YAFA S.p.A.

VITTORIA ASSICURAZIONI GROUP

Solvency and Financial Condition Report
FY 2020

Board of Directors
of 05 May 2021

Contents

Note on Covid-19 emergency

The year 2020 was characterised by the Covid-19 pandemic, a disaster of exceptional proportions, to which Vittoria Assicurazioni Group has promptly reacted with a series of actions in favour of personnel, clients and agency network, continuing to maintain a high level of attention on the management of the emergency that is still ongoing.
As for the whole employees of the Group, smart working has been promptly activated, in order to ensure continuity in the core processes, without impacting the corporate productivity.
After the lock-down period, all the necessary measures were put in place to ensure the gradual partial return of employees to company premises in complete safety.

Vittoria Assicurazioni put in place different actions in favour of Customers and Agency Network.

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

For the distribution network, support actions were activated to face the difficulties resulting from the pandemic, in terms of safety equipment and extraordinary economic support, both for the primary and secondary network, to ensure continuity of service to customers.
In addition to suspending the collection of instalments on reinsurance and non-insurance items from March 2020 and throughout 2020, an immediate advance of 90% of the payment of accrued incentives was provided for March 2020, in addition to the concession of further extraordinary facilities to support in particular, but not only, the production of the non-marine business.

All of the actions described above highlighted Group's ability to react, which was able to deal with the emergency very quickly, providing immediate support to all business areas.

The Group has promptly responded to requests from IVASS for further information on solvency. The ongoing capital strengthening performed by the Group in the recent years and the constant investments in technological solutions allow us to confirm that there are no factors that might put into to question the business continuity, whose logics this Report is based on.
Vittoria Assicurazioni Group is solid, liquid, present and careful about what is happening in our country and invests as much as possible to protect and support employees, the distribution network and customers.

Below are some of the Group Solvency II Ratio values, recalculated in a simplified way considering only the effects on own funds (value of investments and variation of the discount curves of insurance liabilities) and communicated periodically as requested by IVASS:

- as at 31/12/2019: 165.7%;
- as at 31/03/2020 (*): 153.9%
- as at 30/06/2020: 161.7%;
- as at /09/2020: 167.0%;
- as at 31/12/2020: 168.2%;
- as at 31/03/2021: 177.6%.

* taking into account the dividend reduction proposals approved by Yafa S.p.A. and Vittoria Assicurazioni S.p.A.

Executive Summary

This "Solvency and Financial Condition Report", drawn up with the aim of fulfilling the market transparency requirements, is the annual financial reporting of Yafa S.p.A. for the financial year 2020. On 23 May 2017, IVASS stated the enrolment of YAFA S.p.A. in the Register of Parent Companies as parent company of Vittoria Insurance Group, as ultimate Italian parent undertaking with the responsibility of management and coordination of the Group.

The report is prepared in accordance with the reporting criteria and the structure defined by following rules and regulations:

- European Regulation
  - Directive no. 2009/138/EC of the European Parliament and Council (hereinafter "Directive");
  - Delegated Regulation (EU) 2015/35 of the Commission, of 10 October 2014;
  - Delegated Regulation (EU) 2015/2452 of the Commission, of 02 December 2015.

- National Regulation
  - Italian Legislative Decree no. 209 of 7 September 2005 and subsequent amendments, Code of Private Insurance Companies (hereinafter CAP or "Code");
  - IVASS Regulation no. 33 of 6 December 2016;
  - IVASS Regulation no. 42 of 02 August 2018,
  - IVASS Regulation no. 17 of 19 January 2016 - Regulation concerning the calculation of the Group's solvency.

The current solvency regime, Solvency II, which the insurance companies are subject to, is based on three pillars: first, the quantitative capital requirements and quantification of risks; second, the qualitative requirements, with a particular focus on the corporate governance within the companies; third, the rules of transparency and disclosure to the public and the regulator.

The report is divided into 5 sections, in addition to some quantitative information, i.e. Quantitative Reporting Templates (QRT), enclosed hereto.

A. Business and performance

Yafa S.p.A. is a limited company founded in 1996. It is the parent company of Vittoria Assicurazioni Group, entered on the Register of Insurance Groups under no. 008 held by IVASS, the Italian Insurance Regulator.
Yafa S.p.A. acts as a shareholding company and its business purpose, which is not carried out towards the public, is to acquire, as long-term investments and not as placement, and to transfer shares in other companies or entities as well as to finance and technically coordinate the Group companies. The investment portfolio of Yafa S.p.A. is made up of the equity investment in the insurance company Vittoria Assicurazioni S.p.A. and of several investments, mainly in the real-estate, agriculture and service sectors, performed through Yura International S.p.A..
Vittoria Assicurazioni S.p.A. is a limited company founded in 1921, operating in all insurance lines of business nationwide, through an extensive sales organization with over 400 Agencies.
Vittoria Assicurazioni Group is subject to IVASS supervision. The external auditing for FY2016 to 2020 is assigned to the company Deloitte & Touche S.p.A..

Results

The consolidated financial statements of Yafa S.p.A. as at 31 December 2020 closes with a net profit of Euro 83,185 thousand (net profit of Euro 72,786 thousand as at 31 December 2019).
During 2020 there was a volume of premiums from the Non-Life premium volume that was essentially unchanged from the previous year (1,221,405 thousand euro, compared with 1,220,946 thousand euro at 31 December 2019), together with a loss ratio and a combined ratio for retained business of 58.0% and 84.3% respectively (65.1% and 89.7% in the previous year). Life business also contributed to the excellent result for the year, showing an improved technical result compared to the previous year. The overall Life business result also benefited from a

disinvestment transaction on Italian government bonds which generated profits totalling 11,530 thousand euro. Life business premiums decreased by 10.9% compared to 2019, when large single-premium contracts were taken out.

