



Always here,  
to draw the  
**future.**

Report on corporate governance  
and share ownership  
for the 2015 financial year





**UNIPOL GRUPPO FINANZIARIO S.p.A.**

**ANNUAL REPORT ON CORPORATE GOVERNANCE  
AND SHARE OWNERSHIP  
FOR THE 2015 FINANCIAL YEAR**

Bologna, 10 March 2016

*This Report is available in the Corporate Governance section of the Company's website [www.unipol.it](http://www.unipol.it)*

## CONTENTS

<b>DEFINITIONS .....</b>	<b>4</b>
<b>INTRODUCTION.....</b>	<b>6</b>
<b>COMPLIANCE .....</b>	<b>6</b>
<b>SECTION I .....</b>	<b>7</b>
<b>THE ISSUER AND THE UNIPOL GROUP .....</b>	<b>7</b>
<b>SECTION II .....</b>	<b>10</b>
<b>INFORMATION ON OWNERSHIP STRUCTURES .....</b>	<b>10</b>
<b>1. SHARE CAPITAL STRUCTURE.....</b>	<b>10</b>
1.1 Composition .....	10
1.2 Rights of classes of shares.....	10
1.3 Power to increase share capital and to buy back treasury shares and shares of the Holding Company .....	10
<b>1.3.1 Powers to increase share capital .....</b>	<b>10</b>
<b>1.3.2 Authorisation to the purchase of treasury shares and shares of the Holding Company.....</b>	<b>10</b>
1.4 Share transfer restrictions, ownership limits and acceptance clauses .....	12
<b>2. SHAREHOLDER BASE .....</b>	<b>12</b>
2.1 Relevant shareholdings .....	12
2.2 Special control rights .....	13
2.3 Mechanism for the exercise of voting rights in the system of employee shareholding .....	13
2.4 Restrictions on voting rights.....	13
2.5 Agreements between Shareholders.....	13
2.6 Change of control clauses .....	14
2.7 Controlling entity and coordination and direction activities .....	14
<b>3. OTHER INFORMATION .....</b>	<b>14</b>
3.1 Compensation of Directors .....	14
3.2 Rules concerning the operation of the Shareholders' Meeting .....	15
3.3 Rules concerning the composition, appointment and operation of the governing body.....	15
3.4 Rules on the amendments of the By-laws .....	15
3.5 Main features of the internal control and risk management system in regard to financial reporting.....	15
<b>SECTION III .....</b>	<b>16</b>
<b>GOVERNANCE SYSTEM AND INFORMATION ON THE IMPLEMENTATION OF THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE .....</b>	<b>16</b>
<b>1. SHAREHOLDERS' MEETING.....</b>	<b>16</b>
1.1 Shareholders' Meeting.....	16
1.2 Special Meeting of Preference Shareholders .....	17
<b>2. BOARD OF DIRECTORS.....</b>	<b>17</b>
2.1 Role, responsibilities and functioning.....	17
2.2 Composition .....	22
2.3 Appointment and replacement of Directors .....	24
2.4 Non-executive and independent Directors .....	26

2.5	<i>Lead Independent Director</i> .....	27
2.6	Remuneration .....	27
2.7	Annual self-assessment .....	28
<b>3.</b>	<b>THE CHAIRMAN</b> .....	<b>30</b>
<b>4.</b>	<b>THE DEPUTY CHAIRMAN</b> .....	<b>32</b>
<b>5.</b>	<b>CHIEF EXECUTIVE OFFICER/GENERAL MANAGER</b> .....	<b>32</b>
<b>6.</b>	<b>COMMITTEES</b> .....	<b>35</b>
6.1	Chairman's Committee .....	35
6.2	Nomination and Corporate Governance Committee .....	36
6.3	Remuneration Committee .....	39
6.4	Control and Risk Committee .....	42
6.5	Sustainability Committee/ Ethics Committee .....	45
6.6	Related Party Transactions Committee .....	46
<b>7.</b>	<b>INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM</b> .....	<b>49</b>
7.1	Articulation of control levels .....	53
7.2	Role of the corporate bodies, the control functions (Audit, Risk Management and Compliance) and the main bodies and parties involved in the Internal Control and Risk Management System .....	54
7.3	Main features of the current risk management and internal control systems with regard to the financial reporting process, also at the consolidated level .....	60
7.4	The Organisational, Management and Control Model .....	63
7.5	Sustainability and ethical and social responsibility .....	65
<b>8.</b>	<b>RELATED PARTIES TRANSACTIONS AND INTERESTS OF DIRECTORS</b> .....	<b>66</b>
8.1	Related Parties Transactions Procedure .....	66
8.2	Associated Parties Procedure .....	68
<b>9.</b>	<b>INTERNAL DEALING</b> .....	<b>69</b>
<b>10.</b>	<b>PROCESSING OF PRIVILEGED INFORMATION</b> .....	<b>71</b>
<b>11.</b>	<b>BOARD OF STATUTORY AUDITORS</b> .....	<b>72</b>
11.1	Role and Responsibilities .....	72
11.2	Appointment .....	73
11.3	Composition and operation .....	74
<b>12.</b>	<b>RELATIONSHIPS WITH THE SHAREHOLDERS</b> .....	<b>75</b>
	<b>ATTACHMENTS TO THE REPORT</b> .....	<b>77</b>
	TABLE N. 1 – Board of Directors .....	77
	TABLE N. 2 – List of relevant offices held by the Directors .....	80
	TABLE N. 3 – Board of Statutory Auditors .....	83

## DEFINITIONS

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

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

**Bank of Italy:** Central Bank of the Italian Republic.

**Code of Conduct, Code:** The Code of Conduct for listed companies approved in March 2006 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., with subsequent amendments, available on the website of the latter [www.borsaitaliana.it](http://www.borsaitaliana.it).

**Code of Corporate Governance:** The Code of Corporate Governance of the Group, adopted by the Board of Directors of UGF on 10 May 2007, with subsequent amendments, available in the Corporate Governance section of the Company's website [www.unipol.it](http://www.unipol.it).

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

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

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

**Financial Year, Year:** The financial year ended 31 December 2015.

**Group, Unipol Group:** UGF and its subsidiaries (as defined below).

**Banking Group:** the Unipol Banking Group, entered in the Register of Banking Groups.

**Insurance Group:** The Unipol Insurance Group registered to the insurance groups register to the number 046.

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

**Internal Dealing Procedure:** The procedure adopted by the Company for the reporting of transactions on its shares or other financial instruments linked to them.

**Shareholders' Meetings Regulation:** Regulation approved by the Shareholders' Meeting, aimed at regulating the orderly and efficient conduct of General Meetings, Ordinary and Extraordinary.

**Market Regulations:** regulations for the markets organized and managed by Borsa Italiana S.p.A..

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

**Market Regulation:** Regulation issued by CONSOB with resolution no. 16191 of 2007 on markets, with subsequent amendments.

**Report:** This report, containing information about joining the Code of Conduct and corporate governance and ownership structures that issuers of listed shares are required to draw up pursuant to Art. 123-bis of TUF (as defined below) and 89-bis of the Issuers' Regulation.

**Company's website:** [www.unipol.it](http://www.unipol.it).

**Holding company, Finsoe:** Finsoe S.p.A. Finanziaria dell'Economia Sociale.

**Subsidiaries, Operating Companies:** The companies controlled, directly or indirectly, by UGF, pursuant to Art. 2359 of the Italian Civil Code.

**Parent company, UGF:** Unipol Gruppo Finanziario S.p.A..

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

**TUB:** Legislative Decree No. 385 of 1 September 1993 (Consolidated Law on Banking), with subsequent amendments.

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

## INTRODUCTION

Having adopted since March 2001 the recommendations contained in the Code of Conduct, Unipol Gruppo Finanziario S.p.A. publishes an annual Report containing information on corporate governance and ownership structure, pursuant to Art. 123-*bis* of TUF, as well as the additional information recommended by the Code.

The Report consists of three parts:

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

Unless otherwise indicated, the information contained in this Report refers to the closing of the 2015 financial year.

## COMPLIANCE

UGF adopts the Code of Conduct promoted by Borsa Italiana S.p.A. (available on the website the latter, in the section of the Committee for Corporate Governance at the page <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf>).

In the year, the corporate governance structure of UGF is not affected by non-Italian legal provisions.

## SECTION I

### THE ISSUER AND THE UNIPOL GROUP

#### **Profile of the Company and the Group**

UGF is a company with shares listed on the Computerized Stock Market managed by Borsa Italiana S.p.A. and included, at the date of this Report, in the FTSE MIB index.

UGF is the holding company for the investments and services for both the Unipol Insurance Group, one of the leading Italian insurance groups, and the Unipol Banking Group.

In this respect, we note the following:

1. in 2012, the perimeter of the Unipol Group underwent a wide-ranging transformation as a result of the acquisition of the Premafin - Fondiaria SAI Group by UGF. As from 6 January 2014, the merger of Unipol Assicurazioni S.p.A., Milano Assicurazioni S.p.A and Premafin HP S.p.A. into FONDIARIA-SAI S.p.A. (the "Merger") has come into force, and the acquiring company FONDIARIA-SAI has taken the new name of UnipolSai S.p.A.;
2. as a result of the acquisition, furthermore, there were initially two banking groups coexisting within the Unipol Group: (i) the Unipol Banca Banking Group, having Unipol Banca S.p.A. as holding company, and (ii) the Banca SAI Banking Group, having Banca SAI S.p.A. as the holding company. As a result of changes in the European and Italian legal framework, the Bank of Italy received the Finsoe application and on 1 August 2014 notified that it had deleted Unipol Banca and Banca SAI from the register of Banking Groups and entered the Unipol Banking Group, with UGF as the holding company. With effects from 3 November 2014, Banca SAI was incorporated into Unipol Banca.

The Unipol Group operates in the following business areas:

- a) insurance, divided into the following sectors:
  - *insurance*: in which the Group operates historically in the branches Non-Life and Life; and
  - *bank-insurance*;
- b) banking, in which the Group provides traditional banking, portfolio management services and other investment services, consumer credit and collective management of savings;
- c) real estate;
- d) holding and other activities, in which it provides secondary management services in the hotel, agricultural and medical.

During the reference period of this Report, we have continued to revise the Group organizational structures, in order to achieve greater efficiency and effectiveness while respecting the prerogatives of the different companies and their specificity in terms of market positioning. In this context, we have initiated a process of rationalisation of organizational structures and operational processes, within both the holding company UGF and the main subsidiary UnipolSai, focusing competences and operational activities in the latter which,



following the Merger, is the core operating unit in the insurance sector.

This year was the last year covered by the 2013-2015 Business Plan: its organisational, business and financial targets have been attained and the process of rationalisation and integration of the different members of the Group, which had been given a leading role within the Business Plan, has been basically completed.

Meanwhile in 2015:

- the process of gradual adaptation and harmonisation of the existing policies in the Unipol Group and in the former Fondiaria-SAI Group has been completed;
- other policies were adopted to comply with the provisions of the Directive 2009/138/EC, as well as the provisions of the IVASS Regulations and the Bank of Italy Circulars No. 263/2006 and No. 285/2013;
- the activities aimed at allowing UGF to fulfil its legal and regulatory obligations connected to its new role as holding company of the Unipol Banking Group continued.

### **The governance system**

The Unipol Group is characterised by an internal organisational and functional model which gives the Company a role of direction and coordination, intrinsic to its role as a holding company, which is intended to achieve, among other things, effective strategic monitoring of the evolution of the different areas of activity in which the Group operates and the related risks.

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

The statutory audit is allocated to an independent auditing company pursuant to the current legal provisions on the matter.

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

### **The Group's Corporate Governance Code**

The Corporate Governance Code (available in the Corporate Governance section of the website), approved by the Board of Directors of UGF in May 2007, and amended, most recently, on 27 September 2012, describes the composition and functions of the management bodies in charge of the governance of the holding and Operating Companies before acquisition of control of the Premafin-Fondiaria SAI Group and integrates the framework of applicable rules, whether (i) required by laws, regulations or the by-Laws, or by contractual agreements of the shareholder agreement type (the latter being limited to the Operating Companies operating in the area of bank-insurance), (ii) contained in the Code of Conduct or self-regulation instruments, such as the policies, guidelines and Code of Ethics of the Group.

The review and adaptation of the existing Corporate Governance Code in the Unipol Group (old perimeter), launched in 2013, will be settled at the end (i) of the process of harmonisation and adaptation to new

regulatory framework at the EU and Italian level and (ii) of the gap analysis and assessment related to the configuration of UGF as the holding company of the Unipol Banking Group.

In the context of the governance and the internal control and risk management system of the Group, a few internal committees have been established by the Board of Directors, or the Managing Director/Chief Executive Officer, mainly consisting of the Heads of the Local Departments, with functions of support to the Chief Executive Officer in the implementation and supervision of the policies of direction, coordination and operational strategy specified by the Board of Directors and Senior Management.

### ***UGF and social responsibility***

The Company has sought to make corporate social responsibility a deeply integrated element in all corporate decisions, based on the definition of the identity, governance and management of the entire business, from business to personnel issues and from relations with suppliers to those with the community; all this in a path that leads progressively, and on the basis of continuous improvement, to the development of an organic sustainability policy, understood as the ability to combine efficient economic management with attention to individuals in a spirit of social responsibility and environmental protection.

In this context, in 2015 we completed the initiatives and the commitments taken in the 2013-2015 Sustainability Plan, approved by the Board of Directors in 2013, at the same time and in close connection with the Business Plan for the same period. The development objectives there specified and pursued consistently have, on the one hand, allowed us to use the wealth of experience accumulated over the years and, on the other hand, have produced significant innovations, in terms of policies and initiatives, involving the entire Group and all its stakeholders, both internal and external. A significant contribution to the development of the sustainability strategy of UGF is given by the projects and activities carried out by the Unipolis Foundation, the corporate foundation of the Unipol Group.

**SECTION II**  
**INFORMATION ON OWNERSHIP STRUCTURES**  
*(Section drafted pursuant to Art. 123-bis of TUF)*

**1. SHARE CAPITAL STRUCTURE**

**1.1 Composition**

In execution of the resolutions of the Extraordinary Shareholders' Meeting of 25 February 2015 and of the Special Meeting of Preference Shareholders of 26 February 2015, previous the fulfilment of all conditions, UGF has carried out, on 29 June 2015, the conversion of all 273,479,517 preference shares outstanding into 273,479,517 new ordinary shares, with the same characteristics as the outstanding ordinary shares, on the basis of the following conversion ratio:

- No. 1 ordinary share, with regular dividends, for each preference share, without payment of any adjustment.

The last day of trading of the preference shares of UGF was 26 June 2015 and since 29 June 2015 only the ordinary shares of the Company are traded on the Mercato Telematico Azionario of Borsa Italiana S.p.A.

At the date of the 31 December 2015 and of this Report, UGF's share capital, fully subscribed and paid up, amounts to Euro 3,365,292,408.03, divided into 717,473,508 registered shares all without nominal value.

The composition of the share capital is summarised in the following table:

Type and name of shares	No. Shares	Market
UGF ordinary shares	717,473,508	MTA

**1.2 Rights of classes of shares**

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

**1.3 Power to increase share capital and to buy back treasury shares and shares of the Holding Company**

**1.3.1 Powers to increase share capital**

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

**1.3.2 Authorisation to the purchase of treasury shares and shares of the Holding Company**

The Ordinary Shareholders' Meeting called on 18 June 2015 authorised the Board of Directors to purchase

and sell treasury shares pursuant to Art. 2357 and 2357-ter of the Italian Civil Code, as well as of shares of Finsoe, for a period of 18 months from the Shareholders' Meeting resolution.

During 2015 and till the date of this Report, the Company had not carried out purchases of treasury shares. On 1 July 2015 the Chief Executive Officer, the General Manager and the other Executives of the Company were jointly allocated 210,093 ordinary shares in the context of the compensation plans based on financial instruments, of the share performance type, approved for the years 2010-2012 by the Shareholders' Meeting on 30 April 2012, pursuant to Art. 114-bis of TUF.

At the date of this Report, the Company holds a total of 9,593,375 ordinary shares, of which 6,319,814 directly and 3,273,561 indirectly, through its subsidiaries UnipolSai (3,108,860), Unisalute S.p.A. (51,244), Compagnia Assicuratrice Linear S.p.A. (14,743), Arca Vita S.p.A. (80,148) and Arca Assicurazioni S.p.A. (18,566).

With reference to the Holding Company's shares, UGF did not use, in 2015 and at the date of this Report, the authorisation to buy and/or sell these shares. UGF therefore continues to hold no Finsoe's shares.

As this authorisation will expire on 18 December 2016, the Board of Directors on 10 March 2016 voted to propose its renewal for an additional 18 months at the Shareholders' Meeting called to approve the 2015 financial statements. In particular, the proposal to authorise the purchase and sale of treasury shares has, in the interest of the Company and pursuant to applicable regulations and accepted market practice, the following objectives:

- to intervene, directly or through intermediaries, to promote the smooth conduct of trading, against distortions due to an excessive volatility or insufficient market liquidity;
- to take the opportunities to maximise the value that can be derived from market trends - and thus also by pursuing trading objectives - or connected with strategic transactions of interest for the Company;
- to use treasury shares as a form of investment for the efficient use of the liquidity generated by the core activity of the Company and/or for the allocation of the shares for the purposes of the compensation plan based on financial instruments (performance shares), pursuant to Art. 114-bis of the Consolidated Law on Finance;
- to use these shares to ensure, if necessary, the overall consistency of transactions that create the need to place fractional shares of the capital of the Company.

On the other hand, the proposal to authorise the purchase and sale of the (unlisted) shares of Finsoe was taken in order to allow the Company to seize strategic opportunities and fulfil its contractual obligations.

The proposal envisages the purchase and sale of treasury shares and those of the Holding Company for the quantities and with the procedures specified below:

- (i) the purchase of treasury shares may be made, up to the maximum amount permitted by law and by reference market practice, in the manner provided for by Art. 132 of TUF and Art. 144-bis, paragraph 1, a), b) and (c) of the Issuers' Regulation, as well as any other provision, including those

of Directive 2003/6/EC and its implementing rules, both Italian and European, where applicable;

- (ii) the disposal of treasury shares may be made pursuant to the law, even carrying out, one or more times, subsequent transactions of purchase and sale, until the expiry of the term of the authorisation;
- (iii) the purchase and sale of shares in the parent company may be made up to the maximum amount and pursuant to the law;
- (iv) both the purchase and the sale of treasury shares may be made at a price of no more than 15% and not less than 15% of the reference price recorded on the trading day before the date of each transaction, with a maximum spending limit for purchases of Euro 100 million;
- (v) both for the purchase and sale of the shares of the parent company the maximum unit price will be set at Euro 1.00 and the minimum unit price at Euro 0.40, with a maximum spending limit - for purchases - of Euro 45 million.

#### 1.4 Share transfer restrictions, ownership limits and acceptance clauses

Pursuant to the current By-Laws of UGF, there are no restrictions on the transfer of shares, or limits to their ownership, or acceptance clauses.

