

## **Ordinary Shareholders' Meeting**

20 April 2012 (first call)

21 April 2012 (second call)

### **Item 3 on the agenda:**

**Remuneration policies; report of the Board of Directors; related resolutions.**

### **Report of the Board of Directors**

To Shareholders

Pursuant to the combined provisions of Article 123-ter of Legislative Decree 58/1998 (TUF) and ISVAP Regulation no. 39, we are submitting the first section of the Remuneration Report for your approval. This report describes the policies the Company intends to adopt for the remuneration of the Directors, the General Manager and managers with strategic responsibilities.

As dictated by Article 123-ter of the TUF, the report consists of two sections:

- Section One, which is being submitted for your approval pursuant to ISVAP Regulation no. 39 and Article 7 of the Articles of Association describes:
  - a) the remuneration policies the Company intends to adopt with respect to Directors, Statutory Auditors, the General Manager, managers with strategic responsibilities and staff, in the sense specified in ISVAP Regulation no. 39, as well as managers and staff at the highest level in internal control areas (Internal Audit, Compliance and Risk Management) and categories of staff whose activities could have a significant impact on the Company's risk profile;
  - b) the procedures used to implement this policy;
- Section Two, which does not require shareholder meeting approval, is divided into two parts with information by name for members of management and control bodies, the General Manager, and on a combined basis, managers with strategic responsibilities, and provides:
  - a) an appropriate reporting of each remuneration item;
  - b) a detailed breakdown of compensation paid in 2011 by the Company, subsidiaries and associate companies for any purpose and in any form, with an indication, if necessary, of any components of the above compensation that related to activities performed in previous periods.

The Board of Directors

Milan, 13 March 2012

## **Report on remunerations**

### **Section One**

#### **Forward: Reference regulatory framework**

In recent years, the remuneration policies of directors and managers with strategic responsibilities (Senior Management) have been affected by various regulations of the EU and domestic supervisory authorities.

In March of 2010, the Corporate Governance Committee approved the new text of Article 7 of the Corporate Governance Code issued by Borsa Italiana in 2006 concerning the remuneration of directors and managers with strategic responsibilities, and asked listed companies to apply the new self-regulation by the end of 2011.

Vittoria Assicurazioni, which complies with the referenced Corporate Governance Code, including with respect to the new Article 7, has deemed it appropriate, for the application of certain principles enacted in the same article, to also wait for the issuance of the related ISVAP regulations for insurance companies.

In June 2011, taking into consideration the principles dictated by the Solvency Director, ISVAP issued ISVAP Regulation no. 39/2011, which governs general principles with which the remuneration policies of insurance companies must comply in determining the remuneration of directors and staff whose activities could have a significant impact on the company's risk profile.

As required by Article 27 of the referenced ISVAP Regulation no. 39, at the time of its first application, the Board of Directors, with the support of the Appointments & Remuneration Committee, carried out an assessment to determine the degree to which existing remuneration systems complied with the new regulatory provisions, and identified measures to amend them as necessary as well as the related timing.

Below is a summary of the principles and rules dictated by ISVAP Regulation no. 39 with which the remuneration policy being submitted for your approval is in full compliance.

In determining remuneration policies, due consideration must be given to the nature, size and operating characteristics of the company. Remuneration policies must be consistent with the sound, prudent management of risk and in keeping with the strategic objectives, income and equilibrium of the company over the long term. They must not be solely or predominantly based on short-term results to avoid providing incentives for excessive risk exposure.

The principles are especially important where there is a variable remuneration component, meaning that component of compensation allocated on the basis of results achieved including bonuses, awards and other forms of incentives.

With respect to directors, the variable component is stipulated for executive directors, while for non-executive directors variable components of remuneration are paid only in exceptional, properly substantiated situations, and in any event, must not be a significant part of remuneration.

If there is a variable component, it is necessary to:

- ensure a proper balance between the variable and fixed components;
- set maximum limits for the variable component;
- ensure that the breakdown between the two components enables the company to pursue a flexible policy concerning the payment of variable components, especially with regard to the ability to adopt appropriate contract provisions that make it possible
  - a) to avoid paying all or a part of variable compensation if the pre-established results are not achieved, or if there was a significant deterioration in the company's balance sheet;
  - b) ask for the return of compensation based on results that turn out to be temporary or invalid due to intentional or grossly negligent conduct.
- ensure that the payment of the variable component is subject to the achievement of pre-established, objective and easily measurable results over a period of time preferably covering several years. To this end, in setting results to be achieved, remuneration policy must:
  - a) call for the adoption of performance indicators;
  - b) also take into account non-financial criteria that contribute to the creation of value for the company, such as compliance with external and internal regulations and the efficient management of service provided to customers;
  - c) ensure that the overall amount of the variable component is based on a proper combination of results achieved by the individual and the overall results of the company or affiliated group;
- ensure that as a function of the weighting of the variable to the fixed component, a substantial portion of the variable component is paid only at the end of a minimum deferment period, taking into account current and future risks connected with the pre-established results;
- ensure that the amounts owed in the event of an early termination of the position are subject to appropriate quantitative limits and establish situations in which these forms of payment must not be paid.

Lastly, if remuneration plans based on financial instruments are approved, these plans must call for time periods that make the achievement of economic advantages a gradual process.

In accordance with current regulations governing employment, the remuneration policy may also call for variable components for staff, resorting, in this instance, to the application of principles already indicated for directors with respect to the balancing of fixed and variable components, the setting and measurement of results and the payment of the variable component.

In addition to ensuring that the overall amount of the variable component is based on a proper combination of the results of the individual and the overall results achieved by the company or group, the company must also, where appropriate, take into account the results achieved by the individual's production unit.

There is no variable compensation plan for members of the Board of Statutory Auditors.

Remuneration policy must also comply with the principles of sound and prudent management for the remuneration of insurance and reinsurance intermediaries, and for providers of outsourced services related to essential or important activities, and it must not be based only or predominantly on short-term results.

The aforementioned regulations assign different duties to various corporate bodies (Board of Directors, shareholders' meeting and Remuneration Committee, if elected) with respect to the determination and implementation of remuneration policies.

