange and Bornhuetter Ferguson), properly weighted. For all the other HRG the Chain Ladder Paid and Incurred models were fed and analyzed in December 2019; from the analyzes carried out on settlement speed and on the underlying management factors (such as the possible presence of peak claims), it was found that the models can be used for all HRG; in some of them, a greater weight of the Chain Ladder Incurred was used compared to Paid.
The flow vector thus obtained was discounted to obtain the Best Estimate value of this component.
Sums to be recovered from policyholders and others – Direct Business: for the more significant HRG, the estimate was made applying a percentage vector to the future payment flows estimated for the Claims Best Estimate and IBNR; the percentage, on each HRG, was chosen by comparing the historical arrays of payments with those of the recoveries carried out.

Open claims – Indirect Business: the amount, given the minimum consistency of this post, was set equal to the local GAAP amounts.

Non-allocated expenses on open claims - direct business (ULAE): the estimate was made by applying a percentage value to the future payment flows estimated for the item Claims reserve Direct Business (claims reported and IBNR); the percentage, on each HRG, was determined by comparing the non-allocated open claims and the local GAAP reserves.

Non-Life Best Estimate: Claims and Recoveries, Direct and Indirect Business: Reinsurance Recoverables:

Open claims net of the sums to be recovered (retroceded business): this component is estimated by applying to the Best Estimate "Claims reserve Direct Business (claims reported and IBNR)", net of the Best Estimate of the sums to be recovered, the same proportion available, for each HRG, between direct and ceded business available on the sums paid and budgetary reserves (both net of sums to be recovered).

Open claims (retroceded business): currently this item refers only to claims on guarantees on "Aviation hulls", included in the LoB 6 (Maritime, aeronautics and transport insurance), and is estimated by using the local GAAP data.

Non-Life Estimate: Premium Reserve, Direct and Indirect Business, gross of reinsurance: Best

Premium reserve – direct business: the Premium Best Estimate is calculated by valuating separately the cash inflows ("IN") and the outflows ("OUT"):

Cash IN:
- Instalments: consisting of the infra-annual premium instalments that will be issued after the reporting date on the contracts in force as at the observation date.
- Receipts on existing multi-year contracts as at the observation date. The related estimate is made by calculating the premium that is expected to be received from the following year till the maturity year, disaggregated for each specific guarantee (and hence per line of business) as well as per collection year.
  Future projections are eliminated in order to consider the probability of contract termination by the policyholders.

Cash OUT:
- Claims and related expenses estimated for the year(s) following to that of observation, for the contracts in force as at the date, covered by premiums already issued by the Company: the amount is approximated

starting from the amount "Reserve for unearned premiums" of the balance sheet, gross of the acquisition costs, to which the budget Loss Ratios for each HRG is applied. The flow is developed in the future years using, for each HRG the settlement speed found in the estimate models of the item Claims reserve.

- Claims and related expenses estimated for the year(s) following that one of the observations for the contracts in force as at the date and related above mentioned Instalments: the amount is approximated, for each HRG, applying the budget Loss Ratios observed for the "Instalments". The flow of resulting amounts is developed in the future years, for each HRG the settlement speed found in the estimate models of the item Claims reserve.
- Acquisition costs on the instalments: it is the acquisition costs provided for the year following the one of observation for contracts in force as at the date and related above mentioned Instalments.
- Claims and related expenses linked to receipts on multi-year contracts, in force as at the date of observation, that the Insurance Company is expected to collect from the year following the one of observation. Expected claims are estimated applying to the cash flows expected in the future years, the budget Combined Ratio for each HRG.
- Acquisition costs linked to receipts on multi-year contracts, in force as at the date of observation, that the Insurance Company is expected to collect from the year following the one of observation. For each HRG, the difference between the Combined Ratio and the budget Loss Ratio (for the share relating to Purchase and Collection Commissions) was applied to the corresponding incoming flow.

<u>Premium reserve – ceded business:</u> the Premium Best Estimate of the direct ceded business is calculated applying to the Best Estimate of each component calculated on the direct business the ceded percentage observed in the balance sheet for the related HRG.

<u>Premium reserve – indirect business and retroceded indirect business:</u> for the indirect business, the corresponding local GAAP amount is used.

Life Best Estimate: Technical Reserves, Direct and Indirect Business, gross of reinsurance:

For the calculation of the gross Best Estimates the actual value of future inflows and outflows produced by the contracts is used, by separately elaborating the flows gross of the reinsurance from the flows arising only from the reinsurance.
The future cash flows of the Life contracts are projected till complete extinction of the portfolio, assumed to be in 30 years, by a calculation tool that uses reliable, realistic and entity-specific information and assumptions on the behaviors of the policyholders (surrender appetite, decrease, annuity conversion, maturity extension, increase or decrease of premiums etc.), on the demographic trends (mortality) and on the other significant factors (expenses, reinsurance, forward-looking expected returns on the Separate Management Accounts, guaranteed minimum returns, etc.).

Cash inflows include:
- premiums;
- recoveries arising from the reinsurance (performance and commissions).

Cash outflows include:
- benefits payable for death;
- payable for disability;
- payable for redemption;
- payable for surrender;
- payment for annuities;
- administrative costs (commissions and costs directly linked to the management of the policies);
- payments to reinsurers.

Linked policies

As for the so-called Linked policies, whose benefits are linked to indexes or other financial instruments and the financial risk is borne by the policyholders, the Company has evaluated that the contractual forecast of cost application in case of surrender, the presence of management commissions commensurate to the share value, along with the management expenses, ensure that, for these types of policies, the valuation with the As a Whole method is not enough accurate.

The Best Estimates of said policies benefits are calculated by using, as expected annual returns of the underlying assets, the implicit forward rates in the risk-free curve provided by EIOPA.

Counterparty default adjustment

Technical specifications require that the overall amount of the Best Estimate of the technical provisions borne by the Reinsurers is adjusted to take into account the possibility of default by the counterparty.
As for the Life and Non-life component, the adjustment was calculated using the simplified approach proposed by the regulation (Article 61 of the Delegated Regulation (EU) 2015/35) which considers the exposure to each counterparty according to the related Credit Quality Step.

Risk Margin

The Risk Margin is the part of technical provisions that quantifies the amount that is to be added to Best Estimate of the Technical Provisions to determine the overall amount that the Company should pay to another Company to transfer all existing contractual obligations.
The calculation method for the Risk Margin is the Cost of Capital (CoC), that is calculated taking into account that who takes over in the obligations of a company transferring its technical provisions (in run-off events) must have a determined supervisory capital (destined for being gradually freed based on the technical provisions run-off), and that the availability of this capital is to be remunerated.
The CoC is valued separately for the Life and Non-life technical provisions.

<u>Calculation of Non-life Risk Margin</u>
The regulation requires that the calculation is made by estimating the SCRs of all future years till the complete run-off of the portfolio and assuming an annual cost, resulting from the figurative remuneration at 6% (rate set by EIOPA); the Risk Margin is equal to the sum of all annual costs, discounted at the date of observation.
As it is not possible to directly make the calculation of the SCRs of the future years, one of the simplified method proposed by EIOPA was used, namely, to approximate the future SCR by using a constant proportion against the Best Estimates.
Starting from the Best Estimate at the relevant date, the applicable SCRs (Non-life, Health, Default Type 1 and Non-life component of the Operational Risk) were calculated and the projected Best Estimates for a run-off were discounted, by assuming that future SCRs decrease compared to the original SCR at the same rate as the Best Estimates decrease.
The future SCRs have been discounted with the Risk-Free curve and, on the capital total used overall for the run-off of technical provisions, the 6% of COC was calculated, by getting the overall Risk Margin. It was assigned to the LoBs as a proportion of the related (analytical) contribution to the overall SCR of the modules within the scope.

<u>Calculation of the Life Risk Margin</u>
The Life Risk Margin is calculated by adopting, among the different simplified methods proposed by EIOPA, the one that implies the constancy in the years to come of the ratio between SCRs (Life SCR, SCR Health similar to Life, Life component of Counterparty Risk – Type 1 Reinsurers and Life component of the Operational Risk) and the Best Estimate.
Based on this assumption, the SCR amount relating to the current portfolio at the end of each year of projection is estimated by applying said ratio to the Best Estimate calculated at that time.
The sequence of future SCRs so set is therefore discounted with curve of risk-free rates and without volatility adjustment.
The application of the capital cost of 6% to this amount results in the Risk Margin, which has been attributed to LOBs in proportion to the respective contribution to the Life SCR.

D.2.3 Uncertainty level associated to the value of the technical provisions

Non-Life

The uncertainty degree of the assessment of technical provisions is associated to the "model risk", i.e. that the method of calculation, albeit appropriate, includes a deterministic method having predictive nature.

As it is about deterministic models, to understand the extent of this uncertainty, a probabilistic range was set by applying the Mack formula to the triangle of payments of the Segment 1-NL and the Segment 5-NL, resulting in a variability of 5.13% and 4.78%, respectively. A similar assessment has been performed on Segments 1-H; 2-H; 2-NL; 4-NL as a whole (which roughly complete the scope of risks whose solvency is assessed with the USPs), resulting in a variability of 7.28%.

The main factors influencing the estimates (and the related recoveries from reinsurers) are the frequency of claims, the settlement speed, the growth and mix of portfolio, the reinsurance policy and the discounting rate curve.