## 2. SHAREHOLDER BASE

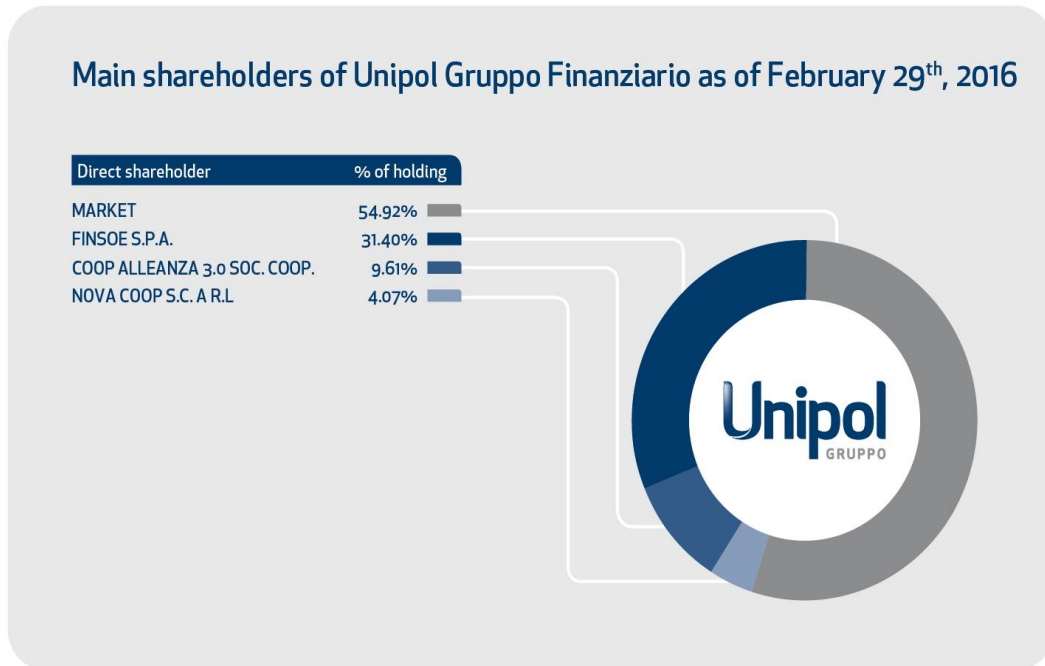
The total number of Shareholders of UGF, as shown by the register of Shareholders at the date of this Report, is approximately 77,800.

### 2.1 Relevant shareholdings

On the basis of the entries in the Register of Shareholders, the communications received pursuant to the statutory requirements and other information available at the date of 29 February 2016, the Shareholders who directly or indirectly, through an intermediary or trust companies, have holdings exceeding 2% of the share capital with voting rights are shown in the following table:

Registrant	Direct Shareholder	% on the share capital
Finsoe S.p.A.	Finsoe S.p.A.	31.40%
Coop Alleanza 3.0 Soc. Coop.	Coop Alleanza 3.0 Soc. Coop.	9.61%
Nova Coop Scarl	Nova Coop Scarl	4.07%

The allocation of the share capital is shown below:



## 2.2 Special control rights

No securities conferring special control rights have been issued.

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

The regulations of the share allocation plan do not provide for the exercise of voting rights by persons other than the employees who have been assigned shares.

## 2.4 Restrictions on voting rights

There are no restrictions on voting rights.

## 2.5 Agreements between Shareholders

At the date of this Report, the Company is not aware of any agreements between Shareholders pursuant to Art. 122 of TUF.

## **2.6 Change of control clauses**

UGF has not concluded, within the framework of its institutional activities, agreements with clauses giving the parties a right to change or terminate those agreements in the event of a change of control of the Company.

As regards subsidiaries of UGF, (i) UnipolSai has concluded distribution agreements for insurance products with the Unicredit Group and the Banco Popolare Group that may lapse in the event of change of control of UnipolSai and (ii) loan agreements with change of control clauses have been concluded.

Other financing agreements concluded by some subsidiaries provide for early repayment and/or withdrawal of the lender in the event of direct and in some cases indirect ownership changes.

## **2.7 Controlling entity and co-ordination and direction activities**

The Company is controlled, pursuant to Art. 2359, par. 1:2) of the Italian Civil Code, by Finsoe, which currently holds 31.40% of the share capital.

Finsoe is also the mixed financial holding company for the Unipol financial conglomerate, under Legislative Decree 142 of 30 May 2005.

Finsoe does not exercise direction and coordination over UGF, pursuant to Art. 2497 et seq. of the Italian Civil Code, by reason of the exclusive role of holding company that it has adopted with respect to UGF and its subsidiaries, as well as the organisational and functional structure which, in keeping with that role, it has adopted.

Pursuant to Art. 2497-*bis* of the Italian Civil Code, the Companies Controlled by UGF have indicated the latter as exercising direction and coordination.

Since 5 October 2011, UGF has been the holding company of the Unipol Insurance Group entered in the Register of Insurance Groups under No. 46, as referred to in Art. 85 of Legislative Decree No. 209 of 7 September 2005 and ISVAP Regulation 15 of 20 February 2008; moreover, as notified to Bank of Italy on 1 August 2015, UGF is the holding company of the Unipol Banking Group, and it is entered in the Register of banking groups under No. 20052.

## **3. OTHER INFORMATION**

### **3.1 Compensation of Directors**

There are no agreements between the Company and the Directors providing for compensation in the event of resignation, revocation of mandate/appointment or cessation of this following a takeover bid. For more detailed information on this subject, reference is made to the Remuneration Report pursuant to Art. 123-ter of TUF, available on the Company's website.

### **3.2 Rules concerning the operation of the Shareholders' Meeting**

The call and operation of Shareholders' Meeting are governed by Art. 8 and 9 of the By-Laws and the rules of the Shareholders' Meeting Regulation approved by the General Meeting itself. For a brief description of these rules, reference is made to Chapter 1, Section III, of this Report.

### **3.3 Rules concerning the composition, appointment and operation of the governing body**

The composition, appointment and operation of the Board of Directors are governed by Art. 10, 11 and 12 of the By-Laws. For a brief description of these rules, reference is made to Chapter 2, Section III, of this Report.

### **3.4 Rules on amendments of By-laws**

Amendments to the By-laws are resolved by the Extraordinary Shareholders' Meeting – subject to approval by the Special Meeting of Preference Shareholders, where necessary and for as long as this category of shares exists - or by the Board of Directors, limited to amendments made to align the By-laws with legal and regulatory provisions.

### **3.5 Main features of the internal control and risk management system in regard to financial reporting**

The description of the main features of the internal control and risk management system in regard to the financial reporting of UGF is given in Paragraph 7.3, Section III, of this Report.



## SECTION III

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

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

#### 1. SHAREHOLDERS' MEETING

##### 1.1 Shareholders' Meeting

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

Despite a broad diversification of methods of communication with Shareholders, the Board of Directors considers the Meeting as a crucial opportunity for a fruitful dialogue between Directors and Shareholders, always in compliance with the rules on so-called price sensitive information.

Pursuant to the By-Laws, as allowed by current laws, the General Meeting is called in a single call, with application of the constitutive and deliberative quorum under the provisions of the law, without prejudice to the possibility of setting in the notice of meeting calls following the first one, for a different day, pursuant to the provisions of Art. 2369, par. 1, of the Italian Civil Code.

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors, or in his/her absence, by the Vice-chairman, or in his/her absence by a Director, failing that, by a person elected by the majority of the capital represented.

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

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

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

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

the Meeting.

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

The Regulations of the Shareholders' Meeting, approved by the Shareholders and available on the Company website in the Section *Corporate governance /Shareholders' Meetings*, govern the operation of the Shareholders' Meeting.

## **1.2 Special Meeting of Preference Shareholders**

Referring to the comments made in Section II, par. 1.1, we recall that, in implementation of the resolutions of the Extraordinary Shareholders' Meeting of 25 February 2015 and of the Special Meeting of Preference Shareholders of 26 February 2015, all conditions having been met, UGF has carried out, on 29 June 2015, the conversion of all 273,479,517 outstanding preference shares into newly-issued ordinary shares of the Company, with normal dividend rights ("Conversion"), as well as the necessary changes to the by-laws.

Until 26 June 2015, on the basis of the resolutions taken by the Special Meeting of Preference Shareholders on 30 April 2014, their Joint Representative was Professor Massimo Franzoni.

The Joint Representative received gross annual fees of Euro 35,000 and was reimbursed for the expenses incurred in the performance of his duties.

Pursuant to Art. 146 of TUF, the Special Meeting of Savings Shareholders of 30 April 2014 had set up a Fund to meet the expenses required to safeguard joint interests, in the amount of Euro 200,000.

## **2. BOARD OF DIRECTORS**

Number of meetings during the year: 9.

Average length of meetings: about 1 hour and 45 minutes.

Average participation: 85.78%.

Number of meetings planned for 2016: 9 (of which 2 already held as at the date of this Report).

### **2.1 Role, responsibilities and operation**

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

In line with the above principle of the centrality of the Board of Directors, Art. 13 of the By-Laws allocates to the competence of this all resolutions concerning:

- i) merger and demerger with subsidiaries, in cases permitted by legislation;
- ii) reduction of the share capital, should a Shareholder withdraw;

- iii) amendment of the By-Laws to comply with legal provisions;
- iv) the issuing of non-convertible bonds;
- v) the acquisition and disposal of shareholdings resulting in changes of composition of Unipol Gruppo Bancario;
- vi) determining the criteria for the coordination and management of companies of the Unipol Gruppo Bancario, as well as the criteria for the implementation of the instructions issued by the Bank of Italy.

For the purposes of the Corporate Governance Code<sup>1</sup> and of the policies in force, the Board of Directors, inter alia:

- a) reviews and approves the strategic, financial and business plans of the company and the Group, regularly monitoring their implementation;
- b) defines:
  - the system of corporate governance, the corporate structure and the governance models and guidelines of the Group itself. In that regard, it defines the tasks and responsibilities of the corporate bodies and the Risk Management, Compliance and Audit Functions, as well as information flows, including their timing, and the nature and frequency of the reports between the different Functions and between corporate bodies and the method of coordination and collaboration, if the control remits have areas of potential overlap or make it possible to create synergies;
  - the business model, being aware of the risks to which this model exposes the Company and understanding the ways in which the risks are observed and assessed, ensuring that the structure of the Company is consistent with the activity carried out and with the business model adopted avoiding the creation of complex structures not justified for operating purposes;
  - the nature and level of risk consistent with the strategic objectives of the Group;
  - the Sustainability Report;
- c) evaluates the adequacy of the organisational, administrative and accounting structure of the parent company and the Operating Companies of strategic importance<sup>2</sup>, particularly with regard to the internal control and risk management system. This assessment takes place on the basis of the

---

<sup>1</sup> As previously mentioned, the review and adaptation of the existing Corporate Governance Code in the Unipol Group (old perimeter), launched in 2013, will be settled at the end (i) of the process of harmonisation and adaptation to the new Italian and EU regulatory framework and (ii) the gap analysis and assessment related to the configuration of UGF as the holding company of the Unipol Banking Group.

<sup>2</sup> Pursuant to the Corporate Governance Code of the Group, the Operational Companies are regarded as "having strategic significance" if: i) the value of the holding in the Operational Company represents more than 50% of the assets of the holding company, as indicated in the last approved accounts, or else, ii) the Operational Company, in view of the activity carried out within the Group and independently from the size of its capital, makes a contribution that the Board of Directors of the holding company believe to be crucial to the achievement of the strategic and business objectives of the Group.

regular reports of the CEO, the Risks Control Committee and of the corporate control Functions;

- d) identify one or more Directors in charge; with regard to the Company, this person has been identified by the Board of Directors as the Chairman of the Board of Directors;
- e) after hearing the opinion of the Control and Risk Committee:
  - identify the guidelines of the internal control and risk management system, so that the main risks for the Company and its subsidiaries are correctly identified as well as adequately measured, managed and monitored, ensuring that these risks are compatible with the strategic objectives and the risk appetite agreed, as well as with risk management policies, and are able to understand the evolution of the risk and their interaction;
  - assesses, at least once a year, the current and future adequacy of the internal control and risk management system with respect to the features of the parent company and the Group and to the risk appetite defined, as well as its effectiveness and its ability to grasp the evolution of corporate risks and the interaction between them;
  - approves, at least once a year, after consulting the Board of Statutory Auditors and the Appointed Director the working plan prepared by the head of the Audit Unit, Risk Management, Compliance Functions; In reference to the banking business also approves the multi-year plan prepared by the Audit Function;
  - describes, in the corporate governance report, the main features of the internal control and risk management system, providing an assessment of the adequacy of that system;
  - assesses, after consulting the Board of Statutory Auditors, the conclusions set out by the statutory auditor in the letter of suggestions and report on key issues identified during the statutory audit;
- f) requires the prompt reporting of the most significant weaknesses, giving timely directions for corrective measures, of which it later evaluates the effectiveness;
- g) appoints, replaces and revokes, on a proposal from the Allocated Director - after receiving the favourable opinion of the Risk Control Committee and having heard the Board of Statutory Auditors - the managers of the Audit, Risk Management and Compliance Functions, while respecting the eligibility requirements for the position, in terms of reputation and professionalism, established by the specific company policy in force, ensuring that they are provided with adequate resources to carry out the tasks and defining their remuneration pursuant to the remuneration policy adopted by the Company;
- h) may establish within itself commissions and committees with proposal and advisory functions, as deemed appropriate and necessary for the proper operation and development of the Company and the Group, thereby ensuring that there is adequate and continuous interaction between them, the Senior Management and the corporate control Units;
- i) approves, ensuring adjustment to the context, the system of delegation of powers and

responsibilities of the Group, taking care to avoid excessive concentration of powers in a single person and putting in place monitoring instruments on the exercise of delegated powers, resulting in the possibility of providing for adequate emergency plans (the so-called “contingency arrangements”) if it decides to take over the delegated powers itself;

- j) ensures that there is an adequate and constant interaction between all internal Board Committees, Senior Management and the Risk Management, Compliance and Audit Functions, also by intervening proactively to ensure its effectiveness;
- k) defines, after assessing the proposals of the Remuneration Committee:
  - with reference to the Company, the general policies containing the guidelines for the remuneration of Directors and managers with strategic responsibilities, including the heads of the Audit, Compliance and Risk Management Functions;
  - with reference to its subsidiaries of strategic significance, general policies containing guidelines for the remuneration of Directors, the executives with strategic responsibilities, including heads of the Audit, Compliance and Risk Management Units, and Risk Takers, to be approved pursuant to the applicable legislation;
- l) grants and revokes powers to the Chief Executive Officer, defining their limits and operating modes; it also establishes the intervals, which must not, however, be more than a quarter, at which the delegated bodies must report to the Board about the activities carried out in the exercise of the powers conferred on them;
- m) determine, after reviewing the proposals of the Remuneration Committee and consulting the Board of Statutory Auditors, the remuneration of the Chief Executive Officer and the Directors holding particular Offices - also within the Board Committees - and, unless the Shareholders’ Meeting has already taken care of it, the allocation of the global compensation payable to the members of the Board of Directors;
- n) appoints and removes the members of the Supervisory Board of the Company pursuant to Legislative Decree 231/2001; specifies, with the support of the Remuneration Committee, the remuneration of those members; approves, annually and on a proposal from the Supervisory Board, the estimates of expenditure, including on an extraordinary basis, necessary for the performance of the supervisory tasks laid down by the organisation and management model, as well as the statement of expenditure of the previous year;
- o) assesses the general performance, taking into account, in particular, the information received from the delegated bodies, and periodically comparing the results achieved with those planned;
- p) resolves - with the support, if requested, of the Related Party Transactions Committee, on the transactions of the parent company and/or Operating Companies, when these transactions have a significant strategic, economic, patrimonial or financial importance for the Company itself, paying particular attention to situations in which one or more Directors have an interest on their own or of third parties and, more generally, to Related Parties transactions. To this end lays down general

criteria to identify major transactions and take appropriate measures to require the Operating Companies to submit for preliminary examination to the Board of Directors of the parent company significant transactions for it;

- q) resolves - with the support, if requested, of the Committee for the Related Party Transactions Committee, as described in more detail below - on the transactions with Related Parties carried out by the parent company and/or subsidiaries of the Unipol Banking Group;
- r) carries out, at least once a year, with the support of the Nomination and Corporate Governance Committee, an evaluation of the operation of the Board of Directors and its committees (hereinafter the "Board Performance Evaluation"), as well as of their size and composition, taking into account factors such as the characteristics of professional managerial experience and the gender of its members, and their seniority in office;
- s) taking into account the results of the assessment referred to in the previous paragraph, gives the Shareholders, before the appointment of the new Board, guidelines on the professional figures whose presence in the Board is deemed appropriate;
- t) after review by the Group's Risks Committee:
  - approves the guidelines and policies relevant to the Company and the Operating Companies required by the industry regulations.
  - defines and approves the *Risk Appetite Framework*, ensuring it is consistent with the transactions, the complexity and the size of the Group.

Further reservations of competence to the Board of Directors are envisaged by (i) the policies adopted by the Company in relation, amongst other things, to insurance underwriting and investment, reservation and disposal of financial assets, real estate, and participatory management of sources of financing and credit as well as (ii) the system of delegation of powers granted to the Chief Executive Officer. This legislation seeks to ensure that the Board of Directors examines and resolves on significant transactions of strategic importance and major amount.

Under Art. 12 of the By-Laws, the Board of Directors will meet at least quarterly and whenever the Chairman, or other person standing for the Chairman, deems it appropriate, i.e. on the written request of at least one third of the Directors in office. The Board of Directors may also be called by the Board of Statutory Auditors, or by at least one member of it, on notice to the Chairman.

The validity of the resolutions of the Board of Directors is regulated by Art. 2388 of the Italian Civil Code. In an open vote, in the case of a draw, the Chairman has the casting vote.

At the time of Board meetings held during the financial year, the Chief Executive Officer has reported to the Board and the Board of Statutory Auditors on the general performance and foreseeable development, and on transactions which, by their size or characteristics, have had significant strategic, economic, patrimonial or financial importance for it, carried out by the its Company and its subsidiaries.

The CEO, in particular, has reported regularly to the Board on the progress of individual business sectors of

the Group, its objectives and activities undertaken, comparing them with the forward-looking plans and expected results.

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

- the Committee of the Chairman, the Nomination and Corporate Governance Committee, Compensation Committee and the Related Party Transactions Committee, who have issued supporting opinions and also formulated proposals to be submitted to the Board of Directors in relation to specific matters within their competence;
- the Control and Risk Committee and the Committee for Sustainability/Ethics, which has reported regularly on the analysis and the activities carried out and on the findings and proposals for interventions and actions to be started.

The explanatory report of the subject of discussion is normally sent to Directors and Board of Statutory Auditors in the days leading up to meetings with appropriate highlighting of salient aspects of the items on the agenda (Executive Summary) except for cases of urgency and/or nondisclosure requirements. This documentation is made available electronically (Virtual Data Room) and, in addition to allowing more efficient management both in terms of time savings and in respect of high standards of privacy, puts in place effective measures for compliance with the requirements contained in Legislative Decree No. 231/2001 and in the Code of Conduct.

The Chairman will ensure that the Directors are provided with reasonably adequate advance information on the items on the agenda and arrange for adequate space for the necessary information during the meetings, in particular if it is not possible to provide the necessary information with reasonable advance notice.