In particular, the Board of Directors:

- determines and periodically reviews remuneration policies;
- ensures the involvement of internal control departments and the human resources department in the determination of remuneration policies;
- annually makes an appropriate report to the shareholders' meeting on the application of remuneration policies together with quantitative information.

In its duties, the Board of Directors is assisted by the Remuneration Committee, which:

- performs advisory and proposal-related duties in the determination of remuneration policies;
- makes proposals to the Board of Directors on the remuneration of executive directors and directors assigned specific duties, and on the setting of performance objectives related to the variable component of this remuneration;
- ensures that executive director remuneration is proportional for all executive directors and with respect to the company's staff;
- periodically assesses the adequacy, overall consistency and specific application of the general policy adopted for the remuneration of executive directors, directors assigned specific duties and strategically accountable managers (with the latter using information provided by the managing director), and prepares related proposals;
- monitors the application of decisions made by the Board of Directors;
- verifies the actual achievement of performance objectives.

The implementation of remuneration policies must also be subject to an annual audit of internal control departments, which are required to report the results of audits to bodies responsible for adopting any corrective measures.

Specifically:

- the Internal Audit Department audits the proper application of remuneration policies on the basis of guidelines set by the Board of Directors.
- the Compliance Department ensures that remuneration policies are consistent with the requirements of ISVAP Regulation no. 39, the Articles of Association and other codes applicable to the company or with which it complies (e.g., the Corporate Governance Code issued by Borsa Italiana) in order to prevent and contain legal and reputational risks.

- the Risk Management Department monitors the consistency of the quantitative parameters specified in the multi-year plan for variable compensation with operating risks.

In addition, the Corporate Governance Code specifies that as a part of the opinion to be expressed when approving the compensation of directors with specific duties, the Board of Statutory Auditors must verify whether the proposals are consistent with general remuneration policy.

## **Remuneration policy of Vittoria Assicurazioni S.p.A.**

### **1. General guidelines**

The previous section mainly summarised the instructions of ISVAP Regulation no. 39/2011 and the principles of regulations with which the Company must comply since it is an insurance company listed on the stock exchange and in compliance with the Corporate Governance Code.

On the other hand, this part will cover:

- general guidelines of remuneration policies that Vittoria Assicurazioni S.p.A. intends to adopt;
- the role and duties of various participants in decision-making processes that lead to the determination of remuneration policies;
- the principles and criteria that will be used to coordinate the determination of remuneration for executive directors and other individuals in senior positions at the Company;
- for certain categories of individuals, parameters aimed at determining the variable portion of compensation if provided for.

Vittoria Assicurazioni S.p.A. has always had a remuneration policy aimed at the sound, prudent management of risk that is in keeping with the strategic objectives of the company's on-going, balanced growth, profitability and the company's prominent position in the domestic insurance market over the long term.

Since Vittoria is a company listed in the Star Segment of the Milan Stock Exchange, it has had an Appointments & Remuneration Committee for some time which is essentially charged with the same duties and functions currently identified by ISVAP Regulation no. 39.

The primary objective of the compensation policy implemented by Vittoria Assicurazioni S.p.A. is to ensure remuneration that is sufficient to recruit, motivate and retain resources with the professional qualities required to successfully pursue the goals of the Company and Group, which mainly consist of aiming to achieve continual excellent results in the achievement of its

corporate purpose, and as a result, to create value for shareholders and safeguard company assets over the long term.

In general, the Company's remuneration policy does not provide for incentives aimed at assuming risks that could conflict with the above objectives.

To date, Vittoria Assicurazioni has decided not to adopt remuneration policies and plans for executive directors and senior management that provide incentives or compensation using the Company's shares or other financial instruments.

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 capabilities and the reference market according to fairness principles.

## **2. Definitions**

**Senior Management:** the group of managers with strategic responsibilities. At Vittoria Assicurazioni S.p.A. this category includes the General Manager, Co-General Manager and Central Managers (also called Senior Management).

**Variable component:** the component of compensation provided on the basis of results achieved or established in advance. For the Managing Director and senior management this component is set as a percentage of the fixed component with percentages differing based on the roles and responsibilities concerned, with a maximum set for the achievement of predetermined objectives.

**Managers:** all managers not falling in the category of senior management.

**Control departments:** the Internal Audit, Risk Management and Compliance departments as indicated in ISVAP Regulation no. 20/2008.

**Bonuses:** when provided for, that part of compensation that may be received for achieving objectives tied to the specific role or function filled. For managers, these are set as a percentage of the fixed component.

**RAL:** gross annual compensation, meaning the fixed gross annual component of remuneration for those who have an employment relationship with the Company.

## **3. Information concerning the decision-making process used to establish compensation policy, and on the individuals involved**

As required by ISVAP Regulation no. 39/2011, starting in the current year the general staff remuneration policy is to be determined by the Board of Directors with the support of the Appointments & Remuneration Committee and Managing Director, with the involvement of the Internal Control Departments and the Staff and Human Resources Management Department. The latter is particularly involved in determining staff requirement objectives and methods and criteria for assessing human resources.

This policy is monitored annually and subject to the approval of the Board of Directors. After reviewing and approving the policy, the Board of Directors submits it to the shareholders' meeting for the approval of shareholders.

All decision-making processes must be formalised, clear and transparent and must contain an assessment provision to avoid potential conflicts of interest between the Company and the individuals subject to remuneration policies.

In accordance with the principles of the Corporate Governance Code of Listed Companies adopted by Vittoria Assicurazioni S.p.A. and the provisions of ISVAP Regulation no. 39 of 2011, a key role in the determination of guidelines for remuneration policies is assigned to the Appointments & Remuneration Committee, which was established by Vittoria Assicurazioni S.p.A. as a listed company in the STAR Segment of Borsa Italiana.

The role of the Appointments & Remuneration Committee is even more significant in the decision-making process that leads to the determination of compensation policy for directors and senior management, meaning those senior managers who have the power and responsibility to plan and control the Company's operations or the power to make decisions that could affect its development or outlook.