B. System of Governance

The corporate governance system of Yafa S.p.A., which refers to the traditional model ruled by Articles 2380 to 2409 of the Italian Civil Code, requires that management activities are entrusted to the Board of Directors and the control activities to the Board of Statutory Auditors, both elected bodies. The accounting control is entrusted to the independent auditor. According to the outcomes of the self-assessment process, performed by the Board of Directors during FY2019, is to be classified as "Enhanced" pursuant to IVASS Letter to the Market of 5 July 2018.
In this system:

- the function of guidance and strategic supervision lies with the Board of Directors, which resolves on the strategic guidelines and constantly checks their implementation;
- the function of management lies with:
  - the Board of Directors, as for the assignments that are not expressly delegated to other bodies.
  - the delegated Board members, for assignments specifically conferred on them.
- the control function lies with the Board of Statutory Auditors, which oversees:
  - the compliance with rules and regulations on the principles of proper management.
  - the adequacy of the organisational structure of company within its purview, the internal control system and the administrative accounting system, as well as the reliability of the latter in providing a fair representation of operations.

The Board and Shareholders' Meetings were held by telecommunication way (videoconference and teleconference).

C. Risk profile

The risk profile of Vittoria Assicurazioni Group as at 31 December 2020 can be represented by the so-called "tree" of SCR, which enables to understand the significance of risks, as well as the benefits of diversification between modules and sub-modules of risk: this pattern is shown under chapter E.2 - Capital Management - Solvency Capital Requirement and Minimum Capital Requirement.
A brief representation is shown in the following table:

Volatility Adjustment Evaluations			**(€ / thousand)**
	31/12/2020	31/12/2019	Δ %
Market Risk	484.989	449.866	7,8%
Counterparty Default Risk	46.774	41.194	13,5%
Life Risk	44.186	32.907	34,3%
Health Risk	40.345	36.617	10,2%
Non Life Risk	445.436	439.554	1,3%
Sum of Risk Components	**1.061.730**	1.000.138	**6,2%**
Diversification effect	(285.228)	(262.830)	8,5%
Basic S.C.R.	**776.502**	737.308	**5,3%**
Operational Risk	51.527	51.686	-0,3%
Loss Absorbency Capacity of Deferred Taxes	(178.989)	(138.981)	28,8%
Solvency Capital Requirement	**649.040**	650.013	**-0,1%**

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

- Life underwriting risk: increase due to the higher incidence of extinguishment risk linked to the reduction in interest rates;
- Default risk: increase due to higher exposure to unrated counterparties ("Type 2");
- Market risk: increase mainly due to the equity component;

- Underwriting risk Health and Non-life: changes reflect the increase in the portfolio and the evolution of the portfolio compared to 2019;
- Change in tax benefit: the change mainly reflects the increase in the S.C.R. of the risk modules shown in the table and the higher taxable income considered in the calculation.

D. Valuation for solvency purposes

For the purposes of preparing the Solvency II financial statements, the Group values assets and liabilities in compliance with Article 75 of the Directive, whereby:
a) assets shall be valued at the amount for which they could be traded between knowledgeable willing parties in an arm's length transaction.
b) liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.
In particular, these items were assessed according to the international accounting standards adopted by the Commission under Regulation (EC) no. 1606/2002, where compatible with Solvency II regulation.

E. Capital Management

Overview of the main data relating to solvency position

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

(€/000)

		31/12/20	31/12/19	Change
A	Solvency Capital Requirement (SCR)	649.040	650.013	(973)
B	Minimum Capital Requirement (MCR)	292.068	291.936	132
C	Eligible own funds to meet Solvency Capital Requirement	1.146.970	1.076.975	69.995
D	Net deferred tax assets	22.490	29.522	(7.032)
E	Subordinated liabilities not eligible own funds to meet MCR	243.616	237.097	6.519
C-D-E	Eligible own funds to meet Minimum Capital Requirement	880.863	810.356	70.507
C/A	**Ratio of Eligible own funds to SCR**	**176,7%**	**165,7%**	**11,0**
(C-D)/B	**Ratio of Eligible own funds to MCR**	**301,6%**	**277,6%**	**24,0**

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

Own Funds Solvency II (€/000)

	31/12/20	31/12/19	Change
Ordinary share capital	15.000	15.000	0
Share premium	22.183	22.183	0
Reconciliation reserve before dividends at Group level	669.649	607.176	62.473
Minority interests	160.382	142.512	17.870
Net deferred tax assets	43.469	32.314	11.155
Solvency II excess of assets over liabilities	**910.683**	**819.185**	**91.498**
Foreseeable dividends, distributions and charges	(1.000)	(2.638)	1.638
Deferred tax assets elimination	(20.978)	(2.792)	(18.186)
Subordinated liabilities - Tier 2	302.030	295.484	6.546
Non-available minority interests at group level	(43.765)	(32.264)	(11.501)
Solvency II eligible own funds	**1.146.969**	**1.076.975**	**69.994**

Data indicated in the table above were calculated using the Standard Formula and the Volatility Adjustment curve. The insurance subsidiary, Vittoria Assicurazioni S.p.A., obtained the authorization from the Supervisory Authority to use the USP (Undertaking Specific Parameters), while the Parent Company uses, as for the previous financial year, the Group's data obtained from the general parameters provided for by the Standard Formula.
The Volatility Adjustment (VA) is a mechanism of discounting the future cash flows that enables the Companies to reduce the disruptive effects due to the Solvency II valuation approach, which aims to produce some volatility in the Own Funds, as assets and liabilities (evaluated with market logic) are enhanced through different discounting curves:

- liabilities, through a risk-free interest rate curve, for all European Companies,
- assets are all valued with market prices.

As required by rules and regulations, this Report outlines the quantitative impact of this choice.

Pursuant to Article 55 of the Directive, this report was approved by the Company's Board of Directors of 5 May 2021.