## **2.2 Composition**

The By-Laws allocate the management of the Company to a Board of Directors composed of no less than 15 and no more than 25 members, appointed by the Shareholders' Meeting, after having established the number, and the requirements of professionalism, integrity and independence required by the applicable laws and regulations.

The Directors hold office for three financial years or for the minimum amount of time established by the Shareholders meeting in the context of the appointment and may be re-elected.

The Ordinary Meeting of Shareholders of 30 April 2013 has appointed the Company's Board of Directors, composed of 25 members, with the same mandate for three years and, therefore, up to the Meeting to approve the annual accounts for the year 2015.

Under Art. 10 of the By-Laws and pursuant to current legislation and regulations, the appointment of the members of the Board of Directors took place on the basis of the list submitted by the Controlling Shareholder Finsoe, accompanied by, inter alia, the statements in which the individual candidates attested to the satisfaction of the requirements prescribed by the applicable legislation and regulations. These instructions are contained in the Corporate Governance section of the Company's website.

Mr. Roberto Giay, Responsible of the Law, Shareholdings and Institutional Relations Department of UGF was confirmed as the Secretary of the Board of Directors, elected pursuant to Art. 11 of the By-Laws.

The Ordinary Meeting of 25 February 2015 confirmed as a Directors of the Company, for the entire term of the Board, Mr Carlo Zini and Ms Maria Antonietta Pasquariello, co-opted, respectively, in the meetings of 13 November 2014 and 10 February 2015 to replace the Directors Mr Vanes Galanti and Ms Hilde Vernailen, who have presented their resignation.

The Ordinary Meeting of 18 June 2015 confirmed as a member of the Board of Directors of the Company, for the entire term of the Board, Mr Massimo Di Menna, co-opted for the Board of Directors on 7 March 2015 to replace Mr Rocco Carannante, deceased.

The Board of Directors has duly fulfilled the obligations assigned to it by law with regard to the verification of the statutory requirements of its members, as well as of the members of the Board of Statutory Auditors.

On 10 February 2015 the Board of Directors adopted, for the purposes of the industry regulations introduced in 2014, the Policy for the assessment of the eligibility requirements for the position, which describes, inter alia, the procedures for assessment of the eligibility requirements for the position - in terms of good reputation, professionalism and independence, and the absence of legal obstacles, grounds of disqualification and incompatibility situations - of the members of the executive and control bodies. This Policy took effect on 1 April 2015.

The Meetings of 30 April 2013, 30 April 2014 and 18 June 2015 authorised, pursuant to Art. 2390 of the Italian Civil Code, within the limits of the law (and, therefore, consistent with the provisions of Art. 36 of Decree-Law No. 201 of 6 December 2011, converted with amendments by law No. 214 of 22 December 2011, on the so-called "prohibition of interlocking") the concurrent performance of activities by the members of the Board of Directors. The Board of Directors also verified the absence, in its members, of situations of incompatibility under the legislation just mentioned.

The composition of the Board of Directors is shown in Table 1.

The CVs of the Directors currently in Office are available for consultation on the Company's website, in the section "Corporate Governance/Corporate Bodies/Board of Directors".

#### ***Criteria for the holding of offices in other companies***

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

The Board of Directors, at its meeting of 25 June 2009, adopted a specific Regulation as orientation concerning the maximum number of appointments of a Director or Supervisory Board member that can be regarded as compatible with the effective implementation of the mandate of a Director of the Company, pursuant to the application criteria 1.C.2. and 1.C.3. of the Code of Conduct. The Regulation (which can be consulted in the Corporate Governance section of the Company's website) defines certain general criteria, which take account of the actual role that the UGF Director holds in other companies, as well as the nature



and size of those companies, and introduces different limits, respectively, for the role of Chairman, Executive Director, Non-Executive Director or independent Director of UGF.

The text of the Regulation was changed by the Board of Directors in its meeting of 14 February 2013 for the purpose of aligning it to the prohibitions introduced by Art. 36 of Decree-Law No. 201 of 6 December 2011, converted, with amendments, by law No. 214 of 22 December 2011 (the so-called “prohibition of interlocking positions”).

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

The annual assessment of the compliance with the limits to the number of offices held by the Directors was performed by the Board of Directors on 7 May 2015. This assessment was also carried out for Mr Massimo Di Menna after his appointment by the Meeting on 18 June 2015. The Board of Directors has concluded that all the members of the Board of Directors are capable to perform their duties effectively.

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

### ***Induction Program***

For the purposes of application criteria 2.C.2. of the Code of Conduct, specific in-depth courses were carried out on some issues in order to enable the Directors and Board of Statutory Auditors members to acquire an adequate knowledge of the business sector in which the Company operates, the business dynamics and their evolution and also the regulatory reference framework. Specifically, during the year, four induction sessions were organised devoted to the following issues: Non-Life business, Life business, ICAAP Process, Financial Statements and Actuarial.

### **2.3 Appointment and replacement of Directors**

Pursuant to the law and the By-Laws, the Board of Directors is appointed on the basis of lists presented by Shareholders who, on presentation of them, are entitled to vote in its deliberations, filed at the Company's headquarters, no later than the twenty-fifth day before the date of the meeting. Each list containing a number of candidates equal to or greater than 3 must ensure respect for the balance between genders at least to the minimum extent required by the legislation and regulations currently in force.

In order to be valid each list must include at least two candidates who comply with current legal and regulatory requirements relating to independence; they must be indicated separately and one of them must appear first on the list.

It is also pointed out that, pursuant to Application Criterion 3.C.3 of the Code of Conduct, since the Company belongs to the FTSE MIB index (since September 2015), at least one third of the Board of Directors – appointed after this last date – must consist of Independent Directors, rounded down in the event of a fraction.

Shareholders presenting a list, shareholders belonging to a material shareholders' agreement pursuant to Art. 122 of TUF, regarding financial instruments issued by the Company, the parent company, the

subsidiaries and joint ventures pursuant to Art. 93 of TUF, cannot submit nor participate in submitting more than one list, even through an intermediary or trust company; they cannot vote for lists other than the one that they have submitted or participated in submitting, even through an intermediary or trust company. Any support and votes cast in breach of such provision shall not be allocated to any list.

Each candidate may be listed in one list only under penalty of ineligibility.

Lists may be presented by Shareholders who, alone or together with others, are holders of a stake determined pursuant to legal and regulatory provisions in force, as each time notified in the notice of call of the Meeting: at the date of this report, this stake, set by CONSOB, most recently with resolution No. 19499 of 28 January 2016, is equal to 1% of ordinary share capital.

The lists will be accompanied by full information regarding the personal and professional characteristics of the candidates, with an indication of their suitability to qualify as independent, and are immediately published on the Company's website.

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

- i) the Board of Directors appoints the deputies from among the candidates belonging to the same list as the parting Directors in order starting with the first non-elected candidate, provided that, if the Deputy must meet the requirements of independence and/or must belong to the less represented gender, the first unelected independent candidate on the same list will be appointed and/or the first unelected candidate belonging to the less represented gender on the same list;
- ii) if the above list does not contain candidates not previously elected, the Board of Directors provides for the replacement of the departing Directors without observing the provisions of point i), while, nevertheless, respecting the gender proportion laid down by the laws and regulations in force.

If there ceases to be a majority of the Directors appointed by the Meeting, the entire Board will be deemed to have resigned and the Meeting must be called without delay by the Directors still in office for the reconstitution of it according to the above schedule.

For the resolutions on the replacement of Directors pursuant to Art. 2386 of the Italian Civil Code, the Meeting will act pursuant to the legal majorities without a commitment to the list, taking care to ensure the presence on the Board of Directors of at least two members who meet the independence requirements prescribed by the applicable laws and regulations and to comply with the gender proportion laid down by the applicable laws and regulations.

As the Meeting called to approve the 2015 financial statements must also resolve on the appointment of the Board of Directors, for what is not expressly mentioned here, we refer to Art. 10 of the By-laws, as well as to the report to the Meeting, published on the website of the Company in accordance with the law.

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

## 2.4 Non-executive and independent Directors

The Company, in line with international best practice, placing particular attention on the requirement for substantial independence of its non-executive Directors, adopts a restrictive interpretation of the provisions contained in the Code of Conduct, in order to ensure the interests of all Shareholders, both majority and minority. Consequently, the Company excludes from the list of independent Directors - regardless of whether they comply or not with one or more of the requirements of application criterion 3.C.1 of the Code of Conduct - Directors who:

- i) hold offices in the corporate bodies of the parent company Finsoe;
- ii) hold offices in the corporate bodies of entities participating in shareholders' agreements for the control of the Company or nevertheless containing clauses regarding the composition of the Board of Directors of the Company, or in the corporate bodies of companies controlled by the same pursuant to Art. 2359, first paragraph, of the Italian Civil Code (this case, moreover, did not apply in the past, nor does it currently apply).

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

It is also pointed out that, with Board resolution of 27 September 2012, the functions of Director In Charge were conferred on the Chairman, Pierluigi Stefanini, and, therefore, by effect of the office received, also the Chairman of the Board of Directors acquires the qualification of Executive Director, as illustrated below in Paragraph 7.2.

It is pointed out that, in the aforementioned Fit&Proper Policy, with reference, in particular, to the requirement of independence of a Director, the criteria adopted so far by the Board of Directors have been supplemented with a further requirement, to taken into account any professional service provided to the Company and/or Subsidiaries exceeding 5% of the annual turnover of the Company or Entity which the Director controls or of which the Director is an important representative or of the Professional or Consulting Firm of which the same is a partner or shareholder or, in any case, exceeding the amount of Euro 200,000.

The annual assessment of independence of Directors by the Board of Directors was carried out in the Board meeting of 7 May 2015 for the requirements set by the TUF and the Code of Conduct, taking into account the indications provided by CONSOB with communication DEM/10046789 of 20 May 2010, stating that "*the definition of independent director pursuant to the combined provisions of Articles 147-ter, fourth paragraph, and 148, third paragraph, of the Consolidated Law on Finance, allows the appointment of an independent director of a listed company as an independent director in one or more subsidiaries of the listed company without this in itself leading to the loss of independence*". This assessment was also carried out for Mr Di Menna after his appointment.

The outcome of the assessment is shown in Table 1.

The Board of Statutory Auditors, pursuant to the provisions of application criterion 3.C.5. of the Code of

Conduct, reports on the outcome of the audit carried out on the correct application of the verification criteria and procedures adopted by the Board of Directors to assess the independence of its members in the Statutory Auditors' report to the Shareholders' Meeting.

In compliance with application criterion 3.C.6. of the Code of Conduct, as well as with the Code of Corporate Governance, there was a meeting of the independent Directors, with the participation, at the request of said Directors, of the Chairman and the Chief Executive Officer. At this meeting, issues related to the strategic vision of the Company and the Group, the performance prospects and the most significant investments were discussed, among others.

## **2.5 *Lead Independent Director***

The Chairman has not been delegated operational powers, and has no specific role in developing corporate strategies. The separation of the roles of Chairman and Chief Executive Officer has not necessitated the appointment of a Lead Independent Director, there not being the conditions pursuant to application criterion 2.C.3. of the Code of Conduct.

## **2.6 *Remuneration***

The Shareholders' Meeting of 30 April 2013 resolved annual remuneration for each Director of Euro 40,000, as well as payment of an attendance fee of Euro 1,000 for each Board or Shareholders' Meeting attended.

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

The Board of Directors, after consultation with the Remuneration Committee and the Board of Statutory Auditors, in its meeting of 30 May 2013, defined the remuneration of the Chairman, Deputy Chairman and Chief Executive Officer for the offices held.

The Board of Directors also approved for Directors who are members of Board Committees a fixed remuneration of Euro 1,000 for attending each respective meeting.

The remuneration of non-executive Directors is not linked to the results achieved by the Company, nor are there any plans for share-based incentives or, in general, those based on financial instruments for members of the Board of Directors. The Chief Executive Officer, pursuant to normal market practice and taking into account the principles of the Code of Conduct concerning the correlation between the remuneration of top management positions and company results, receives a short and long-term variable remuneration component, calculated by applying the criteria provided for in the variable remuneration system for Group Managers.

In 2015, basically in line with the previous year, the Board of Directors defined the general policy for the

remuneration of members of corporate bodies and the key managers of UGF for the year 2015, which was approved by the Ordinary Meeting of Shareholders held on 18 June 2015.

On 10 March 2016, the Board of Directors of the Company updated (i) the general policy for remuneration of members of corporate bodies and key managers of UnipolSai for the current year, (ii) the Remuneration Report prepared pursuant to Art. 123-ter of TUF and (iii) the Report on the compensation plan based on financial instruments, pursuant to Art. 114-*bis* of TUF, with the corresponding Plan Regulations, all documents which will be submitted to the Shareholders' Meeting called to approve the 2015 financial statements.

Please refer to the Remuneration Report (which will be made available in accordance with the law in the Corporate Governance section of the Company's website) for information on the objectives pursued by the Remuneration Policy, the principles that underlie it, the criteria used to determine the relationship between the fixed and variable component, the performance objectives to which variable components are linked, the terms for the vesting of rights, as well as mechanisms to incentivise the managers of the internal control Functions; the same document also provides detailed information on the size of the remunerations received, during the Year, by the members of the Board of Directors, by the Chief Executive Officer, as well as the total remunerations received by the key managers.

### **Succession planning**

With reference to the recommendations contained in CONSOB Communication No. DEM/110129884 of 24 February 2011, it is pointed out that the Company has started working on a Succession Planning project for Group Executives and, more generally, key managers.

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

### **2.7 Annual self-assessment**

The Board Performance Evaluation activities in terms of size, composition and operation of the Board of Directors and Board Committees, carried out by the Nomination and Corporate Governance Committee with the support of a prime external *advisor*, were divided into: (i) an individual discussion with each Director and Statutory Auditor based on a self-assessment questionnaire; (ii) an analysis of the information and

comments made; and (iii) discussion within the Board, during its meeting on 7 May 2015, of a report on the main results.

The Nomination and Corporate Governance Committee, as a body with advisory and consulting functions for identification of the optimal composition and the best mode of operation of the Board of Directors, also involving the Board of Statutory Auditors, in line with previous years, has defined criteria and tools for conducting the Board Performance Evaluation, envisaging that Egon Zehnder International S.p.A., an advisor of primary standing in the industry (the “Advisor”), supports Directors and Statutory Auditors in conducting the analysis. In order to accompany the entire term of office of the Board of Directors and, therefore, follow the evolution of the same during the period 2013-2015 - conducting, for each financial year, a Board Performance Evaluation, taking into account, on the one hand, the evolution of legislation and the experience of other best practices and, on the other, the work carried out by the Board of Directors over the three years - the Board, at the proposal of the Nomination and Corporate Governance Committee, appointed the advisor for a three-year term.

The above activities, carried out in 2015 with reference to the previous year, have brought to light the following:

- satisfaction for the quality and continuity of its relations with the Chief Executive Officer,
- satisfaction for the overall performance of the Company;
- satisfaction for the level of diversity of the Board of Directors;
- satisfaction for the operation of the risk management function and the strategic oversight function;
- evaluation that the Board as a whole possesses the competencies in strategic planning, risk management and control, corporate organisation needed for the good operation of the Board;
- satisfaction for the quality of the relationship with the permanent controlling shareholders, a relationship that is perceived as a clear competitive advantage;
- evaluation about the need for training programmes and refreshers classes. The areas most requested are: legal/regulatory, strategic planning, knowledge of the business in which the Group operates, internal controls and risk management.

Moreover, the Nomination and Corporate Governance Committee – keeping also into account that the mandate of the Board will expire at the Shareholders’ Meeting called to approve the 2015 financial statements – already at the end of the year has resolved to start the annual *Board Performance Evaluation* with the support of the Advisor, to allow the Board to assess its results as well as to express its opinion on the managerial and professional competencies that ought to be present in the Board (the “Opinion”) as soon as the assessment was completed and, in any case, in time for said Meeting.

The *Board Performance Evaluation* reviewed by the Board of Directors on 10 March 2016 has shown:

- satisfaction for the global performance of the Board and for the effective operation of the Board Committees;

- satisfaction for the leadership of the Chairman to ensure good operation of the administrative body, as well as the quality and continuity of the relationship between the Chief Executive Officer and each Director;
- positive opinion of the quality of the relationship with the permanent controlling shareholders, a relationship that is perceived as a clear competitive advantage;
- positive judgement on the composition of the Board of Directors in terms of overall skills and expertise shown with regard to strategic planning, knowledge of the trends of the economic-financial systems and of the sector, risk control and management, corporate organisation, financial disclosure and accounting records, despite some room for improvement regarding the competence relating to the insurance, banking, real estate systems and provisions/regulations;
- evaluation of the opportunity to dedicate more time to HR- and organisation-related issues and to reduce the size of the administrative body.

In consideration of the mentioned three-year assignment received, the Advisor also reported on the evolution of the administrative body occurred throughout the three-year mandate, identifying some indications for the composition of the new Board of Directors that are useful to prepare the Opinion.

Thus we note that, pursuant to the Code of Conduct (Application criterion 1.C.1:h), the outgoing Board of Directors, with the support of the Nomination and Corporate Governance Committee, keeping also into account the outcome of the Board Performance Evaluation, in the aforementioned meeting of 10 March 2016, has expressed to the Shareholders its opinion for the appointment of the new Board of Directors.

### **3. THE CHAIRMAN**

The Chairman of the Company is elected, pursuant to Art. 11 of the By-Laws, by the Board of Directors from among its members, for three financial years or for the shorter period of office of the Board itself.

The Board of Directors, in its meeting of 9 May 2013, confirmed Mr. Pierluigi Stefanini as Chairman of the Company.

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

In particular, the Chairman ensures continuity of relations between the Board and Directors holding special offices, stimulating their activity and ensuring a fruitful collaboration.

The Chairman ensures that Directors and Statutory Auditors may take part, subsequent to appointment and for the duration of their term of office, in initiatives aimed at providing them with adequate knowledge of the industry in which the Company operates, corporate dynamics and evolution of the same, as well as the relevant regulatory framework.

The Chairman and Chief Executive Officer, keeping constant dialogue, identify opportunities and risks of the insurance, banking and finance businesses in general, on which the Chairman keeps the Board of Directors informed, in order for it to be able to take its own decisions regarding the direction and coordination of the

Company and Group reporting to it. The Chairman collects the aspirations of Shareholders, translating them into strategic and operational guidelines for the Board of Directors. The Chairman is also responsible for ensuring that transactions, apart from the income and financial results, are qualitatively such as to produce continuity of results, competitiveness in the business and protection of resources and assets.

The Chairman has access to all information within the corporate structure, informing the Chief Executive Officer of information acquired from other sources, for the orderly management of the structure itself.

The Chairman, at the request of one or more Directors, may request the Chief Executive Officer that Managers of the Company and its subsidiaries, responsible for the relevant corporate functions according to the subject, attend Board meetings to provide useful information on items on the agenda.