Below is a description of the decision-making processes followed to determine compensation for directors and senior management, on the one hand, and for all other corporate employees on the other hand.

#### **4. Remuneration of directors and senior management**

The Appointments & Remuneration Committee, which is made up mostly of independent directors, has advisory and proposal-making duties with respect to the Board of Directors, and in particular, has the following remuneration-related powers:

- to make proposals for the Board of Directors' remuneration;
- to make proposals to the Board for the remuneration of the Chairman, Deputy Chairmen, Managing Director, and Directors with specific duties;
- to make proposals to the Board, as indicated by the Managing Director, for calculating the remuneration of the senior management in such a way as to attract and motivate high-calibre people, and the remuneration of heads of internal control;
- to make proposals for implementing performance-related remuneration criteria, including potential stock option plans, for the Company's Managing Director and senior management, to be submitted to the Board for approval.
- to assist the parent company's Managing Director in developing proposals for the remuneration of the Directors, the Chairman, the Managing Director and the General Manager of subsidiaries.

Article 15 of the Articles of Association contains the following provisions:

- Compensation of the Board of Directors is to be established by the shareholders' meeting, and the Board determines how it will be divided among its members;
- The remuneration of the Chairman, Deputy Chairmen and Managing Directors and any Directors with specific duties shall be determined by the Board of Directors after consulting the Board of Statutory Auditors.

The division of Directors compensation established by the shareholders' meeting must be approved by the Board based on the proposal of the Appointments & Remuneration Committee in accordance with the following criteria:

- fixed compensation of the same amount for all directors;
- additional compensation established as a fixed amount for directors who participate in committees established within the Board;

- any other compensation established as a fixed amount for directors to whom the Board has assigned special duties, determined on the basis of the commitment projected to carry out such duties.

Directors are entitled to the reimbursement of expenses incurred in the exercise of their posts, and attendance fees are not provided for attending meetings.

No remuneration tied to the company's operating results is provided for non-executive directors.

In contrast with the provisions of the Corporate Governance Code, Deputy Chairmen Carlo Acutis and Andrea Acutis do not receive incentive pay since the Acutis family is a controlling shareholder of the company.

Based on the proposal of the Appointments & Remuneration Committee, the Board also establishes fixed remuneration for the Chairman, Deputy Chairmen and Managing Director on the basis of the position held and parameters used in the reference market.

The remuneration of the Managing Director and senior management, based on their position and role, is partly related to Company results. This performance-related remuneration is paid according to the achievement of pre-established objectives.

Until 2011, this variable remuneration was set by the Board of Directors based on the proposal of the Appointments & Remuneration Committee and proposals made by the Managing Director.

Following the issuance of ISVAP Regulation no. 39, at the Board meeting of 10 November 2011, the Board of Directors, with the assistance of the Appointments and Remuneration Committee, acknowledged the remuneration policy applied by the company and found that it essentially complied with the principles set forth in ISVAP Regulation no. 39. Moreover, the analysis performed led to the opportunity of redetermining the criteria used to set objectives, on the basis of which variable remuneration is determined for the Managing Director and strategically accountable managers, bearing in mind the provisions of Article 12, paragraph 2 of ISVAP Regulation no. 39 which states:

*"When establishing performance to be achieved, remuneration policy:*

- a) must call for the adoption of performance indicators that take into account current and future risks connected with pre-established results as well as related costs in terms of cost of capital employed and the needed liquidity;*
- b) must take into account, where appropriate, the non-financial criteria that contribute to the creation of value for the company, such as compliance with external and internal regulations and the efficient management of service provided to customers;*
- c) must ensure that the overall amount of the variable component is based on a proper combination of results achieved by the individual and the overall results of the company or affiliated group."*

In light of the regulations referenced above, at its meeting of 13 March 2012, the Board of Directors, based on the proposal of the Appointments & Remuneration Committee, established the principles of remuneration policy and the criteria indicated below for determining and paying variable compensation to the Managing Director, senior management and bonuses to first level managers.

## **5. Remuneration structure**

The Board of Directors believes that a proper remuneration policy for directors with executive duties and senior management should be based on the following principles in keeping with the Company's history:

- ensuring the sound, prudent management of the Company in order to pursue strategic objectives such as continuing growth of the Company's value over time and a long-term return on shareholders' investment;
- ensuring a proper balance of exposure to risks based on the Company's characteristics, its position in the insurance market, its size and the operations of the Vittoria Group;
- determining management compensation to ensure that the fixed component of compensation is, in all cases, sufficient to remunerate service regardless of the achievement of objectives that entitle the individual to receive a variable portion of compensation as calculated below;
- specifying that a portion of senior management compensation is variable and calculated using predetermined objective parameters that are linked to operating and other criteria;
- ensuring a proper balance between the fixed and variable components of management remuneration;
- continuing to exclude, with respect to non-monetary benefits, the use of share-based incentive plans (stock options) or other financial instruments;
- Given the peculiar nature of the insurance business, which must consider both stability and growth over the medium-long term, the targets and parameters must not place special emphasis on short-term results.

Variable remuneration must be based on an appropriate mix of quantitative criteria that are closely tied to the Company's operating performance, but also qualitative and behavioural criteria, which are more closely related to reputational and compliance risks, and on a mix of objectives that are the same for all individuals involved, and objectives that are more closely tied to the results of individual departments.

The variable component of the remuneration of the Managing Director and senior management, which is predetermined by the Board of Directors based on the

proposal of the Appointments & Remuneration Committee, and the bonus planned for managers, must serve to remunerate the performance of recipients on an annual basis as a part of a medium-term plan.

As a result, the remuneration of the Managing Director, senior management and first-level managers is structured as follows:

- a fixed component: for the Managing Director the fixed component is approved for the entire term by the Board of Directors on an annual, overall basis, based on the proposal of the Appointments & Remuneration Committee. For senior management, the fixed component is approved by the Board of Directors on an annual, overall basis, based on the proposal of the Appointments & Remuneration Committee. For managers, the variable component is determined when hired or promoted and may be revised periodically to take into account the individual's and department's performance, the assumption of new responsibilities or the performance of the insurance compensation market for the position held by the individual;
- a variable component: a predetermined percentage is expressed for the fixed component with amounts rising in relation to the position and responsibilities covered.

