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 2017

Board of Directors
of 4th May 2018

(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:

1 Level Regulation

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

2 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;

3 Level Regulation

- IVASS Regulation no. 33 of 6 December 2016.

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

A. Activities and results

It provides information on the company and the external auditor appointed by the Shareholders' Meeting. It contains information concerning the supervisory discipline to which the company is subject, the position of the company in the legal structure of the group, the holders of qualifying holdings in the company and the business and geographical areas in which the Company operates.
Here are also summarized the operating results for each business area in which the company operates and the results deriving from the investments held.

B. Governance System

The section is dedicated to describing the corporate governance system and the risk management system that the company uses and the Own Risk and Solvency Assessment (ORSA). In particular, it contains information regarding the structure, roles, responsibilities, competence and integrity requirements and the remuneration policy of the administrative or supervisory board. It outlines any substantial changes in the governance system that took place during the reporting period or substantial transactions carried out with Shareholders, with persons having a significant influence on the company and with the members of the Administrative, Management or Supervisory Board.

C. Risk profile

It contains information on exposure, concentration and risk mitigation for each type of risk, together with a description of the methods used, the hypotheses formulated and the results of stress tests in relation to risk sensitivity.

D. Solvency assessment

It describes, for each class of assets and liabilities, including technical provisions, the methodology used to determine the Balance Sheet prepared for solvency purposes and a quantitative and qualitative explanation of the significant differences between the bases, the methods and the main assumptions used by the company for solvency assessment and those used for valuation in the financial statements.
For each class of assets and liabilities, including technical provisions, it shows the Local GAAP and Solvency II value.

E. Capital Management

The chapter provides information on the structure, amount and quality (expressed in three classes, so-called Tier) of the company's own funds, together with the targets to be achieved and the policies and processes applied to manage the own funds, and the time horizon used for planning activities.
It describes the elements of the reconciliation reserve, together with an analysis of the substantial changes in own funds during the reference period (the latter starting from the second reporting period, 2017).
It includes information on the Solvency Capital Requirement and the Minimum Capital Requirement of the company.

10 QRTs are required to be attached to the document

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 2017.

Overview of key solvency data (€/000)

		31/12/17	31/12/16	Change
A	Solvency Capital Requirement (SCR)	424,977	374,909	13.4%
B	Minimum Capital Requirement (MCR)	191,239	168,709	13.4%
C	Eligible own funds to meet Solvency Capital Requirement	918,359	819,699	12.0%
D	Net deferred tax assets	3,102	20,861	-85.1%
C-D	Eligible own funds to meet Minimum Capital Requirement	915,258	798,838	14.6%
C/A	Ratio of Eligible own funds to SCR	216.1%	218.6%	-2.5
(C-D)/B	Ratio of Eligible own funds to MCR	478.6%	473.5%	5.1

During 2017, IVASS authorized the Company to use USP (Undertaking Specific Parameters) starting from data as at 31 December 2016.
Data indicated in the table above were therefore 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.
During the period under review, the Company mainly recorded ordinary changes both in terms of governance and activity, results and risk profile (redefinitions of responsibility, review and adjustment of policies and the issue of new policies), as well as a change to the portfolio of investments, which however continued a trend already started in the last months of 2016.
In addition, in 2017, the indirect parent company Yafa S.p.A. took over the role of Parent Company of the Vittoria Assicurazioni Group, with the consequent need for coordination between the Parent Company and the Company.

As regards the risk profile, the most significant change regards the increase in the Market Risk module, mainly due to the Company's greater propensity, as already noted at the end of 2016, to invest, either directly or through funds, in debt instruments, as well as - to a lesser extent - in equity instruments.
The other relevant modules did not give rise to significant changes and, as regards the insurance portfolio, the risk exposures mainly refer to the Non-life and Health components.

The overall increase of the Sr.R. (+ 13.4%) was partly offset by the increase in Own Funds (+ 12.0%), resulting in a reduction of the Solvency Ratio from 218.6% to 216.1%,an improvement on the amount anticipated in the draft budget, approved by the Board of Directors on March 15, 2018 (210.5%).

A. Business and performance

A.1 Business

A.1.1 Name and legal form of the undertaking

Vittoria Assicurazioni S.p.A. is a limited company founded in 1921. It is listed on the Milan Stock Exchange.

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.
As issuer of listed shares on the electronic share market (MTA) managed by Borsa Italiana S.p.A., Vittoria Assicurazioni is also subject to the supervision of CONSOB, namely the Italian Securities Commission, based in Rome.

A.1.3 External auditor

The Shareholders' Meeting of 20 April 2012 appointed the following audit firm for the period 2012 – 2020:
Deloitte & Touche S.p.A.
Via Tortona, 25
20144 - Milan

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

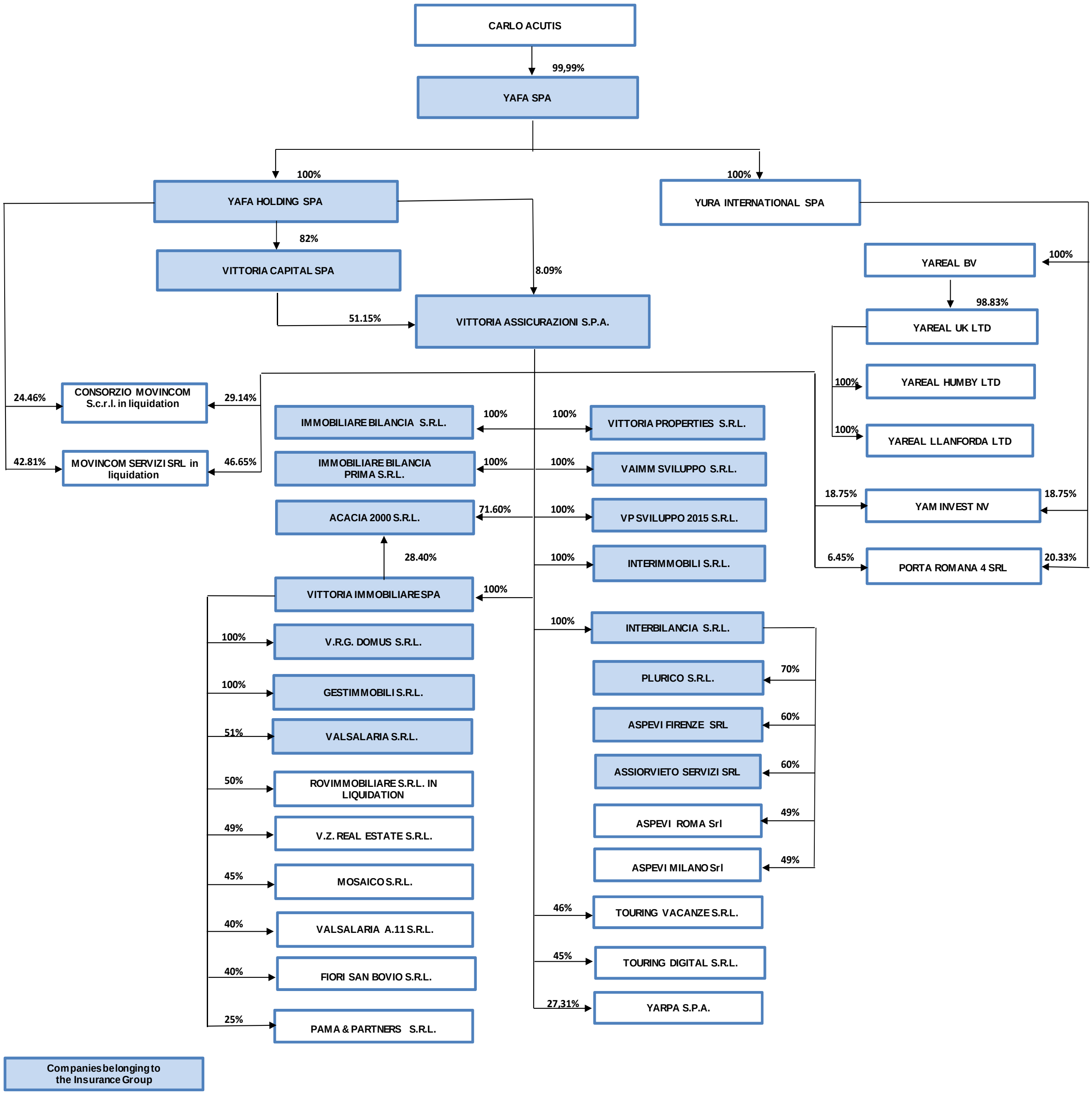
As at the date of this Report, qualifying holdings in Vittoria Assicurazioni S.p.A. are only held by Mr Carlo Acutis, through the following participations, held through the controlled company Yafa S.p.A.:

- Vittoria Capital S.p.A. 51.15%
- Yafa Holding S.p.A. 8.09%

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 2017:



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

Vittoria Assicurazioni is an independent insurance company founded in Milan in 1921. The Company operates in all Life and Non-Life insurance segments on the whole national territory through a business network with over 400 Agencies. Through its subsidiaries, it conducts activities of trading and real-estate development, as well as insurance mediation, exclusively in Italy.

A.2 Underwriting performance

The table below provides information on the performance as at 31 December 2017, compared with data of the previous period.

(€/000)

Underwriting performance by line of business	Premiums written		Claims incurred		Changes in other technical provisions		Expenses	
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Direct Business								
Non-life								
(1) Medical expense insurance	17,407	15,218	(7,709)	(6,304)	-	-	(6,019)	(5,120)
(2) Income protection insurance	87,250	78,599	(28,514)	(29,299)	-	-	(32,049)	(29,001)
(4) Motor vehicle liability insurance	666,700	638,959	(495,817)	(464,039)	-	-	(164,930)	(154,599)
(5) Other motor insurance	125,329	113,457	(65,709)	(58,270)	(376)	(340)	(41,351)	(36,713)
(6) Marine, aviation and transport insurance	3,974	3,402	(1,939)	(1,596)	(5)	(4)	(1,275)	(1,571)
(7) Fire and other damage to property insurance	105,563	96,683	(69,330)	(48,962)	(233)	(222)	(41,231)	(37,073)
(8) General liability insurance	57,827	52,519	(27,369)	(26,509)	-	-	(21,408)	(19,299)
(9) Credit and suretyship insurance	3,925	5,156	(14,570)	(16,848)	-	-	(3,304)	(4,123)
(10) Legal expenses insurance	5,481	4,872	(329)	(298)	-	-	(1,646)	(1,446)
(11) Assistance	26,389	23,772	(7,411)	(6,138)	-	-	(11,573)	(9,547)
(12) Miscellaneous financial loss	48,226	48,507	(1,122)	(1,511)	-	-	(14,335)	(14,279)
Total Non-life	1,148,072	1,081,145	(719,820)	(659,775)	(614)	(567)	(339,119)	(312,772)
Life								
(29) Health insurance	986	912	(32)	(46)	-	-	(78)	(79)
(30) Insurance with profit participation	160,980	172,709	(98,985)	(114,720)	-	-	(14,131)	(17,626)
(31) Index-linked and unit- linked insurance	17,965	4,817	(2,069)	(6,804)	-	-	(632)	(122)
(32) Other life insurance	11,213	11,031	(13,730)	(15,608)	-	-	(403)	(632)
Total Life	191,144	189,469	(114,816)	(137,178)	-	-	(15,243)	(18,460)
Total Direct Business	1,339,216	1,270,614	(834,636)	(796,953)	(614)	(567)	(354,362)	(331,232)
Reinsurers' share								
Non-life	(36,729)	(31,574)	40,848	17,654	-	-	5,489	4,452
Life	(1,157)	(1,182)	7,645	455	-	-	197	165
Total Reinsurers' share	(37,886)	(32,756)	48,493	18,109	-	-	5,686	4,617
Total Direct Business net of reinsurers' share	1,301,330	1,237,858	(786,143)	(778,844)	(614)	(567)	(348,676)	(326,615)

With reference to the Non-Life Business, the Company carries out accepted quota share reinsurance activity, whose performance as at 31 December 2017 is positive for 57 thousand euro (48 thousand euro as at 31 December 2016).

At 31 December 2017 there are no reinsurance obligations of the life business (31 December 2016 showed a profit of 30 thousand euro).

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	Non-Life Business %	Life Business Premiums	Life Business %
NORTH					
Emilia Romagna	35	91,549		13,143	
Friuli Venezia Giulia	8	11,033		934	
Liguria	16	44,459		5,364	
Lombardy	106	233,491		70,862	
Piedmont	52	95,799		8,933	
Trentino Alto Adige	9	12,245		1,454	
Valle d'Aosta	1	4,431		309	
Veneto	41	67,479		13,079	
Total	268	560,486	48.8	114,078	59.7
CENTRE					
Abruzzo	12	54,292		5,567	
Lazio	29	112,278		18,953	
Marche	18	40,411		4,902	
Tuscany	51	125,964		10,742	
Umbria	15	54,264		8,356	
Total	125	387,209	33.7	48,520	25.4
SOUTH AND ISLANDS					
Basilicata	4	10,716		1,056	
Calabria	2	3,270		35	
Campania	13	43,616		3,399	
Molise	2	6,403		415	
Puglia	6	28,632		18,052	
Sardinia	11	43,314		1,088	
Sicily	13	64,300		4,501	
Total	51	200,251	17.4	28,546	14.9
Total ITALY	444	1,147,946	100.0	191,144	100.0
France	0	126	0.0	0	0.0
OVERALL TOTAL	444	1,148,072		191,144	

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 31/12/2017	Total cost 31/12/2017	Total net income 31/12/17	Total net income 31/12/16	Change
Investments (other than assets held for index-linked and unit-linked contracts)					
Property (other than for own use)	6,084	(6,681)	(597)	85	(682)
Holdings in related undertakings, including participations	55	(955)	(900)	(8,433)	7,533
Equities					
-Equities — listed	453	(4)	449	328	122
-Equities — unlisted	1,291	(7)	1,284	7,418	(6,135)
Bonds					
-Government Bonds	53,702	(27,671)	26,032	118,638	(92,606)
-Corporate Bonds	5,099	(2,635)	2,464	1,084	1,381
-Structured notes	158	(2)	155	156	(1)
Collective Investments Undertakings	12,673	(3,221)	9,452	142	9,309
Deposits other than cash equivalents	10	-	10	11	(1)
Total Investments (other than assets held for index-linked and unit-linked contracts)	79,524	(41,175)	38,349	119,428	(81,079)
Assets held for index-linked and unit-linked contracts	4,485	(2,069)	2,416	(187)	2,603
Total	84,009	(43,243)	40,765	119,241	(78,476)

Revenues refer to income relating to the period, such as coupons, dividends, gains on disposal or reimbursement, value re-adjustments and leasing instalments.
Costs refer to expenses that were directly and indirectly borne for the management of investments, expenses on disposal or reimbursement and value re-adjustments and the depreciation charge of real estate properties under lease.

The result of investments with risk borne by the Company went from 119,428 thousand euro to 38,349 thousand euro, down by 81,079 thousand euro. This decrease is mainly attributed to the extraordinary sale of Italian government securities allocated to Non-Life business, which took place in the previous year, which generated 44,037 thousand euro in extraordinary capital gains, net of the tax effect. Therefore, the weighted average yield of the "bonds and other fixed income securities" segment decreased from 6.4% at 31 December 2016 to 1.8% at 31 December 2017.

A.4 Performance from other activities

The Company carries out exclusively insurance business.

A.5 Other information

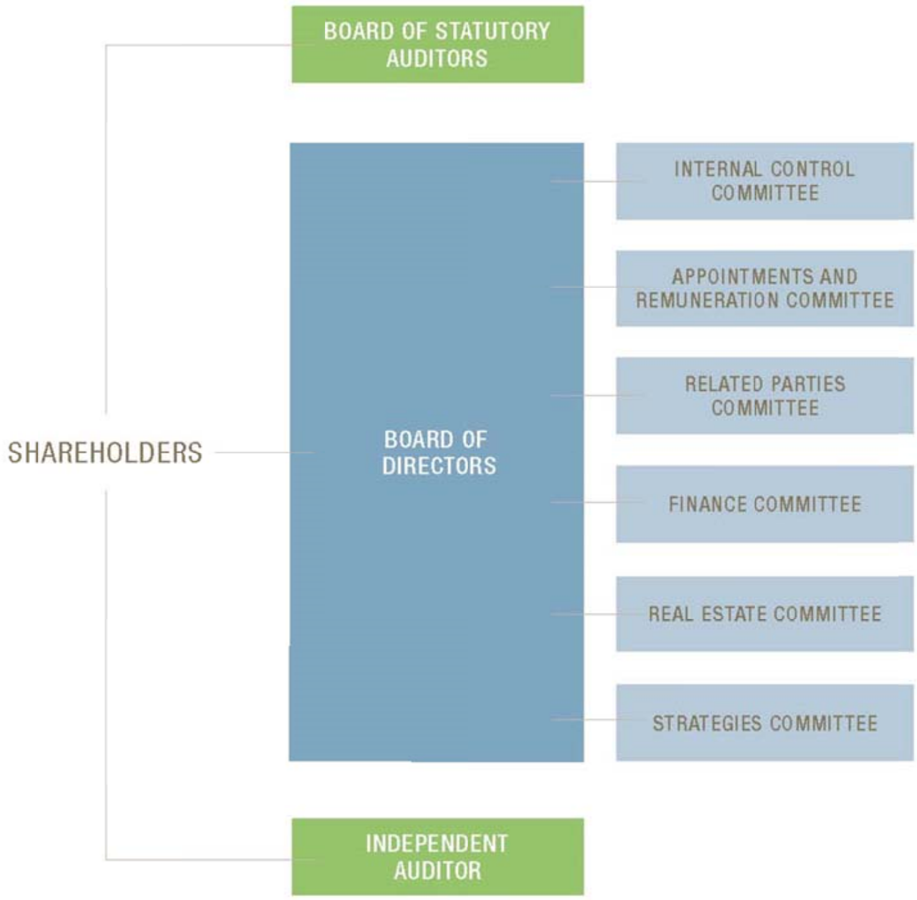
Nothing to be reported.