The Chairman, in consultation with the Chief Executive Officer<sup>3</sup>, is also responsible for:

- planning the work of the Board of Directors, put case by case on the agenda, ensuring that the documentation relating to the items on the agenda is brought to the attention of Directors and Statutory Auditors sufficiently in advance of the date of the Board meeting;
- proposing to the Board of Directors - having acquired the opinion of the Appointments and Corporate Governance Committee - nominations for the General Manager and Deputy General Manager of the Company;
- proposing to the Board of Directors - having acquired the opinion of the Nomination and Corporate Governance Committee - nominations for members of the Board Committees of the Company;
- proposing to the Board of Directors candidates for the positions of Director and Statutory Auditor, as well as of Chairman, Deputy Chairman and General Manager (and/or Chief Executive Officer) of important companies (whether Operating Companies with strategic importance or affiliates) after having carried out the most appropriate prior consultation activities and having submitted such candidates to the Nomination and Corporate Governance Committee;
- indicating candidates - to be proposed to the competent decision-making bodies - for the office of Director, Statutory Auditor and Chairman, Deputy Chairman and General Manager (and/or Chief Executive Officer) of Subsidiaries and direct affiliates of lesser importance;
- expressing the consent of the Company for the appointment of trustees by Operating Companies in their respective subsidiaries and affiliates of lesser importance;
- proposing to the relevant decision-making bodies the global or individual remuneration to be paid to members of the Board of Directors of Operating Companies, pursuant to the guidelines identified in the general policies approved by the Board of Directors;
- formulating to the relevant decision-making bodies the proposals for the remuneration of the Chairmen, Deputy Chairmen and General Managers (and/or Chief Executive Officers) of Operating

---

<sup>3</sup> Pursuant to the Corporate Governance Code, if the Chief Executive Officer is in a situation of potential conflict of interest in performing the functions that said Chief Executive Officer must carry out in agreement with the Chairman, these functions are exercised, instead, by the Deputy Chairman.



Companies, pursuant to the guidelines identified in the general policies approved by the Board of Directors;

- expressing to the Remuneration Committee indications for the formulation of proposals to be submitted to the Board of Directors concerning remuneration policies for the General Manager and Deputy General Manager and other Key Managers of Operating Companies of strategic importance;
- formulating to the Board of Directors, pursuant to the guidelines identified in the general policies approved by the latter, proposals regarding the remuneration of the General Manager of the Company, as well as determination of the overall financial package, setting the performance objectives related to the variable component of such remuneration;
- defining, pursuant to the guidelines identified in the general policies approved by the Board of Directors, the remuneration of Key Managers of the Company and of Operating Companies of strategic importance, setting, where applicable, the performance objectives related to the variable component of such remuneration.

The Chairman is automatically a member of the Chairman's Committee, is entitled to attend meetings of the Nomination and Corporate Governance Committee, the Remuneration Committee and the Sustainability Committee/Ethics Committee and is invited to meetings of the Control and Risks Committee.

We note that, pursuant to the Corporate Governance Code, the Chairman is also the Appointed Director.

#### **4. THE DEPUTY CHAIRMAN**

The Deputy Chairman is elected, pursuant to Art. 11 of the By-Laws, by the Board of Directors from among its members, for three financial years or for the shorter period of office of the Board itself.

The Board of Directors, in its meeting of 9 May 2013, confirmed Mr. Giovanni Antonelli as Deputy Chairman of the Company.

The Deputy Chairman, together with the Chairman, Chief Executive Officer and other members appointed by the Board of Directors, is a member of the Chairman's Committee. He is entitled to attend meetings of the Nomination and Corporate Governance Committee, the Remuneration Committee and the Sustainability Committee/Ethics Committee and is invited to meetings of the Control and Risks Committee.

The Deputy Chairman replaces the Chairman with the same powers in the event of absence or impediment of the latter and, in this function, may access all information within the corporate structure, informing the Chief Executive Officer of information acquired from other sources, for the orderly management of the structure itself.

#### **5. CHIEF EXECUTIVE OFFICER/GENERAL MANAGER**

The Chief Executive Officer is appointed by the Board of Directors from among its members, for three financial years or for the shorter period of office of the Board itself.

The Board of Directors, in its meeting of 9 May 2013, confirmed Mr Carlo Cimbri as Chief Executive Officer

of the Company.

With reference to the governance requirements made by the supervisory authorities for the insurance sector, at the time they authorised the acquisition of the control of the former Premafin/Fondiarria SAI group, and specifically to the need to ensure that, within a maximum of 18 months from the coming into force of the merger of Unipol Assicurazioni S.p.A., Milano Assicurazioni S.p.A., Premafin HP S.p.A. in Fondiarria-Sai S.p.A., from which UnipolSai originates, the titles of Chief Executive Officer of UGF and UnipolSai were separated, to ensure, for the rest of the ongoing integration process, continuity of management and an adequate coordination and oversight of said companies, the Unipol Group has asked IVASS to extend the term to comply with said requirement, originally set to 6 July 2015, until the approval of the 2015 financial statements, when the mandates of the Boards of Directors of UGF and UnipolSai will expire and the reference time horizon of the respective 2013-2015 Business Plans will be over.

IVASS found the comments made by Unipol Group in support of the request for an extension worth considering and agreed to the extension. The aforementioned term was therefore extended to the Meeting called to approve the 2015 financial statements.

The Chief Executive Officer - in his capacity as executive director of the Company - carries out the following functions:

- a) jointly with the Chairman:
  - identifies strategies regarding the structure of the Company and the Unipol Group to be submitted to the Board of Directors;
  - examines in advance transactions of significant economic and financial importance, according to the criteria established by the Board of Directors, with particular reference to Transactions with Related Parties of “Greater Importance” to be submitted case by case to the Board of Directors;
  - ensures that Directors can carry out their role in an informed and effective manner;
- b) ensures pursuit of the objectives defined by the Board of Directors, issuing the consequent operating directives; ensures implementation of the resolutions of the Board of Directors and operational management of corporate affairs, making recourse to the Top Management of the Company;
- c) defines the guidelines and lines of action of the Group as a whole by ensuring proper operation of the vertical relationships between the Company and the different Group entities;
- d) formulates any proposals to supplement the annual audit plan and may request specific audits not envisaged in the plan itself;
- e) identifies, in agreement with the Chairman, candidates for the position of General Manager and Deputy General Manager of the Company so that the Chairman can submit them to the Nomination and Corporate Governance Committee and propose them to the Board of Directors;
- f) identifies, in agreement with the Chairman, candidates for the offices of Director and Statutory Auditor, as well as of Chairman, Deputy Chairman and General Manager (and/or Chief Executive

Officer) of important companies (whether Operating Companies of strategic importance or affiliates), so that the Chairman can submit them to the Nomination and Corporate Governance Committee and propose them to the Board of Directors;

- g) submits to the Chairman candidates to be proposed to the competent decision-making bodies for the offices of Director and Statutory Auditor, as well as Chairman, Deputy Chairman and General Manager (and/or Chief Executive Officer) of Group Subsidiaries and direct affiliates of lesser importance;
- h) submits to the Chairman candidates for expressing the consent of the parent company for the appointment of trustees by Operating Companies in their respective subsidiaries and affiliates of lesser importance;
- i) supervises management of the process of appointing “key Group resources” for the main managerial positions in the different Group entities;
- j) expresses, in agreement with the Chairman, to the Remuneration Committee indications for the formulation of proposals to be submitted to the Board of Directors concerning remuneration policies for the General Manager and Deputy General Manager and other Key Managers of Operating Companies of strategic importance;
- k) formulates, in agreement with the Chairman, to the Board of Directors, pursuant to the guidelines identified in the general policies approved by the latter, proposals regarding the remuneration of the General Manager of the Company, as well as determination of the overall financial package, setting the performance objectives related to the variable component of such remuneration;
- l) defines, in agreement with the Chairman, the remuneration of Key Managers of the Company and Operating Companies of strategic importance, setting the performance objectives related to the variable component, pursuant to the guidelines specified in the general policies by the Board of Directors;
- m) proposes, in agreement with the Chairman, to the relevant decision-making bodies the global or individual remuneration to be paid to members of the Board of Directors of Operating Companies, pursuant to the guidelines identified in the general policies approved by the Board of Directors;
- n) formulates, in agreement with the Chairman, to the relevant decision-making bodies, proposals for remuneration of the Chairmen and Deputy Chairmen of Operating Companies, pursuant to the guidelines identified in the general policies of the Board of Directors.

If the Chief Executive Officer is in a situation of potential conflict of interest, the functions listed above that are to be carried out by said Chief Executive Officer in agreement with the Chairman, are exercised, in his stead, by the Deputy Chairman.

The Board of Directors has also conferred specific powers on the Chief Executive Officer with related limits.

The Chief Executive Officer is automatically a member of the Chairman's Committee, is entitled to attend, with advisory functions, meetings of the Appointments and Corporate Governance Committee, the

Sustainability Committee/Ethics Committee, as well as the Remuneration Committee and is invited to meetings of the Control and Risks Committee.

The Chief Executive Officer also has the position of General Manager, as resolved by the Board of Directors pursuant to Art. 15 of the By-Laws, carrying out in such capacity the function of overseeing the management of the Group's business, in line with strategic planning.

## **6. COMMITTEES**

The Board of Directors, within the scope of its powers as per the By-Laws, in order to increase the efficiency and efficacy of its activities, has established specific internal committees, with advisory and propositional functions in compliant with the criteria set forth in the Code of Conduct.

In 2001, the Remuneration Committee and the Internal Control Committee were established. In 2012, in compliance with the amendments made to the Code of Conduct, the Internal Control Committee took the name of Control and Risk Committee; in 2007, the Nomination Committee was established which, in 2010, took the name of Nomination and Corporate Governance Committee. The Executive Committee and the Social Responsibility Committees were also created and took the name of Sustainability Committee in 2011. The latter, following approval of the Code of Ethics for the Group in March 2009, was also assigned Code of Ethics functions.

Finally, in 2010, the Related Party Transactions Committee was established in compliance with the new legislative provisions; in 2015, this was also given the tasks and the functions specified by the regulations issued by the Bank of Italy on risk activities and conflict of interest with associated parties in its Circular Bank of Italy No. 263.

### **6.1 Chairman's Committee**

Number of meetings held in the financial year: 6.

The Chairman's Committee, appointed on 9 May 2013, and later modified in its composition on 20 March 2014, is composed of the Chairman of the Board of Directors, the Deputy Chairman, the Chief Executive Officer and the other Directors appointed by the Board of Directors.

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

*(Table follows)*

	Members	Office held	% attendance	Meetings attended
	Stefanini Pierluigi	Chairman	100%	5/5
	Antonelli Giovanni	Member	100%	5/5
	Berardini Francesco	Member	100%	5/5
<b>CHAIRMAN'S</b>	Cattabiani Paolo	Member	40%	2/5
<b>COMMITTEE</b>	Cimbri Carlo	Member	100%	5/5
	Costalli Sergio	Member	80%	4/5
	Dalle Rive Ernesto	Member	60%	3/5
	Levorato Claudio	Member	40%	2/5
	Pacchioni Milo	Member	20%	1/5
	Turrini Adriano	Member	80%	4/5
	Zucchelli Mario	Member	80%	4/5

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

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

During its meetings, the Chairman's Committee carried out the advisory and support activities assigned by the Corporate Governance Code.

## 6.2 Nomination and Corporate Governance Committee

Number of meetings held during the financial year: 4

Average length of meetings: about one hour.

Number of meetings scheduled for 2016: keeping into account the renewal of the Board of Directors of the Company at the time of the Meeting called to approve the 2015 financial statements, the agenda will be approved by the newly nominated Nomination and Corporate Governance Committee. At the date of this

Report the Committee had already met once.

The Board of Directors appointed, on 9 May 2013, the members of the Nomination and Corporate Governance Committee.

The Board of Directors of UGF in its meeting of 7 May 2015 has, among other things, resolved the appointment of Mr Guido Galardi as new member of the Nomination and Corporate Governance Committee to replace Mr Rocco Carannante.

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

	Members	Office held	Independent	% attendance	Meetings attended
<b>APPOINTMENT AND CORPORATE GOVERNANCE COMMITTEE</b>	Morara Pier Luigi	Chairman		100%	4/4
	Baratta Giovanni Battista	Member	x	100%	4/4
	Galardi Guido <sup>(1)</sup>	Member	x	100%	1/1

<sup>(1)</sup> appointed on 7 May 2015

**Members of the committees whose office ended during the Year:**

	Members	Office held	Independent	% attendance	Meetings attended
<b>APPOINTMENT AND CORPORATE GOVERNANCE COMMITTEE</b>	Carannante Rocco	Member		100%	1/1

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

The Committee guarantees an adequate level of independence of the Directors from management, as it holds a propositional and advisory role in identifying the best composition of the Board of Directors, and in defining the corporate governance system, as a body in charge of the following:

- a) to propose to the Board of Directors the candidates for the offices of Directors in the cases of co-option, if any independent Director must be replaced;
- b) to define times and methods for performing the Board Performance Evaluation;
- c) to inform and update the Board of Directors as regards any developments in the regulations in force and the best practices referring to corporate governance;

The Nomination and Corporate Governance Committee is called upon to express opinions on the following:

- the appointment of the members of the advisory committees of the Company;
- the appointment of the General Manager and the Vice-General Manager of the Company;
- the names to be submitted for the offices of Directors and Statutory Auditors, as well as those of Chairman, Deputy-Chairman and General Manager (and/or CEO) in the relevant companies (whether operating companies with strategic relevance or investees). To this end, the Chairman is responsible to submit to the Nomination and Corporate Governance Committee these candidacies, in agreement with the CEO of the Company;
- the implementation of the corporate governance system, the model and the guidelines for Group governance;
- the size and composition of the Board of Directors, along with recommendations as regards the professional roles to be held within the Board of Directors, as well as the maximum number of assignments and derogations to the non-compete clause.

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

In 2015 and to the date of this Report, the Nomination and Corporate Governance Committee performed the following activities:

- a) defined criteria and methods for carrying out the annual Board Performance Evaluation of the Board of Directors, with the support of an external advisor;
- b) reviewed the annual reports on Corporate Governance for the 2015 and 2016 periods;
- c) proposed to the Board of Directors the appointment of a new independent Director to replace the non-executive and independent Director, Mrs Vernailen, who has resigned;
- d) proposed to the Board of Directors the appointment of a new independent Director to replace the departed Director Rocco Carannante, non-executive and independent Director pursuant to Art. 147-ter, Par. 4, of TUF;
- e) expressed its opinion on the proposals of appointment of members of the Remuneration Committee and to the Related Party Transactions Committee;
- f) expressed its opinion on the Fit&Proper Policy;
- g) reviewed the induction plan for the year for the Board of Directors and the Board of Statutory Auditors;
- h) provided to the Board of Directors in office guidelines to the Shareholders on the optimal composition of the new Board (reference is made to the indications in paragraph 2.7 above);
- i) pursuant to the Code, expressed opinions on:
  - proposals for the appointment and designation of the members of the Board of Directors of the Company and the Subsidiaries;

- annual assessment of the independence of Directors and Statutory Auditors;

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

### 6.3 Remuneration Committee

Number of Meetings held during the financial year: 4.

Average length of meetings: 1 hour, approximately.

All meetings were also attended by a member of the Board of Statutory Auditors.

Number of meetings scheduled for 2016: keeping into account the renewal of the Board of the Company at the time of the Meeting called to approve the 2015 financial statements, the agenda will be approved by the newly nominated Remuneration Committee. At the date of this Report the Committee had already met once.

The Board of Directors appointed, at the meeting of 30 April 2013, the members of the Remuneration Committee, one of whom with adequate expertise in financial matters or remuneration policies, as assessed by the Board of Directors at the time of the appointment.

The Board of UGF at the meeting of 7 May 2015 has, among other things, resolved the appointment of Ms Giuseppina Gualtieri, in her capacity as Chairman, and Ms Paola Manes as members of the Remuneration Committee.

This was necessary due to:

- the need to replace Director Ms Hilde Vernailen, who had resigned, as mentioned, from the position held since 18 December 2014;
- the resignation from the Committee of Director Mr Pier Luigi Morara who no longer meets the requirements for independence after nine years in office pursuant to the Code of Conduct.

The composition of the Remuneration Committee is detailed in the following Table.

	Members	Office held	Independent	% attendance	Meetings attended
<b>REMUNERATION COMMITTEE</b>	Gualtieri Giuseppina <sup>(*)</sup>	Chairman	x	100%	2/2
	Malavasi Ivan	Member		75%	3/4
	Manes Paola <sup>(*)</sup>	Member	x	100%	2/2

<sup>(\*)</sup> appointed on 7 May 2015

**Members of the committees whose office ended during the Year:**



	Members	Office held	Independent	% attendance	Meetings attended
<b>REMUNERATION COMMITTEE</b>	Morara Pier Luigi	Chairman	x	100%	2/2

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

The meetings of the Remuneration Committee are attended, by right, and with advisory functions, by the Chairman of the Board of Directors, the Deputy-Chairman and the CEO; the Chairman of the Board of Statutory Auditors or any other designated Statutory Auditor also participates by right in the meetings.

The Remuneration Committee carries out investigative, propositional and advisory functions. In particular, it is in charge of:

- submitting to the Board of Directors proposals regarding general policies for the remuneration of the Directors and the Executives with strategic responsibilities (including the managers of the Audit, Compliance and Risk Management functions) of the Company and of the Operating Companies with strategic relevance;
- submitting to the Board of Directors proposals for the remuneration of the CEO and the Directors who perform specific duties, as well as for setting up performance objectives related to the variable portions of the remuneration, consistent with the general remuneration policies adopted by the Board of Directors;
- monitoring the implementation of the decisions approved by the Board of Directors, while verifying, in particular, the actual fulfilment of performance objectives;
- periodically assessing the adequacy, the overall consistency and practical application of general policies for the remuneration of the Directors and the Executives with strategic responsibilities (including the managers of the Audit, Compliance and Risk Management functions), within the Company and within the Operating Companies with strategic relevance, making use, to this end, of the information provided by the CEO and submitting to the Board of Directors proposals in this regard.

The Chairman of the Remuneration Committee is in charge of gathering data and submitting it to the Committee, thus ensuring that all the different topics under examination are accompanied by the information needed to make informed decisions.

No Director or Statutory Auditor attends the meetings of the Remuneration Committee where proposals for the Board of Directors' remunerations are formulated, unless the proposals concern the remuneration of Directors or Statutory Auditors as a whole.

To carry out the assigned tasks the Remuneration Committee may make use, under the terms and according

to the economic resources allocated by the Board of Directors, of external advisers with extensive expertise in remuneration policies as long as (i) these do not provide the corporate structures in charge of human resources management, the Directors or the Executives with strategic responsibilities with services of such a significance as to concretely damage the independence of the advisers themselves and (ii) no exceptions of incompatibility of the advisers identified within the overall corporate context are raised by the corporate structures in charge of the management of human resources or by the CEO.

The Remuneration Committee makes use, for the performance of its tasks, of an adequate budget approved by the Board of Directors.