As set forth by the Implementing Regulation (EU) no. 2015/2452, some quantitative reporting templates (QRTs), that are required to be published, are attached hereto.

Unless otherwise specified, figures are expressed in thousands of Euro.

A. Business and performance

A.1 Business

A.1.1 Name and legal form of the Parent Company

Yafa S.p.A. is a limited company founded in 1996.
It is the parent company of Vittoria Assicurazioni Group, entered on the Register of Insurance Groups under no. 008 held by the Italian Insurance Regulator.

A.1.2 Regulator responsible for the Group's supervision

The Authority responsible for the supervision over Yafa S.p.A. and Vittoria Assicurazioni Group is IVASS, the Italian Insurance Regulator, with registered offices in Rome, Via Del Quirinale 21.

A.1.3 External auditor

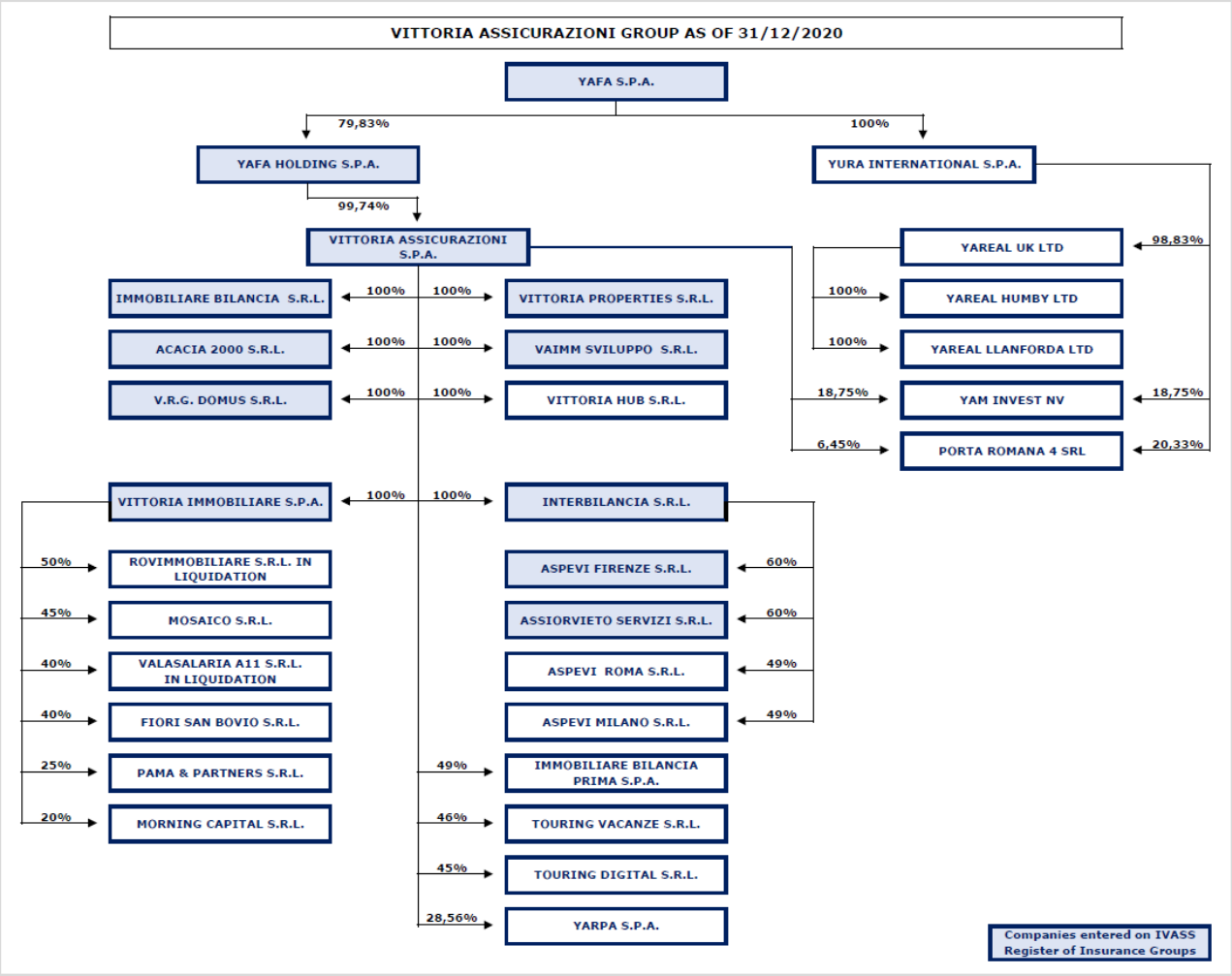
The Independent Auditor appointed by the Shareholders' meeting for the statutory audit of Yafa S.p.A. for 2016-2020 is:
Deloitte & Touche S.p.A.
Via Tortona, 25
20144 - Milan

A.1.4 Qualifying equity interest in the Parent Company

As at 31 December 2020, Carlo Acutis has a 99.99% equity interest in Yafa S.p.A.

A.1.5 Subsidiaries, associates and branches

Below is an overall representation of Vittoria Assicurazioni Group as at 31 December 2020:



A.1.6 Lines of business and material geographical areas where the Group carries out its business

Yafa S.p.A. operates in Italy by controlling Vittoria Assicurazioni S.p.A. through Yafa Holding S.p.A., and abroad through the subsidiary Yura International S.p.A. holding which mainly operates in real-estate, agriculture, and management of shareholdings in the European context.

A.1.7 Main differences between the area of consolidation considered for the purposes of the financial statements pursuant to Article 95 of the Code of Private Insurance Companies and the area considered for the purposes of Group solvency calculation (Solvency II)

For the purposes of the financial statements pursuant to Article 95 of the Code of Private Insurance Companies, the subsidiary Yura International S.p.A. was fully consolidated, while for the purposes of the calculation of Group solvency, it was consolidated with the equity method, as it is not related to the insurance activity.
Section "D - Valuation for solvency purposes" hereof shows the valuation criteria adopted for the consolidation with the equity method with Solvency II principles.