For the Managing Director, General Manager and Co-General Manager, the variable component is equal to a pre-established percentage of fixed compensation not to exceed 200% of the fixed component.

For Central Managers the variable component is equal to a pre-established percentage of fixed compensation not to exceed 60% of the fixed component.

For first-level managers the variable component is equal to a pre-established percentage of fixed compensation not to exceed 40% of the fixed component.

For senior management, the percentage of the variable component is determined by the Board of Directors based on the proposal of the Appointments & Remuneration Committee, in accordance with criteria set forth in internal regulations.

For first-level managers, the amount of the bonus is set by their immediate superiors in agreement with the Managing Director, also taking into account the quantitative and qualitative performance objectives assigned to the individual position.

Personal or position-related criteria may be established from year to year by the Managing Director and other members of senior management, and are tied to the annual planning of budgets for individual positions.

Internal regulations will set the division of the amount indicated in the financial statement budget among the Managing Director, General Manager and Co-General Manager, on the one hand, and senior management and first-level managers on the other hand.

## **6. Reference parameters for the variable component**

Under the company's five-year development and business plan, the variable portion of remuneration of the Managing Director and senior management is accrued on the basis of the achievement of the ordinary technical result specified by the annual budget plan, which is approved by the Board of Directors and published.

Identifying the ordinary technical result specified by the annual budget, as a part of the five-year development plan, which forms the basis for accruing the variable portion of compensation, makes it possible, on the one hand, to directly and immediately measure the work done by management for the company and shareholders, and on the other hand, to link the variable portion of remuneration of senior managers to the actual attainment of results achieved.

This makes it possible to have a full understanding of the maximum amount allocated by the company for the variable component of compensation of the individuals indicated above.

For 2012, the percentage of the amount of the technical balance allocated for the payment of the variable component is determined on the basis of the following table:

Annual budget (Ordinary Technical Result): € 55.0 million

Actual result achieved: ≥ 50% (27.5 million) Variable = 3% of technical balance

Actual result achieved: ≥ 60% (33.0 million) Variable = 3.5% of technical balance

Actual result achieved: ≥ 70% (38.5 million) Variable = 4% of technical balance

Actual result achieved: ≥ 80% (44.0 million) Variable = 4.25% of technical balance

Actual result achieved: ≥ 90% (49.5 million) Variable = 4.5% of technical balance

## **7. Payment of variable component**

The variable portion of compensation of the Managing Director, General Manager and Co-General Manager is not paid in the year of accrual, but is spread out over three years based on the following criteria:

- 60% of the variable portion is paid after the approval of the financial statements for the reference year by the shareholders' meeting;
- the remaining 40% is set aside, and 20% is paid in the second year, and the remaining 20% in the third year after the approval of the financial statements.

The variable portion of compensation of Central Managers is not paid in full in the year of accrual but over a two-year period based on the following criteria:

- 80% of the variable portion is paid after the approval of the financial statements for the reference year by the shareholders' meeting;
- the remaining 20% is paid in the following year.

In order to determine from the outset a remuneration policy for Senior Management that complies with regulatory provisions, the Board, on the basis of a proposal of the Appointments & Remuneration Committee, intends to propose the adoption of rules that specify that all or a part of the variable portion of compensation will not be paid if the following conditions are satisfied:

- a) failure to achieve the pre-established objectives under the medium-term plan;
- b) a significant deterioration in the Company's capital and financial position; in this case, it would be possible to review the determination of a portion of variable compensation;
- c) there is a finding of intentional or grossly negligent behaviour leading to results that turn out to be temporary or, in fact, not actually achieved.

With regard to sub-paragraph a), there is a provision that there will be no right to obtain the variable portion when the amount of the final ordinary technical result is less than 50% of the amount of the ordinary technical result projected in the budget.

On the other hand, the result is deemed to be achieved, and the right to obtain the variable component of compensation accrues, when the amount of the final ordinary technical result is equal to or greater than 50% of the amount of the ordinary technical result projected in the budget as indicated in the table in item 6 above.

It is understood that for Directors with specific duties to whom specific powers have been delegated (this applies to the Managing Director), and for other individuals in senior positions (General Manager, Co-General Manager and Central

Managers) who leave their position or work relationship at the end of their term or for reasons beyond their control, payment of the accrued and allocated variable component will be made.

If these individuals resign voluntarily, the deferred portion of the variable component is not paid, subject to an assessment of the specific reasons that led to an interruption in the relationship, and also taking into account the duration of the relationship and the achievement of pre-established objectives.

The Appointments & Remuneration Committee is involved in the decision-making process and expresses its opinion in the assessment of cases concerning the non-payment of all or a part of the variable portion for the reasons stated in sub-paragraphs a) and b), with respect to any return of the portion already paid in the case of sub-paragraph c), and in the case of voluntary resignations.

In addition, based on the proposal of the Appointments & Remuneration Committee, the Board also authorises the Managing Director to identify any company individuals for whom, as a function of their position and duties, it would be appropriate to amend the employment contract tying them to the Company with the inclusion of non-compete agreements.

The Managing Director will oversee the application of the provisions of this paragraph taking care to involve all departments concerned.

## **8. Manager remuneration**

Managers not included in Senior Management are company employees whose remuneration consists of a fixed component, including individual income, benefits tied to their management position and/or dictated by the collective bargaining agreement and the company's supplemental contracts.

There are no other incentives associated with the achievement of individual and corporate results other than those specified by the company's collective contract which applies to all employees.

The percentage of the bonus paid, which is determined by the individual's immediate superiors in agreement with the Managing Director, does not take into account quantitative parameters used for Senior Managers (ordinary technical result), but only objectives of a qualitative/quantitative nature that are tied to specific individual performance parameters or assigned to the individual position.

## **9. Remuneration of managers of internal control areas**

Since they are also company managers, the remuneration of heads of the three internal control areas (Internal Audit, Risk Management and Compliance) is also based on the above, i.e., there are no other incentives tied to the achievement of individual or company results other than those specified by the collective

bargaining agreement and the company's supplemental contract, which applies to all employees.