B. System of Governance

B.1 Overall information on the system of governance

Vittoria Assicurazioni management and control framework is based on the traditional pattern, which entails complete segregation between administrative functions, handled by the Board of Directors, and control functions, handled by the Board of Statutory Auditors. Both boards are appointed by the Shareholders' Meeting.
In its governance system, Vittoria Assicurazioni adheres to the principles envisaged by the Corporate Governance Code of listed Companies approved by the Corporate Governance Committee and promoted by Borsa Italiana. S.p.A., ABI, Ania, Assogestioni, Assonime and Confidustria (hereinafter the "Corporate Governance Code").

GOVERNANCE STRUCTURE



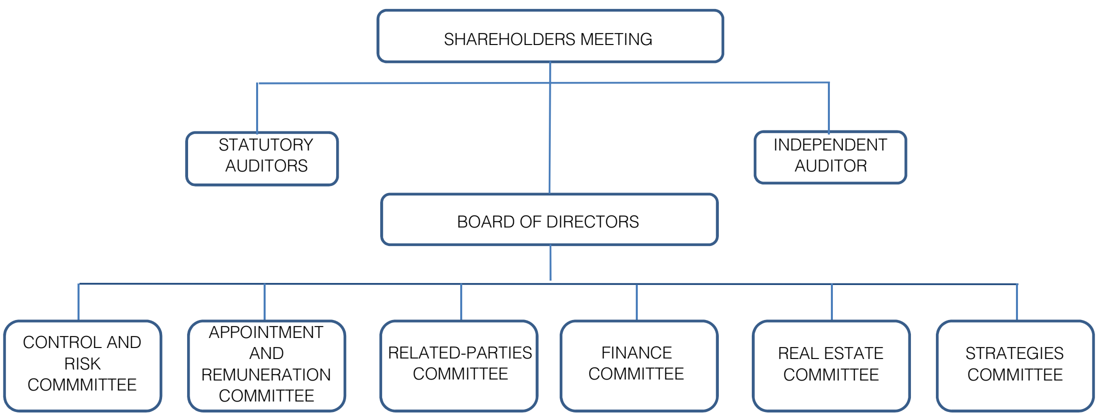
The Company is subject to the management and coordination of Yafa SpA, the last Italian parent company that since May 2017 has assumed the role of Parent Company of the Vittoria Assicurazioni Group and is therefore responsible for the implementation of the corporate governance provisions at group level pursuant to art. 215-bis, paragraph 2 of the Insurance Code. The areas subject to the direction and coordination of the Parent Company Yafa S.p.A. are identified in the Group Regulations, which regulate the obligations of the subsidiaries with reference to the activities necessary for the Parent Company itself to perform the tasks established by the current regulations on group solvency, control of intragroup transactions and management of risk concentration.

The Regulation also has the purpose of not affecting the duties and responsibilities of the Board of Directors of Vittoria Assicurazioni with regard to the strategic guidelines for which it is responsible, in particular decisions concerning business strategies, in compliance with the guidelines provided by the Parent Company.
The Regulation provides for a differentiated management of the application areas of intragroup coordination, delegating to Vittoria Assicurazioni the direction and coordination of its subsidiaries and all its control and risk management currently implemented as defined by the regulation of IVASS, attributing to Yafa S.p.A. direct management and coordination on the other subsidiaries.

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 27 April 2016 for the FYs 2016, 2017 and 2018, hence till the date of the Meeting that will approve the financial statements as at 31 December 2018.
Pursuant to art. 14 of the Bylaws, the Board of Directors has internally constituted six committees with consulting and advisory functions, listed in the table above. The duration of the mandates to the committees coincides with that of the Board of Directors. In setting up the committees, the Board, in addition to taking into account the provisions of the Corporate Governance Code, considered the Company's operations, in particular with regard to investments in the real estate sector and the indications emerged from the self-assessment processes concerning the Board's operations. pursuant to the provisions of Isvap Regulation no. 20 and of the Corporate Governance Code.
In the composition of the Committees, the Board considered the requirements envisaged by the Corporate Governance Code, the professional profiles of the Directors, their past experience as well as the number of other positions held and the willingness shown by the individuals concerned.
The Board of Directors has attributed to the Chief Executive Officer the role of Director in charge of the internal control and risk management system envisaged by art. 7.P.3 of the Corporate Governance Code.



COMPOSITION OF THE BOARD OF DIRECTORS

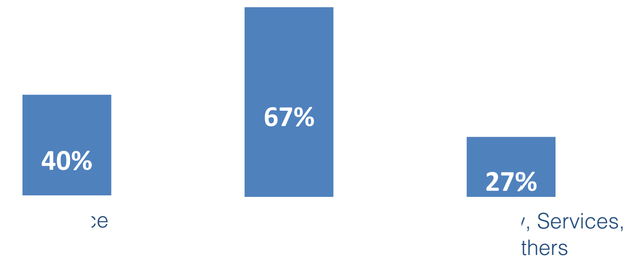
At the date of preparation of this Report, the Board of Directors is made up as follows:

		Exec.		Indep. TUF	Indep. Code	Control and Risk	Appoint. Remuner	Related Parties	Finance	Real Estate	Strateg.
ACUTIS Carlo	Emeritus Chairman		M						X	X	X
ACUTIS Andrea	Chairman		M						P	P	P
GUARENA Roberto	Vice Chairman		M	X							
CALDARELLI Cesare	Manging Director	X	M						X	X	X
ACUTIS BISCARETTI di RUFFIA Adriana	Director		M						X	X	
BRIGNONE Marco	Director		M	X	X			X			
COSTA Giorgio	Director		M	X					X	X	
GUERRA SERAGNOLI Lorenza	Director		M	X	X						
MARSIAJ Giorgio	Director		M	X	X						
MASSARI Maria Antonella	Director		m	X	X	X	P				
MORENA Marzia	Director		M	X	X					X	
PAVERI FONTANA Luca	Director		M						X	X	X
SPADAFORA Giuseppe	Director		M	X	X	P	X	X	X	X	X
URBAN Roberta	Director		M	X	X	X	X	P			X

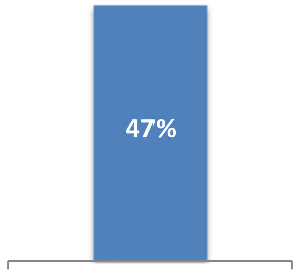
M/m: majority/minority

P: Chairman of the Commitee

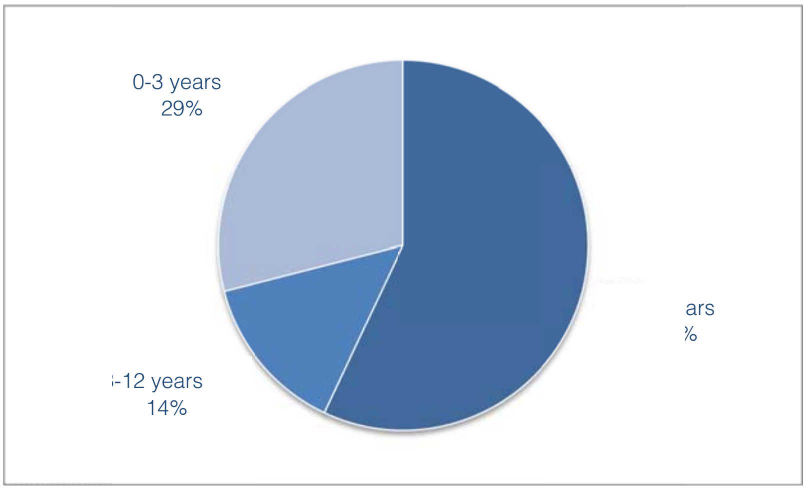
Professional background of Directors
All Directors have managerial or teaching experience in the fields of insurance, finance and real estate, industry, services and other sectors



International experience of Directors



Board of Directors Membership



Evolution from the previous Board

	Previous Board	Current Board*
Number of Directors	16	14
Directors designated by minority	1	1
Percentage of female Direcotrs	25%	36%
Percentage of Independent Directors as per TUF	63%	64%
Percentage of Independent Directors as per Code	63%	50%
Average age of Directors	63	63
Status of the Chairman	Non executive	Non executive
Appointment of the *Lead Indipendent Director*	Yes	Yes

The independence of the Directors is assessed according to criteria and principles envisaged by the Corporate Governance Code of listed companies approved by the Corporate Governance Code.

Functions of the Board of Directors

The functions of the Board of Directors are determined according to provisions under the By-Laws, as well as under applicable laws and regulations.

Pursuant to Article 14 of the By-Laws, the Board of Directors is vested with 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 General Meeting.

The Board of Vittoria Assicurazioni is responsible for defining the process for the recognition, current and future assessment, monitoring, management and reporting of risks at an individual level, with the power to issue provisions, with regard to the subsidiaries of the Company, on corporate governance and risk control and management, within the guidelines established at Group level by the Parent Company.

The Board of Directors of Vittoria Assicurazioni S.p.A. approves, with the support and the prior analysis of the Strategies Committee, the strategic plan of the company, determining the objectives on the basis of the macroeconomic and market framework. The Company is currently implementing the 2017/2019 strategic plan approved at the beginning of the 2017 financial year.

The Board of Vittoria Assicurazioni S.p.A. is in charge for the resolutions regarding transactions that have a significant strategic, economic, equity or financial importance for the Company, as shown by the limits of the powers conferred. In particular:

- buy and sell controlling interests in other companies or entities, with the exception of those concerning real estate companies, for which the CEO has been empowered up to a limit of 10 million euros for each transaction;
- purchase, underwrite, negotiate and sell, give and take back shares, convertible bonds, shares in companies and entities, and debt securities in general, for amounts in excess of fifteen million euro; if the deeds do not concern transactions aimed at investing and disinvesting financial resources, but are aimed at the acquisition and sale of investments in insurance companies or in companies with objects directly connected to and instrumental to such activity, the aforementioned limit it is reduced to ten million euros;
- issue sureties and endorsements to third parties, with the exception of those referring to the performance of the insurance business of the Credit and Deposits business.

Furthermore, the Board of Directors approves specific policies with the purpose of determining the overall internal control and risk management system, determining, in particular, the levels of risk appetite of the company. For this purpose the Board:

- identifies the strategic guidelines relating to equity investments, determines the identification criteria (including those related to strategic holdings), approves the assumption and approves the processes for development and management;
- defines the guidelines for strategic planning and, in line with what is defined in the Investment, ALM and Liquidity Policy and in the Infragroup Transactions Policy, defines the investment areas through participation in companies;
- defines the levels of risk tolerance, with particular reference to investment, ALM and liquidity activities, the risks of underwriting and reserving both Life and Non-Life and the risks associated with the use of reinsurance;
- defines the net retention level of the risks, the characteristics of the reinsurance cover that the Company intends to stipulate, the objectives and the consistency of the same for the purposes of hedging the risks assumed and the criteria used for the selection of reinsurers.
-

The Board annually approves the budget for the current year and, upon approval of the accounting data for the period (financial statements, half-year and quarterly), verifies the implementation, evaluating the performance of the management and comparing the results achieved with those programmed.

The Board approves annually the organization chart and the company's function chart, documents that identify and define the responsibilities related to the main corporate decision-making processes, together with the model of delegations and powers of attorney that defines the articulation of responsibilities assigned to the individual operating units.

Functions of the Control and Risk Committee

The Committee is composed entirely of Independent Directors, as also required by art. 16 of the Consob Market Regulations.

The main role of the Control and Risk Committee is to provide support for assessments and decisions made by the Board of Directors concerning the guidelines and adequacy of the risk management and control system, in terms of effectiveness and efficiency.
In particular, in assisting the Board of Directors, the Committee:

- assesses, on a yearly basis, the adequacy of the internal control and risk management system with respect to the characteristics of the Company and with the assumed risk profile, as well as its effectiveness;
- reports to the Board of Directors on the work done and on the adequacy of the Internal Control System and Risk Management system;
- checks the updates of the RAF (Risk Appetite Framework), as well as the formalisation and distribution of related documentation;
- ensures the existence of adequate processes and systems to define risk appetite and for constant monitoring;
- checks formalisation of escalation processes to implement if risk appetite tolerance levels are not satisfied;
- monitors implementation of assessments, also under conditions of stress, on a set basis and with each event;
- checks execution of any corrective measures defined by the Board of Directors or Senior Management, in the case of deviation within or over tolerance thresholds, respectively;
- reviews the risk assessment and management policies;
- analyses the ORSA report on methods, processes and results of internal, current and forward-looking assessment of risks and solvency;
- reviews reports provided by the internal audit department for the Board describing the activities carried out and the outcome of audits performed to monitor adherence to the limits/parameters, also at quality level, set by the Board of Directors in relation to risk exposure.

In accordance with the Internal Audit Policy approved by the Board, the Committee provides the Board of Directors with its binding opinion on the appointment of the Head of Internal Audit and his/her remuneration. In addition, in accordance with Committee Regulation, it provides support to the Board of Directors in assessing the adequacy of resources given to the head of Internal Audit.

Functions of the Appointment and Remuneration Committee

The Committee is composed entirely of Independent Directors, as also required by art. 16 of the Consob Market Regulations.
As for the appointments, the Committee has the function of:

- formulating opinions to the Board of Directors with regard to the size and composition of the Board and of the Committees;
- making proposals for the organisation and functioning of the Board of Directors;
- making recommendations with respect to:
  (i) the professionals whose presence within the Board is deemed advisable;
  (ii) the maximum number of positions as director or statutory auditor in other companies listed on regulated markets (also abroad), in financial, banking, insurance companies or in companies of significant size, that would be compatible with the effective performance of a director's duties, taking into account the directors' participation in the committees within the Board of Directors of the Company;
  (iii) exemptions to the non-compete clause under Article 2390 of the Italian Civil Code.
- making proposals for the appointment of Directors;
- making proposals to the Board for co-opting Directors;
- making proposals to the Board for the appointment of the Chairman, Deputy Chairmen, Committee members, Managing Director and General Manager;

- making proposals to the Board, in agreement with the General Manager, for the appointment of senior managers;
- assisting the Chief Executive Officer in preparing career and replacement plans for the Company's Senior Management;
- carrying out the preliminary work for the preparation of the plan for the succession of the executive directors;
- carrying out checks as required by the Fit & Proper Policy approved by the Board of Directors;
- supporting the Board in the analysis of the results of the annual evaluation on the functioning of the Board and its Committees as well as on their size and composition;
- assisting the General Manager of the Parent Company in formulating proposals for the appointment of Directors, of the Chairman, Managing Director and General Manager of the subsidiary Companies;
- assisting the General Manager of the Parent Company in formulating proposals for the appointment of the Group Directors at the affiliated Companies.

With respect to remunerations, the Committee has the following functions:

- submitting proposals to the Board of Directors with regard to the definition of the policy for the remuneration of directors and senior managers with strategic responsibilities. In particular:
  - (i) making proposals or expressing opinions to the Board of Directors for the remuneration of executive directors, of Directors holding specific offices and of the General Manager, as well as for setting the performance targets related to the variable portion of said remuneration;
  - (ii) making proposals to the Board, as indicated by the General Manager, for setting the remuneration of the Senior Management of the Company in such a way as to attract and motivate high-calibre people;
  - (iii) checking the proportionality of the remuneration of the executive directors among them and compared to the company staff;
- verifying the enforcement of the Board of Directors' decisions on remuneration, monitoring also the actual attainment of performance targets;
- periodically evaluating the adequacy, overall consistency and concrete enforcement of the policy on the remuneration of directors and executives with strategic responsibilities, relying, in this last case, on the information provided by the General Manager, and formulating proposals on this matter.
- assisting the CEO in formulating proposals to determine the remuneration of the Directors, the Chairman, the Chief Executive Officer and the General Manager of the subsidiaries.