Life

The most significant uncertainty factors in setting the technical provisions include the accuracy of statistics on the trends of the insurance policies in portfolio both demographically and with respect to the behavior of the policyholders (tendency to surrender, annuity conversion etc.), the financial variables (i.e. the discounting rates of the future cash flows), and the possible interactions between the market trends and the behaviors of the policyholders.

D.2.4 Difference between Solvency II assessment and balance sheet assessment

Main bases, methods and assumptions used for the valuation for the purposes of individual balance sheet – Qualitative differences

Local GAAP reserves consist of:

Non-Life Business:

Items	Valuation
Premium reserves	The premium reserves consist of: - Pro-rata temporis reserves, determined by calculating, for each contract, based on recognized gross premiums net of direct acquisition costs, the part of relevant premium of the period after the end of the financial year; - Reserves for ongoing risks, calculated by estimating the amount of any risk surplus provided for on the insurance policies in portfolio compared to the reserve for part of premium with future premiums, net of acquisition expenses; - Integrative reserves established under the Italian regulations for some LoB or guarantees (suretyships, hail, natural disasters, nuclear hazards).
Claims reserves	The claims reserves represent the prudent valuation of compensations and settlement expenses estimated for claims occurred and not yet paid, wholly or partially, as of the date of the balance sheet date, based on all components forming the requirement for coverage of the claim's ultimate cost. "Ultimate cost" means the means the estimate of all foreseeable costs based on a prudent assessment of factual evidence (document examination) and forecasts (expected claims settlement time frame and related inflation rates), not discounted.

Other non-life technical reserves	The other technical reserves include the ageing reserve for health insurance that, in setting premiums, do not take into account changes in the policyholder's age and contain clauses that limit the Company's ability to withdraw. The estimate is based on a comparison between estimated cash inflows (premiums) connected to contracts and estimated cash outflows (claims and expenses), by setting aside 10% of gross premiums written on these contracts.
Equalization reserves	The equalization reserves are amounts of reserves provided for by the regulations in order to offset the fluctuations of the claims rate in the future years or to cover particular risks, and is set aside for contract of the Credit segment and for risks of natural disasters.

Life Business:

Item	Valuation
Mathematical reserves	The life business technical reserves are calculated on the basis of the pure premiums and actuarial assumptions deemed to be appropriate as at the date when contracts were signed. Calculation of technical reserves is based on the rate of return determined on the basis of the related investments for respective "revaluable" benefits. The premiums-carried-forward component of mathematical reserves is calculated on a pure-premium basis. The mathematical reserve is never lower than surrender value.
Complementary insurance premium reserves	The premium reserve for complementary accident insurance is calculated analytically by applying the premiums-brought-forward criterion to the related pure premiums.
Profit participation and reversal reserves	Profit participation includes all amounts pertaining to the year, paid and to be paid to policyholders or other beneficiaries, including amounts used to increase technical reserves or reduce future premiums, as long as they constitute distribution of technical profits arising from non-life and life insurance activities, after deduction of amounts accrued in previous years' that are no longer necessary. Reversals consist of the amounts that are partial rebates of premiums made on the basis of each contract's performance.
Other technical reserves	The other reserves include the reserve for management expenses, calculated on loading for management expenses and on the other technical bases of the insurance pricing applied.
Reserves relating to contracts whose performance is connected with investment funds or and market units and resulting from the management of pension funds	The reserves relating to unit-linked contracts and pension funds were calculated based on the contractual obligations, both of the financial assets linked to these contracts and cover the commitments from Life Business insurance whose return is determined based on the investments for which the policyholder bears the risk or based on an index.

Additional reserves for financial risk	Reserve for guaranteed interest rate risk: the assessment about the accrual of this reserve was made for segregated funds deemed significant and, starting from the determination of predictable returns for each of them, using ALM methodology. With regard to contracts with collateral not linked to segregated funds, the valuation was carried out by applying to the flows of liabilities a current and predictable yield calculated as a weighted average of the returns of the various segregated funds. Reserve for time mismatch: this reserve is set up when there is a temporal distance between the period in which the contractually recognized return has accrued and the time when this is effectively recognized to policyholders; this derives from contractual conditions that require the use of certified rates in periods prior to recognition.
Additional reserves other than reserves for financial risk	Reserve for demographic risk: the valuation of this amount was made by proceeding with the recalculation for each technical provisions contract using the IPS55 demographic base and considering the difference compared to the first-order technical reserves. The additional reserve for each contract was therefore calculated by applying to the annuity rates the coefficients of propensity to liquidate the contract in the form of an annuity and to the capital rates the conversion coefficients of capital into annuity. For the forms of life annuities in disbursement present in the portfolio on the date an additional reserve was assessed to adapt these mathematical reserves to the second-order demographic base.

Quantitative differences between valuation for Solvency purposes and balance sheet values

Non-life technical reserves

(€/000)

Item	Solvency II value	Statutory accounts value	Change
Technical provisions - non-life	**1,525,911**	**1,691,183**	**(165,272)**
Technical provisions - non-life (excluding health)	**1,478,083**	**1,607,353**	**(129,270)**
Best Estimate	1,408,338	1,607,353	(199,015)
Risk margin	69,745	-	69,745
Technical provisions - health (similar to non-life)	**47,828**	**83,830**	**(36,002)**
Best Estimate	41,121	83,830	(42,709)
Risk margin	6,707	-	6,707

The difference between the Solvency II valuation and the individual balance sheet values of non-life technical reserves is due to the different nature of valuations:
In particular:

- As for the premium component, the reserve, valued according to the Best Estimate, represents an estimate of the financial flows expected for the future years on existing contracts. This estimate is made by separately assessing claims and premiums expected on these contracts starting from the year after the valuation date. But the Local premium reserve is calculated starting from the linear rediscount of the premium portion of these contracts.
- As for the claim component, the Best Estimate valuation is without prudential rules that are considered in Local valuations.

Moreover, for both components the expected future flows are discounted using the Risk Free curve plus the Volatility Adjustment.

(€/000)

Technical provisions - non-life	Solvency II value	Statutory accounts value	Change
Premium reserve:pro-rata temporis basis and additional reserves		430,843	(119,930)
Premium best Estimate	310,913		
Claims reserve *		1,230,181	(91,635)
Claims best Estimate	1,138,546		
Other technical reserves (aging reserve)		409	(409)
Equalisation reserves		8,980	(8,980)
Risk Margin	76,452		76,452

(*) This item is shown net of accounting items:
Policyholders and third parties for amounts to be recovered, which at 31/12/20 amounted to 26,549 thousand euros;
Amounts to be recovered from outwards reinsurance claims, which at 31/12/20 amounted to 5,779 thousand euro.

The Best Estimate of the Premium reserve is lower than 27.8% compared to balance sheet data; similar change in the Claim Reserve is -9.0%. The Risk Margin is 5.3% of the Best Estimate.

Item	Solvency II value	Statutory accounts value	Change
Technical provisions - life	**1,828,409**	**1,629,708**	**198,701**
Technical provisions - health (similar to life)	**12,096**	**4,736**	**7,360**
Best Estimate	11,022	4,736	6,286
Risk margin	1,074	-	1,074
Technical provisions — life (excluding health and index-linked and unit-linked)	**1,705,456**	**1,510,953**	**194,503**
Best Estimate	1,672,510	1,510,953	161,557
Risk margin	32,946	-	32,946
Technical provisions — index-linked and unit-linked	**110,857**	**114,019**	**(3,162)**
Best Estimate	110,254	114,019	(3,765)
Risk margin	603	-	603

(€/000)

The difference between the Solvency II valuation and the balance sheet values of the technical reserves is mainly due to the methods of estimate, projection and discount of the expected financial flows, as further specified:

- Projection of revaluations of benefits of the revaluable policies based on the vector of "risk neutral" expected rates, that do not include the extra-return arising from holding financial instruments with expected returns that are higher than the risk-free curve, rather than being based on a vector of "real world" expected rates;

- Usage, in Solvency II, of technical bases of second level instead of first level (demographic tables, assumptions of behaviors of policyholders, costs of portfolio management etc.);

- Discounting of future benefits as calculated with Volatility Adjustment curve, significantly lower than the technical rates used for the related discounting for balance sheet purposes.

Within the valuation of Life technical reserves, the Company determined future returns based on existing portfolio as of the valuation date giving to assets of future acquisition, a profitability in line with the risk-free interest rate curve notified by EIOPA. No operations aimed at sharing theoretical risk market losses among Life policyholders have been assumed.

Using the Risk Free curve without the Volatility Adjustment, the values would be the following:

Life technical reserves: 1,837,433 thousand euro
Non-life technical reserves: 1,529,737 thousand euro
Net differed tax assets: 34,201 thousand euro

D.3 Other liabilities

(€/000)

Other Liabilities	Statutory accounts value	Accounting policy differences	Solvency II value
Provisions other than technical provisions	50,184	-	50,184
Pension benefit obligations	2,184	4,648	6,832
Deposits from reinsurers	6,389	-	6,389
Deferred tax liabilities	1,900	121,771	123,671
Passive derivatives	-	2,863	2,863
Subordinate Liabilities	256,813	17,717	274,530
Insurance & intermediaries payables	32,450	-	32,450
Reinsurance payables	11,170	(5,779)	5,391
Payables to credit institutions	7,697	-	7,697
Payables trade - not insurance and other liabilities	-	16,703	16,703
Non-insurance payables and other liabilities	114,786	1	114,787
Total Other liabilities	**483,573**	**157,924**	**641,497**

A. Reserves other than technical reserves

The item includes the funds for future risks and expenses set aside to cover expenses arising from potential actions to void in bankruptcy, penalties and ongoing legal actions, relating to normal business operations. The assessment is carried out in accordance with Article 75 of the Decree, and their value coincides with that of the individual financial statements.