For heads of internal control areas, there is no variable remuneration, meaning the component of compensation provided on the basis of results achieved by the Company. However, for these department heads, based on the option specified in Article 20, paragraph 2 of ISVAP Regulation no. 39/2011, and subject to the principle that the fixed component must represent a greater percentage than the variable component of compensation, we believe it is accurate and appropriate to ensure that the above department heads receive annual bonuses tied to objectives that are mainly qualitative, the assessment of which is assigned to the Appointments & Remuneration Committee after receiving the opinion of the Internal Control Committee which is made up of independent directors.

In fact, the Internal Control Committee assists the Board of Directors in carrying out duties related to the internal control system, and in particular, it assesses the adequacy, efficiency and actual operation of the internal control system. This assessment is possible since the heads of internal control areas attend meetings of the Internal Control Committee, to which they submit annual work plans for their respective areas, periodic reports on activities performed and a periodic report on the effectiveness and efficiency of the internal control system for the Committee's review and approval.

The fixed compensation of the head of the Internal Audit Department is determined by the Board of Directors.

## **10. Remuneration of other individuals with a potential conflict of interest, intermediaries and outsourced service providers**

At Vittoria Assicurazioni S.p.A., the appointed actuaries have no employment relationship with the Company.

The remuneration of appointed actuaries, which is based on the position concerned in relation to market parameters and assessed by the Managing Director, is not commensurate with or tied to results achieved by the Company, but only to the duties required by the position assigned.

Vittoria Assicurazioni S.p.A. operates throughout Italy with a traditional distribution network consisting of over 340 contract agencies at 31 December 2011 whose remuneration is based on fees that are typical for the insurance market, and that are pre-established by the Company and broken down by individual branches and by type of risks incurred.

Any commission specified by annual incentive plans are established for the achievement of pre-established objectives which are always aimed at achieving a proper balanced underwriting in order to achieve sufficient profits over the medium and long term, and growth in the portfolio's value.

Outsourcing significant and essential activities is governed by a special internal procedure that, among other things, calls for precise criteria for the selection of suppliers.

When significant and essential activities are outsourced, and in all cases when consideration is greater than the amounts specified in the procedure, in addition to the selection criteria that apply to all suppliers, suppliers must, in all cases, satisfy the requirements of professionalism, honesty and economic capacity as detailed in the procedure.

## **11. Staff remuneration**

At 31 December 2011, Vittoria Assicurazioni had 469 employees spread out among the registered offices in Milan, the Rome office and other operating units throughout Italy.

Staff can be broken down as follows:

312 office workers up to level 6 of the collective bargaining agreement;  
134 officers;  
23 managers.

In addition to the full application of the schedule parameters and benefits stipulated by the national collective bargaining agreement entered into between ANIA and the industry OO.SS and by the Company's Supplemental Contract (CIA) entered into with the RSA, the compensation of all employees is reviewed annually on the basis of an assessment system which is managed by the Human Resources Development Department and is based on the following objectives by order of priority:

- retaining resources deemed to be critical (in terms of position held and experience) and recruiting those necessary to ensure adequate support for the company's continuing growth;
- keeping turnover to historical levels;
- providing a compensation policy based largely on merit.

Each year, all unit/office heads receive the assessment form from the Human Resources Development Department which must be completed for each employee.

The form calls for an assessment largely based on the specific professional expertise required for the employee's operating area.

Once the form has been approved and signed by the employee being assessed and his/her supervisor, it is forwarded to the Human Resources Development Department.

The economic measures to be applied at the end of the assessment process are limited to the following:

- one-time individual measures, which, in all cases are based on the employee's contract level, and are not based on economic parameters tied to company income criteria;
- a promotion, if an agreement was previously reached between the employee's supervisor and Personnel, for the achievement of levels of autonomy and work knowledge/expertise that corresponds to the next higher level, or if there are new duties that involve the recognition of a promotion.

Two areas that are sensitive to the company's risk profiles have been identified among employees: the commercial area and claims area.

As a result, an incentive system has been established for Claims Supervisors, i.e., those involved in the settlement of liability Automobile and Non-Marine Branch claims in operating units (Claims Inspectorates) throughout Italy (about 90 employees), and Commercial Supervisors (Damages and Life Branches) (about 30 employees) who work closely with the distribution network made up of contract agencies. These incentives are formalised and accepted at the beginning of each calendar year and approved by line departments where the resources are employed and by the Human Resources Department with the aim of achieving objectives that are particularly significant for the company.

The objectives, which are mainly quantitative, but also take into account work quality parameters, are identified through a decision-making process involving the following areas:

- Human Resources Department;
- Automobile and Non-Marine Branch claims Department;
- Commercial Department.

The technical and qualitative parameters used are formalised for each employee and each operating unit (Claims Inspectorate) at the beginning of each calendar year.

Maximum incentive limits are set for each of these parameters, and an overall maximum limit is also set, based on the employee's title and responsibilities, for the incentive that may be paid.

The variable amount, which consists of a portion owed based on objectives achieved by the individual employee and a portion tied to objectives achieved by the Claims Inspectorate in which the claims inspector works, is paid in the calendar year following the year used as a reference.

The technical/qualitative criteria and parameters used in 2011 for commercial inspectors are also formalised for each employee at the beginning of each calendar year.

Maximum incentive limits are set for each of these parameters, and an overall maximum limit is also set, based on the employee's title and responsibilities, for the incentive that may be paid. For commercial inspectors, the variable

portion is also paid in the calendar year following the year used as a reference.

Incentives and staff assessment/remuneration policies are significant from an economic standpoint as they relate to the total salary pool.

The data for 2011 show that:

- The variable corporate productivity bonus, which is provided under the company's Supplemental Contract, represents about 2.35% of the total salary pool;
- Incentives paid for the two categories above (Claims Supervisors and Commercial Supervisors) represent about 1.80% of the total salary pool and 8.85% of the salary pool for the two categories concerned;
- The average of one-time payments and annual increases paid represents:
  - o 0.80% of the total salary pool for office staff;
  - o 22.76% of the total salary pool for managers, including compensation paid to Senior Management and strategic department heads.