Functions of the Related-Party Committee

The Committee is made up entirely of Independent Directors, as required by Consob Regulation 11721, which defines the duties assigned to it, referred to in the Procedure for the management of Transactions with Related Parties, approved by the Board of Directors.
In particular, the Committee is responsible for conducting preliminary examinations of transactions with related parties submitted by the competent corporate departments and expressing opinions on their execution.
In the performance of its duties, the Committee may access Company information and functions required to carry out its tasks and make use of the services of external consultants, under the terms approved by the Board of Directors.

Functions of the 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.

Functions of the Finance Committee

In the performance of preliminary fact-finding and proposal-making, the Finance Committee provides support to the Board:

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

In defining the policies and strategies for risk management, the Committee:

- assists the Board in conducting periodic reviews and management (implementation, maintenance and monitoring) of the Risk Appetite Statement, i.e. the group of metrics, processes and systems to provide support in managing the level and type of risk the Company is willing to assume (risk appetite) according to its strategic objectives;
- provides support to the Board through consultations and proposals, defining management policies and risk assessment, including Capital Management Policies;
- provides support to the Board to define risk tolerance levels and for analysing the results of monitoring, with particular reference to investment activities, ALM and liquidity, subscription and reserve risks, both Damages and Life and risks related to the use of reinsurance;
- cooperates with Top Management and provides support to the Board of Directors in determining any corrective measures needed in the case of misalignment between actual risk exposure and risk appetite.

The Committee's tasks include:

- periodically submitting for review the securities portfolios whose risk is borne by the Company and those whose risk is borne by policyholders;
- periodically submitting for review the financial position of Group real estate companies, auditing their compliance with the exposure limits set by the Board of Directors;
- assessing the results of the assessment process of internal risk and solvency, both current and forward-looking (ORSA), also using stress tests;
- assisting the Board in developing the capital management plan and in defining monitoring processes and tools;
- determining any amendments to Risk Appetite in order to align the risk profile deriving from comprehensive risk objectives (risk appetite) of the Company.

Functions of the Real-Estate Committee

The Committee has the following duties:

- supervising over the performance of the Group's real estate investments;
- defining development strategies for the business segment;
- assessing the investment proposals submitted by operating managers.

Structure of the Board of Statutory Auditors

The Board of Statutory Auditors in office was appointed by the Shareholders' Meeting held on 27 April 2016 for the FYs 2016, 2017 and 2018, and hence till the date of the Meeting that will approve the financial statements as at 31 December 2018.

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
Monica MANNINO	Substitute statutory auditor
Maria Filomena TROTTA	Substitute statutory auditor

Functions of the Board of Statutory Auditors

According to the Legislative Decree no. 39 of 27 January 2010, which assigned the boards of statutory auditors of companies of public interest the function of ‘Control and Risk Committee and Statutory Audit', the functions assigned to the Board of Auditors and the Audit and Risk Committee of Vittoria Assicurazioni differ as follows:

- the Control and Risk Committee, established under the Code of Conduct, has preparatory and advisory duties to the Board of Directors;
- the Statutory Auditors are assigned the functions under Legislative Decree 39/2010, which supplement those already assigned to that organ, and remain control functions. The Board of Auditors holds no functions of management, co-management or management control.

Pursuant to Article 149 of the TUF, the Board of Statutory Auditors oversees:

- observance of the law and the Company’s By-laws;
- compliance with the principles of correct administration;
- the adequacy of the organisational structure of company in terms of competency, the internal control system and the administrative accounting system, as well as the reliability of the latter in providing a fair representation of operations;
- the procedures used for effective implementation of the corporate governance rules set out in the Corporate Governance Code adopted by the Company;
- the adequacy of the directives issued by the Company to its subsidiaries to ensure respect for the disclosure obligations prescribed by the TUF.

Pursuant to Article 19 of Legislative Decree no. 39 of 27 January 2010, the Board of Statutory Auditors also oversees:

- the financial and non-financial disclosure process;
- the efficiency of the systems of internal control, internal audit, where applicable, and risk management;
- the statutory auditing of the separate and consolidated accounts;
- the independence of the company engaged to carry out the statutory audit of the accounts, verifying both compliance with the legislative provisions in this regard and the nature and extent of the various statutory auditing services provided to the Company and its subsidiaries by the auditing company and by the entities in its network.

In carrying out these duties, the Board of Statutory Auditors:

- verifies that the definition of the delegations of authority is appropriate and that the organisation structure is adequate, paying particular attention to the division of responsibility for duties and functions;
- attends meetings of the Internal Control Committee, during which it meets the heads of the departments responsible for the internal control system, i.e. Internal Audit, Compliance and Risk Management;
- assesses the efficiency and effectiveness of the internal control system, especially with regard to the operations of the Internal Audit, verifying that the department has the necessary autonomy, independence and functional efficiency;
- regularly exchanges information and data with the independent auditing company;
- ensures the prompt exchange of data and information material to discharging its duties between the boards of statutory auditors of Group companies through the presence of one of its members on the boards of statutory auditors of these subsidiaries.

In conducting its activities, the Board of Statutory Auditors coordinates with the Internal Audit Function and with the Control and Risk Committee by participating in all their meetings.

Supervisory body

The Supervisory Body (SB), a collegiate body composed of three to five members and set up in compliance with the provisions of art. 6 of Legislative Decree n. 231/2001, performs supervisory and control functions with regard to the functioning, effectiveness, adequacy and compliance with the Organization and Management Model adopted by the Company in order to prevent the criminal offenses considered by the aforementioned legislation. In carrying out its functions, the Supervisory Body shall comply with the principles of autonomy and independence and for this purpose:

- only responds to the Board of Directors with whom it has a direct link or through the Control and Risk Committee;
- has a direct link with the top management and with the Board of Statutory Auditors.

Auditor

On 20 April 2012, the Shareholders' Meeting appointed Deloitte & Touche S.p.A. as independent auditor for 2012 – 2020.

Senior Management

Senior Management means all Executives with strategic responsibilities. In Vittoria Assicurazioni S.p.A. the roles of Managing Director, General Manager, Co-General Manager, Deputy General Manager and Central Manager are included in this category.
Executives belonging to the Senior Management participate to the discussion of the fundamental choices of the company, that are subject to the Board of Directors, and ensures implementation of the guidelines and policies through the operational departments.
Senior Management is vested with the broadest executive powers, consistent with the model of powers and delegations adopted.
Senior Management performs the activities related to the development, management and control of the risk management system on a continuing basis. In addition, as part of their duties under the strategic and organisation guidelines, Senior Management ensures implementation and improvement of policies to assume, assess and manage risks as approved by the Board as well as implementing company processes formalised by organisation documents. Furthermore, it checks operational limits are respected as well as risk exposure and respect for tolerance levels.
Senior Management ensures that information on the degree of efficiency and effectiveness of the risk management system is regularly disseminated to the Board and that information flows are maintained especially in the event of any significant problems.

As at this Report, the Company's Senior Management is as follows:
- the Managing Director;
- the Co-General Manager (Life, Commercial and Marketing);
- the Deputy General Manager (Services and Real-Estate);
- the Deputy General Manager (Non-Life);
- the Central Manager (Administration, Finance, Planning and Control);
- the Central Manager (Transports Underwriting and Motor);
- the Central Manager (Claims);
- the Central Manager (Commercial Department);
- the Central Manager (IT Systems).

Fundamental Functions

The fundamental company functions, identified under Article 42 of Solvency II Directive, are Internal Audit, Compliance, Risk Management and the Actuarial Function.

In order to ensure that the four control departments have autonomy and independence, the Heads are appointed by the Board of Directors after receiving a favourable opinion from the Control and Risk Committee and the opinion of the Board of Statutory Auditors.

The fundamental functions do not depend on any operational structure, hierarchically depend on the Chief Executive Officer and respond to the Board of Directors.

The Heads of the four departments shall have the necessary requirements of integrity and professionalism, which are identified and defined in the Policy for assessing appointment requirements approved by the Board. With the support of the Appointment and Remuneration Committee, the Board ensures the requirements are in place at the time of appointment and verifies them on a yearly basis.

The Risk Management, Actuarial and Compliance Departments report hierarchically to the Director in charge of the internal control and risk management system and report to the Board of Directors, also through the Control and Risk Committee, regarding any aspect related to the contents and to the organization of their activities.

The Risk Management Policy and the specific policies on the control functions mentioned above define the relationships, collaboration and exchange of information between the functions.

In particular, relations between the II and III level functions are structured on the following three levels:

a) level one entails periodic meetings;
b) level two entails formal exchange of information;
c) level three entails the participation of members of the control bodies.

The objectives and responsibilities of the fundamental functions are described in the following paragraphs.

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 2017 and up to the date of preparation of this Report are reported in chronological order:

01/01/2017	Constitution of Deputy General Manager and Services and Real Estate, under the responsibility of Mr. Matteo Campaner, and the Deputy General Manager Non-Life under the responsibility of Mr. Paolo Novati.
15/03/2017	Appointment of Mr. Cesare Caldarelli (former Director and General Manager) to the position of Chief Executive Officer and the role of Director in charge of the internal control and risk management system, a role previously performed by the Vice Chairman Mr. Roberto Guarena. As a result of the new organizational structure, the Board also approved the new system of delegations, authorizing the increase of the managing powers delegated to the Joint General Manager and the two Deputy General Managers, with the joint signature mechanism for the most important scope of the powers conferred on the CEO and to be exercised in cases of urgency and necessity. The vicarious powers attributed to the Vice President Mr. Roberto Guarena were simultaneously revoked.
31/03/2017	Termination of the position of General Manager of Mr. Cesare Caldarelli, who directs the Company in the role of Chief Executive Officer.
28/04/2017	Resignation of the Director Mr. Lodovico Passerin d'Entrèves. The Board resolved not to replace it by co-optation of a new director, having considered that the size and composition of the Board is in any case suitable for guaranteeing its correct functioning in compliance with the duties assigned by the Bylaws and by the relevant legislation. On the same date, following the resignation of Mr. Passerin d'Entrèves and the imminent submission to the management and coordination of Yafa S.p.A., the Board resolved the new composition of the Appointments and Remuneration Committee and the Control and Risk Committee, now composed internally of independent directors.
29/06/2017	Recognition by the Board of Directors of the subjection of the Company to the management and coordination of Yafa SpA, following the registration of the latter as the new Parent Company of the Vittoria Assicurazioni Group. The Board of Directors therefore approved the implementation of the Group Regulations approved by Yafa SpA. for the purpose of regulating the areas of activity subject to the Parent Company's coordination.
26/07/2017	Resignation of Vice President Mr. Roberto Guarena as a member of the Board Committees of which he was a part (Strategies, Finance and Real Estate).

14/11/2017	Separation of the responsibility of the Risk Management Function from that of the Actuarial Function, previously both attributed to Mr. Massimo Marchegiani. The Board appointed Mrs. Cristina Mataloni as the new head of the Actuary Function.
15/03/2018	The Board of Directors resolved to integrate the tasks of the Strategies Committee, providing that it also carries out activities of supporting the Board with regard to issues concerning sustainability. On the same date, the Board approved the following changes concerning the organization of control functions: - in order to ensure that the complaints management process is guaranteed in ever greater compliance with the principles of autonomy, impartiality and timing, the new Compliance and Complaints business unit was established, reporting directly to the Managing Director, as Director in charge of the internal control system and risk management. The responsibility of the Compliance and Complaints was entrusted to Ms. Giuseppina Marchetti, who then held the role of Head of the Compliance Function; - at the same time, the responsibilities of the Anti-Money Laundering Function were merged, along the responsibilities of the Legal Department, in the newly established Legal and Anti-Money Laundering business unit, whose responsibility is entrusted to Mr. Alberto Giani, reporting directly to the Managing Director.

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.

Relevance of fixed and variable remuneration components

<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.

No incentive-based remuneration systems are contemplated 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 and the members of the Company's Supervisory Body established pursuant to the Legislative Decree no. 231/2011.

There is no provision for lump-sum reimbursements or attendance fees for attending Board and committee meetings.

No incentive-based remuneration systems are contemplated for members of the control bodies.

Managing Director, Senior Managers and other Managers

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 weighting of the variable remuneration component differs based on the possibility to directly affect the outcomes of the Company and the impact that the individual role has on the business.

The variable remuneration is made up of two parts::

- A short-term incentive ("STI"), acknowledged by a monetary bonus payout and subject to the achievement of qualitative and quantitative performance indicators contained in an individual scorecard, and
- A long-term incentive ("LTI"), acknowledged by the assignment of financial instruments, such as Performance Units, solely provided for the Managing Director, the General Manager, the Co-General Manager and the Deputy General Managers.

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).

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.

No material transactions were performed during the reporting period with the shareholders, with the persons who exercise a significant influence on the undertaking and with the members of the administrative, management or supervisory bodies.
The Company has entered into agreements with the Parent Company Yafa S.p.A. related to: lease offices; provision of IT services; secondment of personnel. These contracts, of not significant amounts, were concluded at market conditions, subject to assessment and favorable opinion of the Related Parties Committee.

B.2 Fit and proper requirements

The Board of Directors of Vittoria Assicurazioni S.p.A. has approved the Fit & Proper Policy to ensure that all persons who effectively run the undertaking or have other key functions have the professional qualifications, and proper knowledge and experiences for a sound and prudent management, as well as a good reputation and integrity.
To this end, the Policy:
- defines roles and responsibilities of parties involved in the process for the evaluation of the fit & proper requirements;
- identifies situations that entails forfeiture, suspension or any revocation of the office held inside the Company;
- provides for a periodic verification aimed at checking that the fit & proper requirements are maintained over time;
- identifies the events that require new assessments of the requirements of eligibility to the office held inside the Company;
- identifies the other relevant collaborators that are not subject to said requirements, but for which the Company considers nonetheless to make some assessment in terms of professionalism and integrity, establishing the fit & proper requirements.

The Policy outlines the principles for the assessment of the fit & proper requirements of the following persons:

(i) Company bodies with administrative, management and control functions:
   - members of the Board of Directors;
   - members of the Board of the Statutory Auditors;

- the General Manager.

(ii) Key functions included in the governance system, identified as Internal Audit Function, Compliance Function, Risk Management Function, Actuarial Function;

(iii) Relevant personnel identified by the Company:
- Members of the Top Management, further compared to the CEO;
- Manager in charge of preparing the corporate accounting documents (hereinafter also "Manager in charge");
- Head of the Anti-Money Laundering Function;
- Additional personnel who carry out essential or important activities identified with a specific resolution of the Board of Directors, also in compliance with current legislation and regulations;
- Bodies with administration and control functions of subsidiaries;
- Staff assigned to the Fundamental Functions.

These persons are required to have the fit & proper requirements in terms of integrity, professionalism and, where required by law, of independence.

Professionalism

Without prejudice to the applicable legal and regulatory provisions, a person is considered to have adequate professionalism when his professional qualification, knowledge and experience are adequate to allow a correct and effective fulfillment of the duties deriving from his company position. This includes common behaviors and values as described in the Group Code of Ethics, as well as leadership experience and managerial skills, including significant technical skills for the specific company position.

Administrative and control bodies

Criteria and procedures regulating the appointment of the members of administrative and control bodies of the Company shall be aimed at providing a structure that enables an adequate performance of the tasks conferred upon them by current regulations and By-Laws in the best interest of the Company, in order to create value for the shareholders in a medium-long term horizon.

Accordingly, the primary objective of the Board of Directors is to promote the candidacy and appointment of highly qualified individuals, based on their talents, experiences and skills, taking into account the Company targets, as well as the relevant regulatory and market evolution.

The persons in charge of the administration, management and control of the Company must possess the requisites prescribed by primary, secondary and pro tempore legislation in force as well as those provided for by self-regulation.
In particular, the Company is subject to:
- the provisions of the sector governing the requirements of professionalism, integrity and independence for persons who perform administrative, management and control functions in insurance companies, provisions that also dictate the impediments to the intake of such offices and the causes suspension and forfeiture;
- the primary legislation applicable to issuers of financial instruments.
-

Furthermore, Vittoria Assicurazioni S.p.A., which since November 2001 is part of the STAR Segment of the Electronic Stock Market managed by Borsa Italiana, has adopted the self-regulation required by the Corporate Governance Code approved by the Corporate Governance Committee promoted by Borsa Italiana. The Company also applies the principles and application criteria of the Corporate Governance Code, as adopted by the Company, in relation to the composition and characteristics of the Board of Directors, which establish the criteria for identifying Directors with the appropriate characteristics to be appointed within some of the endoconsiliary committees (Control and Risk Committee and Appointments and Remuneration Committee).