A.1.8 Qualitative and quantitative information on the relevant operations and transactions within the Group

Operations with group companies are referred to the normal course of business, using specific professional skills at market prices, and do not include atypical or unusual operations.

Relationships with subsidiaries (fully consolidated)

Service contracts are in place between the Parent Company Yafa S.p.A. and the company Vittoria Assicurazioni S.p.A., aimed at exploiting operational synergies at Group level.
In FY2020, the Parent Company made a capital contribution payment in favour of Yafa Holding S.p.A. of Euro 13,840 thousand, 2,640 thousand of which with partial repayment waiver by the subsidiary Yafa Holding S.p.A. of part of the loan overall accounting for Euro 3,100 thousand; the residual part of the loan has been reimbursed by Yafa Holding S.p.A. in the relevant period.
During FY2020, Yafa S.p.A. received Euro 4,000 thousand of dividends and an allocation of profit reserves from the subsidiary Yafa Holding S.p.A. and Euro 8,200 thousand of an allocation of profit reserves from the subsidiary Yura International S.p.A.
No business or supply relationships were established with the Subsidiaries Yafa Holding S.p.A. and Yura International S.p.A. in the relevant period.

Relations with Associates

As at 31 December 2020, there were outstanding loans accounting for Euro 12,026 thousand of Vittoria Assicurazioni S.p.A. towards its subsidiaries, Euro 7,906 thousand of which are given to investee companies in the Group's real-estate sector.
During the financial year, Euro 11,211 thousand of costs of Vittoria Assicurazioni towards its Associates were reported, mainly due to commissions paid to the Group's insurance brokerage companies. As at 31 December 2020, there were Euro 10,689 thousand of receivables from these companies.

A.1.9 Other relevant information

Nothing to be reported.

A.2 Underwriting performance

Vittoria Assicurazioni Spa is the sole Insurance Company belonging to Vittoria Assicurazioni Group. Hence, the performance reported below solely refers to Vittoria Assicurazioni S.p.A.. Below is the information relating to performance as at 31 December 2020, compared to the figures of the previous period.

(€/000)

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

With reference to the Non-Life Business, the Company carries out accepted quota share reinsurance activity, whose performance as at 31 December 2020 is positive for Euro 54 thousand (Euro 58 thousand as at 31 December 2019).
The table below shows the geographical split of the premiums relating to direct business, detected according to the location of the agencies.

(€/000)

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

A.3 Investment performance

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

(€/000)

Investment performance	Total net income 31/12/20	Total net income 31/12/19	Change
Investments (other than assets held for index-linked and unit-linked contracts)			
Property (other than for own use)	(489)	(4.674)	4.185
Holdings in related undertakings, including participations	(1.417)	1.086	(2.503)
Equities			
-Equities — listed	0	566	(566)
-Equities — unlisted	16	(3.839)	3.855
Bonds			
-Government Bonds	34.891	27.885	7.006
-Corporate Bonds	11.326	9.265	2.061
-Structured notes	0	106	(106)
Collective Investments Undertakings	18.294	21.766	(3.472)
Deposits other than cash equivalents	8	8	(0)
Total Investments (other than assets held for index-linked and unit-linked contracts)	**62.629**	52.170	10.460

The asset classes are Solvency II and the net proceeds are assessed according to IAS/IFRS accounting principles.
Revenues refer to income relating to the period, such as coupons, dividends, gains on disposal or reimbursement, value re-adjustments and leasing instalments.
Costs refer to expenses directly and indirectly borne for the management of investments, expenses on disposal or reimbursement and value re-adjustments and the depreciation charge of real estate properties.
The results of the investments decrease from Euro 52.170 thousand to Euro 62.629 thousand, an increase of Euro 10.460 thousand.
The result benefits from a disinvestment operation on Italian government bonds which resulted in realized profits of Euro 11.530 thousand.

A.4 Performance from other activities

Yafa S.p.A. carries out exclusively equity holding activity.

A.5 Other information

There is no information to be reported.

B. B. System of Governance

B.1 Overall information on the system of governance

Yafa S.p.A. (hereinafter also “Yafa” or “Parent Company”) is the Parent Company of the Insurance Group named Vittoria Assicurazioni (hereinafter also “Group”), entered on IVASS Register of Insurance Groups under no. 008.