B. Pension liabilities

The item refers to the amounts due to the employees, that consist of the Supplementary Pension at the nominal value in the balance sheet, and of the following items, valued with actuarial techniques for Solvency II purposes:

- Supplementary Pension
- Post-employment benefits
- Other long-term benefits

The main assumptions adopted for actuarial assessments were the following:

Demographic assumptions

- probability of death: assumptions determined by the General Accounting Office of Italy and identified as RG48, for males and females;
- probability of disability: separate assumptions by sex adopted by INPS (Italian social security institute) for projections in 2010;
- retiring age: for the generic active individual, the first opportunity as per the mandatory state national insurance conditions was assumed;
- probability of abandoning active work for causes other than death: annual frequency of 2.50%;
- probability of anticipation: 3.50% year after year.

Economic and financial assumptions

- Inflation:	1.00%
- Annual technical discount rate (for the purpose of calculating severance indemnity)	-0.02%
- Annual technical discounting rate (for the purpose of calculating seniority and health services)	0.34%
- Annual rate of severance indemnity increase	2.25%
- Annual rate of growth of remuneration (for the purpose of calculating seniority services)	2.00%
- Annual rate of growth of the average reimbursement (for the purpose of calculating health services)	1.00%

Sensitivity analysis of some input has been carried out (discounting rate, inflation rate and turnover rate); from this analysis no significant changes have been reported.

C. Derivatives liabilities

In October, the company concluded a forward sale transaction with the aim of hedging against both interest rate and credit risk, which concerned part of the Italian government bonds allocated to the life portfolio for a nominal value of 307,750 thousand euro.
The fair value of the over the counter (OTC) derivative instruments has been determined by recalculating the forward prices at year-end market conditions.

For the statutory financial statements, these instruments with hedging purposes are assessed according to the principle of valuation consistency which requires that the income statement is assigned the unrealized capital losses and capital gains consistently with the corresponding unrealized capital gains or capital losses on assets hedged. Hence, as at 31 December 2020, for the purposes of the statutory financial statements, there are no unrealized capital gains/capital losses, as the underlying hedged assets refer to investment government securities classified in the separately-managed business "Rendimento Mensile".

D. Subordinated liabilities

This liability is valued at market value, excluding the price fluctuations attributable to changes in the creditworthiness of the Issuer.
For individual financial statement purposes, liabilities that fall into this category are expressed at face value.

E. Payables

Payables (to insurers, to reinsurers, tax due, payables to employees, social security payables and trade payables) and the other liabilities (commissions to be paid on the bonus being collected and provisions for agency awards and balance of the liaison account between Life and Non-life business) are valued in compliance with 75 of the Decree, and their value coincides with the individual balance sheet value.

F. Deferred tax liabilities

The item refers to deferred tax liabilities detected in the balance sheet, supplemented with the differences arising from the Local GAAP values and Solvency II values. The method is the same outlined above, in relation to deferred tax assets.

G. Financial liabilities other than payables to credit institutions

The item includes, in accordance with IFRS 16, the leasing liabilities corresponding to the present value of the payments due for the leasing contracts not paid at the balance sheet date. The payments due for the leasing are discounted using the marginal financing rate calculated by the Company deriving from the application of a single rate curve; this curve contains the risk free and an estimate of the Company's credit risk (different rate corresponding to the residual maturity with a 10-year cap). This item is assessed in accordance with art. 75 of the decree.
There are no significant potential liabilities

D.4 Alternative methods for valuation

No alternative methods for valuation have been used in addition to what is outlined in the previous paragraphs.

D.5 Other information

There are no information to be reported.

E. Capital Management

E.1 Own funds

E1.1 Eligible own funds as at 31 December 2020

The following table sums up, separately for each level, the information on the structure, amount and quality of the own funds as at the end of the reference period.

Own funds Solvency II (€/000)

	31/12/20	31/12/19	Change	Tier SII
Ordinary share capital	67,379	67,379	-	Tier 1
Share premium	13,419	13,419	-	Tier 1
Reconciliation reserve before dividends	697,242	622,614	74,628	Tier 1
Net deferred tax assets	30,310	18,230	12,080	Tier 3
Solvency II excess of assets over liabilities	**808,350**	**721,642**	**86,708**	**n.a.**
Foreseeable dividends, distributions and charges*	(30,417)	(12,943)	(17,474)	n.a.
Elimination of deferred tax assets	(30,310)	(18,230)	(12,080)	Tier 3
Inclusion of the eligible subordinated loan tranche	259,405	241,247	18,158	Tier 2
Solvency II eligible own funds to meet Solvency Capital Requirement	**1,007,028**	**931,716**	**75,312**	**n.a.**

* Data calculated assuming a dividend of 0.47 euro per share

At 31 December 2020 the share capital was made up of no. 64,717,464 ordinary registered shares with no expressed nominal value, subject to the dematerialisation regime and introduced into the centralized management system of financial instruments. The share premium reserve represents the amount of the excess of the issue price of the shares over their par value.
As described in detail in the previous Note on the Executive Summary- Activities and results, the Company promptly followed up on IVASS's requests regarding further information on solvency. The constant capital strengthening carried out by Vittoria in the last few years and the continuous investments in technological solutions allow us to confirm that there are no elements such as to call into question the business continuity, on which logic this Report is based. The Company is solid, liquid, present and attentive to what is happening in our country and invests as much as possible to protect and support employees, the distribution network and customers.

The composition of the reconciliation reserve is shown below:

Reconciliation reserve (€/000)

	31/12/20	31/12/19	Change
Earnings reserves	565,894	470,213	95,681
Revaluation reserve	18,193	18,193	-
Net deferred tax assets	(30,310)	(18,230)	(12,080)
Solvency II evaluation differences	143,465	152,438	(8,973)
Reconciliation reserve before dividends	**697,242**	**622,614**	**74,628**

The Earnings-related reserve includes:

- Legal reserve of 13,301 thousand euro;
- Available reserve of 396,485 thousand euro;
- Year's earnings of 108,624 thousand euro.

The revaluation reserve of 18,193 thousand euro relates to the real-estate revaluations carried out in 2008, pursuant to Article 15 (20) of the Legislative Decree no. 185 of 29 November 2008, and in 2013 pursuant to the Law no. 147/2013.

The Own Funds that could be used to cover the capital requirement are made up of the difference between Assets and Liabilities recorded in the Balance Sheet, net of the dividends resolved and not yet distributed.

The table below shows the Tier breakdown of the Own Funds aimed at covering the Solvency Capital Requirement and the Minimum Capital Requirement, calculated by using the Volatility Adjustment curve:

Eligible own funds to meet S.C.R - Volatility Adjustment curve (€/000)

	31/12/20	31/12/19	Change
Tier 1- unrestricted	747,623	690,468	57,155
Tier 2	259,405	241,248	18,157
Total eligible own funds to meet SCR	**1,007,028**	**931,716**	**75,312**
Tier 2 not eligible own funds to meet MCR	(212,712)	(197,822)	(14,890)
Total eligible own funds to meet MCR	**794,316**	**733,894**	**60,422**

Tier 2 elements consist of the Subordinated Loan issued by the Parent Company and the Company, the characteristics of which are described in paragraph "D.3 Other liabilities" in the item subordinated liabilities.

Tier 2 elements consist of the Subordinated Loan issued by the Company, which has the following characteristics:

- Nominal Amount: Euro 250,000,000
- Issuing date: 11 July 2018
- Expiry date: 11 July 2028
- Interest rate: 5.75% per annum
- Listing Exchange: Ireland (Euronext Dublin)
- Coupon frequency: annual
- Coupon subordination: coupon payment is suspended if it does not cover the Solvency Capital Requirement.
- Subordination of capital: if the Solvency Capital Requirement is not covered, the repayment of the capital is suspended unless specifically authorized by the Supervisory Institute; Supervisory authorization is still required for repayment at maturity, even in the case of coverage of the Solvency Capital Requirement.
- Early repayment options: as well as the repurchase of the Loan by the Company, the early repayment must be authorized by the Supervisory Institute, and can take place following changes:
    - of tax legislation which, for example, make interest expense, or gross-up, non-deductible, or that place the debts originally due by the bondholder on the debtor;
    - insurance regulations which, for example, exclude the Subordinated Loan from eligible Own Means;
    - the methodologies for assigning the rating which, under the same real conditions, entail a worsening of the characteristics of the Equity Credit (the extent to which a financial instrument is eligible for an ordinary share) originally attributed to the loan.

Tier 3 elements consist of the balance between deferred tax assets and deferred tax liabilities and at 31 December 2020 they are not permitted to hedge due to exceeding the limit imposed by the law, which provides that the sum of the Tier 2 and Tier 3 items will not can exceed 50% of the SCR.

The total amount admissible to cover the MCR is composed of Tier 1 elemets, and the portion of eligible Tier 2 elements (20% of the SCR), as required by law.