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

- reviewed the remuneration benchmarks of key management personnel comparing them with those of similar groups and companies to establish the overall alignment of the remunerations, thus expressing favourable opinion as regards possible adjustments of the fixed portion of remuneration of key personnel, based on said market benchmarks;
- reviewed and proposed to the Board of Directors the adoption of 2015 and 2016 Remuneration Policies for UGF, the insurance subsidiaries, the companies that are instrumental to the Insurance Group and the companies of the banking business of the Group;
- reviewed and discussed the Report on Remuneration prepared for UGF pursuant to Art. 123-ter of TUF;
- expressed a favourable opinion to the Board of Directors as regards the adoption of the executive incentive plan called Unipol Performance Management (“UPM System”), for the 2013-2015 period and the corresponding Regulations for the year 2015;
- expressed a favourable opinion to the Board of Directors as regards the adoption of the executive incentive plan of the Company, called Unipol Performance Management, for the 2016-2018 period, the corresponding Regulations for 2016, and the Remuneration Plan based on financial instruments, pursuant to Art. 114-*bis* of TUF;
- reviewed the results arising from the UPM System for the 2014 period, acknowledging the presence of the conditions for the payment of the short term variable portion, thus expressing a favourable opinion to proceed with the disbursement of the short term monetary remuneration and the fulfilment of the corresponding requirements.
- reviewed, expressing favourable opinion, the proposal for the harmonisation of the pension plans for the executives of the Company, aimed to create a single internal regulatory sources for executives from the former Unipol Group and the former Premafin/Fondiaria-SAI group.

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

#### 6.4 Control and Risk Committee

Number of Meetings held during the financial year: 7.

Average length of meetings: about 120 minutes.

Number of meetings planned for 2016: keeping into account the renewal of the Board of the Company at the time of the Meeting called to approve the 2015 financial statements, the agenda will be approved by the newly nominated Control and Risk Committee. At the date of this Report the Committee has already met once.

At the meeting of 9 May 2013, the Board of Directors appointed the members of the Control and Risk Committee, one of whom has adequate expertise in accounting and financial matters or risk management policies, as assessed by the Board of Directors at the time of his/her appointment.

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

	Members	Office held	Independent	% attendance	Meetings attended
<b>CONTROL AND RISK COMMITTEE</b>	Zambelli Rossana	Chairman	x	100%	7/7
	Manes Paola	Member	x	100%	7/7
	Righini Elisabetta	Member	x	100%	7/7

The Chairmanship of the Control and Risk Committee is entrusted to an independent Director, Mrs Rossana Zambelli.

The Chairman is responsible for drawing the minutes of the meetings, with the support of the Secretary, whose functions are carried out by the Audit function.

The Committee plays a propositional, advisory, investigative and support role to the Board of Directors in relation to the Board's assessments and decisions concerning mainly the Internal Control and Risk Management System, as well as to the approval of the regular accounting reports.

As regards the performance of these activities, pursuant to the Regulations applicable to the Committee and to the policies in effect, the Control and Risk Committee carries out in particular the following tasks:

- a) expresses its opinions to the Board of Directors regarding the following:
  - definition of the guidelines for the internal control and risk management system, to correctly identify, measure, manage and monitor the main risks to which the Company and its subsidiaries are exposed, thus assessing the degree of compatibility of such risks with a management of the company in line with the identified strategic objectives;
  - approval, at least once a year, of the work plan prepared by the managers of the Audit, Compliance and Risk Management functions;
  - preparation of the annual report on corporate governance, providing a description of the main characteristics of the internal control and risk management system, and assessing its

adequacy;

- after consulting with the Board of Statutory Auditors, assessments of the results provided by the Auditing Company in its letter of suggestions and in the report on key issues identified during the audit;
- b) expresses a binding opinion on the proposal for the appointment and revocation of the managers of the Audit, Compliance, Money Laundering and Risk Management functions and corresponding remunerations, following the guidelines adopted by the Board of Directors;
- c) expresses a binding opinion on the resolutions approved by the Board of Directors on the allocation of adequate resources to the managers of the Audit, Compliance, Money Laundering and Risk Management functions, for the fulfilment of their responsibilities;
- d) together with the Financial Reporting Officer, after consulting with the Auditing Company and the Board of Statutory Auditors, assesses the correct application of accounting standards and, with reference to the Consolidated Financial Statements, their consistent use at the Group level;
- e) expresses opinions on specific issues regarding the identification of the main corporate risks;
- f) reviews the regular reports containing assessments about the internal control and risk management system, and those of particular relevance, prepared by the Audit, Compliance, Money Laundering and Risk Management functions;
- g) monitors the autonomy, adequacy, efficacy and efficiency of the Audit, Compliance, Money Laundering and Risk Management functions;
- h) may ask the Audit function to carry out assessments on specific operational areas, sending prompt notification of such assignments to the Chairman of the Board of Directors, the Appointed Director, the CEO and the Chairman of the Board of Statutory Auditors;
- i) at least every six months, at the time of the approval of the annual and six month financial statements, reports to the Board of Directors on the activities performed and the adequacy of the internal control and risk management system.
- j) establishes functional connections with the Committees created within the companies of the Group.

In order to perform its tasks, the Control and Risk Committee makes use of tools and information flows provided specifically by the Audit, Compliance and Money Laundering functions of the Company, so as to allow the Committee itself to issue the required assessments within its area of competence. The Control and Risk Committee may also:

- request to the members of the bodies of the Subsidiaries to provide all information, including documents, deemed necessary to the correct performance of the assigned tasks;
- propose, providing its reasoning, the appointment of external consultants who would support the Committee itself for the performance of tasks assigned thereto.
- propose, promote and call joint meetings to establish and maintain proper functional connections

with equivalent Committees set up in the companies of the Group and establish information flows among the Committees themselves.

The Control and Risk Committee, also on the basis of the powers granted by Legislative Decree No. 39/2010 to the Board of Statutory Auditors in its role as internal control and audit committee, establishes the necessary operational coordination with the Board of Statutory Auditors, to ensure the efficient execution of the common activities and within the respective areas of competence. To this end, and to contain the cost of the controls, in 2015, the Board of Statutory Auditors attended the meetings of the Committee.

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

At the meetings held in 2015 and until the date of this Report, the Control and Risk Committee reviewed and evaluated, among other things:

- the reports on the activities of the Audit function, including special control activities required by the annual plan and/or outside of said plan and shared with the Committee itself, as well as the corresponding activity plan;
- the reports on the activities performed by the Risk Management function and corresponding activity plan, including specific information about the plan for the alignment with Solvency II regulations;
- the reports on the activities carried out by the Compliance Function, and the corresponding activity plan;
- the reports on the activities carried out by the Money Laundering function;
- the correct use and consistency in the application of the accounting standards used in the preparation of the consolidated financial statements, as well as the results of the assessments carried out on the internal control systems related to accounting and financial policies (Law 262/2005), through specific meetings with the Financial Reporting Officer and the Auditing Company;
- proposals on general policies for the remuneration of the Directors and the managers of the Audit, Compliance, Money Laundering and Risk Management functions;
- proposals for the annual update of the ICS Directives (as specified in the following Chapter 7), issuing specific opinions;
- the company's policies, prepared or updated pursuant to the provisions of ISVAP Regulations No. 20/2008 and Bank of Italy Circular No. 285/2013;
- the drafts of the annual Reports on corporate governance and shareholding structures for 2015 and 2016;
- the results of the Audit reports of special significance.

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

The meetings of the Control and Risk Committee were attended by external parties, invited by the

Committee's Chairman to discuss specific items on the agenda.

## 6.5 Sustainability Committee/ Ethics Committee

Number of meetings held during the financial year 2015: 3 as Sustainability Committee and 4 as Ethics Committee.

Average length of meetings: about 1.5 hours.

Number of meetings planned for 2016: keeping into account the renewal of the Board of the Company at the time of the Meeting called to approve the 2015 financial statements, the agenda will be approved by the newly nominated Committee. At the date of this Report the Committee had already met once.

The Board of Directors appointed, on 9 May 2013, the members of the Sustainability Committee/Ethics Committee.

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

	Members	Office held	Independent	% attendance	Meetings attended
<b>SUSTAINABILITY/ETHICAL COMMITTEE</b>	Gualtieri Giuseppina	Chairman	x	100%	5/5
	Galardi Guido	Member	x	100%	5/5
	Righini Elisabetta	Member	x	100%	5/5
	Venturi Marco Giuseppe	Member		80%	4/5

The Sustainability Committee has investigative, propositional and advisory functions, more specifically carrying out the following tasks:

- reviews the guidelines and the methodology adopted for the preparation of the Sustainability Plan;
- reviews the draft and methodology used in the preparation of the Sustainability Budget;
- prepares regular updates on the main activities of preparation for the full achievement of the Group's Sustainability objectives;
- provides opinions to the Chairman and the CEO on specific methods to provide information on, and disseminate the Sustainability Plan and the Sustainability Budget;
- promotes regular monitoring of the appropriate alignment of the indicators of the Sustainability Plan with the operational and business activities of the Group.

In compliance with the principles of the Code of Ethics, the Board of Directors has assigned the Sustainability Committee the propositional, advisory and approval functions of the Ethics Committee, with the following tasks:

- promoting the consistency between the principles of the Code of Ethics, the corporate policies and the mission of the Group;
- contributing to the definition of initiatives to promote the knowledge and understanding of the Code of

Ethics;

- defining the set-up of the communication and ethical training plans to be submitted for the review of the Board of Directors;
- promoting the reappraisal of the Code of Ethics and possible regular updates and developments;
- monitoring compliance with the Code of Ethics. To this end, through the Ethics Manager, it may carry out assessments on the compliance with the Code of Ethics by the recipients of this, collecting all necessary information and documentation;
- issuing opinions on the more complex reports received by the Ethics Manager of alleged breaches of the Code of Ethics;
- receiving and reviewing the Ethics Report prepared by the Ethics Manager, for publication in the Sustainability Report.

The Committee has a budget, approved by the Board of Directors, believed to be adequate for the performance of its tasks.

At the time of said meetings, the Sustainability Committee reviewed in particular the results achieved in reference to the objectives defined by the 2013-2015 Sustainability Plan and issued opinions and assessments that have contributed to the development of initiatives to improve the strategy, policies and sustainability actions of the Group. It also reviewed the Unipol Group's 2014 Sustainability Report, later approved by the Board of Directors, as well as the 2014 Sustainability Budget of UnipolSai Assicurazioni, later approved by the Board of Directors of the subsidiary. Moreover, has contributed to set the guidelines for the 2016-2018 Sustainability Plan currently being prepared in an integrated process with the Business Plan.

On 7 March 2016 the Sustainability Committee also reviewed the Sustainability Report of the Unipol Group for the year 2015, subsequently approved by the Board of Directors in the meeting of 10 March 2016.

The Ethics Committee, at the time of the aforementioned meetings, reviewed the reports received by the Ethics Manager and adopted the actions deemed most suitable to deal with the most significant cases. It shared and approved the 2015 Ethics Report, presented to the Board of Directors and published in full in the Sustainability Report.

In 2016 a program to increase awareness and sensitivity and provide training on ethics and corporate social responsibility has been scheduled: this will involve the whole Group and its Companies and especially all those who work in and with them.

## **6.6 Related Party Transactions Committee**

Number of Meetings held during the financial year: 9.

Average length of meetings: 1 hour, approximately.

Number of meetings planned for 2016: keeping into account the renewal of the Board of Directors of the Company at the time of the Meeting called to approve the 2015 financial statements, the agenda will be

approved by the newly nominated Related Party Transactions Committee. At the date of this Report the Committee had already met once.

The Board of Directors appointed, on 9 May 2013, the members of the Related Party Transactions Committee, with 4 members.

In its meeting of 7 May 2015, the Board of UGF has appointed the Directors, Mr Giovanni Battista Baratta and Ms Elisabetta Righini, as members of the Related Party Transactions Committee.

This was necessary because:

- of the need to replace Director Ms Hilde Vernailen, who had resigned, as mentioned, from the position held since 18 December 2014;
- of the resignation from the Committee of Director Mr Pier Luigi Morara who no longer meets the requirements for independence after nine years in office pursuant to the Code of Conduct.

At its meeting of 7 May 2015, the Board of the Company has also appointed the Director Ms Rossana Zambelli as Chairman of the Committee.

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

	Members	Office held	Independent	% attendance	Meetings attended
<b>RELATED PARTY TRANSACTIONS COMMITTEE</b>	Zambelli Rossana	Chairman	x	100%	9/9
	Baratta Giovanni Battista <sup>(*)</sup>	Member	x	100%	8/8
	Gualtieri Giuseppina	Member	x	89%	8/9
	Righini Elisabetta <sup>(*)</sup>	Member	x	88%	7/8

<sup>(\*)</sup> appointed on 7 May 2015

**Member of the committee whose office ended during the Year:**

	Members	Office held	Independent	% attendance	Meetings attended
<b>RELATED PARTY TRANSACTIONS COMMITTEE</b>	Morara Pier Luigi	Chairman	x	100%	1/1

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

The Committee has functions of advice, discussion and proposition with respect to the Board of Directors



and the corporate structures of UGF and its subsidiaries, on Transactions with related parties (“Transactions”), in compliance with the provisions of the Regulations issued by CONSOB with resolution No. 17221 of 12 March 2010, and subsequent amendments, and the internal procedure adopted by UGF for the execution of these transactions (see the Chapter 8 below).

More specifically, the Committee:

- participates in the negotiations and the investigations of Transactions of Greater Importance (as defined in the Related Party Procedure);
- expresses to the Board of Directors of the Company an opinion on the methods for the establishment of the Registry where the related Parties are recorded (the “Related Parties Register”);
- expresses to the competent body a reasoned, non-binding opinion on the interest of the Company in the execution of Transactions of Lesser Importance (as defined in the aforementioned internal procedure), as well as about the convenience and substantial correctness of their conditions;
- expresses to the competent body, on the basis of complete and timely information provided by the company's structure during the investigation, and if appropriate, during negotiations, a favourable and reasoned opinion on the interest of the Company to the execution of Transactions of Greater Importance, as well as on the convenience and substantial correctness of their conditions;
- expresses to the delegated body of UGF (Board of Directors or CEO, according to the respective areas of competence and/or delegated powers), invested with the authority to approve Transactions of major and minor relevance carried out through subsidiaries, a reasoned and non-binding opinion regarding the interest of the Subsidiary and the Company or the Group to the execution of the Transaction, as well as on the convenience and substantial correctness of their conditions;
- expresses to the Board of Directors an opinion on the updates of the Internal Procedure on Transactions with Related Parties.

Moreover, on 6 August 2015, at the time of the adoption of the Procedure for the execution of Associated Parties Transactions of the Unipol Gruppo Finanziario (the “Associated Parties Procedure”), the Board of Directors called the Related Party Transactions Committee to perform also the tasks and the functions that the provisions of the Bank of Italy Circular No. 263/2006 on “Risk activities and conflict of interest towards related parties” (the “Circular”) give to the Independent Directors (see on this issue the Chapter 8).

The Committee has therefore been given functions of advice, discussion and proposition with respect to the Board, the corporate structures of UGF and the other Companies of the Banking Group controlled by the latter, on Transactions with Related Parties, in compliance with the provisions of the Circular.

More specifically, the Committee:

- participates in the negotiation and in the investigation of Transactions of Greater Importance (as defined by the Associated Parties Procedure);

- expresses to the competent body a reasoned, non-binding opinion on the interest of the Company in the execution of Transactions of Lesser Importance (as defined in the Associated Parties Procedure), as well as on the convenience and substantial correctness of their conditions;
- expresses to the competent body, on the basis of complete and timely information provided by the company's structure during the investigation, and if appropriate, during negotiations, a favourable and reasoned opinion on the interest of the Company in the execution of Transactions of Greater Importance (as defined in the Associated Parties Procedure), as well as on the convenience and substantial correctness of all related conditions;
- expresses to the body called upon to resolve on Transactions of Greater/Lesser Importance (as defined in the Associated Parties Procedure) carried out by the companies of the Banking Group, with the exception of those carried out by the Bank and its subsidiaries, a reasoned, non-binding opinion on the interest of the Company in the execution of the Transactions, as well as on the convenience and substantial correctness of their conditions;
- expresses to the Board of Directors a binding opinion, detailed and reasoned, at the time of substantial amendments or integrations to the Associated Parties Procedure and/or the internal policy on controls on the Risk activities and conflict of interest towards related parties.

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

The meetings of the Related Party Transaction Committee were attended by employees and external parties, invited by the Committee's Chairman to discuss specific items on the agenda.

## **7. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

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

- effectiveness and efficiency of corporate processes;
- suitable limits on current and future risks;
- preventing the company's involvement, even involuntary, in illegal activities, particularly those associated with money laundering, usury and terrorism financing;
- the prevention and correct management of the potential conflicts of interest with Related and Connected Party, as identified by legal and regulatory provisions of reference;
- verification that corporate strategies and policies are implemented;
- safeguarding of company asset values and proper management of assets held on behalf of customers;
- reliability and integrity of accounting and operational data and of IT procedures;
- adequacy and promptness of the corporate data reporting system;

- compliance of business activities and transactions executed on behalf of customers with the law, supervisory regulations, corporate governance regulations and the company's internal measures.

The Internal Control and Risk Management System is defined in the related Directives (the "ICS Directives"), approved by the UGF Board of Directors in December 2008 and periodically updated thereafter, the last update being approved on 6 August 2015<sup>4</sup>.

The ICS Directives define the coordination methods and information flows between the different parties involved in the Internal Control and Risk Management System, as well as the coordination procedures and the reporting flows between these parties.

In 2015, the corporate policies referring to the Internal Control and Risk Management System were considerably revised. The revision had, specifically, the objective to ensure the compliance of UGF to the provisions of the Bank of Italy Circular No. 285/2013, as a result of the Company taking the role of holding company of the Unipol Banking Group. Some policies already adopted by the Group were also updated, pursuant to the Art. 30 Par. 6 of the Legislative Decree No. 209/2005 as modified by Legislative Decree No. 74 of 15 May 2015, implementing the Solvency II Directive. These policies were approved by UGF as part of its management and coordination activities, also in its capacity as holding company of the Unipol Insurance Group and Unipol Banking Group, after the involvement of the companies of the Group included in the corresponding scope of application, and were later adopted by the Company and by the Subsidiaries included in the corresponding scope of application. The principles and processes of the Risk Management System as a whole are governed by the following Group policies: "Risk Management Policy", "Current and Forward-looking Risk Assessment Policy" and "Operational Risk Management Policy". The policies that outline the principles and guidelines on: (i) management of specific risk factors (e.g. Investment Policy for market risk and Credit Policy for credit risk), (ii) management of a risk within a specific process, and (iii) mitigation of a risk and (iv) management of risk measurement models are also an integral part of the Risk Management System.

#### *Risk Management System*

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

- identification of risks, consisting in the identification of risks believed to be significant i.e. those the consequences of which can endanger the solvency or reputation of the UGF or be a serious obstacle to the achievement of strategic objectives.
- current and forward-looking assessment of risk exposure, which is performed through methods

---

<sup>4</sup> All companies included in the scope of application of the Directives regarding the Internal Control and Risk Management System implement these at the first available Board of Directors meeting.

envisaged in regulations and best practices as regards risks for which measurement is not regulated or defined by high-level principles. With regard to the forward-looking assessment of risks, the Own Risk Solvency Assessment (ORSA) is used to support the strategic decisions of the company;

- monitoring of risk exposure and reporting, a system implemented on the basis of principles of completeness, promptness and disclosure efficiency - to ensure a timely and ongoing monitoring on the evolution of the Risk Profile and the compliance of the Risk Appetite identified. This system guarantees that the quality and quantity of information provided is commensurate with the needs of the different recipients and with the complexity of the business managed, in order for it to be used as a strategic and operating tool in assessing the potential impact of decisions on the company's risk profile and solvency;
- mitigation of risks, which consists in identifying and proposing action required and/or useful in mitigating existing or prospective levels of risk not in line with the risk objectives defined at corporate level.