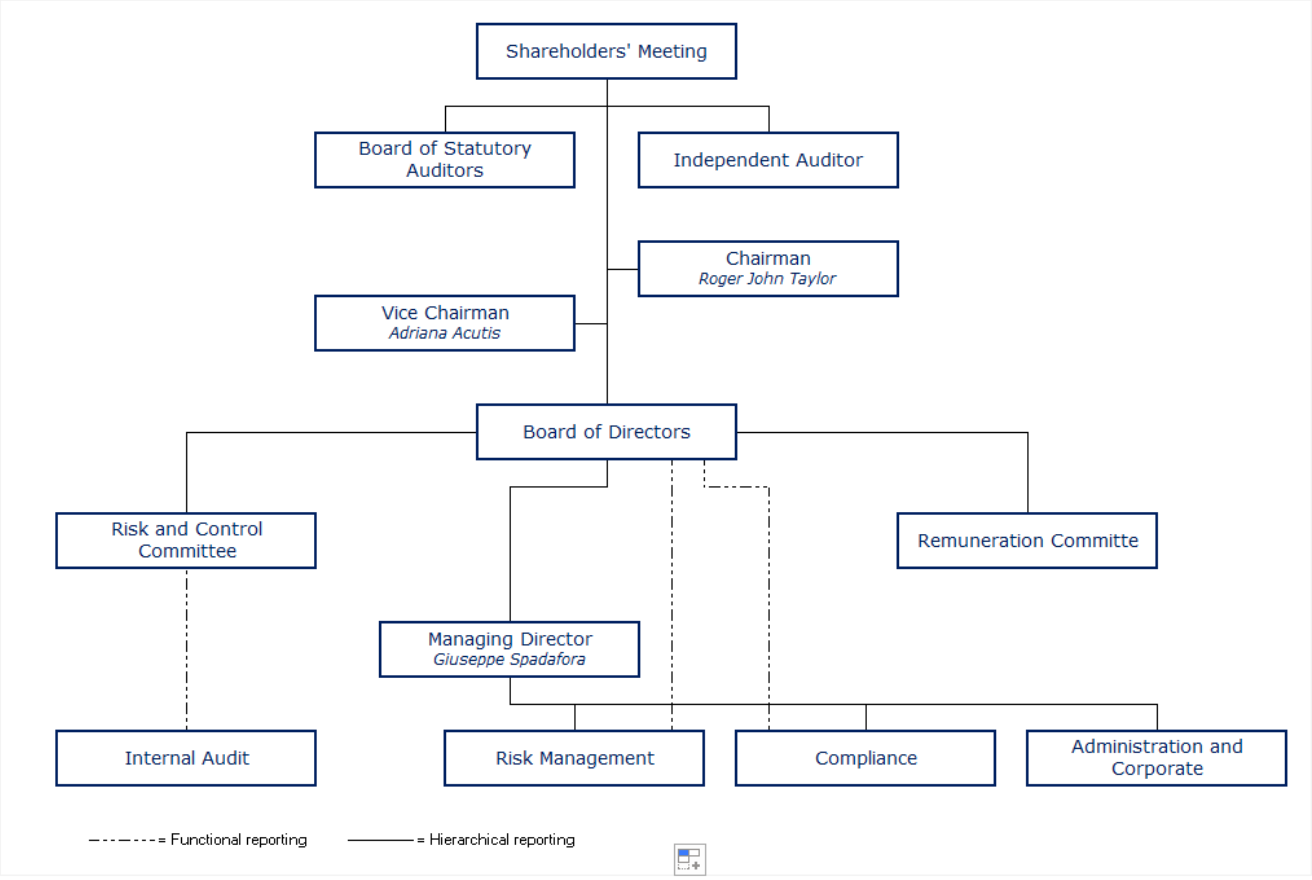
Within its activity of management and coordination, as Ultimate Italian Parent Undertaking, responsible for the enforcement of corporate governance provisions at Group level, it has adopted policies, regulations and guidelines that apply to Subsidiaries, including Vittoria Assicurazioni S.p.A. (hereinafter also “Vittoria”, “Company” or “Insurance Company”), and must be complied with in the definition of the corporate governance with the purpose of guaranteeing an adequate level of consistency and strategic, managing and operational control.

The scope subject to management and coordination of the Parent Company Yafa S.p.A. is identified in the Group’s Regulation, approved by the Board of Directors of Yafa S.p.A. on 13 February 2019, and provides for a differentiated management of the scope for intra-group coordination, by delegating to Vittoria Assicurazioni the management and coordination of its Subsidiaries and the adoption and maintenance of appropriate risk control and management measures, and to Yafa S.p.A. the direct direction and direct coordination of the other Subsidiaries.

The management and coordination activity of the Parent Company involves the administrative bodies, the Senior Management and the Group’s Key Functions, and provides for, in compliance with existing legislation, the adoption of structures, mechanisms, measures, procedures and information flows that allow following controls:

- strategic control on the development of the different business areas in which the Insurance Group operates and the related risks;
- management control, aimed at ensuring that the economic and financial stability is maintained, both in relation to each company and to the Insurance Group as a whole;
- an operational technical control aimed at assessing the different risk profiles applied by the Group to each subsidiary.

The governance structure of Yafa S.p.A. is summed up as follows:



Yafa S.p.A. adopts, as management and control system, the "traditional" pattern, characterized by the presence of a shareholder's meeting and of two elected bodies:

- the Board of Directors;
- the Board of Statutory Auditors.

The statutory audit is performed by an auditing firm entered on the register of statutory auditors.

In this system:

- the function of guidance and strategic supervision lies with the Board of Directors, which resolves on the strategic guidelines and constantly checks their implementation;
- the function of management lies with:
  - the Board of Directors, as for the assignments that are not expressly delegated to other bodies;
  - the delegated Board members, for assignments specifically conferred on them;
- the control function lies with the Board of Statutory Auditors, which oversees:
  - the compliance with rules and regulations on the principles of proper management.
  - the adequacy of the organisational structure of company within its purview, the internal control system and the administrative accounting system, as well as the reliability of the latter in providing a fair representation of operations.

The corporate governance system adopted by Yafa S.p.A. is "enhanced", as resulting from the self-assessment process carried out by the Board of Directors during FY2019, according to parameters set forth by IVASS Letter to the Market of 5 July 2018. The governance system of Yafa S.p.A. was deemed as adequate in the light of its nature, size and complexity of risks concerning the Parent Company's business, in lined with the governance requirements defined at Group level and in compliance with IVASS Regulation no. 38/2018.
The adoption of the enhanced regime, in particular, implies for Yafa S.p.A. that the Group's Key Functions are assigned to separate functions that are not members of the Board of Directors, the

Risk and Control Committee and the Remuneration Committee are established, and that the Chairman of the governing body is non-executive and with no management functions.

B.1.1 Roles and responsibilities of the governing, management or supervisory bodies and key functions - Structure and functions of the Board of Directors

Structure and functions of the Board of Directors

As at the date of approval of this Report, the Board of Directors of Yafa S.p.A. consists of 12 members, as shown in the table below, and will be in office till the Shareholders' Meeting for the approval of the financial statements relating to FY2020, scheduled for May 21, 2021. It should be noted that during 2020 the composition of the Board of Directors has not changed from the previous year. During 2020, 8 meetings have been held.