Reconciliation between Shareholders' Equity Local GAAP and Own funds Solvency II

Items referring to the difference between the Local GAAP Net Assets and Solvency II Own Funds, are as follows:

Difference between Shareholders' Equity Local GAAP and Own funds Solvency II (€/000)

	31/12/20	31/12/19	Change
A) Shareholders' Equity Local GAAP	**664,884**	**569,204**	**95,680**
Reconciliation reserve:			
Unrealised capital gains on financial Investments and properties net of liabilities IFRS 16	277,935	251,648	26,287
Intangible assets valued at zero	(10,173)	(14,182)	4,009
Lower/ (higher) value of technical provisions non-life	138,723	95,052	43,671
Lower/ (higher) value of technical provisions life	(198,701)	(109,916)	(88,785)
Reinsurance recoverables valued at a lower value	(12,999)	(19,441)	6,442
Pension benefit obligations	(4,648)	(4,383)	(265)
Subordinated loan - Fair value adjustment	(17,717)	(11,171)	(6,546)
Tax effect	(28,954)	(35,169)	6,215
B) Total reconciliation reserve	**143,466**	**152,438**	**(8,972)**
C) Solvency II excess of assets over liabilities (A+B)	**808,350**	**721,642**	**86,708**
D) Foreseeable dividends, distributions and charges (Tier 3)	(30,310)	(18,230)	(12,080)
E) Eligible tranche of subordinated loan (Tier 2)	259,405	241,247	18,158
F) Dividends declared or expected	(30,417)	(12,943)	(17,474)
Solvency II eligible own funds (C+D)	**1,007,028**	**931,716**	**75,312**

The change in local equity reflects the profit generated during the year, net of the distributed dividend.

The reconciliation reserve of 143,466 thousand euro, refers to the differences of valuations gross of the dividends deliberated or expected and includes the tax effect that arises from the recalculation of the deferred tax assets and liabilities carried out on the differences resulting from the local GAAP values and Solvency II values.

Reference is made to the chapter: "D. Valuation for solvency purposes", which outlines the differences in the valuation between the standards adopted for the solvency valuation and those used for the balance sheet valuation, specifically for each class of assets or liabilities.

Significant chages over the reporting period

The following table shows the significant changes that occurred at each level in the period under review.

Significant changes over the reporting period		(€/000)
	Own funds Solvency II	Tier SII
Own funds net of dividends at 31/12/2019	**931,716**	**n.a.**
2020 Net profit	108,624	Tier 1
Change unrealised capital gains on financial Investments and properties net of liabilities IFRS 16	26,286	Tier 1
Change in intangible assets	4,009	Tier 1
Change in valuation of Technical provisions non-life	43,672	Tier 1
Change in valuation of Technical provisions life	(88,785)	Tier 1
Change in valuation of Reinsurance recoverables	6,442	Tier 1
Change in pension benefit obligations	(266)	Tier 1
Change in Subordinated loan - Adjustment to fair value	(6,546)	Tier 2
Change in Tax effect	6,216	Tier 3
Change in Eligible portion of subordinated loan	18,158	Tier 2
Change in Elimination of deferred tax assets	(12,081)	Tier 3
Dividend approved	(30,417)	n.a.
Own funds net of dividends at 31/12/2020	**1,007,028**	**n.a.**
Change in Own Funds	**75,312**	**n.a.**

Change in unrealised capital gains on financial Investments and properties

Unrealized gains on financial and real estate investments, net of liabilities resulting from the application of IFRS 16 (16,703 thousand euro) mainly the significant recovery recorded since April 2020 concerning the bond prices, in particular relating to the government securities issued by main European countries but also corporate securities that benefited from the monetary policy measures introduced by the European Central Bank. Conversely, the value of the capital gains has dropped due to the performance of the valuations of capital instruments and the collective investment bodies that have suffered from the economic uncertainties caused by the spread of the COVID-19 pandemic. The performance of major stock markets has, in fact, been very volatile entailing the strong downward revision of estimates on the evolution of the macroeconomic framework and the corporate earnings growth.

Change in Non-Life technical provisions

Overall, the difference between the Technical Reserves and the Local GAAP Reserves between 2019 and 2020 increased in absolute value, from 95,052 thousand euro to 138,723 thousand euro and consequently increasing the benefit in the transition from the principles Local GAAP to Solvency II ones; the entity of this change is reduced by the effect of the reduction of the discount curve between the two periods observed, the worsening of which can be estimated at 19,417 thousand euro.

Excluding the effect of the curve, the difference between the 2020 and 2019 values can be summarized as follows:

- As regards BE Premiums, the difference compared to the valuation of December 2019 is mainly due to the change observed on the technical trends of the underlying risks: in particular, there is a clear improvement in the loss ratio for the 1-NL, 2-NL, 3-NL, 4-NL and 8-NL Segment and a worsening on Segments 5-NL and 6-NL, which translates into a greater difference between the Local and SII assessments. On the whole, the Health Segments show a stability in the loss ratio.

- As regards the BE Claims, the change is attributable to the normal variability of the valuation conducted through models, as well as to the prudence margin incorporated in the long tail branches, which in BE valuations must not be totally included; in any case, the year-on-year changes in the claims BE are consistent with those of the Local GAAP reserves.

Change in Life technical reserves

Overall, the difference between the Technical Reserves and the Local GAAP Reserves between 2019 and 2020 has increased significantly, going from around 109,916 thousand Euro to around 198,701 thousand Euro, consequently increasing the increase in the transition from the Local GAAP principles to those Solvency II. This change is entirely attributable to the effect of the reduction of the discount curve between the two periods observed, whose increase is estimated at 89,049 thousand euro.

E1.2 Objectives pursued, policies and processes applied for managing the own funds and time horizon used for business planning

The Company manages the capital resources in order to ensure a higher available (current and forward-looking) capital, consistently with the economic capital requirements and to keep a Solvency II Ratio in line with the risk appetite, also on a forward-looking basis.

The Capital Management consists of activities and procedures aimed at:

- Complying with growth strategies for the internal lines through self-financing of the economic capital needs, consistently with the objectives established in the strategic plan and in the Risk Appetite Framework;
- Keeping an adequate financial solidity to ensure that current and forward-looking solvency requirements are in line with the risk appetite and with provisions under the strategic plan;
- Ensuring that the Own Fund elements meet on a continuous basis the applicable capital requirements and are properly classified;
- Ensuring that terms and conditions of each element of the Own Funds are clear and unmistakable;
- Keeping an adequate level of return on investments;
- Identifying and documenting the situations whereby the distributions of an element of the Own Funds may be reduced or cancelled;
- Ensuring that any policy or statement relating to the dividends due for the ordinary shares is taken into account in terms of capital position;
- Ruling the issuance of the elements of the Own Funds according to a Capital Management Plan, if there is the opportunity, albeit not provided for, to rely on the increase of the Own Funds.

As required by the provisions issued by IVASS through the letter to the market issued by IVASS of 15 April 2014, given that the capital management is particularly important in the guidelines established by EIOPA, the Company performs the activities outlined below in order to pursue the preset objectives within this Policy.

The Company defined the capital planning process, with the aim of achieving the objectives while keeping the ability to face adverse scenarios, by formalizing, in the capital management policy, methods and instruments, including monitoring and reporting.

The outcome of the capital planning process consists of the Capital Management Plan, formalized through specific information flow, including a reliable forecast of the available Own Funds and any new funds, based on the performance of the planned activity, on the future expected profits, the dividend policy and the measures of capital management provided for by the Senior Management.

Verification and classification of the Own Funds

The Company adopts assessment procedures aimed at ensuring that the elements of the Own Funds, both upon issuance and later, meet the regulatory requirements and that these are properly classified, in order to get a clear and mistakable definition of the Own Funds in terms of subordination, availability, duration, convertibility, constraints etc.

Capital monitoring

In making assessments of the risk profile on a forward-looking basis and its possible changes, the Company identifies the link between the risk profile and the overall solvency requirements, both in terms of quality and of quantity, and as a result detects any capital shortcomings in relation to the risk level that it aims to take in the medium-long period.

In the Capital Management Plan, the capital resources are defined to support the development of the assets, by planning the quantity and the future composition of the Own Funds consistently with the strategic medium-long term approach.

Planning is performed with a three-year time horizon.

The Plan encompasses the forward-looking indicators relating to the Balance Sheet in order to outline the future trend of the available Own Funds net of any dividends provided for various years, and the future economic flows generated in relation to the activities that will be carried out and the risk objectives defined in the Risk Appetite Framework, by checking that limits and tolerance levels set also on a forward-looking basis are met.

The monitoring outcome of these metrics is formalized in the dedicated information flows of "Monitoring of the Risk Appetite indicators".

For the preparation of the Capital Management Plan, the Company makes use of methods and tools that enable to project the capital requirement and the own funds in the future years, taken the strategic decisions implemented through the Business Plan data.

In the event that the future data showed a capital requirement that is not covered by the self-regulation, the Capital Management Plan would outline any operations of issuance of capital instruments (timing, amounts, types, requests).

The adequacy of the capital management plan is verified by significant changes in the risk profile, in line with the circumstances defined in the Risk Assessment Policy (current and forward-looking), such as extraordinary operations (i.e. acquisition/sale of a line of business, or a portfolio of contracts or entering new markets), substantial change of the types of risks insured, events in the economic/financial/real-estate market or macroeconomic scenarios that may have a significant impact on the level of current and/or forward-looking solvency requirements.