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

These processes are carried out using methods that guarantee an integrated approach at Group level. The holding company ensures that the risk management policy is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of additional supervision and their mutual interdependencies. We continue to apply the proportionality principle, taking into account the nature, the size and the complexity of the risks characteristic of the business activity carried out by the different companies of the Group.

#### *Risk Appetite and Risk Appetite Framework*

The Risk Management System adopted by the Group is designed according to an enterprise-level risk management logic, i.e. it provides an integrated approach to all current and forward-looking risks to which the Group is exposed, assessing the impact these risks could have on achieving the strategic objectives.

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

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

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

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

- the objective is not to eliminate risks but to manage them in such a way as to ensure sustainable, long-term growth;
- the components of the risk profile most important to guarantee the security and protection of customers, employees and the market are: capital strength, adequate liquidity and a sound reputation;
- fairness in the relations with all the stakeholders is necessary, balancing their demands and expectations in terms of risk management.

In line with said principles, UGF and the companies in the scope maintain adequate levels of:

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

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

In quantitative terms, the Group's Risk Appetite is articulated on the basis of the following elements:

- risk capital;
- capital adequacy;
- liquidity/ALM ratios.

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

The Risk Appetite is formalised in the Risk Appetite Statement – with different criteria for insurance and banking business pursuant to current regulations – which indicates the risks that the Group and/or individual company intends to assume or avoid, sets the quantitative limits and the qualitative criteria to be taken into account for the management of unquantified risks.

The Risk Appetite is part of a reference framework - the Risk Appetite Framework (RAF). The RAF is defined in strict compliance and prompt reconciliation with the business model, the strategic plan, the own risk and solvency assessment process (ORSA) for the insurance business and the internal capital adequacy assessment process (ICAAP) for the banking business, the budget, company organisation and the internal control system. The RAF defines the Risk Appetite and other components ensuring its management, both in

normal and stressed conditions. These components are:

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

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

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

The RAF of the Group keeps into account the specific transactions and the corresponding risk profile of each company of the Group, to ensure an integrated and consistent approach.

#### *ORSA and ICAAP*

Under its own Risk Management System, UGF and other companies in the scope of the current and forward-looking risk assessment policy use the following tools to assess the effectiveness of the risk management system:

- ORSA for the companies in the insurance business;
- ICAAP for companies in the banking business.

The key objective of the two tools is to support the company in defining its Risk Appetite, in compliance with the objective of safeguarding its capital. This evaluation covers at least the overall solvency requirement and takes account of the specific risk profile, in current and forward-looking terms.

For this purpose the Group defines and implements procedures that are proportional to the nature, scope and complexity of its activity and enable it to identify and assess accurately the risks to which the Group or each individual company is or could be exposed in the short and long term.

### **7.1 Articulation of control levels**

The Internal Control and Risk Management System is articulated on multiple levels:

- **line controls** (so-called “first-level controls”), aimed at ensuring transactions are carried out correctly. These are performed by the same operating structures (e.g. hierarchical, systematic and sample controls), also through the different units which report to the managers of the operating structures, or carried out as part of back office activities; as far as possible, they are incorporated in IT procedure. The operating structures are the primary bodies in charge of the risk management

process and must ensure compliance with the adopted procedures and compliance with the established risk tolerance level;

- **risk and compliance controls** (so-called “second-level controls”), which aim to ensure, among other things:
  - the correct implementation of the risk management process;
  - the implementation of activities assigned to them by the risk management process;
  - the observance of the operating limits assigned to the different departments;
  - the compliance of company transactions with the regulations.

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

- **internal review** (so-called “third-level controls”), verification of the completeness, functionality and adequacy of the Internal Control and Risk Management System (including the first- and second-level controls) and of the compliance of business transactions with the System.

## **7.2 Role of the corporate bodies, the control Functions (Audit, Risk Management and Compliance) and the main bodies and parties involved in the Internal Control and Risk Management System**

**Board of Directors:** the Board of Directors is ultimately in charge of the Internal Control and Risk Management System, of which it has to ensure constant completeness, function and effectiveness. In this respect, the Board approves - amongst other things - the organisational structure and the assignment of duties and responsibilities to the operating units, ensuring appropriate segregation of functions. With support from the Control and Risks Committee, it also defines the guidelines for the Internal Control and Risk Management System, performing an annual assessment of system adequacy, effectiveness and actual transactions.

In accordance with the ICS Directives, all parties involved in the Internal Control and Risk Management System exchange information as envisaged in current regulations and all other information that may be used to guarantee that the Board of Directors is fully aware of the significant corporate events and that the other parties involved have all the information needed to perform their duties.

**Appointed Director:** the Appointed Director, identified as the Chairman of the Board of Directors at the meeting of 27 September 2012, has the following duties and powers:

- a) identifies the main corporate risks, taking into account the features of the activities carried out by the Company and its subsidiaries, regularly presenting them for review to the Board of Directors;
- b) implements the guidelines specified by the Board of Directors, overseeing the design, implementation and management of the internal control and risk management system, and constantly verifying its adequacy and effectiveness;

- c) ensures the alignment of the system to changes in operating conditions and in legal and regulatory measures;
- d) if necessary, asks the Audit Function to perform audits on specific operating units and of compliance with internal rules and procedures in the execution of corporate transactions, reporting on these to the Chief Executive Officer, Chairman of the Control and Risks Committee and Chairman of the Board of Statutory Auditors;
- e) promptly informs the Chief Executive Officer and the Control and Risks Committee (or Board of Directors) of any problems and critical issues that emerge from his/her own activities or of which he/she has been informed, in order that the Chief Executive Officer or the Committee (or Board) may take appropriate actions;
- f) after hearing the opinion of the Board of Statutory Auditors, formulates proposals to the Board of Directors on the appointment or replacement of the managers of the Audit, Compliance and Risk Management Functions, as well as their remuneration, pursuant to guidelines identified in the general policies, after hearing the most appropriate opinions and submitting the nominations to the approval of the Control and Risks Committee.

**Top Management** (*Chief Executive Officer, General Manager and Top Management with tasks of management oversight*<sup>5</sup>): supports the Appointed Director in designing and implementing the internal control and risk management system, including therein those deriving from non-compliance with the regulations, in line with the directives and the risk governance policies defined by the Administrative Body. Specifically, the Chief Executive Officer, also as body with management function, is in charge of the execution of the strategic guidelines, the RAF and the risk management policies set by the Board of Directors and is in charge of the adoption of all measures required to ensure the compliance of the organisation and the internal control system with the principles and requirements of the regulatory provisions for the sector, providing ongoing monitoring of compliance.

***COMPANY CONTROL FUNCTIONS (AUDIT, RISK MANAGEMENT AND COMPLIANCE)***

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

With effect from 19 December 2013, the Risk Management and Compliance Functions report to the Chief Risk Officer (in turn reporting to the Board of Directors). This structure makes it possible, by preserving the independence and separateness of the individual control Functions, and guaranteeing compliance with the principle of segregation of transactions from control Functions, to further strengthen the integrated monitoring of the risks to which the Group is exposed in the different areas in which it carries out its activity, developing synergies between the second-level control Functions so that potential overlaps between control areas are avoided.

---

<sup>5</sup> Key managers are those identified for the purposes of the application of the legal and regulatory provisions on intercompany transactions as set forth in ISVAP Regulation No. 25/2008.



The Audit, Risk Management and Compliance Functions use a method and a reporting system in common, which offer maximum convergence in the description of processes, the assessment of operational risks and assessment of Internal Control and Risk Management System effectiveness.

In the organisational model for the company control Functions, designed in the ICS Directives, in addition to conducting their own activities for UGF, the control Functions set up at the holding company also guide and coordinate the operating companies.

The previously mentioned Fit&Proper Policy also describes the procedure for assessing these requirements in reference to the Managers of the control Functions and the Chief Risk Officer.

### **Audit**

The Audit Function is in charge of assessing the completeness, function, reliability and adequacy of the Internal Control and Risk Management System according to the nature of business activities and the level of risks taken, as well as its updating, also through support and advisory activities provided to other company departments.

The Audit Manager, Mr Andrea Alessandri, was appointed by the Board of Directors and his assigned duties were defined and approved by Board of Directors resolution, which also established his powers, responsibilities and reporting methods. He is not in charge of any area of transactions.

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

Both continuously and in relation to specific needs, and in compliance with international standards, the Audit Function verifies the transactions and suitability of the Internal Control and Risk Management System by means of an audit plan, approved by the Board of Directors, based on a structured process of analysis and prioritisation of the main risks. The 2015 plan was approved by the Board of Directors on 19 March 2015 after prior examination by the Control and Risks Committee and after consulting the Board of Statutory Auditors and the Appointed Director.

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

- process audit (insurance, operational, banking, financial and information technology);
- to the extent of its assigned duties, the preparation of reports envisaged in regulations and the performance of related activities;
- compliance verification/audit of the insurance agencies, bank branches, financial advisors and claims settlement services;
- verification of internal fraud by employees, trustees and persons pertaining to the sales networks;
- cooperation with the Control and Risks Committee, the Auditing Company, the Board of Statutory Auditors and the Supervisory Body set up according to Legislative Decree 231/2001.

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

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

At the end of each audit, the corresponding report for Top Management and the parties concerned is prepared. If particularly significant or serious situations are identified, these are promptly notified to the Board of Directors, the Board of Statutory Auditors, the Control and Risks Committee and the Appointed Director.

Six-month reports on the audit activity, summarising all audits undertaken, are also prepared for the Board of Directors, Board of Statutory Auditors, Control and Risks Committee and the Appointed Director.

When approving the annual budget, the Board of Directors allocates a part of the budget to the Audit Function, also taking into account the needs indicated by the Department and the approved Audit Plan.

### **Risk Management**

The Risk Management Function is in charge of ensuring the integrated assessment of the different risks, at the group level, supporting the Board of Directors, the Appointed Director and the Senior Management in the design and assessment of the effectiveness of the risk management system and reporting its findings to the Senior Management, the Appointed Director, the Control and Risk Committee and the Board of Directors, highlighting any weaknesses and suggesting remedial measures. The Risk Management Function carries out this activity within the ORSA process for the insurance sector and the ICAAP process for the banking sector, ensuring the coordination of the activities of different businesses with regard to risk management.

In the Risk Management System, the Risk Management Function is required to identify, measure, evaluate and monitor on an ongoing basis the current and future risks to which the company is or might be exposed, at the individual and aggregate level, as well as their interconnections. The risk management process as a whole is described in detail in the collection of group policies and in particular in the "Risk Management Policy", in the "Policy for the current and forward-looking assessment of risks" and the "Policy for the management of operational risk".

In exercising its role, the Risk Management Function is in charge of the design, implementation, maintenance and development of tools used to measure risk. Among these, special relevance is given to the

definition and the use of instruments to calculate the capital needed against the risks identified and specifically the so-called Internal Model. Within the process of implementation of Solvency II regulations, the responsibility for the design and implementation of the Internal Model of the Company is separated from the responsibility for its validation.

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

The Risk Management Function is also in charge of monitoring data quality with special reference to the calculation of the capital in for Solvency II purposes (both Internal Model and Standard Approach) and with a gradual extension to the full perimeter of the Group.

Lastly, the Risk Management Function is in charge of assessing the impact of operating risk deriving from catastrophic events as specified in the Business Continuity Policy and for these objectives it co-operates with the function in charge of the Business Continuity Plan.

With specific reference to the banking business, the Risk Management Function takes part in the definition and execution of the RAF and of the corresponding Risk Management Policies, through an adequate risk management process. With reference to the risk management system, in the ICAAP and in the Risk Self-Assessment the results of the assessments carried out, the weaknesses identified and the proposals of measures to be adopted to eliminate or mitigate them, are formalised and presented every year to the Corporate bodies. The function reports, within its area of competence, on the completeness, adequacy, functionality and reliability of the internal control system.

## **Compliance**

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

This risk is found at all levels of the organisation; accordingly its correct management is a major topic and deeply connected with day-to-day transactions, with particular reference to relations with clients. In particular it is strongly characterized by its pervasiveness within the Company and by the involvement of multiple organisational structures.

The Compliance Function operates through:

- the continuous identification of the applicable rules and the evaluation of their impact on business processes and procedures;
- the evaluation of the adequacy and effectiveness of the measures taken by the Company for the prevention of the risk of non-compliance, and the proposed organisational and procedural changes designed to ensure adequate supervision of that risk;

- the evaluation of the effectiveness of organisational adjustments (structures, processes and procedures) as a result of the suggested changes;
- the provision of direct information flows to the bodies and structures involved.

For this purpose, the methodology used involves different operational and working stages that can be distinguished as:

- ex ante activities, with the aim of assessing the compliance of new products/projects/processes, or business organisation in relation to the entry into force of new regulations. Of particular importance in this activity are the stages of “analysis”, “risk assessment” and “identification of adjustments”;
- ex-post activities, which more specifically relate to the monitoring stage or the assessment of the state of conformity of the business processes with respect to the standards, which is reached through the evaluation of existing facilities and the state of implementation of planned actions.

### **Financial Reporting Officer**

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

Under Art. 154-bis of TUF and Art. 13 of the By-Laws, the Board of Directors appoints the Financial Reporting Officer, after consulting the Board of Statutory Auditors, choosing between those who have overall experience of at least three years in the performance of (a) administrative tasks or control or managerial tasks in companies that have registered capital of no less than Euro 10 million or consortia of companies that have a total registered capital of no less than Euro 10 million or (b) professional or academic activities of a legal, economic, financial and technical-scientific nature, closely related to the activities of the Company, or (c) managerial functions in public bodies or public administrations involved in the insurance, financial and credit sectors or in activities closely related to activities of the Company or of the Group headed by the Company.

The Board of Directors has confirmed, most recently at the Board meeting of 9 May 2013, the current Director-General for Administration, Management and Control Operations, Mr Maurizio Castellina, as Financial Reporting Officer, also giving him all the powers and responsibilities which are needed to fulfil his mandate.

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

The Financial Reporting Officer may also intervene in respect of companies that contribute significantly to the

consolidated annual accounts, setting - subject to the independence and prerogatives of those companies - guidelines on approach and method for all functions that could significantly affect the administrative and accounting processes relevant to the statements and certificates that must be issued.

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

### **Auditing Company**

The Company has engaged PricewaterhouseCoopers S.p.A. as independent auditors. This audits both the separate and the consolidated financial statements, as well as carrying out the limited audit review of the summary six-month consolidated financial statements. The aforesaid appointment was made, for the 2012-2020 period, by the Shareholders' Meeting of 28 April 2011.

### **7.3 Main features of the current risk management and internal control systems with regard to the financial reporting process, also at the consolidated level**

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

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

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

In particular, with reference to the components of the system of internal control of financial reporting required by the CoSo Report, the Unipol Group has adopted the following guidelines:

- control environment: this reflects the attention of the Top Management to the importance of the internal control culture within the organisation and is staffed in Unipol through the documentation and evaluation of controls group-wide and for the individual entities (Entity Level Control). In this context, the Unipol Group has also formalised, starting from the Midyear Report of 30 June 2008, procedures for the preparation of annual reports and Interim reports (Fast Close calendars), with identification of the persons in charge of the operational and control activities;
- risk assessment: risk analysis methods at the process level have been defined and implemented, through a preliminary Top-Down analysis, both qualitative and quantitative, which leads to the definition of the relevant processes (Scoping). For these processes an identification and analytical

assessment is then carried out of the risks of failure to achieve control objectives, in respect of reliability, accuracy, reliability and timeliness of the financial reporting;

- control activities: the activities for proper management and mitigation of risks described earlier have been identified, documented and evaluated;
- information and communication: a process of assessment of the proper management of information flows between the different functions of the Company and the Senior Management has been implemented in order to ensure that all parties belonging to the structure execute properly the tasks attributed to them. This evaluation is formalised within the analysis of the components “Control Environment” and “Control Activities”;
- monitoring: the Unipol Group has implemented a process of regular monitoring of the long-term reliability of the internal control system.

In keeping with the guidelines described above, the process of risk management and internal control of financial reporting, which is implemented by UGF, is divided into the following stages:

Stage 1 – Definition of the perimeter of analysis: this activity occurs annually, following the approval of the accounts, and is broken down as follows:

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

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

- verify the adequacy of the control model dimensions not covered directly through the process-level analysis, internal corporate information/communications, monitoring and processes of risk assessment;
- draw a picture of the business context in which the Internal Control System functions, thus obtaining useful information to direct the subsequent stages of risk analysis/controls and tests in the context of the processes;
- obtain a snapshot of the level of achievement of controls and the internal regulatory framework of the Group Companies, in support of the claims of the Financial Reporting Officer and the Chief Executive Officer;

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

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

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

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

In the test stage the following activities are carried out:

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

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

At the end of the testing stage, after the evaluation and formalisation of the reliability level found, further

corrective actions can be identified aimed at improving the effectiveness of the control system.

Stage 5 – Issue of Statements pursuant to Art. 154-bis of TUF: prior to the release of the statements enclosed in the annex to the annual report and semi-annual report of Unipol, the annual consolidated accounts and six-month abbreviated consolidated financial statements of the Unipol Group, a report is provided on the internal control system under the Investor Protection Act, which outlines in detail the characteristics of the control system implemented and the results of the verification and monitoring activities carried out. The Financial Reporting Officer will send this report to the Chairman, the Chief Executive Officer, the Chairman of the Board of Statutory Auditors, the Chairman of the Control and Risk Committee, the Audit Manager and also, for information, the Auditing Company.

This Report will be attached to the Report on the IT Governance System.

The controls and the methodology of IT Governance make it possible to address, through a structured model, variable and complex scenarios, providing an overview and ensuring the quality of the services provided. This system, based on a framework that guides in its current version the processes of IT management and governance with a focus on risk, is integrated with the internal control model to assess the adequacy and effective application of internal controls on accounting and financial reporting and, more generally, to the Company's Corporate Governance System.

The Board of Directors, at its meeting of 10 March 2016, examined the contents of the report with reference to 31 December 2015.

On the basis of the report highlighted above and the data verification activities carried out by the administrative structures, the Chief Executive Officer and the Financial Reporting Officer will prepare the statements required by Art. 154-bis of TUF.

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

#### **7.4 The Organisational, Management and Control Model**

The current Organisation, Management and Control Model of the Company adopted pursuant to Art. 6, Par.1:a of Legislative Decree No. 231 of 8 June 2001, carrying the “Rules on the administrative liability of legal persons, companies and associations with or without legal status, pursuant to Art. 11 of Act No. 300 of 29 September 2000” (“Decree 231/2001”), was approved by the Board of Directors of UGF on 19 March 2009 - at the end of the corporate and functional reorganisation process of the Group undertaken in 2007 - to coordinate its provisions with the role taken by the Company, in continuity with and full protection of the principles and values expressed by the Model itself, the Charter of Values del Unipol Group and the Code of Ethics.

In its model UGF has identified risk areas on the basis of the following major offence categories, as set forth in Decree 231/2001:

1. corporate offences;



2. offences against the Public Administration;
3. market abuse and market rigging;
4. offences of receiving stolen goods and money laundering and offences for the purposes of terrorism or subversion of the democratic order;
5. IT offences;
6. new offence categories related to occupational health and workplace safety.