## **12. Companies of the Vittoria Assicurazioni Group**

Based on the proposal of the Appointments & Remuneration Committee, the Board of Directors assigns the Managing Director the duty of ensuring the overall consistency of the Group's remuneration policies in order to ensure compliance with the principles set forth in this document for all Group companies and to ensure their correct application.

## **13. Audit of remuneration policies**

Based on the proposal of the Appointments & Remuneration Committee, and after receiving the opinion of the Internal Control Committee, the Board of Directors has determined that the Company's remuneration policy is subject to an annual audit to be performed by internal control departments:

- the Internal Audit Department must audit the proper application of policies established by the Board and their correspondence to the Board's guidelines;
- the Compliance Department must ensure that the policies comply with regulations applicable to the Company (referenced at the beginning of the report) and report any legal and reputation risks resulting from an incorrect implementation of regulations to Senior Management;
- the Risk Management Department must audit the consistency of quantitative parameters specified by the multi-year plan for the variable portion of remuneration with operating risks, and especially with regard to the parameters dictated by the Solvency II regulations.

Internal control departments must explain the above controls as a part of the mandate assigned to them, and must report to the Board of Directors through the appropriate bodies and Committees concerning the results of audits performed.

## **Section Two**

### **Part One**

This section details compensation paid to Directors, Statutory Auditors and the General Manager and, in a combined form, to managers with strategic responsibilities (the Co-General Manager and central managers) by Vittoria Assicurazioni S.p.A. and subsidiaries and associate companies.

This compensation is reported in the second part of this section in table form using the schedules required in Annex 3 of the Issuer Regulation.

According to the provisions of current regulations, it should be noted that with regard to Directors, Statutory Auditors, the General Manager and other managers with strategic responsibilities:

- There are no agreements calling for compensation upon early termination of the work relationship, and no consulting agreements have been executed for a period following the termination of the relationship;
- There are no other agreements calling for the allocation or maintenance of non-monetary benefits after the termination of the position, or compensation for non-compete obligations;
- The company has not approved any stock option plans;
- There are no profit-sharing systems.

#### **Directors**

The Ordinary Shareholders' Meeting of 23 April 2010, which appointed the Board of Directors in office for the 2010, 2011 and 2012 financial years, set the Board's total remuneration at €580,000 gross 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. This sum does not cover compensation for Directors with specific duties.

The Board of Directors, pursuant to Article 15 of the Articles of Association, therefore resolved to divide the amount specified by the Shareholders' Meeting as follows:

- € 20,000 for each Director, for a total amount of € 320,000;
- € 5,000 for each member of the Appointments and Remuneration Committee, for a total amount of € 15,000;
- € 15,000 for the Chairman of the Internal Control Committee and € 10,000 for the other two members of the same Committee, for a total amount of € 35,000;
- € 5,000 for each non-executive member of the Finance Committee, for a total amount of € 20,000;

- € 5,000 for each non-executive member of the Real Estate Committee, for a total amount of € 25,000;
- € 110,000 for Luca Paveri Fontana in relation to the special duties assigned on the Finance Committee for the supervision of foreign investee companies and investments in the private equity sector;
- € 40,000 to Adriana Acutis Biscaretti di Ruffia in relation to duties assigned on the Finance Committee and Real Estate Committee for the supervision of foreign investee companies and foreign real estate companies.

A sum of € 15,000 was left over from the amount set by the Shareholders' Meeting, for future allocation by the Board.

In addition, the Board of Directors, at the proposal of the Appointments and Remuneration Committee and with a favourable opinion from the Board of Statutory Auditors, resolved upon the following gross annual remuneration for Directors with specific duties:

- € 60,000 to the Chairman
- € 30,000 to each Deputy Chairman
- € 450,000 to the Managing Director.

Pursuant to Article 15 of the Articles of Association, Directors are entitled to reimbursement of expenses incurred to perform their duties. There is no provision for lump-sum reimbursements or attendance fees for attending Board and committee meetings.

No fringe benefits have been provided to Directors.

With the exception of the Managing Director, to whom variable compensation of € 420,000 was paid in 2011 based on results achieved in 2010, there is no incentive pay for other Directors.

The variable compensation of € 40,000 paid during the year to Deputy Chairman Andrea Acutis was related to the employment relationship with the company and not the position of Director, and was paid under the same conditions applied to other managers. By virtue of this employment relationship, Deputy Chairman Andrea Acutis was allocated the same fringe benefits paid to all managers.

#### **Statutory Auditors**

The Ordinary Shareholders' Meeting of 23 April 2010 which appointed the Board of Statutory Auditors in office for financial years 2010, 2011 and 2012, established their compensation in the maximum amount allowed by Article 37 of Presidential Decree no. 645 of 10 October 1994 in relation to the remuneration paid to members of the Associations of Chartered Accountants (with a supplement of 50% for the Chairman), in addition to reimbursement of expenses they actually incur.

Standing Statutory Auditors Giovanni Maritano and Corrado Versino receive compensation for positions on Boards of Statutory Auditors and Supervisory Bodies established pursuant to Legislative Decree 231/2011 at the subsidiaries and associate companies of Vittoria Assicurazioni S.p.A.

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

There are no other economic relationships between Statutory Auditors and Vittoria Assicurazioni S.p.A. or its subsidiaries and associate companies.

### **General Manager and other managers with strategic responsibilities**

Managers included in Senior Management are company employees whose remuneration consists of a fixed component, including individual income, fringe benefits tied to their management position and/or dictated by the collective bargaining agreement and the company's supplemental contracts.

In particular, fringe benefits include a company car, supplemental pension and insurance policies, which are indicated in accordance with the taxable income criterion.

The remuneration paid to the General Manager and other managers with strategic responsibilities in 2011 also included a variable portion tied to the operating results achieved by the Company in 2010 taking into account their position and job. This performance-related remuneration was paid according to the achievement of measurable objectives, depending on the area of responsibility and based on the following parameters: premiums written, operating ratio and pre-tax profit.