Within the capital monitoring process, the Company also performs activities of continuous monitoring aimed at checking that the composition of the Own Funds is continuously fulfilled. The Company checks the composition of the Own Funds on a three-month basis, according to quantitative information to be disclosed to the Supervisory Body (Quantitative Reporting Templates – QRT).

In particular, in order to comply with current rules and regulations, the Company performs monitoring activities in terms of level and quality of the Own Funds:

- Reconciliation between Solvency II data and Solvency I data, and analyses of change compared to the annual data and eventually previously quarterly data;
- Analysis of the composition of the reconciliation reserve, in terms of difference between the capital calculated with Solvency II criteria and the balance sheet capital, and analysis of related change compared to the annual data and eventually previously quarterly data;
- Comparison of the Balance Sheet with corresponding Solvency I values of the previous end of the year;
- Tiering of the Own Funds and verification of the adherence of the eligibility percentages defined by law.

These assessments are carried out on a quarterly basis and are reported to the Board Committees and the Board of Directors also as supplementary information for the purposes of the approval of the QRTs (Quantitative Report Templates).

Management and preservation of adequate capital levels

As outlined above, the Company manages its capital resources in order to ensure an available capital (current and forward-looking) that is higher than the economic capital requirement and enable to keep the Solvency II ratio in line with the risk appetite on a forward-looking basis and in any stress scenarios.

If, even after forward-looking assessments made, an inadequacy of the available capital funds is to be found, in relation to the limits of risk or the preset performance objectives, the Company shall review the Capital Management Plan and/or Business Plan so as to align the capitalization level to the expected needs.

In particular, if a solvency level that is not in line with the preset objectives is to be found, the Company identifies the risk areas/business units that are less efficient in terms of capital absorption and take any corrective actions such as the mitigation, through the reinsurance and the de-risking (asset allocation, product mix, selection of the counterparties with high credit standing) in order to optimize the capital absorbed.

The Company usually does not rely on Alternative Risk Transfer (Catastrophe Bonds, Risk Securitization, Derivatives, financial reinsurance) and securitization as corrective measures..

If the Company wants to take direct action on the capitalization level owned, it can avails itself of the following measures:

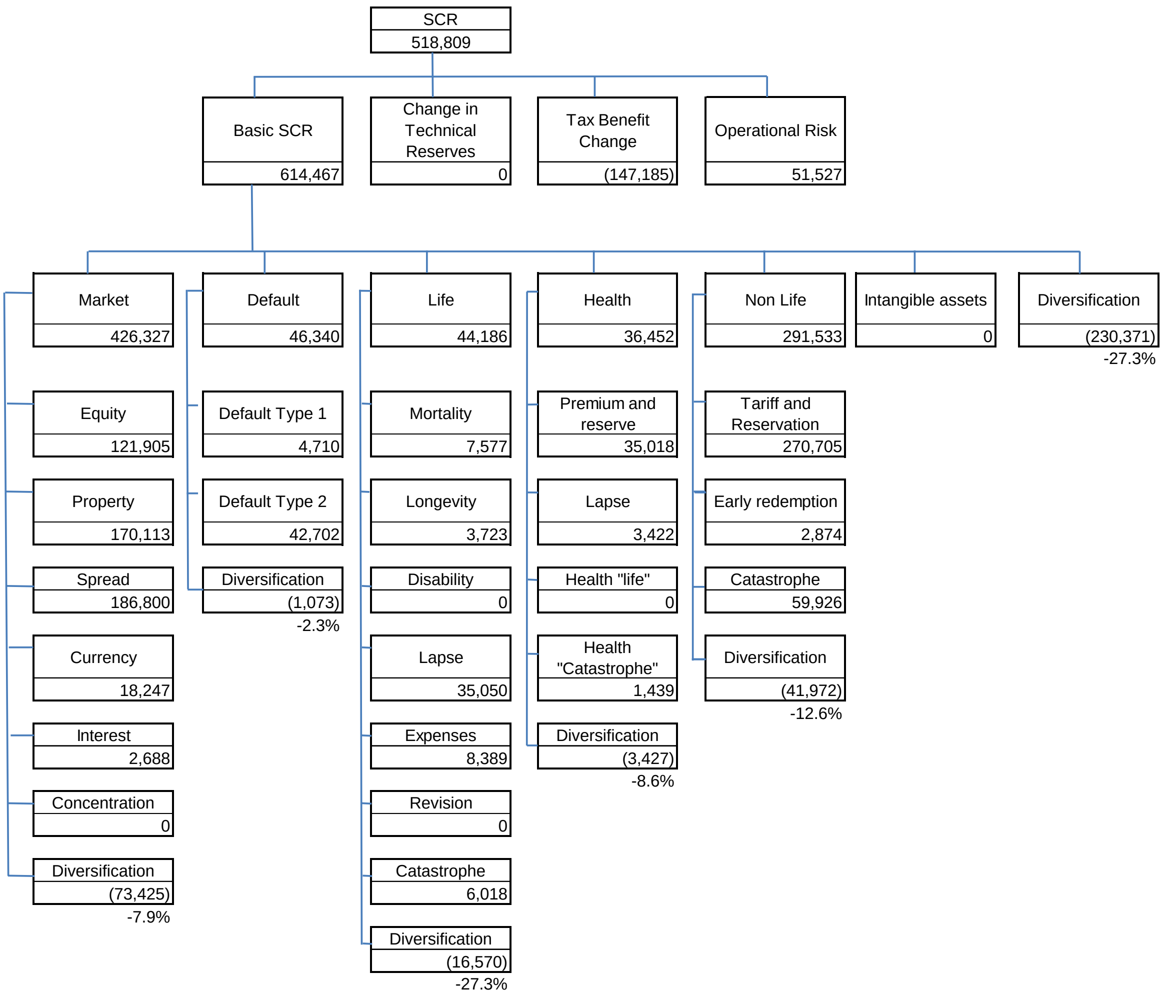
- Reduction or deletion of the distribution of dividends;
- Issuance of subordinated loans;
- Capital increases.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

As at 31.12.2020, the Solvency Capital Requirement (SCR) accounts for 518,809 thousand euro, while the Minimum Capital Requirement (MCR) accounts for 233,464 thousand euro.

Related composition is as follows:

S.C.R. 31.12.2020 - V.A. scenarios with USP **(€/000)**



As required by law, it should be noted that:

- there are no assessments of the SCT in place by the Supervisory Body;
- the Life SCR sub-modules, as well as the Premium and Reserve sub-modules of the Health and Non-life modules include, among the inputs, the calculation of the technical reserves, for which, some simplifications were used (as detailed in the QRTs S.12.01 and S.17.01)
- the Company uses the Undertaking-specific Parameters (USP) for the calculation of the Premium Risk and the Reserve Risk of the following segments:
    - MTPL insurance,
    - Motor other classes insurance,
    - GTPL insurance,
    - Income protection insurance and Fire and other damages insurance.
- the Supervisory Body has not required a Capital Add-On to the Company;
- inputs used for the MCR calculation, as provided for by the Standard Formula, consist of the preserved Technical Reserves, the gross Premiums recorded in the year's accounts, retained Life risk capitals, considering that the MCR must anyway be between the floor, accounting for 25% of the SCR, and the cap, accounting for 45% of the SCR.

The impacts of the use of the **Volatility Adjustment** curve on the Own Funds and on Solvency Capital Requirement are outlined in the table below:

Impacts of using the Volatility Adjustment curve		(€/000)
	31/12/2020	
	Volatility Adjustment	**Risk free**
Market Risk	426,327	424,778
Counterparty Default Risk	46,340	46,385
Life Underwriting Risk	44,186	46,336
Health underwriting Risk	36,452	36,471
Non-Life underwriting Risk	291,533	291,813
Sum of risk components	**844,838**	**845,782**
Diversification effects	(230,371)	(231,830)
Basic S.C.R.	**614,467**	**613,952**
Operational Risk	51,527	51,682
Tax adjustment	(147,185)	(147,105)
S.C.R.	**518,809**	**518,529**
Tier 1	747,623	734,997
Tier 2	259,408	259,265
Eligible own funds to meet Solvency Capital Requirement	**1,007,031**	**994,261**
SOLVENCY II RATIO	**194.1%**	**191.7%**

Details on the impact on equity are illustrated in the chapter: "D.2 Technical reserves".

E.3 Utilization of the equity risk submodule based on the duration of the calculation of the solvency capital requirement

Not applicable.

E.4 Differences between the standard formula and the internal model used

Not applicable.

E.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

In the reference period, the minimum capital requirement and the solvency capital requirement of the Company have been widely covered by the Own Funds available.

E.6 Other information

There are no information to be reported.