Moreover, in the context of the broader project of alignment and standardisation of procedures and rules within the Unipol Group, after the integration of the former Premafin/Fondiaria-SAI Group, a review and update of the UGF MOG is scheduled, consistent with the model adopted in 2014 by the main subsidiary UnipolSai.

The Model is available on the Company's Website in the section on Corporate Governance.

UGF has also established the Supervisory Board ("Organismo di Vigilanza" or "ODV") pursuant to Art. 6, Par. 1: b) of the Decree 231/2001. The existing MOG in Art. 6.4 provides for the ODV to consist of five members: (i) three members of the Control and Risk Committee, (ii) the Head of the Department of Legal Affairs, Holdings and Institutional Relations and (iii) the Head of the Audit Function, who remain in Office for two years and may be re-elected. This composition was believed to be the most efficient and appropriate for the performance of the tasks that Decree 231/2001 assigns to that body.

The Body was appointed by the Board of Directors at its meeting on 15 May 2014, during which the Board of Directors confirmed the outgoing members, finding that they met the requirements of the Model and the current legislation.

The composition of the ODV is shown in the Table below.

Members	Office held	Member in office	Member in office	% attendance
		since	until	
Zambelli Rossana	Chairman	15/05/2014	15/05/2016	100%
Alessandri Andrea	Member	15/05/2014	15/05/2016	100%
<b>SUPERVISORY BODY</b>				
Giay Roberto	Member	15/05/2014	15/05/2016	50%
Manes Paola	Member	15/05/2014	15/05/2016	100%
Righini Elisabetta	Member	15/05/2014	15/05/2016	100%

In the context of its supervision and control activities, the Body, during 2015, has continued to:

- verify the effectiveness and implementation of the control procedures provided for in the Model;
- conduct business activity surveys for the purposes of updating the mapping of sensitive activities;

- collect, process and store relevant information in order to comply with the MOG, and update the list of information to be transmitted or kept at the disposal of the ODV;
- carry out targeted audits on certain transactions or specific actions by the Company, especially in the context of the sensitive activities;
- coordinate with other functions for the best monitoring of activities in connection with the procedures laid down in the Model;
- activate and carry out internal investigations, from time to time in close cooperation with the departments concerned to acquire additional study elements.

The Body, in order to ensure appropriate information flows to the Board of Directors, has also set up an adequate reporting system, to the Board itself, containing the results of the initiatives made by the Audit Function on the processes having an impact pursuant to Decree 231/2001, the planning of activities for the year of the Audit Function and any information on issues of common interest.

In order to harmonize and ensure the effectiveness and consistency of control and verification activities carried out within the Group and to ensure greater protection from the risk of committing the offences included in Legislative Decree 231/2001, it has been decided that each Supervisory Board, established in each Group company, should operate coordinating and maintaining regular contacts with the Body of the holding company.

## 7.5 Sustainability and ethical and social responsibility

In 2008, the definition of the Charter of the Group's Values marked the beginning of a process aimed to give the Group a stronger, better shared and clearer identification of values, as part of an important process of reorganisation and integration.

The Charter of values identifies five principles which the Group promises its stakeholders to abide with in its daily activities:

1. *accessibility*: in order to promote mutual availability and comparison, thus creating greater organisational effectiveness;
2. *far-sightedness*: in the sense of encouraging the ability to correctly interpret market signals by anticipating trends, creating continuity in the results and the development of profits in a context of "enhanced" sustainability, that can combine (and at the same time encourage the improvement of) environmental, economic and social requirements to allow the Company to move forward in the long term;
3. *respect*: in the sense of encouraging attention to the needs of all stakeholders, generating quality of service and mutual recognition;
4. *solidarity*: in the sense of encouraging an attitude of collaboration and trust in the rules, generating management efficiency;
5. *responsibility*: this is the engine of professional reliability, which makes it possible to answer

for one's actions in the times and in the manner laid down by the rules of the sector, market and corporate ethics.

In 2009, the introduction of the system of values of the Unipol Group was completed with the approval by the Board of Directors of the new Code of Ethics. To ensure that the principles of the Code of Ethics are pursued consistently, instruments for the implementation, monitoring, and control of the Code of Ethics have been introduced, such as:

- the Ethics Committee, composed of the Directors who are members of the Sustainability Committee, and
- the Group's Ethics Officer, appointed by the Board of Directors, after hearing the opinion of the Ethics Committee.

In 2015 activity continued on the update of the Code of Ethics, in line with legal and regulatory developments and with the most advanced international standards on policies and conducts of ethical and social responsibility. Specifically, the experience in the application of the Code of Ethics has confirmed the validity of the choice made by Group to acquire an instrument that, translating the values into principles of conduct, has made it possible to address the complex issue of how to manage the relations of the company with and within the set of its stakeholders, in order to consolidate a more uniform culture, encouraging the integration between people with backgrounds and contexts sometimes very different. As the validity of the choices made in the past has been confirmed, the objective of the update was therefore to address the need for innovation and further qualification of the Code of Ethics.

The process of update of the Code of Ethics was completed with the approval by the Board of Directors of UGF, after favourable opinion of the Ethics Committee, of the new Code of Ethics in the meeting of 5 November 2015, as a result of which the process of approval by the Boards of all subsidiaries was immediately started; at the date of this Report, the new Code of Ethics had been adopted by all companies of the Group, including the foreign companies.

On 17 December 2015 the Board of UGF, having heard the opinion of the Ethics Committee, has appointed, effective from 1 January 2016, a new Ethics Manager, Mr Walter Visani, employee of the Group, chosen for his specific professional experience and knowledge of the Group itself, where he has worked since 1982.

The Code of Ethics and the Charter of Values are available on the website of the Company.

## **8. RELATED PARTIES TRANSACTIONS AND INTERESTS OF DIRECTORS**

### **8.1 Related Parties Transactions Procedure**

The Related Party Procedure adopted by the Board of Directors of the Company on 11 November 2010, pursuant to CONSOB Regulation No. 17221 of 12 March 2010 and subsequent amendments (the "Regulation"), was amended on 22 December 2011 and 15 May 2014 in the context of the wider process of standardisation and alignment of procedures and rules within the Unipol Group resulting from the integration of the former Fondiaria-SAI group.

On 6 August 2015, the Board of Directors of the Company resolved to modify, after receiving the favourable opinion of the Related Party Transactions Committee, the Related Party Procedure (i) to extend, on a voluntary basis, the scope of application to the company Immobiliare Grande Distribuzione Società di Investimento Immobiliare Quotata S.p.A. (“IGD”), keeping into account the partnership agreement between UGF, UnipolSai and IGD, pertaining to a specific initiative in the real estate and diversified sector, as well as (ii) to simplify the Related Party Transactions procedure implemented by subsidiaries.

The updated Related Party Procedure came into force on 6 August 2015 and can be found in the Corporate Governance section of the Company's website.

The Related Party Procedure defines the rules, modalities and principles necessary to ensure the transparency and substantial and procedural correctness of the transactions carried out with related parties of UGF (“Related Party Transactions” or “Transactions”), directly or through Subsidiaries. In particular, this Procedure:

- a) defines the subjective scope of application of the Regulation, identifying its recipients in the direct and indirect Related Parties of UGF, to be identified on the basis of criteria specified by the Regulation, extending the status of Related Party also to certain parties other than those specified in the list referred to in IAS 24;
- b) defines the way in which the Register of Related Parties must be created, developed and managed, as a tool to support all business structures of UGF and its subsidiaries, to ensure the correct and timely identification of Transactions with Related Party significant for the purposes of the Procedure in question;
- c) defines the objective scope of application of the Regulation, identifying certain categories of transactions as “Exempt”, to which the rules, both procedural and informational, do not apply, fully or in part;
- d) defines the investigation and resolution process of the transactions and identifies the rules in the cases where the Company examines transactions carried out by its own subsidiaries, as well as the information flows within the Group, aimed at ensuring the transparency of transactions and compliance with procedural rules;
- e) pursuant to the Regulation, provides for the approval of Related Party Transactions to be subject to the reasoned opinion of the Related Party Transactions Committee which must be expressed in advance, as described earlier on, to the effect that such transactions are in the Company's interest and that the related terms and conditions are correct and represent good value for money.

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

The approval of the Transactions of Greater Importance pertains to the Board after a favourable reasoned

opinion of the Related Party Transactions Committee. The Related Party Procedure also regulates the situation in which this Committee was to express an opinion against the Transaction.

For the purposes of the identification of Transactions of Lesser Importance, the Procedure sets specific materiality thresholds, while as regards the approval process – in the event of a negative opinion by the Related Party Transactions Committee – the decision-making power has been allocated to the Board, allocating, in the presence of a favourable opinion of this Committee, the competence to the responsible Corporate Function based on delegations of powers.

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

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

## **8.2 Associated Parties Procedure**

The Associated Parties Procedure, adopted by the Board of Directors of the Company on 6 August 2015, pursuant to the Circular, in its role as the holding company of the Unipol Banking Group (also the “Banking Group”), integrates the procedural and organisational control mechanisms already operating inside the Unipol Group concerning Related Parties transactions and the management of the conflicts of interest.

The updated Associated Parties Procedure, on which the Related Party Transactions Committee has expressed its favourable opinion, came into force on 1 October 2015 and can be found in the Corporate Governance section of the Company's website.

The Associated Parties Procedure defines, formalises and adopts the principles and the rules that apply to Related Parties transactions in terms of investigation procedures, resolution competencies, reporting and disclosure, valid for all Companies of the Banking Group; more in detail:

- a) defines the subjective scope of application of the procedure, identifying its recipients in the Companies of the Banking Group, excluding the securitisation vehicles;
- b) identifies the Transactions with Associated Parties, specifying that these are the transactions carried out by each Company of the Banking Group with Associated Parties, while the transactions carried out between members of the Banking Group are instead excluded, when these are 100% held, even jointly;
- c) defines the methods to prepare and update (i) the Register of Connected Persons, as a tool that provides support to all the business structures of the Companies of the Banking Group, for a correct

- and prompt identification of transactions; (ii) the Registers of transactions, kept by UGF and Unipol Banca S.p.A. for the respective recording of the transactions carried out;
- d) provides for the risk activities of the Banking Group against Associated Parties to stay within pre-set limits as well as, for Unipol Banca, to comply with an individual limit;
- e) regulates in a unified manner the operation of the respective subsidiaries of UGF and of Unipol Banca providing in general terms (i) the competence of the Functions and delegated bodies of Unipol Banca for the transactions carried out by this and its subsidiaries, (ii) the competence of the Functions and delegated bodies of UGF for the transactions carried out by the holding company and its subsidiaries, excluding Unipol Banca and the subsidiaries of the latter, providing for specific processes of investigation and resolution for the different categories of transactions with Associated Parties.

Moreover UGF, as holding company of the Unipol Banking Group, has approved the internal policy on controls on the risk activities and on the conflicts of interest with Associated Parties, prepared in compliance with Title V, Chapter 5, Section IV of the Bank of Italy Circular No. 263/2006.

The Policy is consistent and integrates the current system of self-regulation in the Unipol Group, with special reference to the Procedure described above, and pursue the following objectives:

- ensuring the identification of the activities and the categories of economic relations in regard to which it is possible to have conflicts of interest;
- defining the levels of risk appetite consistent with the strategic profile and the organisational characteristics of the Banking Group;
- defining the organisational processes for the survey of the Associated Parties and the corresponding transactions in every stage of the relationship;
- defining the best control processes to ensure the correct measuring and management of the risks taken towards Associated Parties and verifying the correct design and effective application of internal policies;
- monitoring the potential risks of conflicts of interest with reference to the so-called “key personnel”.

## **9. INTERNAL DEALING**

The Company has adopted a procedure for the disclosure of transactions concerning its shares or other financial instruments linked to them (the “Internal Dealing Procedure”).

The Internal Dealing Procedure – which defines the rules for the fulfilment by the agents of UGF for the purposes of this procedure and the information obligations to CONSOB and to the market on purchase, sale, subscription or exchange involving UGF, shares or financial instruments linked to shares in UGF carried out by such persons even vicariously – implements the directions contained in Art. 114 seventh paragraph of TUF and 152-sexies et seq. of the Issuers' Regulation. It ensures proper transparency and uniformity of information on transactions by persons (the so-called “relevant persons”, as defined and identified therein)

that participate in decision-making processes and have a significant understanding of the corporate strategies, as a result of work carried out within the Company or a main Subsidiary (as defined and identified therein), or in their capacity as shareholders with a significant stake in UGF or the control holding of UGF itself.

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

The Internal Dealing Procedure, taking into account the changes in the corporate structure of the Unipol Group, was finally submitted to the review of the Board of Directors on 13 February 2014 in order to:

- identify UnipolSai as the “Main Subsidiary” of UGF, according to the definition set out in article 1.2 of the Internal Dealing Procedure<sup>6</sup>, and consequently
- reformulate the definition of “relevant persons” referred to in Art. 1.1 of the Internal Dealing Procedure<sup>7</sup>, in order to cover, with reference to UnipolSai, the members of the administrative and control bodies, the CEO (if present) and the other executives with strategic responsibilities, identified on the basis of organisational roles and responsibilities, of the Department of Human Resources and Organisation of UGF that submits the list of them to the Chairman and Chief Executive Officer for approval.

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

- (i) the criteria for the identification of Managers of the Company, acting as executives who have regular access to privileged information and have the power to take management decisions that can affect the evolution and future prospects of the Company, are qualified by the latter as “Relevant Persons” and, accordingly, required to carry out the communication provided for by Art. 114 seventh paragraph of TUF;
- (ii) the procedures for the implementation, by the Relevant Persons, of communication to CONSOB and the Company of the major transactions, pursuant to the provisions of Art. 152-octies, Par. 1 and 2, of the Issuers’ Regulation;
- (iii) the regulation of conditions for the provision by the Relevant Persons referred to under (c. 1), (c. 2)

---

<sup>6</sup> “Main Subsidiary” means a subsidiary held, directly or indirectly, by UGF, if the book value of the equity investment in this subsidiary represents more than 50% of the assets of UGF, as resulting from the last approved accounts, i.e. on the date of entry into force of this procedure.

<sup>7</sup> “Relevant Persons” means: A) the Non-Executive Directors, the CEO and General Manager, as well as the Statutory Auditors of UGF; b) with reference to UnipolSai, as the Main Subsidiary, the members of the administrative and control bodies; c) other managers with strategic responsibilities of UGF and UnipolSai (other than those referred to in paragraphs a) and b) above) identified on the basis of organisational roles and respective responsibilities; d) any other person who has a holding, calculated pursuant to Art. 118 of the Issuers’ Regulation, of at least 10 per cent of the share capital of UGF, as represented by shares with voting rights; as well as e) any other entity which controls UGF.

and (c. 3) of Art. 152-sexies of the Issuers' Regulation (the members of the administrative and control bodies who perform functions of direction and the executives identified as Relevant Persons of the Company and its Main Subsidiaries) of an appropriate task for the Company for the latter to carry out, on their behalf, communications to CONSOB of the major transactions carried out by them pursuant to the provisions of Art. 152-octies, sixth paragraph, of the Issuers' Regulation.

The Internal Dealing Procedure, in order to ensure conditions which enable the Company to carry out with timeliness and correctness of the information obligations as mentioned above, provides, by way of derogation from the above provisions, that the Relevant Persons who have entrusted the task referred to in point (iii) above must undertake to communicate to the appropriate unit of the Company all major transactions, of any amount, even less than the amount required by the relevant standards, carried out by themselves or by persons closely related to them, within 3 open market days starting from the date of their performance.

In order to prevent potential conflicts of interest and protect the Company and the Group, the Relevant Persons cannot carry out transactions on securities issued by UGF and its listed subsidiaries in the 7 days before the meetings of the Boards of Directors of the Company or its Main Subsidiaries called for the examination and approval of the accounting, preliminary and forecasting data (so-called blocking period).

Finally, the Internal Dealing Procedure provides that, in view of the fact that UnipolSai (identified as the Main Subsidiary) is itself a listed issuer, any communication to the market, and any action under the Procedure itself, will be subject to coordination between UGF and UnipolSai itself, in order to avoid duplication whenever the formalities and notices relate to Persons classified as Relevant in both UGF and UnipolSai.

The procedure can be found in the Corporate Governance section of the Company's website.

## **10. PROCESSING OF PRIVILEGED INFORMATION**

The Company's Board of Directors, in view of the relevance of the communication processes to the market, has long adopted the "guidelines" and the "procedure for the management and communication of privileged information", most recently revised on 27 September 2012, in order to adapt the guidelines and procedure to the amendments introduced by CONSOB Resolution No. 18214 of 9 May 2012.

On 6 August 2014 the Procedure was revised, in the context of the broader process of alignment and standardisation of procedures and rules within the Unipol Group, started after the integration with the former Fondiaria-SAI group.

The above Procedure regulates:

1. the "Management of Privileged Information" by defining:
  - policies, roles and liabilities;
  - procedures for the management and maintenance of the register of persons who, for reasons of work or profession or the functions discharged, can have access, on a permanent or occasional basis, to Privileged Information (the "Register");



- measures to ensure the traceability of Privileged Information;
  - internal circulation conditions for Privileged Information and rules on protection of privacy;
2. the “Disclosure of Privileged Information” by establishing the related procedures, roles and liabilities:
- the public disclosure of Privileged Information, pursuant to Art. 114 of TUF;
  - the disclosure to the public of accounting and forecast data;
  - relations with the financial community and the media;
3. the rules of conduct for the Subsidiaries in implementation of the provisions of the Company, aimed at ensuring the proper performance of the above-mentioned communication obligations by the latter.

Given that, pursuant to Art. 115 bis of TUF, the duty to establish and update the Register applies not only to listed issuers but also to their subsidiaries, as well as persons acting on their behalf or for their account, on the assumption that not all Subsidiaries, without distinction, can, in the course of ordinary activities, generate events or circumstances directly likely to influence the price of listed securities of the holding company, it was considered appropriate - taking into account the best practice observed - to restrict the scope of the Subsidiaries subject to the obligation to keep the Register only to the significant Subsidiaries, identified by applying quantitative and qualitative criteria of materiality. All other companies directly and indirectly controlled by UGF are in any case required to ensure compliance with this and, accordingly, the procedural rules for the registration in the commercial Company Register if the Privileged Information is created within them.

In line with best practices, in order to pursue as a priority the protective purposes of the legislation in question, the Procedure regards the information, even in its early stages, as “potentially privileged”.

## **11. BOARD OF STATUTORY AUDITORS**

Number of meetings held during the financial year: 24.

Average length of meetings: 1 hour and 35 minutes.

Average participation: 94%.

Number of meetings already held in 2016: 4.

Average participation of the Board of Statutory Auditors at Control and Risk Committee meetings: the members of the Board of Statutory Auditors attended all meetings of the Control and Risk Committee with a 90% average participation.

### **11.1 Role and Responsibilities**

Under Legislative Decree No. 39 of 27 January 2010, on the statutory audit of annual accounts and consolidated accounts, which, as noted, has profoundly changed the regime supervisory functions of the control body of public-interest entities, the Board of Statutory Auditors of the Company, in addition to the tasks of supervision of compliance with the law and the By-Laws and observance of the principles of correct

administration, is now also in charge of overseeing:

- a) the adequacy and the specific operation of the organisational, administrative and accounting procedures;
- b) the financial reporting process;
- c) the effectiveness of the system of internal control, internal audit and risk management;
- d) the statutory audits and formulating to the General Meeting motivated proposals regarding the appointment of the statutory audit firm;
- e) the independence of the statutory auditors, in particular as regards the provision of non-audit services for the Company.