## **Part Two**

Compensation related to 2011 paid to Directors, Statutory Auditors and the General Manager is reported, as well as combined compensation paid to managers with strategic responsibilities using the schedules specified in Schedule 7-bis by Annex 3 of the Issuer Regulation, in addition to investments in the companies owned by the same individuals as specified in Schedule 7-ter of the aforementioned Annex 3 of the Issuer Regulation.

In this regard, note that:

- In the table entitled "**Compensation paid to members of administrative and control bodies, the General Manager and other strategically accountable managers**" (Table 1 of Schedule 7-bis, Annex 3 of the Issuer Regulation), no information is provided concerning compensation paid in the form of profit sharing or equity compensation since these do not apply to the company;
- For the same reason, Tables 2 and 3 of Schedule 7-bis, Annex 3 of the Issuer Regulation were not prepared in relation to stock options and incentive plans based on financial instruments other than stock options, which are not applied by the company;
- The table entitled "**Monetary incentive plans for members of the Board, the General Manager and strategically accountable managers**" (Table 3-bis of Schedule 7-bis, Annex 3 of the Issuer Regulation) reports bonuses paid during the year, since to date bonuses have not been paid on the basis of special plans established ex-ante.

Compensations paid to Board of Directors members, Statutory Auditors, General Manager and other managers with strategic responsibilities

Name	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in the Committees	Variable compensation non equity: bonus e others incentives	non-monetary benefits	other compensations	total	Compensation for end of office or termination of employment
Giorgio COSTA	Chariman	01/01/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership 20.000	Finance 5.000				90.000	
				Chariman office 60.000	Real Estate 5.000					
	Fees from subsidiaries and associates			5.726					5.726	
	Total			85.726	10.000				95.726	
Andrea ACUTIS	Vice Chairman	01/01/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership 20.000		40.000	7.468		272.468	
				Vice Chariman office 30.000						
				Employees 175.000						
	Fees from subsidiaries and associates			6.226					6.226	
Carlo ACUTIS	Total			231.226		40.000	7.468		278.694	
	Vice Chairman	01/01/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership 20.000					50.000	
				Vice Chariman office 30.000						
	Fees from subsidiaries and associates									
	Total			50.000					50.000	

**Compensations paid to Board of Directors members, Statutory Auditors, General Manager and other managers with strategic responsibilities**

Name	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in the Committees	Variable compensation non equity: bonus e others incentives	non-monetary benefits	other compensations	total	Compensation for end of office or termination of employment
<b>Roberto GUARENA</b>	Managing Director	01/01/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership 20.000		420.000			890.000	
				Managing Director office 450.000						
	Fees from subsidiaries and associates			5.726					5.726	
	Total			475.726		420.000			895.726	
<b>Adriana ACUTIS BISCARETTI DI RUFFIA</b>	Director	01/01/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership 20.000	Finance 5.000				70.000	
				Special duty assigned 40.000	Real Estate 5.000					
	Fees from subsidiaries and associates			115.726					115.726	
	Total			175.726	10.000				185.726	
<b>Massimo ANTONARELLI</b>	Director	29/04/2011 28/11/2011								
	Fees from Vittoria Assicurazioni			Board membership 11.667					11.667	
	Fees from subsidiaries and associates									
	Totale			11.667					11.667	

**Compensations paid to Board of Directors members, Statutory Auditors, General Manager and other managers with strategic responsibilities**

Name	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in the Committees	Variable compensation non equity: bonus e others incentives	non-monetary benefits	other compensations	total	Compensation for end of office or termination of employment
<b>Francesco BAGGI SISINI</b>	Director	01/01/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni		Board membership	20.000	Appointments and Remuneration 5.000 Real Estate 5.000				30.000	
	Fees from subsidiaries and associates									
	Total			20.000	10.000				30.000	
<b>Marco BRIGNONE</b>	Director	01/01/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni		Board membership	20.000					20.000	
	Fees from subsidiaries and associates									
	Total			20.000					20.000	
<b>Luciano GOBBI</b>	Director	01/01/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni		Board membership	20.000	Internal Control 10.000 Real Estate 5.000				35.000	
	Fees from subsidiaries and associates									
	Total			20.000	15.000				35.000	

Compensations paid to Board of Directors members, Statutory Auditors, General Manager and other managers with strategic responsibilities

Name	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in the Committees	Variable compensation non equity: bonus e others incentives	non-monetary benefits	other compensations	total	Compensation for end of office or termination of employment
<b>Arnaud HELLOUIN de MENIBUS</b>	Director	01/01/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership 20.000	Real Estate 5.000				25.000	
	Fees from subsidiaries and associates			5.726					5.726	
	Total			25.726	5.000				30.726	
<b>Pietro Carlo MARSANI</b>	Director	01/01/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership 20.000	Internal Control 15.000				35.000	
	Fees from subsidiaries and associates									
	Total			20.000	15.000				35.000	
<b>Giorgio MARSIAJ</b>	Director	01/01/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership 20.000					20.000	
	Fees from subsidiaries and associates									
	Total			20.000					20.000	

Compensations paid to Board of Directors members, Statutory Auditors, General Manager and other managers with strategic responsibilities

Name	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in the Committees	Variable compensation non equity: bonus e others incentives	non-monetary benefits	other compensations	total	Compensation for end of office or termination of employment
Edgar MÜLLER-GOTTHARD	Director	01/01/2011 28/04/2011								
	Fees from Vittoria Assicurazioni			Board membership 6.667					6.667	
	Fees from subsidiaries and associates									
	Total			6.667					6.667	
Lodovico PASSERIN d'ENTREVES	Director	01/01/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership 20.000	Appointments and Remuneration 5.000				25.000	
	Fees from subsidiaries and associates									
	Total			20.000	5.000				25.000	
Luca PAVERI FONTANA	Director	01/01/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership 20.000	Appointments and Remuneration 5.000				145.000	
				Special duty assigned 110.000	Finance 5.000					
					Real estate 5.000					
	Fees from subsidiaries and associates			136.726					136.726	
	Total			266.726	15.000				281.726	