Annexes: Quantitative reporting templates
(data in thousand euro)

Vittoria Assicurazioni S.p.A.
S.02.01.02 - Balance sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	153,981
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	126,869
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	4,005,357
Property (other than for own use)	R0080	142,799
Holdings in related undertakings, including participations	R0090	432,012
Equities	R0100	90,517
Equities - listed	R0110	9,239
Equities - unlisted	R0120	81,278
Bonds	R0130	2,593,554
Government Bonds	R0140	1,952,491
Corporate Bonds	R0150	641,063
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	743,475
Derivatives	R0190	
Deposits other than cash equivalents	R0200	3,000
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	113,796
Loans and mortgages	R0230	19,973
Loans on policies	R0240	350
Loans and mortgages to individuals	R0250	3,749
Other loans and mortgages	R0260	15,874
Reinsurance recoverables from:	R0270	48,436
Non-life and health similar to non-life	R0280	46,436
Non-life excluding health	R0290	46,193
Health similar to non-life	R0300	243
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	2,000
Health similar to life	R0320	2,978
Life excluding health and index-linked and unit-linked	R0330	(978)
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	205,480
Reinsurance receivables	R0370	7,908
Receivables (trade, not insurance)	R0380	93,979
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	2,302
Any other assets, not elsewhere shown	R0420	26,086
Total assets	R0500	4,804,167

Vittoria Assicurazioni S.p.A.
S.02.01.02 - Balance sheet – continued

		Solvency II value
Liabilities		C0010
Technical provisions - non-life	**R0510**	1,525,911
Technical provisions - non-life (excluding health)	**R0520**	1,478,083
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	1,408,338
Risk margin	**R0550**	69,745
Technical provisions - health (similar to non-life)	**R0560**	47,828
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	41,121
Risk margin	**R0590**	6,707
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	1,717,552
Technical provisions - health (similar to life)	**R0610**	12,096
Technical provisions calculated as a whole	**R0620**	-
Best Estimate	**R0630**	11,022
Risk margin	**R0640**	1,074
Technical provisions - life (excluding health and index-linked and unit-linked)	**R0650**	1,705,456
Technical provisions calculated as a whole	**R0660**	-
Best Estimate	**R0670**	1,672,510
Risk margin	**R0680**	32,946
Technical provisions - index-linked and unit-linked	**R0690**	110,857
Technical provisions calculated as a whole	**R0700**	-
Best Estimate	**R0710**	110,254
Risk margin	**R0720**	603
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	50,184
Pension benefit obligations	**R0760**	6,832
Deposits from reinsurers	**R0770**	6,389
Deferred tax liabilities	**R0780**	123,671
Derivatives	**R0790**	2,863
Debts owed to credit institutions	**R0800**	7,697
Financial liabilities other than debts owed to credit institutions	**R0810**	16,703
Insurance & intermediaries payables	**R0820**	32,450
Reinsurance payables	**R0830**	5,391
Payables (trade, not insurance)	**R0840**	83,949
Subordinated liabilities	**R0850**	274,530
Subordinated liabilities not in Basic Own Funds	**R0860**	-
Subordinated liabilities in Basic Own Funds	**R0870**	274,530
Any other liabilities, not elsewhere shown	**R0880**	30,837
Total liabilities	**R0900**	3,995,816
Excess of assets over liabilities	**R1000**	808,351

Vittoria Assicurazioni S.p.A.
S.05.01.02 - Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**												Line of Business for: **accepted non-proportional reinsurance**				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written																		
Gross - Direct Business	**R0110**	20,023	94,934	-	705,098	140,693	5,436	121,916	77,576	3,201	7,288	30,422	14,721					1,221,310
Gross - Proportional reinsurance accepted	**R0120**	-	1	-	-	-	-	2	75	-	-	17	-					95
Gross - Non-proportional reinsurance accepted	**R0130**																	
Reinsurers' share	**R0140**	26	531	-	1,404	4,045	192	9,534	1,000	1,925	5,166	12,364	144					36,331
Net	**R0200**	19,997	94,404	-	703,694	136,649	5,244	112,384	76,651	1,276	2,123	18,076	14,577	-	-	-		1,185,075
Premiums earned																		
Gross - Direct Business	**R0210**	19,546	94,130	-	707,136	137,801	5,108	116,651	76,054	4,289	7,104	29,947	14,445					1,212,212
Gross - Proportional reinsurance accepted	**R0220**	-	1	-	-	-	-	2	73	-	-	18	-					93
Gross - Non-proportional reinsurance accepted	**R0230**																	
Reinsurers' share	**R0240**	26	540	-	1,404	4,041	189	9,301	923	2,316	5,090	12,088	94					36,012
Net	**R0300**	19,521	93,591	-	705,732	133,760	4,919	107,352	75,204	1,973	2,014	17,877	14,351	-	-	-		1,176,294
Claims incurred																		
Gross - Direct Business	**R0310**	6,687	28,665	-	441,634	68,455	3,256	68,793	28,307	3,014	485	8,678	410					658,382
Gross - Proportional reinsurance accepted	**R0320**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non-proportional reinsurance accepted	**R0330**																	
Reinsurers' share	**R0340**	59	4	-	-	5,514	-	5,569	62	1,781	438	10,682	18					24,126
Net	**R0400**	6,628	28,661	-	441,634	62,941	3,256	63,224	28,245	1,233	48	(2,004)	392	-	-	-		634,258
Changes in other technical provisions																		
Gross - Direct Business	**R0410**	-	-	-	-	422	7	306	-	-	-	-	-					735
Gross - Proportional reinsurance accepted	**R0420**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non- proportional reinsurance accepted	**R0430**																	
Reinsurers'share	**R0440**																	
Net	**R0500**	-	-	-	-	422	7	306	-	-	-	-	-	-	-	-		735
Expenses incurred	**R0550**	7,260	34,916	-	176,051	46,351	1,831	49,395	28,572	2,345	(816)	13,126	4,259	-	-	-		363,290
Other expenses	**R1200**																	12,251
Total expenses	**R1300**																	375,541

S.05.01.02 - Premiums, claims and expenses by line of business – continued

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	1,445	178,587	28,393	14,062	-	-	-	-	222,486
Reinsurers' share	**R1420**	1,055	-	-	535	-	-	-	-	1,590
Net	**R1500**	389	178,587	28,393	13,527	-	-	-	-	220,896
Premiums earned										
Gross	**R1510**	-	-	-	-	-	-	-	-	-
Reinsurers' share	**R1520**	-	-	-	-	-	-	-	-	-
Net	**R1600**	-	-	-	-	-	-	-	-	-
Claims incurred										
Gross	**R1610**	44	97,992	5,961	15,690	-	-	-	-	119,687
Reinsurers' share	**R1620**	(67)	(5)	-	1,048	-	-	-	-	976
Net	**R1700**	111	97,997	5,961	14,643	-	-	-	-	118,711
Changes in other technical provisions										
Gross	**R1710**	-	-	-	-	-	-	-	-	-
Reinsurers' share	**R1720**									
Net	**R1800**	-	-	-	-	-	-	-	-	-
Expenses incurred	**R1900**	(276)	14,298	2,293	863	-	-	-	-	17,178
Other expenses	**R2500**									(1,108)
Total expenses	**R2600**									16,070

Vittoria Assicurazioni S.p.A.
S.05.02.01 Premiums, claims and expenses by country

		Home Country	Total Top 5 and home country
		C0010	C0070
	R0010		
		C0080	C0140
Premiums written			
Gross - Direct Business	R0110	1,221,310	1,221,310
Gross - Proportional reinsurance accepted	R0120	95	95
Gross - Non-proportional reinsurance accepted	R0130		
Reinsurers' share	R0140	36,331	36,331
Net	R0200	1,185,074	1,185,074
Premiums earned			
Gross - Direct Business	R0210	1,212,212	1,212,212
Gross - Proportional reinsurance accepted	R0220	93	93
Gross - Non-proportional reinsurance accepted	R0230		
Reinsurers' share	R0240	36,012	36,012
Net	R0300	1,176,293	1,176,293
Claims incurred			
Gross - Direct Business	R0310	658,382	658,382
Gross - Proportional reinsurance accepted	R0320	-	-
Gross - Non-proportional reinsurance accepted	R0330		
Reinsurers' share	R0340	24,126	24,126
Net	R0400	634,256	634,256
Changes in other technical provisions			
Gross - Direct Business	R0410	735	735
Gross - Proportional reinsurance accepted	R0420	-	-
Gross - Non- proportional reinsurance accepted	R0430		
Reinsurers' share	R0440		
Net	R0500	735	735
Expenses incurred	R0550	363,290	363,290
Other expenses	R1200		12,251
Total expenses	R1300		375,541

		Home Country	Total Top 5 and home country
			C0210
	R1400		
			C0280
Premiums written			
Gross	R1410	222,486	222,486
Reinsurers' share	R1420	1,590	1,590
Net	R1500	220,896	220,896
Premiums earned			
Gross	R1510	-	-
Reinsurers' share	R1520	-	-
Net	R1600	-	-
Claims incurred			
Gross	R1610	119,687	119,687
Reinsurers' share	R1620	976	976
Net	R1700	118,711	118,711
Changes in other technical provisions			
Gross	R1710	-	-
Reinsurers' share	R1720		
Net	R1800	-	-
Expenses incurred	R1900	17,178	17,178
Other expenses	R2500		(1,108)
Total expenses	R2600		16,070

S.12.01.02 Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Index-linked and unit-linked insurance: Contracts without options and guarantees	Index-linked and unit-linked insurance: Contracts with options or guarantees	Other life insurance	Other life insurance: Contracts without options and guarantees	Other life insurance: Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**	Health insurance (direct business)	Health insurance (direct business): Contracts without options and guarantees	Health insurance (direct business): Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**																
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**																
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**	1,671,404			110,254			1,107			1,782,765			11,022			11,022
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	3						- 981			- 978			2,978			2,978
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**	1,671,401		-	110,254		-	2,088	-	-	1,783,743		-	8,044	-	-	8,044
Risk Margin	**R0100**	26,227	603			6,719					33,549	1,074					1,074
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	**R0110**																
Best estimate	**R0120**																
Risk margin	**R0130**																
Technical provisions - total	**R0200**	1,697,631	110,857			7,826					1,816,314	12,096					12,096