In order to ensure an adequate composition of the Board of Directors with respect to the requirements of the sector legislation, the members of the Company Council must be identified:

(iv) taking into account the need to guarantee the presence of subjects:
- endowed with professional skills appropriate to the role they are called to play;
- with skills, at the same time, widespread but also appropriately diversified;

- who can devote adequate time and resources to the assignment;

(v) ensuring the best efficiency and effectiveness of the Board of Directors through:

- a dimension related to the articulation and complexity of the Company in its economic-patrimonial, organizational and operational components;
- the identification of subjects with appropriate and diversified theoretical / professional / managerial skills and experiences in relation to the operational and dimensional characteristics of the activities to be carried out, as well as the risks to be assumed and able to express full autonomy and independence of judgment;
- the presence of an adequate number of independent Directors, paying particular attention to the combined provisions of art. 2.2.3 of the Stock Exchange Regulations and of the art. IA.2.10.6 which requires that at least 4 directors must meet the independence requirements set out in the application criterion 3.C.1 of the Corporate Governance Code. The number and responsibilities of independent Directors must be such as to enable the creation of board committees according to the indications contained in the Corporate Governance Code;
- the evaluation and weighting of the commitments caused by other activities and other external tasks, so that the administrators actually have sufficient time to carry out the task with awareness and depth. For this purpose, account is also taken of the orientation expressed by the Board of Directors in compliance with the application criterion 1.C.3 of the Corporate Governance Code, with regard to the maximum number of offices as director or statutory auditor that can be considered compatible with an effective performance of the office of Director of the Company.

In order to ensure that the company is managed and monitored professionally and ensure appropriate diversification of qualifications, knowledge and experience, with reference to the professionalism of the members of the Board of Directors, it is estimated that the Board of Directors is guaranteed the presence of subjects who, collegially, have adequate qualifications, experience and knowledge at least in the field of:

a. insurance and financial markets, in terms of understanding and awareness of the economic and market context in which the Company operates;
b. business strategy and business model, in terms of understanding the Company's strategy and business model;
c. governance systems, in terms of understanding and awareness of the risks to which the Company is exposed and the ability to manage them. This capacity also includes the ability to assess the effectiveness of the system of governance, supervision and control of the business;
d. actuarial and financial analysis, in terms of the ability to interpret the Company's actuarial and financial information, identify key issues, implement appropriate controls and adopt the necessary measures based on this information;
e. 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 the ability to promptly adapt to regulatory updates

Furthermore, a good degree of heterogeneity of experiences must be ensured in the composition of the administrative and control bodies, in order to foster a balanced debate which, in turn, can strengthen the decision-making process thanks to the differences in perspective of its members.
In particular, the optimal composition of the Board of Directors envisages the coexistence, on the one hand, of subjects who have a thorough knowledge of the Company, the Group and the context in which they operate, as well as insurance techniques and sector regulations, from other, subjects of different training and experience in other areas and sectors, so as to achieve the right balance in the debate, in the decisions and in the definition of the strategic lines of development.

It should also be ensured that the Board has an adequate balance between the various categories of directors and that non-executive directors represent a large majority compared to the executives, as well as an adequate number of independent directors, also to ensure the formation of the Board of Directors committees recommended by the Corporate Governance Code adopted by the Company.
In choosing the members of the Board of Statutory Auditors, given the mandatory provisions of law governing their duties and requirements, the heterogeneity and diversification of skills have a more marginal value. On the basis of the aforementioned criteria, the Board of Directors ensures that, as far as it is responsible for, the procedures for appointing members of the administrative and control bodies make it possible to identify the most suitable candidates based on the requirements of the bodies themselves and diversity of experience, knowledge and skills without any type of discrimination based on belonging to a gender, age, race, religion or any other personal characteristic that does not comply with the role that candidates are called to perform.

Owners of Fundamental Functions

Holders of Fundamental Functions must have sufficiently extensive knowledge and experience and a sufficiently high level of competence to be able to take charge and ensure their effectiveness.
Each holder of Fundamental Function must possess the professionalism required for the achievement of the objectives assigned within the respective Function and, where issued, by the applicable legislation.

<u>Owner of Risk Management function</u>

The Company's Risk Management Officer must have the qualification, experience and knowledge necessary to monitor and manage the Company's risk profile. It must know the calculation of the solvency of the Company and the contribution of the Company to the solvency of the Vittoria Assicurazioni Insurance Group and be able to verify the Company's overall solvency position and compliance with the solvency supervision provisions.

<u>Owner of the Compliance function</u>

The Compliance Officer must possess the qualification, experience and knowledge necessary to manage the Company's compliance risk, monitor the Company's compliance with applicable regulations, internal compliance principles and procedures, and express opinions on the compliance of the Company and its subsidiaries to relevant regulations, including compliance with the laws, regulations and administrative provisions issued under the Solvency II legislation and assessing the impact of changes to applicable laws and regulations.

<u>Owner of the Internal Audit function</u>

The owner of the Internal Audit function must possess the qualification, the experience and the knowledge necessary to evaluate the adequacy and effectiveness of the Company's governance system, issue recommendations, in particular regarding any shortcomings in the control system, as well as verifying compliance with the decisions taken against such shortcomings.

<u>Owner of the Actuarial function</u>

The owner of the Actuarial function of the Company must possess the qualification, experience and knowledge necessary to coordinate and validate the calculation of the Company's Solvency II technical reserves, valued at market value, as well as give recommendations and opinions on the management of insurance risks and on the impact of the latter on the solvency position of the Company.

Key personnel

With regard to the professionalism of the additional key personnel identified by the Company, the qualifications, knowledge and experience required depend on the position held.

<u>Members of the Top Management</u>: they are required to have at least three years of managerial experience within a company operating in the insurance or financial sector or who have held similar positions of responsibility in companies of a complexity comparable to that of Vittoria Assicurazioni.

Manager in charge of preparing the corporate financial documents: the Manager in charge is required to possess professional qualifications characterized by specific expertise in administrative and accounting matters acquired through work experience in positions of adequate responsibility for a reasonable period of time. It must also possess the qualification, experience and knowledge necessary to provide reliable financial information to the Board of Directors, the Supervisory Authorities and the public through the preparation of quarterly and annual closing reports, plans and related updates as well as Solvency II reporting.

Responsible for the Anti-Money Laundering Function: the person in charge of the Anti-Money Laundering function must possess the qualification, experience and knowledge necessary for the prevention of the risk of money laundering and terrorist financing, in compliance with the pro-tempore legislation in force.
For additional personnel carrying out essential or important activities identified by a specific Board resolution, it must be assessed that the qualifications, knowledge and experience are suitable for the assumption of responsibilities deriving from the role to be filled.

Directors of subsidiaries: professionalism must be assessed with reference to the activity carried out by the subsidiary where the person is called to take up the position. It is required knowledge and theoretical / professional / managerial experience in the specific sector of activity or in the administrative or management field.

Personnel of the Fundamental Functions: those who perform activities in the Fundamental Functions must possess adequate skills and professionalism to carry out activities in support of the activity performed by the function. The necessary professional experience can be acquired, among other things, in operative positions, in other Fundamental Functions or in regulatory and / or legal functions and through participation in training activities.

Honorability

The assessment of the honorability consists in the verification of the absence of circumstances which, if present, exclude the requirement of honorability or, depending on the case, constitute clues that call into question the integrity of a person.
Notwithstanding that the existence of one of the circumstances provided for by art. 5 of the Ministerial Decree of 11 November 2011 n. 220 excludes the requirement of honorableness for the members of the Board of Directors and the Board of Statutory Auditors, the General Managers and the Financial Reporting Manager, the following indications are taken into consideration by the Company for the purposes of assessing good repute but do not imply, in itself, the defect of the requirement:

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

Evaluation of the eligibility requirements for the office

The professionalism and honorability of a person is assessed individually at the time of appointment, whether it is an external person, whether it is a person already part of the company organization, as well as on an ongoing basis in the context of periodic reviews annual. The evaluation is also carried out in the presence of situations that require re-evaluation of fit and proper requirements..

Bodies responsible for the evaluation

The responsibility for the evaluation falls on the following company bodies / subjects:

(i) Board of Directors, after consulting and proposing by the Appointments and Remuneration Committee: assessment of the eligibility requirements for the members of the Board of Directors, the Board of Statutory Auditors, the General Manager, the Key Managers of the Fundamental

Functions, the Manager in Charge as well as other figures whose appointment is reserved to the Board on the basis of current regulations, including regulations;

(ii) Appointments and Remuneration Committee: assessment of the eligibility requirements for the members of the Top Management and the Directors of the subsidiaries;

(iii) Hierarchically Responsible and HR Management: assessment of the eligibility requirements for additional personnel carrying out essential or important activities identified by a specific Board resolution and whose appointment or appointment is not within the competence of the Board itself, as well as for the personnel assigned to the Fundamental Functions;

(iv) Internal responsible for the control of the essential or important externalized function: evaluation of the requirements with reference to the outsourcer.

The results of the evaluations are also submitted to the Internal Control Committee and / or the Board of Statutory Auditors whenever these bodies, in accordance with current regulations, must express their views on the appointment of corporate officers (eg in the case of appointment of Fundamental Functions).

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.

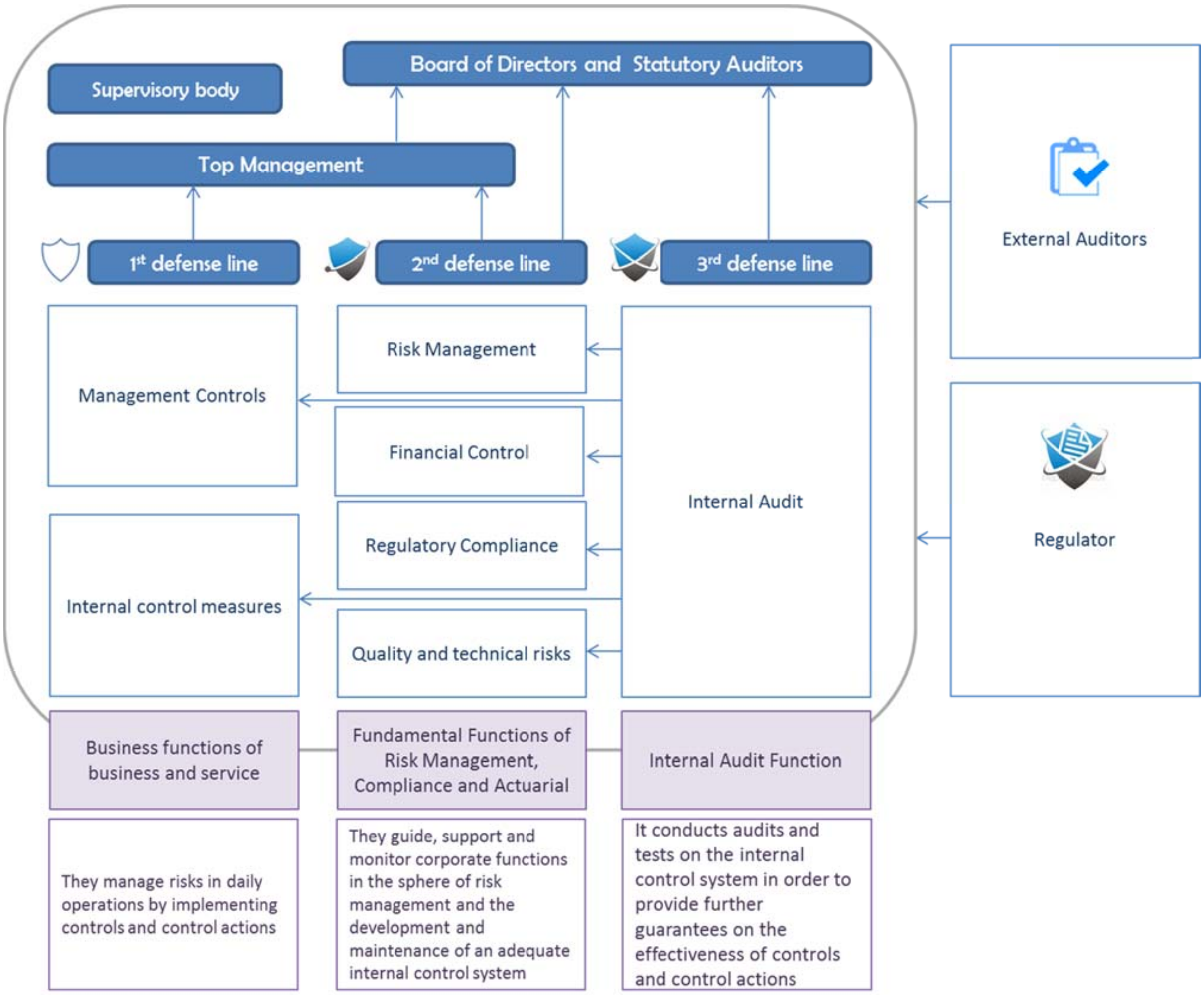
The Company has appropriately adopted, and continuously maintains, these systems so that it guarantees the fulfillment of the commitments towards its insured and beneficiaries, as well as their counterparts, and achieves the safeguarding of the assets in the pursuit of long-term strategic objectives and in compliance with regulatory and regulatory requirements from time to time in force.

This report is ruled by the current prudential regime (i.e. Solvency II), which was established to create a level playing field through consistent regulation for all insurers and reinsurers in the European Union. It provides regulators with a mechanism to assess whether insurance companies and groups have an adequate level of capital to support their operations. The main purpose is to prevent crises and give full protection to policyholders and policyholders, leading to a safer insurance market. The increased transparency and soundness of financial institutions (such as banks and insurers) aims to contribute to overall financial stability and to the minimization of systemic risks.

B.3.1 Description of the risk management system

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 (ie 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 and transversal between the various corporate functions.

These policies govern the approach and detailed methodologies for the management of:

- specific risk categories (eg market risks associated with investments);
- risks within specific processes (eg recruitment risks);
- risk mitigation techniques (eg reinsurance);
- measurement methods for the individual risk factors, their correlations and the underlying principles (eg risk and solvency assessment);
- monitoring and analysis methodologies (eg risk / performance indicators, stress tests, scenario analysis).

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").

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 tests and scenario analysis;
  - 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) and of the liquidity risk;
  - 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, ie 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

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 Internal Control System of the Company complies with the fundamental principles established by the Insurance Regulator and is also based on the principle of proportionality that IVASS Regulation no. 20/2008, as amended by the provision no. 17/2014, applies the concept of adequacy to the nature, extent and complexity of the undertaking's activity and objectives of development that it intends to pursue.
Following elements of the internal control system are included in this concept of structure:
- an extensive system of guidance policies issued by the Board of Directors, that:
    (i) identify the guidelines for the pursuit of corporate strategies in compliance with the legislation in force;
    (ii) are periodically reviewed to guarantee compliance with regulatory, organizational or business changes;
    (iii) are subject to specific information flows that guarantee the constant monitoring of their implementation.
- an organized system, consistent with the company strategy and policies, that is formalized:
    (i) 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;
    (ii) in the model of delegations.
- Assignment of an extensive network of functions responsible for:
    (i) Identifying risks connected to their activity;

(ii) Evaluating the related impact;
(iii) Monitoring their trend on a continuous basis;
(iv) Ensuring a proper level of reporting to the relevant functions;
(v) Undertaking, where necessary, the adequate treatment measures.

- 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. While this structure has the objective to give a proper response to requirements under the sector regulations, it is designed taking into account the principles of proportionality and functionality of the corporate environment of Vittoria Assicurazioni S.p.A.;
- 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 on the intranet network by the "Knowledge Management" software;
- a constant **training activity** of all employees, by those who operate in the most operating structures up to the Directors, 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, which need constant updating and continuous training.

Compliance Function

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

<u>Objectives and responsibilities</u>
The Company ensures consistency between the level of risk taken and its risk appetite. To this end, the Compliance Function is assigned the following general objectives:

- ensuring an efficient and effective management of non-compliance risk;
- ensuring that corporate activities comply with rules, including self-regulatory rules;
- creating corporate value, protecting losses and enhancing corporate reputation.

According to tasks assigned by the primary regulation (see Article 30-*quater* of the Code of Private Insurance Companies) and in compliance with Article 23 paragraph 3 of ISVAP Regulation no. 20, within the risk management system and the internal control system, the Compliance function is responsible for:

- identifying, on an ongoing basis, the laws and regulations that are applicable to the Company, assessing their impact and preparing, to this end, periodic reports for the Senior Management and functions involved;
- providing advice to the Board of Directors in relation to compliance with primary and secondary rules directly applicable to the Company;
- identifying the potential sources and making qualitative and quantitative evaluations relating to the risk of non-compliance with laws;

- assessing ex ante the adequacy and effectiveness of organizational measures, operating processes and company procedures that the functions want to adopt in order to ensure adequate control activities and a proper management of the risk of non-compliance with laws;
- proposing the organizational and procedural changes aimed at ensuring an adequate control of the risk of non-compliance with laws and assessing the organizational adjustments as a result of the suggested changes;
- conveying and spreading the culture of corporate reputation throughout the organisation, also through training on compliance and on the internal control system, in order to ensure employees of all levels are adequately informed on the risk of non-compliance;
- providing adequate information flows to corporate bodies and other departments involved;
- proposing and supporting the update the Solvency II policies within its purview and checking, for all Solvency II policies, compliance with regulations applicable to the company.