Compensations paid to Board of Directors members, Statutory Auditors, General Manager and other managers with strategic responsibilities

Name	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in the Committees	Variable compensation non equity: bonus e others incentives	non-monetary benefits	other compensations	total	Compensation for end of office or termination of employment
Robert RICCI	Director	01/01/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership 20.000					20.000	
	Fees from subsidiaries and associates			5.726					5.726	
	Total			25.726					25.726	
Giuseppe SPADAFORA	Director	01/01/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership 20.000	Internal Control 10.000				30.000	
	Fees from subsidiaries and associates									
	Total			20.000	10.000				30.000	
Luigi GUATRI	Honorary President	01/01/2011 31/12/2011								
	Fees from Vittoria Assicurazioni			Office 40.000					40.000	
	Fees from subsidiaries and associates									
	Total			40.000					40.000	

Compensations paid to Board of Directors members, Statutory Auditors, General Manager and other managers with strategic responsibilities

Name	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in the Committees	Variable compensation non equity: bonus e others incentives	non-monetary benefits	other compensations	total	Compensation for end of office or termination of employment
Cesare CALDARELLI	General Manager	01/01/2011 31/12/2011								
	Fees from Vittoria Assicurazioni	Employees	330.000			160.000	8.887		498.887	
	Fees from subsidiaries and associates									
	Total		330.000			160.000	8.887		498.887	
Angelo CASO'	Chariman of Statutory Auditors	01/01/2011 20/05/2011								
	Fees from Vittoria Assicurazioni	Office	47.514						47.514	
	Fees from subsidiaries and associates									
	Total		47.514						47.514	
Sergio VASCONI	Chariman of Statutory Auditors	20/05/2011 30/09/2011								
	Fees from Vittoria Assicurazioni	Office	1.549						1.549	
	Fees from subsidiaries and associates									
	Total		1.549						1.549	

Compensations paid to Board of Directors members, Statutory Auditors, General Manager and other managers with strategic responsibilities

Name	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in the Committees	Variable compensation non equity: bonus e others incentives	non-monetary benefits	other compensations	total	Compensation for end of office or termination of employment
<b>Alberto GIUSSANI</b>	Chariman of Statutory Auditors	30/09/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni		Office	1.963					1.963	
	Fees from subsidiaries and associates									
	Total			1.963					1.963	
<b>Giovanni MARITANO</b>	Staturoy Auditor	01/01/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni		Office	36.319					36.319	
	Fees from subsidiaries and associates			70.416					70.416	
	Total			106.735					106.735	
<b>Corrado VERSINO</b>	Staturoy Auditor	01/01/2011 31/12/2011	FY 2012							
	Fees from Vittoria Assicurazioni		Office	36.179					36.179	
	Fees from subsidiaries and associates			88.250					88.250	
	Total			124.429					124.429	

Compensations paid to Board of Directors members, Statutory Auditors, General Manager and other managers with strategic responsibilities

Name	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in the Committees	Variable compensation non equity: bonus e others incentives	non-monetary benefits	other compensations	total	Compensation for end of office or termination of employment
5 dirigenti con responsabilità strategiche	Fees from Vittoria Assicurazioni			Employee 987.44 6		355.000	39.817		1.382.263	
	Fees from subsidiaries and associates			7.968					7.968	
	Total			995.414		355.000	39.817		1.390.231	

**Monetary incentive plans for Directors, General Manager and other managers with strategic responsibilities**

Name	Office	Bonus
Guarena Roberto	Managing Director	
(I) Fees from Vittoria Assicurazioni		420.000
(II) Fees from subsidiaries and associates		0
(III) Total		<b>420.000</b>
Acutis Andrea	Vice Chairman (*)	
(I) Fees from Vittoria Assicurazioni		40.000
(II) Fees from subsidiaries and associates		0
(III) Total		<b>40.000</b>
Cesare Caldarelli	General Manager	
(I) Fees from Vittoria Assicurazioni		160.000
(II) Fees from subsidiaries and associates		0
(III) Total		<b>160.000</b>
n. 5 managers with strategic responsibilities		
(I) Fees from Vittoria Assicurazioni		355.000
(II) Fees from subsidiaries and associates		0
(III) Total		<b>355.000</b>

(\*) The bonus does not compete for the position of Vice Chairman, but part of the incentive compensation system for executives

**Shares of Vittoria Assicurazioni S.p.A. and its subsidiaries held by directors, statutory auditors and General Manager as at 31 December 2011**

Name	Company held	Number of shares held at the end of 2010	Number of shares purchased or subscribed	Number of shares sold	Number of shares held at the end of 2011
	<b>Vittoria Assicurazioni S.p.A.</b>				
Marco Brignone	Directly	20.000			20.000
Costa Giorgio	Directly	37.398	4.602		42.000
Acutis Carlo	Through Subsidiary Company	38.664.400			38.664.400
Acutis Andrea	Directly	117.730			117.730
Guarena Roberto	Directly/ Through family	26.950			26.950
Acutis Biscaretti di Ruffia Adriana	Directly	64.750			64.750
Baggi Sisini Francesco	Through Subsidiary Company	3.719.170	129.830		3.849.000
Marsani Pietro Carlo	Directly/ Through family	4.000			4.000
Marsiaj Giorgio	Directly	344.644			344.644
Paveri Fontana Luca	Directly	62.000			62.000
Versino Corrado	Directly	9.014			9.014
Caldarelli Cesare <sup>(1)</sup>	Through family	5.000	6.500		11.500

1) Mr. Cesare Caldarelli, former Co-General Manager, is General Manager from 1° January 2011.

**Shares of Vittoria Assicurazioni S.p.A. and its subsidiaries held by managers with strategic responsibilities as at 31 December 2011**

Number of managers	Company held	Number of shares held at the end of 2010	Number of shares purchased or subscribed	Number of shares sold	Number of shares held at the end of 2011
5	Vittoria Assicurazioni S.p.A.	104.004	20.000		124.004