Vittoria Assicurazioni S.p.A.
S.17.01.02 Non-life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**																	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**																	
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	**R0060**	1,006	7,009		194,072	36,564	1,497	47,916	17,048	2,911	(470)	4,347	(989)					310,912
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	(1)	(15)		-	4	1	1,085	223	1,685	(480)	1,458	(24)					3,937
Net Best Estimate of Premium Provisions	**R0150**	1,007	7,024	-	194,072	36,560	1,496	46,831	16,825	1,226	10	2,889	(965)	-	-	-	-	306,975
Claims provisions																		
Gross	**R0160**	4,040	29,065		864,005	24,132	7,572	47,348	127,621	28,038	2,202	3,405	1,119					1,138,546
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	108	151		127	3,842	3,051	10,937	2,504	16,890	1,902	2,968	20					42,499
Net Best Estimate of Claims Provisions	**R0250**	3,932	28,914	-	863,878	20,290	4,521	36,411	125,117	11,148	300	437	1,099	-	-	-	-	1,096,047
Total Best estimate - gross	**R0260**	5,047	36,075		1,058,076	60,696	9,069	95,263	144,669	30,949	1,732	7,753	130					1,449,459
Total Best estimate - net	**R0270**	4,939	35,938	-	1,057,950	56,850	6,017	83,242	141,942	12,374	310	3,326	134	-	-	-	-	1,403,022
Risk margin	**R0280**	778	5,929		39,313	7,007	653	12,322	6,914	1,307	103	681	1,443					76,452
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	**R0290**																	
Best estimate	**R0300**																	
Risk margin	**R0310**																	
Technical provisions - total																		
Technical provisions - total	**R0320**	5,825	42,004		1,097,389	67,703	9,722	107,585	151,583	32,256	1,835	8,434	1,573					1,525,911
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	107	136	-	127	3,846	3,052	12,022	2,727	18,575	1,422	4,426	(4)	-	-	-	-	46,436
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	5,717	41,867	-	1,097,263	63,857	6,670	95,564	148,856	13,681	413	4,007	1,577	-	-	-	-	1,479,474

Total Non-Life Business

Accident year / Underwriting year	Z0020	1

Gross Claims Paid (non-cumulative)
(absolute amount)

		Development year											In Current year	Sum of years (cumulative)
	Year	0	1	2	3	4	5	6	7	8	9	10 & +		
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100											3,512	3,512	1,054,132
N-9	R0160	185,959	130,801	39,081	24,476	15,666	11,606	8,658	8,161	5,915	2,226		2,226	432,550
N-8	R0170	187,966	124,899	46,586	23,648	17,463	14,933	11,436	6,498	4,938			4,938	438,366
N-7	R0180	202,399	142,009	50,911	21,821	14,375	15,539	6,861	3,999				3,999	457,914
N-6	R0190	219,246	154,614	48,580	16,362	11,254	8,132	6,509					6,509	464,696
N-5	R0200	246,305	168,218	56,059	29,578	17,763	12,379						12,379	530,304
N-4	R0210	264,218	185,895	54,231	22,914	12,103							12,103	539,361
N-3	R0220	301,168	197,241	62,210	25,795								25,795	586,415
N-2	R0230	316,602	200,221	52,457									52,457	569,280
N-1	R0240	328,795	217,734										217,734	546,529
N	R0250	258,919											258,919	258,919
Total	R0260												600,571	5,878,465

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year											Year end (discounted data)
	Year	0	1	2	3	4	5	6	7	8	9	10 & +	
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											46,147	46,714
N-9	R0160						50,287	36,962	26,692	20,155	16,966		17,233
N-8	R0170					70,485	51,307	37,663	30,537	24,926			25,337
N-7	R0180				98,696	79,078	50,736	42,093	33,446				34,005
N-6	R0190			123,312	90,209	70,431	55,871	45,394					46,162
N-5	R0200		196,483	135,919	103,818	83,188	67,155						68,312
N-4	R0210	383,262	179,459	130,016	98,703	78,730							80,096
N-3	R0220	410,797	191,558	139,137	110,119								112,079
N-2	R0230	436,760	197,841	134,301									136,682
N-1	R0240	431,696	200,580										203,844
N	R0250	363,466											368,083
Total	R0260												1,138,546

Vittoria Assicurazioni S.p.A.

S.22.01.21 Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	**C0030**	**C0050**	**C0070**	**C0090**
Technical provisions	**R0010**	3,354,321	-	-	(12,850)	-
Basic own funds	**R0020**	1,052,464	-	-	8,735	-
Eligible own funds to meet Solvency Capital Requirement	**R0050**	1,007,029	-	-	12,767	-
Solvency Capital Requirement	**R0090**	518,809	-	-	280	-
Eligible own funds to meet Minimum Capital Requirement	**R0100**	794,317	-	-	12,652	-
Minimum Capital Requirement	**R0110**	233,464	-	-	126	-

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	67,379	67,379			
Share premium account related to ordinary share capital	**R0030**	13,419	13,419			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**	-	-			
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	666,826	666,826			
Subordinated liabilities	**R0140**	274,530			274,530	
An amount equal to the value of net deferred tax assets	**R0160**	30,310				30,310
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	-	-			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	1,052,464	747,624	-	274,530	30,310
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Other ancillary own funds	**R0390**	-				
Total ancillary own funds	**R0400**				-	-

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total ancillary own funds	R0400				-	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	1,052,464	747,624	-	274,530	30,310
Total available own funds to meet the MCR	R0510	1,022,154	747,624	-	274,530	
Total eligible own funds to meet the SCR	R0540	1,007,029	747,624	-	259,405	-
Total eligible own funds to meet the MCR	R0550	794,317	747,624	-	46,693	
SCR	R0580	518,809				
MCR	R0600	233,464				
Ratio of Eligible own funds to SCR	R0620	2				
Ratio of Eligible own funds to MCR	R0640	3				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	808,351
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	30,417
Other basic own fund items	R0730	111,108
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	666,826
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	8,416
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	32,629
Total Expected profits included in future premiums (EPIFP)	R0790	41,045

S.25.01.21 Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	426,327		
Counterparty default risk	R0020	46,340		
Life underwriting risk	R0030	44,186		
Health underwriting risk	R0040	36,452		
Non-life underwriting risk	R0050	291,533		
Diversification	R0060	(230,371)		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	614,467		

		C0100
Calculation of Solvency Capital Requirement		
Operational risk	R0130	51,527
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	(147,185)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	518,809
Capital add-on already set	R0210	
Solvency capital requirement	R0220	518,809
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	2

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
LAC DT	R0640	(147,185)
LAC DT justified by reversion of deferred tax liabilities	R0650	-
LAC DT justified by reference to probable future taxable profit	R0660	(147,185)
LAC DT justified by carry back, current year	R0670	-
LAC DT justified by carry back, future years	R0680	-
Maximum LAC DT	R0690	

S.28.02.01 Minimum Capital Requirement - Both life and non-life insurance activity

		Non-life activities	Life activities
		$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$ Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	233226	0

		Non-life activities		Life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	4,939	19,984	-	-
Income protection insurance and proportional reinsurance	R0030	35,939	94,417	-	-
Workers' compensation insurance and proportional reinsurance	R0040	-	-	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	1,057,950	703,694	-	-
Other motor insurance and proportional reinsurance	R0060	56,850	136,649	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	6,016	5,258	-	-
Fire and other damage to property insurance and proportional reinsurance	R0080	83,241	112,381	-	-
General liability insurance and proportional reinsurance	R0090	141,942	76,640	-	-
Credit and suretyship insurance and proportional reinsurance	R0100	12,374	1,404	-	-
Legal expenses insurance and proportional reinsurance	R0110	310	2,123	-	-
Assistance and proportional reinsurance	R0120	3,326	18,076	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	134	14,449	-	-
Non-proportional health reinsurance	R0140				
Non-proportional casualty reinsurance	R0150				
Non-proportional marine, aviation and transport reinsurance	R0160				
Non-proportional property reinsurance	R0170				

		Non-life activities	Life activities
		$MCR_{(L,NL)}$ Result	$MCR_{(L,L)}$ Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200	-	64,458

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210			1,647,345	
Obligations with profit participation - future discretionary benefits	R0220			24,057	
Index-linked and unit-linked insurance obligations	R0230			110,254	
Other life (re)insurance and health (re)insurance obligations	R0240			10,132	
Total capital at risk for all life (re)insurance obligations	R0250				5,390,181

Overall MCR calculation

		C0130
Linear MCR	R0300	297,684
SCR	R0310	518,809
MCR cap	R0320	233,464
MCR floor	R0330	129,702
Combined MCR	R0340	233,464
Absolute floor of the MCR	R0350	7,400

		C0130
Minimum Capital Requirement	R0400	233,464

Notional non-life and life MCR calculation		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	233,226	64,458
Notional SCR excluding add-on (annual or latest calculation)	R0510	406,470	112,339
Notional MCR cap	R0520	182,912	50,553
Notional MCR floor	R0530	101,618	28,085
Notional Combined MCR	R0540	182,912	50,553
Absolute floor of the notional MCR	R0550	3,700	3,700
Notional MCR	R0560	182,912	50,553

Report of Independent auditors

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 47-SEPTIES, COMMA 7 OF LEGISLATIVE DECREE No. 209 DATED 7 SEPTEMBER 2005, AND ARTICLE 4, COMMA 1, LETTER A and B, OF IVASS REGULATION No. 42 OF AUGUST 2, 2018

To the Board of Directors of Vittoria Assicurazioni S.p.A.