Composition of the Board of Directors of Yafa S.p.A.			Executive	Independent[1]	Risk and Control Committee	Remuneration Committee	BoD Vittoria Assicurazioni S.p.A.[2]
Surname	Name	Office					
Taylor	Roger John	Presidente					
Acutis	Adriana	Vice Presidente	X				X
Spadafora	Giuseppe	Amministratore Delegato	X				X
Acutis	Andrea	Consigliere					X
Acutis	Carlo	Consigliere	X				X
Argand	Luc Jean Edouard	Consigliere		X			
Brandolini d'Adda	Tiberto	Consigliere		X			
Gobbi	Luciano	Consigliere		X	X	X	X
Holsboer	Jan Hendrik	Consigliere		X			
Lenotti	Alessandro	Consigliere					
Paveri Fontana	Luca	Consigliere				X	X
Verdun di Cantogno	Gian Domenico	Consigliere			X		

1 - According to the criteria set forth by the Fit & Proper Policy and Art. 20 of the corporate Bylaws of Yafa S.p.A.

2 - Directors in common with the subsidiary Vittoria Assicurazioni S.p.A.

The Board of Directors, made up of members appointed by the Shareholders' Meeting, is vested with the broadest powers for the ordinary and extraordinary management of the Parent Company. Therefore, it may take all actions, including share sale actions, that are consistent with the corporate purposes, the sole exception being those expressly reserved to the Shareholders' Meeting.
Directors must meet the fit & proper requirements (professionalism, integrity and independence) as set forth by applicable rules and regulations, hold office for three financial years, till the date of approval of the financial statements relating to their last financial year and they may be re-elected. At least one fourth of Directors must fulfil the independence requirement provided for by existing Bylaws.

The Board is, inter alia, responsible for the definition of the corporate governance system, is ultimately responsible for the internal control and risk management system, of which it assesses the adequacy and effectiveness on a regular basis, and ensures that the internal control and risk management system is suitable to pursue the following objectives:

- efficiency and effectiveness of corporate processes,
- identification, current and forward-looking assessment, the management and the adequate risk control, consistent with the strategic guidelines and the risk appetite of the Group even in the medium-long term,
- a timely reporting system of corporate information,
- reliable and accurate accounting and operational information,
- the safeguard of company assets in the medium-long term,
- compliance of the corporate business with existing rules and regulations, directives and corporate procedures.

Tasks and responsibilities of the Board of Directors in the definition of the corporate governance concern the following areas.

Strategic Area

The Board of Directors is responsible for:
- the definition of objectives and strategies in a medium-long run for the Parent Company and its subsidiaries, the approval of a three-year strategical plan which takes into account also the macro-economic and market contexts and enables to ensure the safeguard of assets,
- the approval of a three-year strategic Plan on the information and communication technology (hereinafter ICT Plan), including corporate cyber security,
- the decision regarding the operations that are strategically, economically or financially significant for the Group,
- the supervision over the management activities.

System of Governance

The Board of Directors, after preliminary examination by the Risk and Control Committee, defines and approves:
- the Group's General Regulation on Corporate Governance, the Governance Policies and the guidelines applicable to Subsidiaries, and it ensures its adjustment to the changes in the strategic objectives, the evolution of the corporate risks, the business continuity and external conditions, at least on an annual basis;
- the organizational structure of the Parent Company and the assignment of tasks and responsibilities, by ensuring that adequate decision-making processes are adopted and formalized, with an appropriate segregation of functions;
- the systems of delegations of powers and responsibilities, by checking the adequacy over time, by trying to avoid the excessive concentration of powers in one person and implementing instruments on checking the exercise of the delegated powers, by planning adequate emergency plans if it decides to retain the delegated powers.

Furthermore, the Board of Directors:
- ensures the presence of an adequate and efficient interaction, through information flows and coordination and collaboration procedures, among the Corporate Bodies, the Senior Management and the Key Functions, while guaranteeing the ongoing professional refresher;
- appoints, replaces and revokes, after preliminary examination by the Risk and Control Committee, the Holders of the Group's Key Functions (Internal Audit, Risk Management and Compliance), by approving the Functions' annual Plans;
- establishes other functions that may be useful for the supervision over the Group, including the function for data and information production;
- defines, on an annual basis, after examining the proposals of the Remuneration Committee, the general policies containing the guidelines for the remuneration of Directors and Relevant Personnel (including the Holders of the Group's Key Functions), by submitted them to the Shareholders' Meeting for approval;

- assesses, after hearing the Board of Statutory Auditors, the results submitted by the statutory auditor in any letter of recommendations and in the report on the key issues arisen during statutory audit;
- performs, at least once a year, an assessment on the functioning of the Board of Directors and its Committees, as well as on their size and composition;
- carries out, on an annual basis, an assessment on the functioning, size, composition of the Board itself and its Committees.

Internal Control and Risk Management

The Board of Directors has the responsibility to define strategies and guidelines on internal control and risk management and to ensure the adequacy and maintenance over time, in terms of completeness, functionality and efficiency. To this end, the Board of Directors:

- identifies the types of risk that are relevant for and compatible with the strategic objectives of the Group in terms of medium-long term sustainability, and determines the risk appetite of the Group in line with the objective of safeguarding the assets, by setting the levels of risk tolerance and reviewing them at least once a year, in order to ensure their efficiency over time;
- defines the guidelines of the internal control system and risk management, so that the main risks relating to the Parent Company and its subsidiaries are properly identified, as well as adequately measured, managed and monitored, in order to determine the appropriate level of own funds and degree of compatibility of these risks with a management of the that is consistent with the strategic objectives identified;
- approves suitable policies on internal control and risk management, including the environmental and social risks, generated and incurred, by checking its efficiency on an annual basis. Policies include, but are not limited to, the governance policy, which includes the profiles of data quality and cyber security whose measures are integral part of the ICT Strategic Plan and the Contingency Plan.