Moreover, within the outsourcing processes, the Compliance Function was assigned following tasks by the Board of Directors:
- checking the characteristics of outsourced activities and the nature of essential and important activities whenever there is an outsourcing project;
- always keeping the outsourcing register up-to-date, for each of which there is a company contact;
- ensuring that IVASS is provided with the information set forth in ISVAP Regulation no. 20.

Finally, the Head of Compliance, being also in charge of Anti-Money Laundering and of the reporting of suspicious transactions (responsibility formally assigned by the Board of Directors), through the support of the business unit Compliance and Anti-Money Laundering, governs the dedicated process to prevent and fight money-laundering transactions and terrorism financing activities, and sets up a powerful safeguard within its department that is tasked and resourced both to plan and develop responses to systemic changes and to deal with the telematic management.

<u>Implementation</u>
The control activities performed by the Compliance Function, within the internal control system and the risk management system, with respect to the control of the risk of non-compliance with laws are drafted in an annual plan and are consistent with provisions under the Risk Management Policy.
The plan of activities, where actions to be performed by the Function in relation to the Company are outlined, is approved by the Board of Directors, through the Risk and Control Committee.
The activities scheduled are carried out in accordance with above plan and can be changed and supplemented with any unscheduled interventions made necessary due to new needs (at the discretion of the Head of Compliance), giving the Board of Directors due justification, also through the Risk and Control Committee.
In planning its activities, the Compliance Function takes into account:
- the evidence and any shortcomings found during previous risk assessments;
- occurred or expected changes in regulatory provisions;
- changes occurred in the Company activities;
- any new risks found;
- the adoption of rules and regulations by other functions or organizational units;
- needs of organizational development of the function.

The operability of the Compliance Function is divided into these macro-phases:
- Recognition of rules and regulations: aimed at identifying and analyzing the relevant internal and external regulations, including the case law, in relation to the features of the Company's operation and the scope of responsibilities of the Function, also with a forward-looking approach to the expected regulatory changes;

- Risk assessment: performed starting with the annual Risk Assessment Plan, used to defined the scope and ways of controls, in order to operationally assess the potential exposure to the risks of non-compliance, analyze the existing control tools, measure any gaps and evaluate the residual risk;
- Implementation of corrective action: aimed at identifying the organizational and procedural action (measures, procedures and controls) and the mitigation actions that may be necessary to ensure that the level of exposure to risk of non-compliance is in line with the risk appetite defined by the Board of Directors. Actions identified are formalized in a plan (so-called Action Plan) with indication of the detailed implementation process (methods, timing, departments involved, roles and responsibilities);
- Monitoring and reporting:
  - Continuing evaluation of the good performance of the Compliance controls, aimed at promptly identifying risks of non-compliance and quantify the significance and sustainability;
  - Follow up of the effective and efficient transposition of the organizational and procedural corrective measures, whose adoption was proposed inside the Action Plan;
  - Identification of information and training needs on compliance and/or on specific regulations, and reporting to management bodies and company departments involved.

In view of the complex and ever-changing regulatory framework and the company organizational structure, the Compliance Function defined a control model for the risks of non-compliance which enhances the specific competences inside the Company.
Monitoring mechanisms relating to the operational management of the non-compliance risk are, therefore, carried out first by each relevant function, according to their responsibility in managing company processes, as the first line controls are performed by the same operational departments.
During their day-to-day operation, the operational departments are required to identify, measure / assess, monitor, mitigate and report risks arising from the ordinary company activity in compliance with the risk management process.
In particular, without prejudice to the ultimate responsibility of the Compliance Function, following monitoring is identified:

- Direct Monitoring: the Compliance Function directly monitors the degree of compliance of the Company with the relevant rules and regulations with particular focus on the standards on transparency and fairness of behaviors towards insured and injured parties, on pre-contractual and contractual disclosures, the proper fulfilment of contracts, with particular reference to the management of claims and, more generally, to the consumer protection;
- Indirect Monitoring: with reference to other regulations for which specific measures are already in force, the Company provides that specific organizational units are involved and the tasks of Compliance Function are graded. In cooperation with the specific functions in charge of monitoring, the Compliance Function is responsible at least for the definition of assessment methods for the non-compliance risk and for the identification of related procedures.

In addition to above activities, the Compliance Function can provide support and guidance to the management bodies and organizational departments on all issues where the non-compliance risk is relevant, by carrying out actions, in coordination with the other company functions involved, to amend and implement new organizational strategies and operational conduct. In particular, the Function can provide its advice, if requested:

- In the phase of analysis, upon launching of new relevant activities or projects (ex-ante support)
- In the specific areas of competence of the Function;
- Supporting other Control Functions, in the revision of processes and procedures performed following checks or specific reporting;
- On the occasion of analysis of new regulations impacting the company business operation.

The Function may sometimes promote and coordinate workgroups with all Functions involved by the new regulations so that the procedures and measures, needed to implement the rules, are designed in compliance with the law and in a manner to prevent non-compliance risks.
The Head of Compliance is responsible for drafting and submitting the following reports to the Board of Directors:

- on an annual basis, the report on the adequacy and effectiveness of measures adopted by the Company to manage the non-compliance risk, on the activities performed, checks carried out, results and criticalities found, while reporting on the state of implementation of improvement measures, where made;
- on a half-year basis, the periodic report on the activities performed and the main outcomes of the checks carried out on the compliance of company processes with rules and regulations.

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.

Objectives and responsibilities

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;
- identifies the areas of improvement of the internal control system, also through activities of support and advice to the company functions.

In compliance with Article 47 of the Solvency II Directive, the Internal Audit Function is responsible for:

a) establishing, applying and maintaining an audit plan indicating the audit procedures to be carried out in the Company in order to check operation and suitability of the internal control and risk management system;
b) preparing regular reports for the Board of Directors based on the outcome of work performed within the audit plan, including any findings and recommendations needed to solve the discrepancies. These reports include also an assessment on the suitability of the system of the internal control and risk management;
c) promptly drafting reports on particularly relevant events;
d) checking compliance with resolutions adopted by the Board of Directors and based on the recommendations included in the report under letter b;
e) establishing a program of quality assurance and improvement by which its audit activities can be assessed and professional growth is promoted, by notifying the Board of Directors of elements that enable to evaluate future performance;
f) ensuring, in coordination with the other control functions, an adequate approach of management of risks and controls and a systematic evaluation process of the internal control system. This task shall not impair the independence of the Function.

Implementation

In carrying out the assigned tasks:

- the Internal Audit Function has the power to freely access, without restrictions, all company departments, relevant documentation, information systems, records relating to the examined area, the properties and personnel of the Company including useful information for the verification of the adequacy of controls performed on outsourced company functions. The same is guaranteed full cooperation by the persons in charge of the various organizational units;

- the Function is assured by the Board of Directors to maintain an adequate structure in terms of human and technological resources. In particular:
    a) the persons in charge must possess and maintain adequate competence and professionalism with respect to the different needs deriving from the activities set out in the plan of the Function approved by the Board of Directors;
    b) the staff in charge applies and promotes the Code of Ethics of the profession and respects the principles of integrity, objectivity, confidentiality and competence;
    c) where the Internal Audit Function does not have adequate resources, in qualitative or quantitative terms, to carry out the activities set out in the plan approved by the Board, the manager in charge can use qualified external resources to the extent envisaged by the budget resources approved by the Board of Directors or requesting approval of the same, also through the Control and Risk Committee, where the budget is not sufficient.

The Internal Audit Function defines and formalizes the planning of its activities through a three-year plan both for the Company and for its subsidiaries. This plan is subject to the prior assessment of the Control and Risk Committee, and subsequently presented, for its approval, to the Board of Directors.

The Plan is defined through a risk assessment methodology that takes into consideration emerging trends and risks, significant organizational changes and the main services, processes, operations, the results of the activities carried out in recent dates and the areas of attention on risks or controls.
The Plan:

- describes the criteria used to select the activities audited;
- identifies the companies subject to audit, the areas subject to intervention, the resources used and the budget for the period available to the Function;
- provides a congruous number of days for audits that can be carried out on urgent management request and / or when reasons of immediate interest emerge;
- takes into consideration the need to rotate the positions of the personnel of the Function in order to ensure their objectivity, taking into account the availability of the resources and the skills of the same.

The Internal Audit Function undertakes specific actions for the Supervisory Body established pursuant to the Legislative Decree no. 231/2001. These actions, subject to approval by the Supervisory Body, are included in the Audit Plan and notified to the Board of Directors.
The Audit Plan, approved by the Board of Directors, is notified to the Senior Management, to the Board of Statutory Auditors and to the Supervisory Body.
Planned activities are performed in accordance with above plan and may be changed and supplemented by measures required for new needs (at the discretion of the Head of the Function).
The plan is then updated by giving the Board of Directors due justification, also through the Risk and Control Committee. Changes to the Audit Plan, approved by the Board of Directors, are notified to the Senior Management, to the Board of Statutory Auditors and to the Supervisory Body.
The Internal Audit Function performs the activity of assurance and advice support.
The activity of assurance is aimed at assessing whether the processes of risk identification, assessment, management and control and the Company's governance, as designed and implemented by the Management, are adequate and work properly. In the performance of this task, the Function also evaluates the activities of Compliance, Risk Management, Actuarial Function and Anti-Money Laundering.
In particular, the assurance action, as provided for by Article 15(3) of ISVAP Regulation no. 20, includes at least the verification of:

- the management processes and organizational procedures;
- the regularity and functionality of the information flows among company sectors;
- the adequacy of the information systems and their reliability so that information quality on which the senior management relies its decisions is not impaired;
- the adherence of the accounting administrative processes to correct and regular accounting procedures;
- the efficiency of the controls performed on the outsourced activities.

In the context of specific activities not included in assurance, but which are of particular importance in terms of risk management and internal control systems, the Internal Audit Department provides consulting services and participates in specific corporate projects that may require formulating an opinion, providing assistance and carrying out special tasks.
The Internal Audit Function, in carrying out the actions for which it is responsible, adopts operating procedures in line with the main international standards issued by the Institute of Internal Auditors (IIA).

The Internal Audit Function provides information within the periodic reporting to the Board of Directors of the state of implementation of the corrective action plan prepared by the functions involved.
The Internal Audit Function is responsible for informing the Board, through the Control and Risk Committee, in relation to the activities carried out and any significant critical issues identified. In carrying out its duties, therefore, it directly guarantees the implementation of the reporting process to the Control and Risk Committee, the Top Management and IVASS. The Chairman of the Control and Risk Committee guarantees the implementation of the reporting process to the Board.
The Head of the Internal Audit Function presents, at least once a year, the summary report on the audit activity to the Director in charge of the internal control and risk management system, to the Board of Directors, also through the Committee Control and Risks, and to the Board of Statutory Auditors.

Independence of the function

In order to guarantee the independence of the Internal Audit Function, the Manager of the same:
- is appointed and revoked by the Board of Directors, having heard the opinion of the Control and Risk Committee and the Board of Statutory Auditors;
- depends hierarchically on the Control and Risk Committee and functionally by the Director in charge of the internal control and risk management system;
- is the addressee of objectives and an assessment of the performance, having heard the opinion of the Control and Risk Committee;
- has a remuneration, as well as the other components of the Function, determined on the basis of specific objectives consistent with the tasks assigned, independent of the results achieved by the operating units subject to their control and linked to the achievement of objectives related to effectiveness and quality control action, provided they are not a source of conflict of interest.

In order to guarantee objectivity in carrying out the activities, the Function is free from influences that may prejudice its judgment as:
- has no direct responsibility and authority over the areas under review;
- is not involved in operational activities that may be reviewed;
- carries out audit activities on an independent initiative and is free to allocate available resources and apply more suitable techniques to achieve the required objectives;
- is free to formulate and disseminate results and evaluations within the scope of its specific purposes;
- accesses and reports without limitation to management, Top Management, the Control and Risk Committee and the Board of Directors, also through the Control and Risk Committee.

B.6 Actuarial Function

The Actuarial Function contributes to the Risk Management System and in particular:

- continuously ascertains that the company complies with the requirements for the calculation of the Solvency II Technical Reserves and identifies the potential risks deriving from the uncertainties associated with this calculation;
- supports the Risk Management Function, in particular:
    - in the identification and analysis of corporate risks, with particular regard to technical risk, and for the construction of a risk management system consistent with the Solvency II system;
    - in the phase of selecting the hypotheses for calculating each volatility factor (USP), evaluating the parameters determined by the Actuarial Analysis Function;
    - in the assessment of the impact of the use of USP on the Solvency Capital Requirement;
    - in checking compliance with the conditions on which the use of specific parameters is based;
    - in the analysis of the deviations from the hypotheses underlying the calculation of the Solvency Capital Requirement assessed according to the Standard Formula;
    - support in risk and solvency assessment (ORSA) with particular regard to technical risks as well as the definition of data quality standards;
    - in the assessment of the risk mitigation effect, deriving from reinsurance, in the calculation of the Solvency Capital Requirement;
    - in assessing the adequacy and effectiveness of the risk management system, on the methods and models used, to monitor risks.

- expresses an opinion on the quality of the data, on the appropriateness of the assumptions and models used to calculate the specific parameters of the company and the process performed;
- verifies that the inputs used to calculate the USPs are the same or are in any case consistent with those used for the calculation of the Solvency II technical reserves;
- provides opinions to the Board of Directors regarding the general underwriting policy adopted by the Company and regarding reinsurance agreements, including the assessment of consistency with the risk appetite.

B.7 Outsourcing

Outsourcing Policy approved by the Board of Directors defines guidelines and strategies that Vittoria Assicurazioni adopt on the outsourcing of activities and/or functions pursuant to ISVAP Regulation no. 20/2008. The Policy is drawn up in compliance with existing regulatory requirements, at national and international level. More relevant organizational documents are the Outsourcing Organizational Arrangement, the “Purchase Procedure” and the main related organizational documents, as well as the Company’s Business Continuity Manual. The Policy is also prepared in line with the “Procedure for related-party operations” approved by the Board of Directors pursuant to CONSOB Resolution no. 17221 of 12 March 2010 and to the Policy on Infragroup operations adopted by the Board of Directors pursuant to IVASS Regulation no. 30 of 26 October 2016.
Given that Vittoria Assicurazioni operates only in Italy, the providers of outsourced services are located on the national territory, therefore the competent jurisdiction is the Italian one.

The Policy objective is to rule the guidelines to be adopted in relation to the outsourcing of activities and/or functions, by identifying the general principles and criteria used to qualify the activities to be outsourced and to select and assess the provider; the assignment of roles and responsibilities on outsourcing and; the definition of the frequency relating to assessments of the provider performance level and the Service Level Agreement; the statement of willingness not to outsource control functions. The Service Level Agreement (SLA) are agreements whereby the parties define the service conditions the provider must comply with and the performance level that should be granted. Therefore, upon definition of the agreements with the provider of the activity to be outsourced, methods and parameters to assess the performance level are agreed upon, based on shared, objectives and measurable indicators.

The Company can avail itself of the outsourcing in order to improve the efficiency and profitability of the company processes, hence can enter into outsourcing agreements, provided that the nature and quantity of the outsourced activity and the terms of transfer do not result in an emptying of the Company activity itself. This outsourcing allows to provide a valid service quickly, with increasing efficiency and performance. The Company has defined specific qualitative and quantitative criteria to identify the essential or important activities. The outsourcing of an essential activity means the outsourcing of the typical insurance processes of capital management and claims management, whose annual amount paid to the provider for the specific service exceeds the minimum significance threshold of Euro 50,000, while the outsourcing of important activity means the outsourcing whose annual compensation paid to the provider for each service exceed the minimum significance threshold of Euro 750,000. The selection of the provider represent a condition to guarantee good quality levels of the outsourced activity to the Company and to pursue profitability objectives. Selection criteria identified are mandatory in case of outsourcing of essential or important activities, as well as of other activities for which the annual compensation established by the provider is higher than Euro 50,000. Below this amount, verification of the integrity requirement is optional. In case of outsourcing of activities to Group companies, the verification of the requirements of integrity and economic standing is optional, without prejudice to the application of the principles set forth by the Policy on the Infragroup Operations and the Procedure for the Related-Party Operations.
All agreements must also include the clauses/appendices provided for by the Purchase Procedure adopted by the Company and, in any case, those compliant with ISVAP Regulation no. 20/2008 and EU Regulation no. 35/2015.