Opinion

We have audited the following elements of the Solvency and Financial Condition Report (the "SFCR") of Vittoria Assicurazioni S.p.A. (the "Company") as at December 31, 2020, prepared pursuant to article 47-septies, comma 7 of Legislative Decree No. 209 dated 7 September, 2005:

- Reporting templates "S.02.01.02 Balance Sheet" and "S.23.01.01 Own Funds" (the "reporting templates");
- Sections "D. Valuation for Solvency purposes" and "E.1 Own Funds" (the "Disclosures").

We are not required to audit:

- The components of technical provisions related to risk margin (items R0550, R0590, R0640, R0680 and R0720) of the reporting template "S.02.01.02 Balance Sheet";
- The Solvency Capital Requirement (item R0580) and the Minimum Capital requirement (item R0600) of the reporting template "S.23.01.01 Own Funds";

consequently, they are excluded from our opinion.

The reporting templates and the disclosures, with the exclusions abovementioned, constitute "the reporting templates of MVBS and OF and related disclosures" as a whole.

In our opinion, the reporting templates and related disclosures included in the SFCR of Vittoria Assicurazioni S.p.A. for the year ended December 31, 2020 are prepared, in all material respects, in accordance with the applicable European Union regulations and the Italian insurance regulation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the reporting templates of MVBS and OF and related disclosures* section of our report.

We are independent of the Company in accordance with the ethical and independence requirements of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* applicable to the audit of the reporting templates and related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to the section “D. Valuation for Solvency purposes” which describes the basis of accounting. The reporting templates of MVBS and OF and related disclosures are prepared for solvency supervision purposes in accordance with the applicable European Union regulations and the Italian insurance regulation, which constitutes a special purpose framework. As a result, the reporting templates of MVBS and OF and related disclosures may not be suitable for another purposes. Our opinion is not modified in respect of this matter.

Other Matters

The Company has prepared the financial statement for the year ended December 31, 2020 in compliance with the Italian insurance regulation which govern the drafting criteria, has been audited by us and we subsequently issued our audit report dated April 2, 2021.

The Company has prepared the reporting templates “S.25.01.21 Solvency Capital Requirement – for undertakings using the standard formula” and “S.28.02.01 Minimum Capital Requirement – Both life and non-life insurance activity” and related disclosures included in the section “E.2 Solvency Capital Requirement and Minimum Capital Requirement” of the attached SFCR, in accordance with the applicable European Union regulations, the Italian insurance regulation and undertaking specific parameters, on which we conducted a limited review, according to the article 4, comma 1 lett. c) of IVASS Regulation No 42 of August 2, 2018; as a result, today we issued our limited auditor’s report attached to the SFCR.

Other Information included in the SFCR

The Directors are responsible for the preparation of the other information included in the SFCR in accordance with the applicable rules governing the basis of preparation.

The other information included in the SFCR consists of:

- Reporting templates “S.05.01.02 Premiums, claims and expenses by line of business”, “S.05.02.01 Premiums, claims and expenses by country”, “S.12.01.02 Life and Health SLT Technical provisions”, “S.17.01.02 Non-life technical provisions”, “S.19.01.21 Non life insurance claims”, “S.22.01.21 Impact of long term guarantees and transitional measures”, “S.25.01.21 Solvency Capital Requirement – for undertakings using the standard formula” and “S.28.02.01 Minimum Capital Requirement – Both life and non-life insurance activity”;

- Sections “A. Business and performance”, “B. System of governance”, “C. Risk profile”, “E.2 Solvency Capital Requirement and Minimum Capital requirement”, “E.3 Utilization of the equity risk submodule based on the duration of the calculation of the solvency capital requirement”, “E.4 Differences between the standard formula”, “E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement” and “E.6 Other information”.

Our opinion on the reporting templates of MVBS and OF and related disclosures does not cover the other information.

In connection with the audit of the reporting templates of MVBS and OF and related disclosures, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the reporting templates of MVBS and OF and related disclosures or our knowledge obtained in the audit or otherwise appears to be materially misstated. Where we identify possible inconsistencies or material misstatements, we are required to determine if there is a material misstatement in the reporting templates of MVBS and OF and related disclosures or in the other information. If, based on the work we have performed, we conclude that there is a material misstatement, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and the Board of Statutory Auditors for the reporting templates of MVBS and OF and related disclosures

The Directors are responsible for the preparation of the reporting templates of MVBS and OF and related disclosures in accordance with applicable provisions governing the basis of preparation, and, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of the reporting templates of MVBS and OF and related disclosures that are free from material misstatement, whether due to fraud or error.

In preparing the reporting templates of MVBS and OF and related disclosure, the Directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the reporting templates of MVBS and OF and related disclosures

Our objectives are to obtain reasonable assurance about whether the reporting templates of MVBS and OF and related disclosures as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the reporting templates of MVBS and OF and related disclosures.

As part of an audit in accordance with International Standards on Auditing (ISAs), we have exercised professional judgment and maintain professional skepticism throughout the audit. In addition:

- We have identified and assessed the risks of material misstatement of the reporting templates of MVBS and OF and related disclosures, whether due to fraud or error; we have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- We have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- We have concluded on the appropriateness of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We have communicated with those charged with governance, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE & TOUCHE S.p.A.

Signed by
Alessandro Grazioli
Partner

Milan, Italy
07/04/2021

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INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT PURSUANT TO ARTICLE 47-SEPTIES, COMMA 7 OF LEGISLATIVE DECREE No. 209 DATED 7 SEPTEMBER 2005, AND ARTICLE 4, COMMA 1, LETTER C, OF IVASS REGULATION No 42 OF AUGUST 2, 2018

To the Board of Directors of Vittoria Assicurazioni S.p.A.

Introduction

We have reviewed the accompanying reporting templates "S.25.01.21 Capital Requirement – for undertakings on Standard Formula" and "S.28.02.01 Minimum Capital Requirement – Both life and non-life insurance activity" (the "Reporting Templates SCR and MCR") and the related disclosures included in the section "E.2 Solvency Capital Requirement and Minimum Capital Requirement" of the attached Solvency and Financial Condition Report ("SFCR") of Vittoria Assicurazioni S.p.A (the "Company") for the year ended December 31, 2020 in accordance with the article 47-septies of Legislative Decree No. 209 dated 7 September 2005.

The Reporting Templates SCR and MCR and related disclosures have been prepared by management in accordance with the applicable European Union regulations, the Italian insurance regulation and the undertaking specific parameters of the Company as described in the SFCR disclosures and approved by IVASS.

Management's Responsibility

Management is responsible for the preparation of the Reporting Templates SCR and MCR and the related disclosures in accordance with the applicable European Union regulations, the Italian insurance regulation and the undertaking specific parameters of the Company as described in the SFCR disclosures and approved by IVASS and, within the terms established by law, for such internal control as management determines is necessary to enable the preparation of the Reporting Templates SCR and MCR and the related disclosures that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying Reporting Templates SCR and MCR and the related disclosures. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the Reporting Templates SCR and MCR and the related disclosures, taken as a whole, are not prepared in all material respects in accordance with the applicable European Union regulations, the Italian insurance regulation and the undertaking specific parameters of the Company as described in the SFCR disclosures and approved by IVASS. This Standard also requires us to comply with relevant ethical requirements.

A limited review of the Reporting Templates SCR and MCR and the related disclosures in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The auditor performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a limited review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the Reporting Templates SCR and MCR and the related disclosures.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Reporting Templates SCR and MCR and the related disclosures included in the SFCR of Vittoria Assicurazioni S.p.A for the year ended December 31, 2020 are not prepared, in all material respects, in accordance with the applicable European Union regulations, the Italian insurance regulation and the undertaking specific parameters of the Company as described in the SFCR disclosures and approved by IVASS.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our conclusion, we draw attention to the section "E.2 Solvency Capital Requirement and Minimum Capital Requirement" of the SFCR which describes the basis of accounting of the Reporting Templates SCR and MCR. The Reporting Templates SCR and MCR and the related disclosures are prepared for solvency supervision purposes in accordance with the applicable European Union regulations, the Italian insurance regulation and the undertaking specific parameters of the Company, which constitutes a special purpose framework. As a result, the Reporting Templates SCR and MCR and the related disclosures may not be suitable for another purposes. Especially, in accordance with the article 45-sexies, comma 7, of Legislative Decree No. 209 dated 7 September 2005, the use of the undertaking specific parameters of the Company, briefly described in the SFCR, has been approved by IVASS in the performance of its supervision duties. In accordance with the article 13 of IVASS Regulation No. 42 of August 2, 2018, our conclusions are not extended to the opinion expressed by IVASS in the performance of its supervision duties and therefore, in particular, to the appropriateness of the undertaking specific parameters with respect to the purpose defined by the applicable European Union regulation and Italian insurance regulation.

DELOITTE & TOUCHE S.p.A.

Signed by
Alessandro Grazioli
Partner

Milan, Italy
07/04/2021

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