Board Committees

In order to strengthen the governance structure and the decision-making process, the Board of Directors established specific internal Board Committees with consulting, proposing and inquiry functions, by defining the relevant tasks and a specific Regulation has been prepared for each of these.

In particular, the Board of Directors has established the Remuneration Committee and the Risk and Control Committee, whose term of office of the members of each Committee expires when the term of office of the Board of Directors expires.
Both Committees are made up of two non-executive Directors, and the Chairman is independent.

Risk and Control Committee

The main function of the Risk and Control Committee is to support the Administrative Body in determining the guidelines of the internal control and risk management system, in regularly checking its adequacy and effectiveness and in identifying and managing the corporate risks. It also performs fact-finding surveys.
During 2020, 7 meetings of the Committee have been held.

Remuneration Committee

The Remuneration Committee acts to efficiently define and monitor the Remuneration Policies for a sound and prudent management of the company, in line with the risk appetite and related tolerance thresholds. It has advisory and fact-finding functions to determine the remuneration of Directors holding special offices and the Remuneration Policies for the Relevant Personnel. During 2020, 2 meetings of the Committee have been held.

Board of Statutory Auditors

The Board of Statutory Auditors was appointed by the Shareholders' Meeting on 24 May 2019 and is made up of three standing auditors, including one Chairman, and two substitute auditors. The members of the Board of Statutory Auditors hold office three years, and till the date of approval of the 2021 financial statements.
Below is the composition of the Board of Statutory Auditors of Yafa S.p.A..

Composition of the Board of Statutory Auditors of Yafa S.p.A.		
Surname	**Name**	**Office**
Maritano	Giovanni	Chairman
Cottino	Emanuele	Standing Auditor
Ferrino	Giorgio	Standing Auditor
Bava	Alberto	Substitute Auditor
Rosso	Piero	Substitute Auditor

The Board of Statutory Auditors ensures that the operations implemented by the Company comply with the rules and regulations and may not be in potential conflict of interest or manifestly imprudent and, if necessary, inform the Board of Directors.
The Board of Statutory Auditors participates in the meetings of the Board of Directors. In addition, it participates in the meetings of the Risk and Control Committee with the internal control parties (Group's Compliance, Group's Risk Management, Group's Internal Audit, Independent Auditor)) and has the task of getting regular information on the operating performance, checking the legitimacy of conducts and resolutions of the directors with the law and the By-Laws, monitoring the adequacy of the governing structure and the adequacy of the internal control system..

Independent Auditor

The independent auditor is Deloitte & Touche S.p.A., on appointment granted by the Shareholders' Meeting held on 26 May 2016 for the period 2016-2020, till the approval of the financial statements as at 31 December 2020.
A new Auditing Firm will be appointed at the ordinary meeting of the Shareholders' Meeting scheduled for May 21, 2021.

Senior Management

The Senior Management of the Parent Company coincides with the Managing Director; as at the date of this Report, it should be noted that there are no other Executives with strategic responsibilities.

Key Functions

Yafa has established the following Key Functions of the Group: Internal Audit, Compliance and Risk Management.
Given the presence of one undertaking within the Group carrying out the insurance activity and having its own Actuarial Function, Yafa S.p.A. deems that the establishment of this Function of Group may be derogated, placing all activities related to technical-actuarial issues and relations with the Company's Actuarial Function in charge of the Group Risk Management.

Specifically, the main objective of the Group's Key Functions are summed up as follows:

- the Group's Internal Audit Function assists the Board of Directors, the Risk and Control Committee and the entire organization in pursuing the goals defined via a professional and systematic approach that creates added value whilst aiming to assess and improve risk management processes, internal auditing and corporate governance;

- the Group's Risk Management Function ensures the application and verification of a system to take, assess and manage the risks of the Group in line with strategies, policies and risk appetite defined by the Group;
- the Group's Compliance Function ensures the Group's ongoing compliance with the applicable regulations, both external (first and second level supranational and national regulations, provisions of the competent Supervisory Authorities with particular reference to those applicable to the activities carried out by the Group) and self-regulatory (articles of association, codes of ethics and conduct, internal policies, organisational procedures, etc.), preventing the risk of incurring sanctions, financial losses and reputational damage, thus contributing to the creation of value and safeguarding the Group's assets. The Holder of the Function is also assigned the role of Group's reporting on the anti-money laundering of the Anti-Money Laundering Function, and the role of Group's reporting on personal data protection of the Privacy Function, established in Vittoria Assicurazioni S.p.A..

The so-called "Relevant Personnel" has been identified, taking into account the current structure and the activity performed by the Parent Company, the level of responsibility of the staff, their activity performed, delegations conferred upon them and the possibility of taking risk positions. It should be noted that, in the identification of the Relevant Personnel, the Board of Directors has identified, besides the Senior Management and Heolder of the Group's Key Functions, the Head of the Administration and Corporate Function, as "person in charge of the production of data and information that are useful for the exercise of the supervision as required by Articles 215-bis of the "Code of Private Insurance Companies" and as "contact person under IVASS Regulation no. 33 of 6 December 2016 concerning public disclosure and reporting to IVASS", as well as the role of sole contact point.

B.1.2 Significant changes in the governance system introduced in the relevant period

Below are the relevant changes made to the Governance system during 2020.
With resolution of the Board of Directors of 24 September 2020, after preliminary examination by the Risk and Control Committee, the following should be reported:

- the appointment of the new Holder of the Group Compliance Function, Mr. Alberto Giani, in force since 1 October 2020, replacing Mrs. Chiara Regattieri;
- Yafa Compliance Function is reassigned the role of Group reporting of the Privacy Function and Data Protection Officer (RPD/DPO) established in Vittoria Assicurazioni S.p.A., as well as the role of the Anti-Money Laundering Function and re-confirmed the tasks under Article 23 of IVASS Regulation no. 44/2019, for the whole Group;
- approval of the organizational chart, containing the new organizational structure with effect from 1 October 2020.