## **11.2 Appointment**

By law and the By-Laws, the appointment of the Board of Statutory Auditors takes place on the basis of lists presented by shareholders who on presentation of them are entitled to vote in its deliberations and discussions.

The lists, composed of two sections, one for candidates for full member (maximum three people), one for candidates for Deputy member (two nominees) are filed at the Company's registered office by the twenty-fifth day before the date of the meeting.

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

The right to submit the lists is vested in Shareholders who, alone or together with other Shareholders, holds a stake identified pursuant to the legal or regulatory provisions in force concerning the election of members of the Board of Directors of the Company: at the date of this Report, said stake, determined by CONSOB, lastly in its Resolution No. 19499 of 28 January 2016, is equal to 1% of ordinary share capital. Those who submit a "minority list" must also be recipients of the recommendations issued by CONSOB with communication No. DEM/9017893 of 26 February 2009.

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

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

The election of the members takes place as follows:

1. from the list which has obtained the largest number of Shareholders' votes, according to the progressive order in which they are listed in the sections of the list, two full members and one deputy member are taken;
2. the remaining full member and the remaining deputy member are taken from the minority list that obtained in the meeting the greatest number of votes according to the progressive order in which candidates are listed in the sections of that list. In the event of a tie between the minority lists, the candidates of the list that was submitted by the Shareholders in possession of the largest holding are elected, or, alternatively, by the greatest number of Shareholders.

The presidency of the Board of Statutory Auditors will fall to the person indicated in first place in the minority list.

In case of replacement of a member, he is replaced by the deputy member belonging to the same list, subject, however, to the gender proportion laid down by the laws and regulations in force. In cases where, in addition to the full member elected from the minority list, the deputy on this list is also absent, he is replaced by the candidate placed later belonging to the same list or, failing that, the first candidate on the minority list who came second in terms of votes, subject, however, to the gender proportion laid down by the laws and regulations in force.

With reference to the rules laid down in article 36 of the Legislative Decree No. 201 of 6 December 2011 (converted into the Law No. 214 of 22 December 2011), which provides for a ban on accepting or performing offices between companies and groups of competing undertakings operating in the credit, financial and insurance markets, the Company checks for any incompatibility of its Supervisory Board members, given that UGF controls companies in the credit, financial and insurance markets.

As the Meeting called to approve the 2015 financial statements will be also called to resolve on the appointment of the Board of Statutory Auditors, for what is not expressly mentioned here, we refer to Art. 17 of the By-laws, as well as the specific Report to the Meeting, published in the terms set by the law on the website of the Company.

### **11.3 Composition and operation**

The Shareholders' Meeting of 30 April 2013, on the basis of the single list presented by Finsoe, appointed the Board of Statutory Auditors of the Company currently in office, composed of three full members and two deputies, with a mandate for three years and, accordingly, up to the Meeting to approve the annual accounts for the year 2015.

The composition of the Board of Statutory Auditors is detailed in Table No. 3. With reference to the CV of the full members of the Body, said documentation is published on the Company's website.

All members are entered in the register of auditors and audit companies and meet the requirements stipulated by the current law and the provisions of the By-Laws.

The Board of Statutory Auditors, at the meeting of 7 May 2015, verified that its members meet the independence requirements set by the Code of Conduct for Directors and observed that its composition is

adequate and the above requirements are met by its members.

The Board of Directors at the meeting held on 7 May 2015 verified that the members of the control body met the independence requisites prescribed by Art. 148, paragraph 3 of TUF, pursuant to the provisions of Art. 144-novies of the Issuers' Regulation, with subsequent amendments by CONSOB Resolution No. 17326 of 13 May 2010.

The current By-Laws do not set any limits to the holding of other corporate positions besides those provided for by Art. 144-terdecies of the Issuers' Regulation.

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

The members who, on their own or through third parties, have an interest in a particular Company's operation must inform promptly and thoroughly the other members and the Chairman of the Board of Directors about the nature, terms, origin and scope of that interest. During 2015 no situations have occurred in relation to which the members of the Board of Statutory Auditors have had to make such statements.

The members participated in the meetings of the Board of Directors, held in 2015, with an average attendance of 100%.

The Board of Statutory Auditors has monitored the independence of the external statutory auditors, in particular as regards the provision of services other than statutory audit services to the Company and its Subsidiaries by the same audit firm and the entities belonging to the same network.

The Board has not exercised the option to ask the Audit Function to perform checks on specific operational areas or transactions of the Company, having considered exhaustive the findings that the Board itself – in the context of its supervisory activities – was able to make, in discussion with the mentioned function, about the scope of the activities carried out and the outcome of the findings made.

During the year the Board of Statutory Auditors attended as invited meetings of the Control and Risk Committee, acquiring appropriate information for the purposes of coordination of the activities of the Board with those carried out by that Committee.

## **12. RELATIONSHIPS WITH THE SHAREHOLDERS**

The Company traditionally reserves special attention to relations with its Shareholders, maintaining a constant dialogue with the market, pursuant to the laws and rules applicable in that regard, while ensuring the prompt availability on the website of the Company, in the section Investor Relations and Corporate Governance, of press releases, financial and corporate documents and presentations made to the financial community; this is intended to allow Shareholders and the market to have adequate and explanatory information.

In 2015 relations with investors – held, consequently to the Group's configuration, jointly with UnipolSai – were essentially in line with the previous year (when investors' interest for the Group's financial instruments had increased considerably after the establishment of UnipolSai) in terms of number of meetings held (in person and via conference calls) with institutional investors and brokers, road shows and conferences, thus

confirming a clear rise compared to the years preceding the acquisition of the former Premafin/Fondiarria-SAI group.

229 meetings and/or conference calls with analysts and investors were held in total, during which 319 companies were met. Most of the investors met are based in the United Kingdom (46%), 15% in the United States, 14% in Italy, 22% in other European countries (such as, for example, France and Germany) and 3% in the rest of the world. 7 public conferences were also attended and 18 road shows were organised (5 in Italy, 3 in the United Kingdom, 2 in the United States and 8 in other European countries), with the help of specialised brokers. 391 people were met in total.

19 meetings were also held with financial analysts who cover the Group's securities, while informal contacts are held and information exchanged with these analysts almost daily.

As regards relations with the media, the Company encourages the attendance of journalists and experts at the Meetings.

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

Bologna, 10 March 2016

The Board of Directors

ATTACHMENTS TO THE REPORT

TABLE N. 1 – Board of Directors

Name	Office held	Date of birth	Date of first appointment	In office since	In office until	M/m List <sup>(1)</sup>	Exec.	Non-Exec.	Independ. as per Code <sup>(2)</sup>	Independ. as per TUF <sup>(3)</sup>	% BoD <sup>(4)</sup>	Number of BoD meetings attended	Other assignments <sup>(5)</sup>
Stefanini Pierluigi	Chairman	28/06/1953	27/01/2001	30/04/2013	31/12/2015	M	x				100%	9/9	4
Antonelli Giovanni	Deputy Chairman	04/05/1957	30/04/2013	30/04/2013	31/12/2015	M		x	(a)		100%	9/9	1
Cimbri Carlo	Chief Executive Officer	31/05/1965	29/04/2010	30/04/2013	31/12/2015	M	x				100%	9/9	2
Baratta Giovanni Battista	Director	18/06/1955	30/04/2013	30/04/2013	31/12/2015	M		x	x	x	100%	9/9	0
Berardini Francesco	Director	11/07/1947	25/06/2009	30/04/2013	31/12/2015	M		x	(a)		100%	9/9	6
Cattabiani Paolo	Director	11/07/1958	20/03/2014	20/03/2014	31/12/2015	(*)		x	(a)		56%	5/9	5
Collina Piero	Director	24/02/1946	12/06/1998	30/04/2013	31/12/2015	M		x		x	89%	8/9	1
Costalli Sergio	Director	08/03/1952	24/04/2007	30/04/2013	31/12/2015	M		x	(a)		100%	9/9	2
Dalle Rive Ernesto	Director	02/12/1960	29/04/2010	30/04/2013	31/12/2015	M		x	(a)		89%	8/9	5
Di Menna Massimo	Director	31/01/1950	07/05/2015	07/05/2015	31/12/2015	(**)		x	x	x	100%	9/9	0
Galardi Guido	Director	13/01/1950	30/04/2013	30/04/2013	31/12/2015	M		x	x	x	100%	9/9	3
Gualtieri Giuseppina	Director	26/05/1957	30/04/2013	30/04/2013	31/12/2015	M		x	x	x	100%	9/9	2
Levorato Claudio	Director	15/02/1949	23/06/1995	30/04/2013	31/12/2015	M		x	(a)		33%	3/9	3
Malavasi Ivan	Director	21/09/1948	29/04/2004	30/04/2013	31/12/2015	M		x		x	78%	7/9	0
Manes Paola	Director	09/07/1972	30/04/2013	30/04/2013	31/12/2015	M		x	x	x	100%	9/9	0
Morara Pier Luigi	Director	28/02/1955	03/05/2006	30/04/2013	31/12/2015	M		x		x	100%	9/9	0
Pacchioni Milo	Director	04/11/1950	24/02/2006	30/04/2013	31/12/2015	M		x	(a)		67%	6/9	4
Pasquariello Maria Antonietta	Director	29/08/1954	10/02/2015	10/02/2015	31/12/2015	(***)		x	x	x	75%	6/8	1
Righini Elisabetta	Director	25/03/1961	30/04/2013	30/04/2013	31/12/2015	M		x	x	x	100%	9/9	1
Saporito Francesco	Director	24/10/1959	30/04/2013	30/04/2013	31/12/2015	M		x			100%	9/9	3

Turrini Adriano	Director	15/11/1956	30/06/2011	30/04/2013	31/12/2015	M		x	(a)		56%	5/9	4
Venturi Marco Giuseppe	Director	04/11/1947	31/01/1992	30/04/2013	31/12/2015	M		x		x	78%	7/9	0
Zambelli Rossana	Director	05/11/1958	30/04/2013	30/04/2013	31/12/2015	M		x	x	x	100%	9/9	0
Zini Carlo	Director	04/06/1955	13/11/2014	13/11/2014	31/12/2015	(****)		x	(a)		78%	7/9	4
Zucchelli Mario	Director	23/01/1946	27/04/2001	30/04/2013	31/12/2015	M		x	(a)		89%	8/9	4

**Directors whose office ended during the year:**

Name	Office held	Date of birth	Date of first appointment	In office since	In office until	M/m List <sup>(1)</sup>	Exec.	Non-Exec.	Independ. as per Code <sup>(2)</sup>	Independ. as per TUF <sup>(3)</sup>	% BoD <sup>(4)</sup>	Number of BoD meetings attended	Other assignments <sup>(5)</sup>
Carannante Rocco	Director	31/03/1941	10/11/2000	30/04/2013	25/02/2015	M		x		x	100%	1/1	-

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

As regards the appointment of the Board of Directors, only one list was submitted by the majority shareholder of Finsoe S.p.A.

For the Directors who were co-opted by the Board of Directors during the period or later to the end of the period, see the following:

(\*) Director co-opted by the Board of Directors on 20 March 2014 and confirmed by the Shareholders' Meeting of 30 April 2014

(\*) Director co-opted by the Board of Directors on 7 May 2014 and confirmed by the Shareholders' Meeting of 18 June 2015

(\*\*) Director co-opted by the Board of Directors on 10 February 2015 and confirmed by the Shareholders' Meeting of 25 February 2015

(\*\*\*\*) Director co-opted by the Board of Directors on 13 November 2014 and confirmed by the Shareholders' Meeting of the 25 February 2015

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

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

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

- <sup>(5)</sup> Indicates the total number of offices held in other companies listed in regulated markets (including foreign markets), or in financial, banking and insurance companies or other large companies. The list of these companies, with reference to each Director, is included in Table 2.
- a) Director prima facie excluded from any independence assessment – aside from the requirements set forth in the Code of Conduct – since he/she holds offices in the corporate bodies of the directly controlling holding company, Finsoe S.p.A. (see Paragraph 1.4 Section II).



**TABLE N. 2 – List of relevant offices held by the Directors**

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

The symbol (\*) indicates the companies belonging to the Unipol Group.

<b>Name</b>	<b>Office held in UGF</b>	<b>Offices held in other companies</b>
Stefanini Pierluigi	Chairman	Director Finsoe S.p.A. Deputy Chairman UnipolSai Assicurazioni S.p.A. <sup>(*)</sup> Director Unipol Banca S.p.A. <sup>(*)</sup> Member of the Supervisory Board of Manutencoop Facility Management S.p.A.
Antonelli Giovanni	Deputy Chairman	Deputy Chairman Finsoe S.p.A.
Cimbri Carlo	Chief Executive Officer	Chief Executive Officer UnipolSai Assicurazioni S.p.A. <sup>(*)</sup> Director Unipol Banca S.p.A. <sup>(*)</sup>
Baratta Giovanni Battista	Director	--
Berardini Francesco	Director	Director Finsoe S.p.A. Director UnipolSai Assicurazioni S.p.A. <sup>(*)</sup> Deputy Chairman Coop Consorzio Nord Ovest S.c a r.l. Chairman Coop Liguria Company Cooperativa di Consumo Director Coop Italia Soc. Coop. <u>Deputy Chairman</u> SIAT Società Italiana Assicurazioni and Riassicurazioni S.p.A. <sup>(*)</sup>
Cattabiani Paolo	Director	Director Finsoe S.p.A. Director Centrale Adriatica Soc. Coop. Director Coop Italia Soc. Coop. Chief Executive Officer Alleanza Coop 3.0 Soc. Coop. Director UnipolSai Assicurazioni S.p.A. <sup>(*)</sup>
Collina Piero	Director	Deputy Chairman Member of the Supervisory Board of Consorzio Cooperative Costruzioni Soc. Coop.

Costalli Sergio	Director	Director Finsoe S.p.A. Deputy Chairman Unipol Banca S.p.A. (*)
Dalle Rive Ernesto	Director	Director Finsoe S.p.A. Director UnipolSai Assicurazioni S.p.A. (*) Chairman, Chief Executive Officer and General Manager Nova Coop Soc. Coop. Deputy Chairman Coop Italia Soc. Coop. Deputy Chairman Coop Consorzio Nord Ovest S.c. a r.l.
Di Menna Massimo	Director	--
Galardi Guido	Director	Chairman Coop Lombardia Soc. Coop. Director Coop Italia Soc. Coop. Chairman Coop Consorzio Nord Ovest S.c. a r.l.
Gualtieri Giuseppina	Director	Chairman and Chief Executive Officer TPER S.p.A. Director Gradiente Società di Gestione del Risparmio S.p.A.
Levorato Claudio	Director	Director Finsoe S.p.A. Chairman Manutencoop Soc. Coop. Chairman and CEO Manutencoop Facility Management S.p.A.
Malavasi Ivan	Director	--
Manes Paola	Director	--
Morara Pier Luigi	Director	--
Pacchioni Milo	Director	Deputy Chairman and Chief Executive Officer Finsoe S.p.A. Director Grandi Salumifici Italiani S.p.A. Chairman and Chief Executive Officer Assicoop Modena & Ferrara S.p.A. Director Assicoop Emilia Nord S.r.l.
Pasquariello Maria Antonietta	Director	Chairman CAMST S.c. a r.l.

Righini Elisabetta	Director	Director BIESSE S.p.A.
Saporito Francesco	Director	Chairman Assieme 2008 S.r.l. Director Integra Broker S.r.l. Director UNISIND S.r.l.
Turrini Adriano	Director	Chairman and Chief Executive Officer Finsoe S.p.A. Director Centrale Adriatica Soc. Coop. Director Coop Italia Soc. Coop. Chairman and Chief Executive Officer Coop Alleanza 3.0 Soc. Coop.
Venturi Marco Giuseppe	Director	--
Zambelli Rossana	Director	--
Zini Carlo	Director	Director Finsoe S.p.A. Deputy Chairman Consorzio Cooperative Costruzioni Soc. Coop. Chairman and Chief Executive Officer C.M.B. Soc. Coop. Director Unipol Banca S.p.A. <sup>(*)</sup>
Zucchelli Mario	Director	Director Finsoe S.p.A. Director Coop Italia Soc. Coop. Director UnipolSai Assicurazioni S.p.A. <sup>(*)</sup> Director Centrale Adriatica Soc. Coop.

**TABLE N. 3 – Board of Statutory Auditors**

Name	Office held	Date of birth	Date of first appointment	In office since	In office until	M/m List <sup>(1)</sup>	Independ. as per Code	% Shareholders' Meeting <sup>(2)</sup>	% BoD <sup>(3)</sup>	Number of BoD meetings attended	% BOARD OF S.A. <sup>(4)</sup>	Number of Board of S.A. meetings attended	Other assignments <sup>(5)</sup>
Chiusoli Roberto	Chairman	15/09/1964	24/04/2007	30/04/2013	31/12/2015	M	x	100%	100%	9/9	100%	24/24	10
Bocci Silvia	Statutory Auditor	28/04/1967	30/04/2013	30/04/2013	31/12/2015	M	x	50%	100%	9/9	100%	24/24	11
Trombone Domenico Livio	Statutory Auditor	31/08/1960	24/04/2007	30/04/2013	31/12/2015	M	x	100%	100%	9/9	83%	20/24	16

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

As regards the appointment of the Board of Statutory Auditors, only one list was submitted by the majority shareholder of Finsoe S.p.A.

<sup>(2)</sup> Indicates the attendance, in percentage, by the Statutory Auditor to the Shareholders' Meetings (in calculating this percentage, the number of meetings attended by the Statutory Auditor compared with the number of meetings held by the Shareholders, during the year or after accepting the assignment).

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

<sup>(4)</sup> Indicates the attendance, in percentage, by the Statutory Auditor to the meetings of the Board of Statutory Auditors (in calculating this percentage, the number of meetings attended by the Statutory Auditor compared with the number of meetings held by the Board during the year or after accepting the assignment).

<sup>(5)</sup> Indicates the number of positions as Director or Auditor held by the person in other companies.

All members of the Board of Statutory Auditors meet the requirements of experience and integrity as set forth in the applicable legal and regulatory provisions. As regards the personal and professional characteristics of each Statutory Auditor, please see the information posted on the Company Website, Section Corporate Governance/Corporate Bodies/Board of Statutory Auditors.

**Unipol Gruppo Finanziario S.p.A.**

Registered office  
Via Stalingrado, 45  
40128 Bologna (Italy)  
Tel.: +39 051 5076111  
Fax: +39 051 5076666

Share capital  
€3,365,292,408.03 fully paid-up  
Bologna Register of Companies  
Tax and VAT No. 00284160371  
R.E.A. No. 160304

Parent of the Unipol Insurance Group  
Entered in the Register of Insurance Groups – No. 046

Parent of the Unipol Banking Group  
Entered in the Register of Banking Groups

[www.unipol.it](http://www.unipol.it)

**Unipol**  
GRUPPO

[www.unipol.it](http://www.unipol.it)

**Unipol Gruppo Finanziario S.p.A.**  
Registered office  
Via Stalingrado, 45  
40128 Bologna (Italy)