The Company ensures that there are contingency or emergency plans within the outsourced projects, i.e. acts to guarantee the business continuity, and that these plans are properly regulated in the contractual relationship with each provider. To enhance the contractual measures in force, inside the outsourced project, also the main actions to undertake in the contingency situations are defined. In case of early termination of the relationship for the outsourcing of essential or important activity, the Company envisages an exit strategy.
The Compliance and Anti-Money Laundering Function is responsible for checking the features of the activity to be outsourced and the nature of the essential or important activity, as well as for overseeing the correct execution of all obligations under the regulatory provisions and internal procedures: from the drafting of contracts to the disclosures to the Insurance Regulator. The Function requesting the outsourcing, after evaluating the opportunity to outsource the activity, notifies its intention to the Compliance and Anti-Money Laundering Function that assesses whether the activity falls within the scope outlined in the section "Activities that can be outsourced". The opportunity to outsource one activity is supported by an analysis that considers direct and indirect costs or even hidden charges, of the dependence on third parties, of the protection of the company know-how and potential discontinuities due to unexpected decreases of the provider performance.

If the activity falls within the activities that can be outsourced, the Compliance and Anti-Money Laundering Function assesses whether the activity must be classified as "essential or important". Furthermore, the Head of Compliance, if appropriate, involve the dedicated Committee for Infragroup operations that previously checks the outsourcing opportunity in order to identify the authorization procedure for the operation, verifying the competence for the approval of the Operation and any need to involve the Company's Related-Party Committee. If the activity is classified as essential or important, the Requesting Function provides the Senior Management and the Risk Management Function, as well as a copy to the Compliance and Anti-Money Laundering Function, with a Report on the outsourcing project containing information and the assessment on the activity outsourcing, where organizational, managerial, financial aspects leading to this proposal with due justification are outlined. Furthermore, this Report includes overall terms and conditions of the outsourcing agreement. The assessment of the advantages relating to the outsourcing, compared to the direct performance of the activity by the Company, is carried out by the company function involved in the performance of the service or activity. This assessment process is duly represented and documented inside the Report on the outsourcing project. At the end of the identification process of the essential or important outsourced activities or of provider selection, a copy of the Report on the outsourcing project is sent – along with a definitive copy of the contract – to the Compliance and Anti-Money Laundering Function and to the Risk Management Function, so that it is brought to the attention of the Risk Management Committee.

Then, the Report is submitted to the Board of Directors, which is empowered to approve the outsourcing project and authorize the general terms and conditions of the outsourcing agreement. The authorization takes place also in case of renewal or subsequent renegotiation of the contract. Following the authorization issued by the Board of Directors, the Expenditure Manager signs the contract. The persons in charge of controlling the outsourced activities are designated with letter of appointment by the Heads of the business units involved in the outsourcing. The appointment and any changes are promptly notified to the Compliance and Anti-Money Laundering Function and Human Resource Function. These persons in charge of the controls have functional competences that enable to manage and constantly monitor the outsourced activities.

Within the management of the outsourced activities, the Company entrusted following tasks to the Compliance and Anti-Money Laundering Function:

- keeping and constantly updating the register of the outsourced activities, for each of which a Person in charge of the Control is identified. To this end, the persons in charge are required to confirm the correctness of data relating to the outsourcing contract and the provider and to inform the Compliance and Anti-Money Laundering Function if, during the year, changes or amendments to contracts reported were made (including the termination of the relationship);
- carrying out, on a six-month basis, control and census of the outsourced activities other than the essential or important ones as well of the changes to related contracts;
- reporting, on a six-month basis, to the Risk and Control Committee on the ongoing outsourcing activities;
- handling disclosures with IVASS.

The Compliance and Anti-Money Laundering Function plays a central role in the management of communication obligations towards IVASS. As part of the outsourcing of essential or important activities, the Compliance and Anti-Money Laundering Department is required to make the following communications:

- prior communication at least 45 days before the execution of the contract according to the model set out in Annex 2 of ISVAP Regulation no. 20/2008;
- communication in case of significant changes during the contract;
- notification of termination of the contract, attaching a report on the methods of re-internalising the business or relying on another supplier.

With the transmission of financial statement data, the Compliance and Anti-Money Laundering Department sends the list of non-essential or important outsourced activities using the model set out in Annex 3 of ISVAP Regulation no. 20/2008.

In order to guarantee correct, complete and timely knowledge of the corporate bodies regarding the management of outsourcing, as well as the risks associated with it, specific information flows are envisaged towards the Board of Directors, the Top Management, the Risk Management Committe and the organizational units involved in outsourcing. The organizational units involved are also required to communicate to the control functions, for aspects of their respective competence, any relevant fact.

B.8 Other information

There are no other information to be reported.

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 2017, there are no cases of risk transfer through securitization or other Special Purpose Vehicles.

The risk profile of Vittoria Assicurazioni as at 31 December 2017 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.

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.
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, equities that are 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 2017 it is +1.90%).
Equity investments (in subsidiaries and associates) qualified as strategic benefit from a lower level of capital absorption (22%). This category include investments in real-estate companies held directly by the Company that, besides meeting the Governance requirements (strategy and ability to hold the investee company for a long time), by highlighting a potential expected loss to one year that is significantly lower than the possible loss for other financial equity instruments (49%).

Furthermore, the calculation of the capital absorption considered that, in the Delegated Acts, "Transitional Measures" were introduced in order to avoid abnormal increases of volatility of the equity markets and to allow all investments in capital instruments, including those available in the Funds, to be subject to a capital absorption of 22%. This facilitation, that is only referred to investments already held on or before 1 January 2016, will be gradually withdrawn in seven years, realigning the capital absorption of these investments to 39% (if listed) and to 49% (if not listed) in 2023.

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 reflect 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.
On the basis of the foregoing, the only position on which a capital absorption was calculated as at 31 December 2017 consists of the investment in Yam Invest N.V., that belongs to the equity investments.

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), 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 (as at 31 December 2016, this kid of investment is not included in the Company’s portfolio);
- 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: exposures in which the counterparty is without (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

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.

The Company makes periodic stress-testing, quantifying the impacts that would follow the occurrence of adverse scenarios, consisting of both external phenomena, and by changes in the industry regulations.
By way of example, when performing the Own Risk and Solvency Assessment (ORSA), based on the recommendation by the Insurance Regulator, two stress-tests were carried out in these scenarios:

- Persistency of very low interest rates ("interest rate scenario");
- Consistent increases of the credit spreads on the financial activities, with significant impact also on the equity and real-estate market ("macroeconomic scenario").

Further stress scenarios were as follows:

- hypothesis of increase in the frequency of MTPL segment claims for the following three years, with consequent recalculation of the specific parameters of the company;
- a catastrophe event hypothesis accompanied by the default of the main reinsurer affected by the protection program;
- hypothesis of a deterioration in the Company's image, with a consequent reduction in premium income and an increase in advertising costs and operational risks.

In any of the above scenarios, there were values that were not compliant with the risk appetite defined by the Company: the worst scenario was the so-called "macroeconomic", whose occurrence could lead to a decrease of the Solvency Ratio from 216.1% to 166.8%.

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.

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	12,615	-	(12,615)	-
Deferred tax assets	63,601	-	31,893	95,494
Property	194,535	-	47,307	241,842
Participations	500,199	-	(16,409)	483,790
Equities, Bonds and Other investments	2,413,650	-	194,889	2,608,539
Assets held for index-linked and unit-linked contracts	76,225	-	-	76,225
Reinsurance recoverables	63,263	-	(15,827)	47,436
Receivables and other assets	279,458	(24,113)	-	255,345
Cash and cash equivalents	84,422	-	-	84,422
Total assets	3,687,968	(24,113)	229,238	3,893,093

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.

In particular, it is expected that deferred tax assets, net of the DTL transfers, are recovered as follows:

- Within 1 year: 28%;
- from 2 to 5 years: 56%;
- over 5 years: 16%.

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

Assets included in this category are valued to fair value, according to the fair value hierarchy before mentioned. The valuation is based on appraisals by external independent experts, which according to the classification of the properties are based on:

- Owner-occupied property: comparative method and income method of direct capitalization;
- Investment property: income methods of processing and discounted cash flow. In particular, the discount rate is the weighted average capital cost (WACC) which takes account of a leverage ratio of 50%, prospective inflation assumptions and the return on government bonds.

For the purposes of the individual balance sheet, property is valued to the cost adjusted for the amortization, write-downs and cumulated tax revaluation. The useful life considered for the purposes of amortization is fifty years for the registered office and thirty-three for all others.

Plants and equipment allocated to this item have been valued in compliance with Article 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.

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 non material value.

In order to mitigate the impact of the main uncertainties, the Company checked that the securities available in the portfolio are traded in an active and liquid market.
The unlisted equity investments mainly refer to the shares held in the company Yam Invest N.V. and in the company Nuove Partecipazioni S.p.A. for which an independent expert appraisal was used, which determined a range of maximum and minimum values, within which the fair value was placed, equal to 65,655 thousand euro for Yam Invest N.V. and 39,673 thousand euros for Nuove Partecipazioni S.p.A. as of December 31, 2017.
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 by estimating the value of the individual assets that comprise its assets and deducting the related liabilities and the cds. holding costs.
- 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.

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.

There are no financial or operating leases.

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.
In this case, 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:

<u>Claims reserve Direct Business (claims reported and IBNR):</u> for all Homogeneous Risk Groups (HRG) the Chain Ladder triangles as at the observation date are analyzed. For the HRG with higher historical background, the model was subject to the right calibration, and therefore it is used to evaluate the Claims Best Estimate (both in terms of amounts, and of years, in which payments are expected to be made).
For the HRG for which the Chain Ladder outcome provides an unreliable estimate as the evolution ratios have an unstable trend, the simplified method is used by approximating the Claims Best Estimate directly with the balance sheet reserve, that is changed in the financial flows expected for the following years using the related settlement speed observed in the recent years. This simplification was used for the LoB 9 and 12.

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.
For the HRG whose historical array is not deemed to be representative of the future flows, the balance sheet amount was used as approximation by developing future flows with the settlement speed of the direct business observed in the recent years on the related HRG.

Open claims – Indirect Business: the amount is estimated for each HRG using the balance sheet amounts, developed in the future years with the related settlement speed observed in the recent years.

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

Open claims (ceded business): this component is estimated applying to the Best Estimate "Claims Reserve Direct Business (reported claims and IBNR)" the same proportion available, for each HRG, between direct and ceded business available on the sums of payable and balance sheet reserve.

Sums to be recovered (ceded business): this component is estimated by applying to the Best Estimate "Sums to be recovered from policyholders or others – direct business" the same proportion available, for each HRG, between direct and ceded business available on the balance sheet 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 balance sheet data.

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

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 after the first 5 years of the contract itself, also according the relevant regulations ("Bersani Law").

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 historical Loss Ratios observed for each HRG is applied.
  The flow is developed in the future years using, for each HRG the settlement speed found in the historical trends and already used for the calculation of flows of the Claims Best Estimate.
- Claims and related expenses estimated for the year(s) following that one of the observation for the contracts in force as at the date and related above mentioned Instalments: the amount is approximated, for each HRG applying the historical 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 historical trends and already used for the calculation of flows of the Claims Best Estimate.
- 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 expenses (including acquisition costs) linked to receipts on multi-year contracts, in force as at the date of observation, that the Company estimates 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.

Premium reserve – ceded business: 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.

Premium reserve – indirect business and retroceded indirect business: for the indirect business, the estimate of the Cash Flows is made by considering only the claims component arising from the Unearned Reserve in the balance sheet. The flow of resulting amounts is developed in the future years using the settlement speed found in the historical trends and already used for the calculation of flows of the Claims Best Estimate.

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.

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 using the rates of the risk-free curve provided by EIOPA as as expected annual returns of the underlying assets, also for the discounting of the projected cash flows.
This projection method is subject to back-testing in order to check that the processing of cash flows in a scenario without surrender costs, commissions and management costs, leads to values that are in line with the As a Whole reserves.

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 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.
As for the Life component, the analyses of the historical series of the outward reinsurance suggest that the impact of the non-material adjustment, and therefore this adjustment, as at 31/12, was not calculated.

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 make directly 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 reference date, the relevant SCRs (Non-life, Health, Default Type 1 and Non-life component of the Operational Risk) were calculated and the projected Best Estimates for the following 16 were discounted, by assuming that future SCRs decrease compared to the original SCR at the same rate as the Best Estimates decrease.
Future SCR obtained have been discounted 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, that was given to the HRG as a proportion of the related Best Estimates.

<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 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.
Since these are deterministic models, in order to have an indication of the extent of this uncertainty, a probabilistic range was constructed by applying the Mack formula to the payment triangle of the Segment 1-NL (MPTL) and the Segment 5-NL (GTPL), resulting in a placement at the 31.6th percentile and at 79.4th respectively.
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 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).

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 unit.

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	**1,433,366**	**1,559,598**	**(126,232)**
Technical provisions - non-life (excluding health)	**1,380,767**	**1,475,774**	**(95,007)**
Best Estimate	1,322,547	1,475,774	(153,227)
Risk margin	58,220	-	58,220
Technical provisions - health (similar to non-life)	**52,599**	**83,824**	**(31,225)**
Best Estimate	48,270	83,824	(35,554)
Risk margin	4,329	-	4,329

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.

Technical provisions - non-life	Solvency II value	Statutory accounts value	Change
			(€/000)
Premium reserve:pro-rata temporis basis and additional reserves		404,550	(96,252)
Premium best Estimate	308,299		
Claims reserve *		1,123,604	(61,086)
Claims best Estimate	1,062,518		
Other technical reserves (aging reserve)		409	(409)
Equalisation reserves		6,922	(6,922)
Risk Margin	62,549		62,549

(*) This item is shown net of "Receivables due from policyholders and third parties for recoverables" amounting at 31/12/2017 to 24,113 thousand euro.

The Best Estimate of the Premium reserve is lower than 23.8% compared to balance sheet data; similar change in the Claim Reserve is -5.4%. The Risk Margin is 4.6% of the Best Estimate.

(€/000)

Item	Solvency II value	Statutory accounts value	Change
Technical provisions - life	1,269,390	1,232,862	36,528
Technical provisions - health (similar to life)	3,088	3,281	(193)
Best Estimate	3.088	3,281	(193)
Risk margin	-	-	-
Technical provisions — life (excluding health and index-linked and unit-linked)	1,198,793	1,153,354	45,439
Best Estimate	1,184,538	1,153,354	31,184
Risk margin	14,255	-	14,255
Technical provisions — index-linked and unit-linked	67,509	76,227	(8,718)
Best Estimate	67,123	76,227	(9,104)
Risk margin	386	-	386

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:	1,272,678 thousand euro
Non-life technical reserves:	1,435,255 thousand euro
Net differed tax assets:	4,672 thousand euro

D.3 Other liabilities

(€/000)

Other Liabilities	Statutory accounts value	Reclassifications	Accounting policy differences	Solvency II value
Provisions other than technical provisions	14,490	-	-	14,490
Pension benefit obligations	2,877	-	3,893	6,770
Deposits from reinsurers	6,418	-	-	6,418
Deferred tax liabilities	9,152	-	83,239	92,391
Insurance & intermediaries payables	33,471	-	-	33,471
Reinsurance payables	8,676	-	-	8,676
Payables trade - not insurance and other liabilities	90,895	-	-	90,895
Total Other liabilities	165,979	-	87,132	253,111

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:	1.50%
- Annual technical discounting rate	1.30%
- Annual rate of severance payment increase	2.63%
- Annual rate of growth of remuneration (for the purpose of calculating seniority services)	2.50%
- Annual rate of growth of the average reimbursement (for the purpose of calculating health services)	1.50%

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

C. 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.

D. 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.

E. Contingent and financial liabilities

There are no significant contingent liabilities or financial and operating leases.

There are no potential liabilities, nor financial or operating leases.

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 2017

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)

	31/12/16	01/01/16	Change	Tier SII
Ordinary share capital	67,379	67,379	-	Tier 1
Share premium	33,355	33,355	-	Tier 1
Reconciliation reserve before dividends	833,389	712,254	121,135	Tier 1
Net deferred tax assets	3,102	20,861	(17,759)	Tier 3
Solvency II excess of assets over liabilities	**937,225**	**833,849**	**103,376**	**n.a.**
Foreseeable dividends, distributions and charges	(18,866)	(14,150)	(4,717)	n.a.
Solvency II eligible own funds to meet Solvency Capital Requirement	**918,359**	**819,699**	**98,660**	**n.a.**

As at 31 December 2017, the Share Capital totally paid up consists of no. 67,378,924 ordinary shares with a par value of Euro 1.00 each, authorized, issued and fully paid-in.

The share premium reserve refers to the excess of the issue price of the shares compared to their nominal value.

The composition of the reconciliation reserve is shown below:

Reconciliation reserve (€/000)

	31/12/17	31/12/16	Differenze
Earnings reserves	610,603	546,307	64,296
Revaluation reserves	18,193	18,193	-
Net deferred tax assets	(3,102)	(20,861)	17,758
Solvency II evaluation differences	207,695	168,615	39,081
Reconciliation reserve before dividends	**833,389**	**712,254**	**121,135**

The Earnings-related reserve includes:

- Legal reserve of 12,678 thousand euro;
- Available reserve of 519,480 thousand euro;
- Year's earnings of 78,445 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)

	31/12/17	31/12/16	Change
Tier 1- unrestricted	915,257	798,838	116,419
Tier 2	-	-	-
Tier 3	3,102	20,861	(17,759)
Total eligible own funds to meet SCR	918,359	819,699	98,660
Total eligible own funds to meet MCR	915,257	798,838	116,419

The eligible amount to cover the MCR is made up of only Tier 1 funds, as envisaged by the regulation.
Tier 3 amounts are made up of the balance between deferred tax assets and liabilities.

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)

	31/12/17	31/12/16	Change
A) Shareholders' Equity Local GAAP	729,530	665,234	64,296
Reconciliation reserve:			
Unrealised capital gains on financial Investments and properties	225,787	210,740	15,047
Intangible assets valued at zero	(12,615)	(14,524)	1,909
Technical provisions non-life valued at a lower value	102,118	121,103	(18,985)
Technical provisions life valued at a higher value	(36,528)	(86,264)	49,736
Reinsurance recoverables valued at a lower value	(15,828)	(16,735)	907
Pension benefit obligations	(3,893)	(4,025)	132
Tax effect	(51,346)	(41,680)	(9,666)
B) Total reconciliation reserve	207,695	168,615	39,080
C) Solvency II excess of assets over liabilities (A+B)	937,225	833,849	103,376
D) Foreseeable dividends, distributions and charges	(18,866)	(14,150)	(4,716)
Solvency II eligible own funds (C+D)	918,359	819,699	98,660

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

The reconciliation reserve of 207,695 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

Change in unrealised capital gains on financial Investments and properties

Significant changes over the reporting period	(€/000)	
	Own funds Solvency II	Tier SII
Own funds at 31/12/2016	833,849	n.a.
Foreseeable dividends, distributions and charges	(14,150)	n.a.
Own funds net of dividends at 31/12/2016	**819,699**	**n.a.**
2017 Net profit	78,445	Tier 1
Change in unrealised capital gains on financial Investments and properties	15,047	Tier 1
Change in intangible assets	1,909	Tier 1
Technical provisions non-life valued at a lower value	(18,985)	Tier 1
Technical provisions life valued at a higher value	49,737	Tier 1
Reinsurance recoverables valued at a lower value	907	Tier 1
Pension benefit obligations	132	Tier 1
Tax effect	(9,666)	Tier 3
Own funds at 31/12/2017	937,225	n.a.
Foreseeable dividends, distributions and charges	(18,866)	n.a.
Own funds net of dividends at 31/12/2017	**918,359**	**n.a.**
Change in Own Funds	**98,660**	**n.a.**

Change in unrealized gains on financial and real estate investments

The change in unrealized gains on financial and real estate investments is mainly explained by increases in value recorded on equity instruments of 24,671 thousand euro. There has been less unrealized gains on bonds (-11,597 thousand euro), which were affected by the rise in the yield curve occurred during the year.

Change in Non-Life technical provisions

The lower benefit from Non-life technical provisions is due to the worsening of the technical trends, found particularly on Lob: 4 (Motor Third Party Liability), 5 (Other Motor), 7 (Fire and other damage to property).

Change in Life technical reserves

There is a reduction in the negative difference between Life Solvency II reserves and Life Local reserves, due to the joint action of the following sub-factors:

- increase of the discounting curve with the Volatility Adjustment compared to 31/12/2016;

- the effect of the strategy to contain products with revaluable single premiums linked to segregated funds (in addition to the natural expiry of contracts with high guaranteed rates) There was also a gradual run-off of the portfolio on the LOB Other which at 31 December 2017 presents lower Solvency II reserves than Local ones.

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).

<u>Management and preservation of adequate capital levels</u>

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:

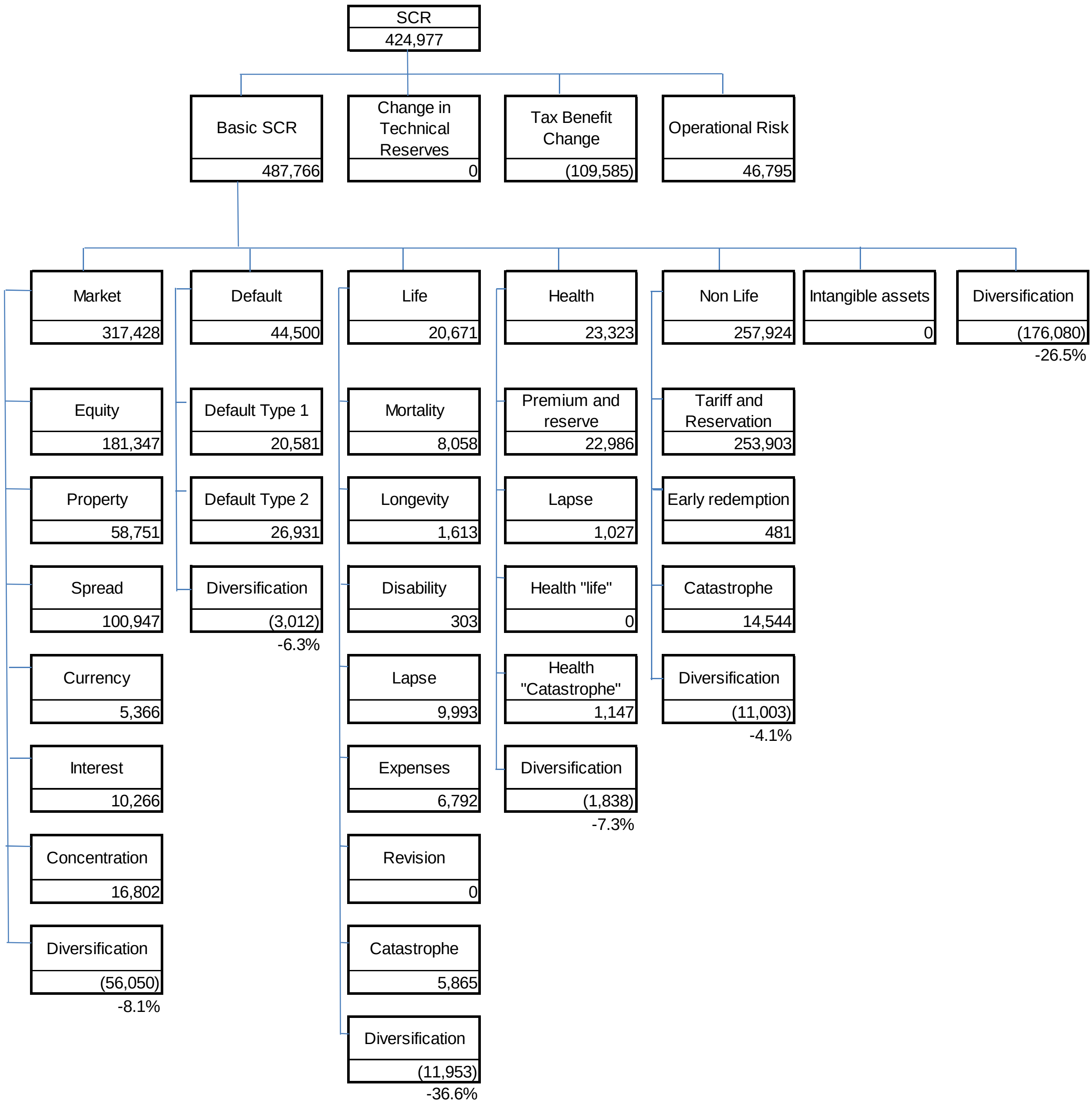
- Reduction or deletion of the distribution of dividends;
- Issuance of subordinated loans;
- Capital increases.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

As at 31.12.2017, the Solvency Capital Requirement (SCR) accounts for 424,977 thousand euro, while the Minimum Capital Requirement (MCR) accounts for 191,239 thousand euro.

Related composition is as follows:

S.C.R. 31.21.2017 - 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)

	31/12/2017	
	Volatility Adjustment	Risk free
Market Risk	317,428	321,040
Counterparty Default Risk	44,500	44,500
Life Underwriting Risk	20,671	21,163
Health underwriting Risk	23,323	23,331
Non-Life underwriting Risk	257,924	258,088
Sum of risk components	**663,846**	**668,123**
Diversification effects	(176,080)	(177,119)
Basic S.C.R.	**487,766**	**491,003**
Operational Risk	46,795	46,865
Tax adjustment	(109,585)	(110,263)
S.C.R.	**424,977**	**427,605**
Tier 1	915,257	910,163
Tier 3	3,103	4,672
Eligible own funds to meet Solvency Capital Requirement	**918,359**	**914,836**
SOLVENCY II RATIO	**216.1%**	**213.9%**

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 euro units)

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

		Solvency II value
Assets		**C0010**
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	95,493,953
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	123,810,795
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	3,210,359,984
Property (other than for own use)	R0080	118,031,165
Holdings in related undertakings, including participations	R0090	483,789,889
Equities	R0100	127,663,670
Equities - listed	R0110	11,591,811
Equities - unlisted	R0120	116,071,859
Bonds	R0130	2,074,590,584
Government Bonds	R0140	1,829,572,337
Corporate Bonds	R0150	241,711,462
Structured notes	R0160	3,306,785
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	403,284,676
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	3,000,000
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	76,225,257
Loans and mortgages	R0230	21,079,518
Loans on policies	R0240	596,007
Loans and mortgages to individuals	R0250	4,913,178
Other loans and mortgages	R0260	15,570,333
Reinsurance recoverables from:	R0270	47,436,337
Non-life and health similar to non-life	R0280	48,241,233
Non-life excluding health	R0290	47,229,249
Health similar to non-life	R0300	1,011,984
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-804,896
Health similar to life	R0320	279,130
Life excluding health and index-linked and unit-linked	R0330	-1,084,026
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	148,734
Insurance and intermediaries receivables	R0360	154,509,945
Reinsurance receivables	R0370	3,044,642
Receivables (trade, not insurance)	R0380	63,984,131
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	84,422,343
Any other assets, not elsewhere shown	R0420	12,577,528
Total assets	R0500	3,893,093,167

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

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	1,433,365,988
Technical provisions – non-life (excluding health)	**R0520**	1,380,766,427
TP calculated as a whole	**R0530**	-
Best Estimate	**R0540**	1,322,546,193
Risk margin	**R0550**	58,220,234
Technical provisions - health (similar to non-life)	**R0560**	52,599,561
TP calculated as a whole	**R0570**	-
Best Estimate	**R0580**	48,270,475
Risk margin	**R0590**	4,329,086
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	1,201,880,220
Technical provisions - health (similar to life)	**R0610**	3,087,565
TP calculated as a whole	**R0620**	-
Best Estimate	**R0630**	3,087,565
Risk margin	**R0640**	-
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	1,198,792,655
TP calculated as a whole	**R0660**	-
Best Estimate	**R0670**	1,184,537,780
Risk margin	**R0680**	14,254,875
Technical provisions – index-linked and unit-linked	**R0690**	67,509,554
TP calculated as a whole	**R0700**	-
Best Estimate	**R0710**	67,123,187
Risk margin	**R0720**	386,367
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	-
Provisions other than technical provisions	**R0750**	14,489,696
Pension benefit obligations	**R0760**	6,769,012
Deposits from reinsurers	**R0770**	6,418,408
Deferred tax liabilities	**R0780**	92,391,421
Derivatives	**R0790**	-
Debts owed to credit institutions	**R0800**	-
Financial liabilities other than debts owed to credit institutions	**R0810**	-
Insurance & intermediaries payables	**R0820**	33,471,339
Reinsurance payables	**R0830**	8,676,275
Payables (trade, not insurance)	**R0840**	61,440,387
Subordinated liabilities	**R0850**	-
Subordinated liabilities not in basic own funds	**R0860**	-
Subordinated liabilities in basic own funds	**R0870**	-
Any other liabilities, not elsewhere shown	**R0880**	29,455,321
Total liabilities	**R0900**	2,955,867,621
Excess of assets over liabilities	**R1000**	937,225,546

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				Total
		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	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	17,407,320	87,250,342	-	666,699,971	125,329,219	3,973,589	105,562,862	57,826,854	3,925,443	5,481,406	26,389,381	48,225,670					1,148,072,058
Gross - Proportional reinsurance accepted	R0120	293	523	-	18	-	178	1,862	81,306	-	-	17,064	-					101,245
Gross - Non-proportional reinsurance accepted	R0130													-	-	-	-	-
Reinsurers' share	R0140	75,683	428,869	-	1,176,423	3,204,149	167,955	14,172,740	680,078	2,261,307	3,900,348	10,608,457	53,009	-	-	-	-	36,729,017
Net	R0200	17,331,930	86,821,996	-	665,523,567	122,125,070	3,805,811	91,391,984	57,228,083	1,664,136	1,581,058	15,797,988	48,172,661	-	-	-	-	1,111,444,285
Premiums earned																		
Gross - Direct Business	R0210	16,620,124	85,071,484	-	653,898,978	120,425,193	3,769,603	104,105,181	55,412,290	16,748,338	5,250,757	25,647,486	50,805,104					1,137,754,538
Gross - Proportional reinsurance accepted	R0220	293	523	-	23	-	178	1,819	87,750	-	-	17,141	-					107,726
Gross - Non-proportional reinsurance accepted	R0230													-	-	-	-	-
Reinsurers' share	R0240	82,573	467,913	-	1,177,425	3,208,332	168,043	14,264,395	740,405	5,757,286	3,806,655	10,782,679	59,972	-	-	-	-	40,515,680
Net	R0300	16,537,844	84,604,094	-	652,721,576	117,216,860	3,601,737	89,842,605	54,759,634	10,991,052	1,444,102	14,881,947	50,745,132	-	-	-	-	1,097,346,585
Claims incurred																		
Gross - Direct Business	R0310	7,709,110	28,514,179		495,817,129	65,709,467	1,938,661	69,330,257	27,368,579	14,569,570	329,180	7,411,131	1,122,326					719,819,589
Gross - Proportional reinsurance accepted	R0320	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non-proportional reinsurance accepted	R0330													-	-	-	-	-
Reinsurers' share	R0340	78,744	446,219	-	-	5,687,099	-	20,436,194	45,791	5,736,461	172,239	8,205,563	39,409	-	-	-	-	40,847,718
Net	R0400	7,630,365	28,067,961	-	495,817,129	60,022,368	1,938,661	48,894,064	27,322,788	8,833,109	156,941	-794,431	1,082,918	-	-	-	-	678,971,871
Changes in other technical provisions																		
Gross - Direct Business	R0410	-	-	-	-	375,990	5,177	233,194	-	-	-	-	-					614,361
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non- proportional reinsurance accepted	R0430													-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	375,990	5,177	233,194	-	-	-	-	-	-	-	-	-	614,361
Expenses incurred	R0550	6,019,188	32,047,478	-	164,929,604	41,350,524	1,273,692	39,152,466	21,302,572	2,497,950	-839,406	11,572,734	14,330,634	-	-	-	-	333,637,435
Other expenses	R1200																	9,380,702
Total expenses	R1300																	343,018,137

Vittoria Assicurazioni S.p.A.
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	985,773	160,980,281	17,965,299	11,212,771	-	-	-	-	191,144,124
Reinsurers' share	R1420	649,065	-	-	507,646	-	-	-	-	1,156,711
Net	R1500	336,708	160,980,281	17,965,299	10,705,125	-	-	-	-	189,987,413
Premiums earned										
Gross	R1510	-	-	-	-	-	-	-	-	-
Reinsurers' share	R1520	-	-	-	-	-	-	-	-	-
Net	R1600	-	-	-	-	-	-	-	-	-
Claims incurred										
Gross	R1610	32,194	98,984,995	2,069,326	13,729,914	-	-	-	-	114,816,429
Reinsurers' share	R1620	10,717	5,330,163	-	2,304,211	-	-	-	-	7,645,091
Net	R1700	21,477	93,654,832	2,069,326	11,425,703	-	-	-	-	107,171,338
Changes in other technical provisions										
Gross	R1710	-	-	-	-	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-	-	-	-	-
Net	R1800	-	-	-	-	-	-	-	-	-
Expenses incurred	R1900	-111,534	14,130,578	631,611	395,321	-	-	-	-	15,045,976
Other expenses	R2500									718,568
Total expenses	R2600									15,764,544

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	1,148,072,058	1,148,072,058
Gross - Proportional reinsurance accepted	R0120	-	-
Gross - Non-proportional reinsurance accepted	R0130	-	-
Reinsurers' share	R0140	16,938,598	16,938,598
Net	R0200	1,131,133,460	1,131,133,460
Premiums earned			
Gross - Direct Business	R0210	1,137,754,538	1,137,754,538
Gross - Proportional reinsurance accepted	R0220	-	-
Gross - Non-proportional reinsurance accepted	R0230	-	-
Reinsurers' share	R0240	20,572,167	20,572,167
Net	R0300	1,117,182,370	1,117,182,370
Claims incurred			
Gross - Direct Business	R0310	719,819,589	719,819,589
Gross - Proportional reinsurance accepted	R0320	-	-
Gross - Non-proportional reinsurance accepted	R0330	-	-
Reinsurers' share	R0340	26,697,618	26,697,618
Net	R0400	693,121,971	693,121,971
Changes in other technical provisions			
Gross - Direct Business	R0410	614,361	614,361
Gross - Proportional reinsurance accepted	R0420	-	-
Gross - Non- proportional reinsurance accepted	R0430	-	-
Reinsurers' share	R0440	-	-
Net	R0500	614,361	614,361
Expenses incurred	R0550	336,233,146	336,233,146
Other expenses	R1200		9,380,702
Total expenses	R1300		345,613,848

		Home Country	Total Top 5 and home country
			C0210
	R1400		
			C0280
Premiums written			
Gross	R1410	191,144,124	191,144,124
Reinsurers' share	R1420	-	-
Net	R1500	191,144,124	191,144,124
Premiums earned			
Gross	R1510	-	-
Reinsurers' share	R1520	-	-
Net	R1600	-	-
Claims incurred			
Gross	R1610	114,816,429	114,816,429
Reinsurers' share	R1620	-	-
Net	R1700	114,816,429	114,816,429
Changes in other technical provisions			
Gross	R1710	-	-
Reinsurers' share	R1720	-	-
Net	R1800	-	-
Expenses incurred	R1900	15,243,228	15,243,228
Other expenses	R2500		718,568
Total expenses	R2600		15,961,796

Vittoria Assicurazioni S.p.A.
S.12.01.02 Life and Health SLT Technical Provisions

			Index-linked and unit-linked insurance			Other life insurance						Health insurance (direct business)					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	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	1,159,187,294		-	67,123,187		-	25,350,485	-	-	1,251,660,966		-	3,087,564	-	-	3,087,564
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	28,801		-	-		-	- 1,112,829	-	-	- 1,084,028		-	279,130	-	-	279,130
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	1,159,158,493		-	67,123,187		-	26,463,314	-	-	1,252,744,994		-	2,808,434	-	-	2,808,434
Risk Margin	R0100	7,676,318	386,367			6,578,558			-	-	14,641,243	0			-	-	0
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110	-	-			-			-	-	-	-			-	-	-
Best estimate	R0120	-		-	-		-	-	-	-	-		-	-	-	-	-
Risk margin	R0130	-	-			-			-	-	-	-			-	-	-
Technical provisions - total	R0200	1,166,863,612	67,509,554			31,929,043			-	-	1,266,302,209	3,087,564			-	-	3,087,564

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

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		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	
		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	1,477,977	8,381,795	-	205,994,650	31,545,451	941,050	36,429,147	12,705,616	12,249,191	(398,895)	3,670,536	(4,697,902)	-	-	-	-	308,298,616
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	(11,869)	(31,158)	-	-	3,217	(746)	1,175,603	329,390	4,874,908	(181,304)	1,717,099	(699)	-	-	-	-	7,874,441
Net Best Estimate of Premium Provisions	R0150	1,489,846	8,412,953	-	205,994,650	31,542,234	941,797	35,253,545	12,376,226	7,374,283	(217,591)	1,953,436	(4,697,203)	-	-	-	-	300,424,177
Claims provisions																		
Gross	R0160	4,796,344	33,614,359	-	780,822,458	27,182,375	6,665,105	36,463,577	117,845,507	48,280,140	1,096,045	3,520,459	2,231,682	-	-	-	-	1,062,518,051
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	101,810	953,201	-	245,140	3,299,962	2,993,625	4,840,368	3,280,780	20,577,128	947,127	3,069,934	57,717	-	-	-	-	40,366,793
Net Best Estimate of Claims Provisions	R0250	4,694,535	32,661,158	-	780,577,318	23,882,413	3,671,480	31,623,208	114,564,726	27,703,013	148,917	450,524	2,173,965	-	-	-	-	1,022,151,258
Total Best estimate - gross	R0260	6,274,321	41,996,154	-	986,817,109	58,727,827	7,606,155	72,892,724	130,551,123	60,529,331	697,150	7,190,994	(2,466,220)	-	-	-	-	1,370,816,668
Total Best estimate - net	R0270	6,184,381	41,074,111	-	986,571,969	55,424,647	4,613,277	66,876,753	126,940,953	35,077,296	(68,673)	2,403,961	(2,523,238)	-	-	-	-	1,322,575,435
Risk margin	R0280	648,131	3,680,955	-	34,857,657	5,185,225	463,731	3,942,779	5,385,028	3,723,206	80,535	752,930	3,829,143	-	-	-	-	62,549,321
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	6,922,453	45,677,109	-	1,021,674,765	63,913,052	8,069,886	76,835,504	135,936,151	64,252,537	777,685	7,943,924	1,362,923	-	-	-	-	1,433,365,989
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	89,940	922,044	-	245,140	3,303,180	2,992,878	6,015,971	3,610,170	25,452,036	765,823	4,787,033	57,018	-	-	-	-	48,241,234
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	6,832,512	44,755,066	-	1,021,429,625	60,609,872	5,077,008	70,819,533	132,325,980	38,800,502	11,862	3,156,891	1,305,905	-	-	-	-	1,385,124,755

Vittoria Assicurazioni S.p.A.
S.19.01.21 Non-life insurance claims

Non-life insurance claims

Accident year / Underwriting year	Z0010	1

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

	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											-
N-9	R0160	162,582,363	106,867,886	28,320,567	14,040,890	13,333,566	7,162,899	4,107,637	4,097,039	1,600,815	5,607,310	
N-8	R0170	174,599,848	109,695,691	35,915,922	19,099,269	12,326,966	17,789,582	10,115,451	4,792,856	2,361,965		
N-7	R0180	190,114,660	130,519,422	38,874,726	13,847,945	9,944,660	7,748,285	8,296,362	9,174,219			
N-6	R0190	205,966,376	138,929,702	41,531,707	24,601,195	15,802,918	11,842,232	10,008,340				
N-5	R0200	212,886,634	139,676,791	48,287,598	24,005,711	17,468,924	15,005,487					
N-4	R0210	234,086,311	155,690,450	52,200,012	21,989,285	14,675,281						
N-3	R0220	250,570,545	165,896,578	50,084,117	16,552,873							
N-2	R0230	277,286,312	176,970,774	57,553,594								
N-1	R0240	293,805,328	197,887,411									
N	R0250	349,200,404										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	-	-
	R0160	5,607,310	347,720,967
	R0170	2,361,965	386,697,548
	R0180	9,174,219	408,520,281
	R0190	10,008,340	448,682,469
	R0200	15,005,487	457,331,140
	R0210	14,675,281	478,641,337
	R0220	16,552,873	483,104,108
	R0230	57,553,594	511,810,679
	R0240	197,887,411	491,692,740
	R0250	349,200,404	349,200,404
Total	R0260	678,026,885	4,363,401,675

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											7,879,687
N-9	R0160	-	-	-	-	-	-	-	-	15,551,588	11,796,253	
N-8	R0170	-	-	-	-	-	-	-	27,154,176	25,546,489		
N-7	R0180	-	-	-	-	-	-	26,884,898	18,946,553			
N-6	R0190	-	-	-	-	-	52,702,900	37,937,473				
N-5	R0200	-	-	-	-	71,139,049	52,104,410					
N-4	R0210	-	-	-	99,573,556	80,073,486						
N-3	R0220	-	-	124,434,726	91,360,045							
N-2	R0230	-	201,501,933	139,803,489								
N-1	R0240	402,751,117	183,901,646									
N	R0250	433,813,068										

		Year end (discounted data)
		C0360
	R0100	7,790,886
	R0160	11,680,995
	R0170	25,347,914
	R0180	18,759,581
	R0190	37,515,323
	R0200	51,491,009
	R0210	79,065,898
	R0220	90,014,378
	R0230	137,590,245
	R0240	181,079,183
	R0250	429,776,984
Total	R0260	1,098,981,628

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	2,702,755,762	-	-	- 5,175,745	-
Basic own funds	R0020	918,359,447	-	-	3,523,688	-
Eligible own funds to meet Solvency Capital Requirement	R0050	918,359,447	-	-	3,523,688	-
Solvency Capital Requirement	R0090	424,976,542	-	-	- 2,628,551	-
Eligible own funds to meet Minimum Capital Requirement	R0100	915,256,915	-	-	5,093,505	-
Minimum Capital Requirement	R0110	191,239,444	-	-	- 1,182,848	-

Vittoria Assicurazioni S.p.A.
S.23.01.01 Own funds

		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	67,378,924	67,378,924		-	
Share premium account related to ordinary share capital	R0030	33,355,418	33,355,418		-	
Iinitial 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	814,522,573	814,522,573			
Subordinated liabilities	R0140	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	3,102,532				3,102,532
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	R0220	-				
Deductions						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	-
Total basic own funds after deductions	R0290	918,359,447	915,256,915	-	-	3,102,532
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	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	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	-			-	-

Vittoria Assicurazioni S.p.A.
S.23.01.01 Own funds – continued

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	918,359,447	915,256,915	-	-	3,102,532
Total available own funds to meet the MCR	R0510	915,256,915	915,256,915	-	-	
Total eligible own funds to meet the SCR	R0540	918,359,447	915,256,915	-	-	3,102,532
Total eligible own funds to meet the MCR	R0550	915,256,915	915,256,915	-	-	
SCR	R0580	424,976,542				
MCR	R0600	191,239,444				
Ratio of Eligible own funds to SCR	R0620	216.1%				
Ratio of Eligible own funds to MCR	R0640	478.6%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	937,225,546	
Own shares (held directly and indirectly)	R0710		
Foreseeable dividends, distributions and charges	R0720	18,866,099	
Other basic own fund items	R0730	103,836,874	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740		
Reconciliation reserve	R0760	814,522,573	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770	11,360,321	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	24,531,512	
Total Expected profits included in future premiums (EPIFP)	R0790	35,891,833	

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

		Gross solvency capital requirement	Undertaking Specific Parameters (USP)	Simplifications
		C0110	C0090	C0100
Market risk	R0010	317,428,369		
Counterparty default risk	R0020	44,500,264		
Life underwriting risk	R0030	20,671,242		
Health underwriting risk	R0040	23,322,564		
Non-life underwriting risk	R0050	257,923,993		
Diversification	R0060	- 176,079,952		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	487,766,480		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	46,795,208
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	- 109,585,146
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency Capital Requirement excluding capital add-on	R0200	424,976,542
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	424,976,542
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	-

Vittoria Assicurazioni S.p.A.

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	222,495,872	-

		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	6,184,381	17,131,599	-	-
Income protection insurance and proportional reinsurance	R0030	41,074,111	87,022,327	-	-
Workers' compensation insurance and proportional reinsurance	R0040	-	-	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	986,571,969	665,523,567	-	-
Other motor insurance and proportional reinsurance	R0060	55,424,647	122,125,070	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	4,613,277	3,805,811	-	-
Fire and other damage to property insurance and proportional reinsurance	R0080	66,876,753	91,392,247	-	-
General liability insurance and proportional reinsurance	R0090	126,940,953	57,228,083	-	-
Credit and suretyship insurance and proportional reinsurance	R0100	35,077,296	1,701,508	-	-
Legal expenses insurance and proportional reinsurance	R0110	-	1,581,058	-	-
Assistance and proportional reinsurance	R0120	2,403,961	15,797,941	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	-	48,135,073	-	-
Non-proportional health reinsurance	R0140	-	-	-	-
Non-proportional casualty reinsurance	R0150	-	-	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	-	-	-	-
Non-proportional property reinsurance	R0170	-	-	-	-

Vittoria Assicurazioni S.p.A.
S.28.02.01 Minimum Capital Requirement – continued

		Non-life activities MCR(L,NL) Result	Life activities MCR(L,L) Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200	-	45,459,224

		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	-		1,136,225,911	
Obligations with profit participation — future discretionary benefits	R0220	-		22,932,553	
Index-linked and unit-linked insurance obligations	R0230	-		67,123,187	
Other life (re)insurance and health (re)insurance obligations	R0240	-		29,265,586	
Total capital at risk for all life (re)insurance obligations	R0250		-		5,035,855,212

Overall MCR calculation

		C0130
Linear MCR	R0300	267,953,602
SCR	R0310	424,976,542
MCR cap	R0320	191,239,444
MCR floor	R0330	106,244,136
Combined MCR	R0340	191,239,444
Absolute floor of the MCR	R0350	7,400,000
		C0130
Minimum Capital Requirement	R0400	191,239,444

Notional non-life and life MCR calculation		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	222,494,379	45,459,224
Notional SCR excluding add-on (annual or latest calculation)	R0510	352,877,852	72,098,690
Notional MCR cap	R0520	158,795,034	32,444,410
Notional MCR floor	R0530	88,219,464	18,024,672
Notional Combined MCR	R0540	158,795,034	32,444,410
Absolute floor of the notional MCR	R0550	3,700,000	3,700,000
Notional MCR	R0560	158,795,034	32,444,410

Report of Independent auditors

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INDEPENDENT AUDITORS' REPORT
PURSUANT TO ARTICLE 47-SEPTIES, n°7 OF LEGISLATIVE DECREE No. 209 OF SEPTEMBER 7, 2005 AND TO ARTICLE 10 OF THE LETTER TO THE MARKET OF DECEMBER 7, 2016

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 of December 31, 2017 prepared according to the article 47-septies of Legislative Decree No. 209 of September 7, 2005:

- quantitative reporting templates "S.02.01.02 Balance Sheet" and "S.23.01.01 Own funds" ("QRTs");
- sections "D. Valuation for solvency purposes" and "E.1. Own Funds" ("notes")

According to the paragraphs n°9 and n°10 of the Letter to the Market of December 7, 2016 we have not audited:

- the items of the technical reserves relating to the "risk margin" (items R0550, R0590, R0640, R0680 e R0720) included in the QRT "S.02.01.02 Balance Sheet";
- the "Solvency Capital Requirement" (item R0580) and the "Minimum Capital Requirement" (item R0600) included in the QRT "S.23.01.01 Own funds";

which are therefore excluded from our opinion.

The QRTs and the notes, with the above exclusions, as a whole constitute the "QRTs and the related notes".

In our opinion, the QRTs and the related notes included in the SFCR of Vittoria Assicurazioni S.p.A. for the year ended December 31, 2017 are prepared, in all material respects, in accordance with the requirements of the European Directive directly applicable and the national regulations.

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 QRTs and the related notes* section of our report. We are independent of the Company in accordance with the ethical and independence requirements of the *Code of Ethics for Professional Accountants (IESBA Code)* issued by the *International Ethics Standards Board of Accountants* that are relevant to our audit of the QRTs and the related notes. 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

We draw attention to section ""D. Valuation for solvency purposes" which describes the basis of accounting. For the purpose of solvency supervision, the QRTs and the related notes are prepared in complying with the requirements of the European Directive directly applicable and the national regulations, which is a regulatory framework with specific purposes. As a result, they may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other matters

The Company prepared the financial statements as at December 31, 2017 in accordance with the Italian law governing financial statements which have been audited by us and on which we issued our report on March 29, 2018.

Other information included in the SFCR

The Directors are responsible for the other information included in the SFCR in accordance with the requirements of the European Directive directly applicable and the national regulations.

The other information included in the SFCR are the following:

- the QRTs "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 measures and transitionals", "S.25.01.21 Solvency Capital Requirement for undertakings on Standard Formula" and "S.28.02.01 Minimum Capital Requirement - Both life and non-life insurance activity";

- the sections "A. Business and performance", "B. System of Governance", "C. Risk Profile", "E2. Solvency Capital Requirement and Minimum Capital Requirement", "E3. Utilization of the equity risk submodule based on the duration of the calculation of the solvency capital requirement", "E4. Differences between the standard formula and the internal model used", "E5. Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement" and "E6. Other information".

Our opinion on the QRTs and the related notes does not cover this other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of QRTs and the related notes, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the QRTs and the related notes or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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 QRTs and the related notes

The Directors are responsible for the preparation of QRTs and the related notes in accordance with the requirements of the European Directive directly applicable and the national regulations, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of QRTs and the related notes that are free from material misstatement, whether due to fraud or error.

In preparing the QRTs and the related notes, 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 for the termination of the operations or have no realistic alternative 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 QRTs and the related notes

Our objectives are to obtain reasonable assurance about whether QRTs and the related notes 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 these QRTs and related notes.

As part of an audit in accordance with International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the QRTs and the related notes, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;

- obtain an understanding of internal control relevant to the audit of the QRTs and the related notes 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;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's 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 communicate 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.

We also provide those charged with governance with a statement that we have complied with the ethical and independence requirements of the Code of Ethics for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board of Accountants, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Milano, Italy
March 29, 2018

This report has been translated into the English language solely for the convenience of international readers.