B.1.3 Information on the remuneration policy and practices

Principles of the Remuneration Policy

Yafa S.p.A. adopts, for itself and for the Group companies, remuneration and incentive-based policies and practices oriented to a sound and prudent risk management, in line with the strategic objectives of ongoing balanced growth, profitability and prominent position in the relevant markets in the long run, in order to safeguard the corporate assets, the regulatory capital requirements and the adequate solvency levels in a medium-long run, and in order to strengthen the protection of stakeholders, including the policyholders, and the stability of the market.
The Policy provides for:

- the guidelines of the Remuneration Policies, and the related incentive plans, which the Group shall comply with,
- the general Guidelines which determine the remuneration of Directors and other top-level subjects of the Parent Company and Group companies,
- guidance criteria to be used to determine the variable component of the remuneration, if any,

- principles and criteria needed to ensure compliance with law, the proper implementation and overall consistency of Group's remuneration policies and practices and related incentive plans,
- the remuneration system of Yafa S.p.A., including the governance which regulates roles and tasks of the different decision-makers that determine the remuneration policies.

All decision-making processes relating to the Group's Remuneration Policies are formalized and structured to avoid potential conflicts of interest between the Parent Company and the recipients of the same.

The Group's Remuneration Policies are defined and regularly reviewed by the Board of Directors, for their approval by the Shareholders' ordinary meeting, that is responsible for its proper application. In the definition of the Policies, the Board of Directors avails itself of the support of the Remuneration Committee and involves the Group's Key Functions.

The Board of Directors of Yafa confers on the Managing Director the task of overseeing the proper application of the Guidelines, carrying out the periodic checks, as well as monitoring, for all the Group's companies, the proper definition of the Guidelines and the compliance with the principles set, taking into account the criteria of proportionality and organizational and operational features of the individual companies of the Group. Given the nature of the parent company, no variable remuneration is provided for Directors, employees and collaborators of Yafa, by laying down only a fixed component, benefits and any compensation and agreements previously agreed upon in case of early termination of the employment relationship.

The remuneration of the Directors of the Parent Company and the Group's is commensurate with the responsibilities and tasks assigned to the individual Director, and established on the basis of the following allocation of skills, in compliance with existing rules and regulations:

- the total fixed compensation for the Board of Directors is set by the Ordinary Shareholders' Meeting;
- the fixed remuneration of Chairmen, Vice Chairmen and Directors with executive delegations, as well as Directors with specific duties is determined by the Board of Directors after hearing the opinion of the Board of Statutory Auditors;
- the incentive plans, in cash and/or financial instruments, are defined and implemented by the Board of Directors, within the limits of the Remuneration Policy approved by the Ordinary Shareholders' Meeting;
- if the remuneration of the directors with executive delegations provides for the recognition of a variable component, a proper balancing between the fixed component and the variable component is ensured, and there are maximum limits for the variable component; in particular, fixed and variable components are balanced in such a way that the fixed or guaranteed component is a properly high share of total remuneration. Results are measured over an adequate preferably multi-year term;
- for directors with no executive delegations no variable components are provided for in the remuneration scheme in addition to the provision of any attendance fees resolved by each company of the Group. In exceptional cases where this variable component is provided for, it is adequately justified and is anyway a significant part of the remuneration. A liability insurance policy (D&O Policy) is provided for all Directors.

The Board members are entitled to reimbursement of expenses incurred in the performance of their duties; no attendance fees are provided for.

Remuneration of the Board of Statutory Auditors and the Supervisory Body

The annual remuneration of the Parent Company's Board of Statutory Auditors and of the individual companies of the Group's Board of Statutory Auditors is established, according to law and By-Laws, by the Shareholders' Meeting upon appointment and for the entire term of office. The remuneration of the members of the Supervisory Body, where appointed, is set by the Board of Directors upon appointment. . Statutory Auditors are entitled to reimbursement of costs

incurred in for the performance of their duties and no variable remuneration is contemplated for the Statutory Auditors. The Shareholders' Meeting may resolve on an increased compensation to the Chairman of the Statutory Auditors based on his role.

Remuneration of the Relevant Personnel

The remuneration of the resources belonging to the Group's Key Functions and the Relevant Personnel is determined according to the position of remuneration on the relevant market (adjusted to the value of resources, their role and retention strategies).

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

No variable remuneration is provided for.

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

Members of the Senior Management and executives of the Company are recipients of a supplementary pension plan provided for by the National Regulatory and Financial Agreement for insurance company executives, accounting for 13% of the contractual remuneration minimum, supplemented by a further 3%.
No supplementary pension schemes are provided for the members of the administrative, management or supervisory bodies.
No early retirement schemes are provided for the members of the administrative, management or supervisory bodies, as well as for the holders of key functions.

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

There are no significant transactions to be reported.

B.2 Requirements of professionalism, integrity and independence

The Board of Directors of Yafa S.p.A. has approved the Fit & Proper Policy, in order to ensure that those performing governing, management and control functions, and the Relevant Personnel, have the professional qualifications, know-how and experiences needed for a sound and prudent management of the Insurance Company, as well as a good reputation and integrity and, if required, the independence requirement.
Checking that requirements are fulfilled is performed upon appointment and, where required by the guidelines, on an annual basis with reference to the following persons:

- Directors and Statutory Auditors,
- Holders of the Group's Key Functions included in the governance system: Internal Audit Function, Compliance Function, Risk Management Function,
- Higher-level personnel of the Key Functions,
- Bodies with Governing, Management and Control Functions, as well as Key Functions and Relevant Personnel of the Group Subsidiaries,
- Below are outlined the fit & proper requirements, that above persons are required to have, and that they do not have impediments and interlocking situations.

Requirements of professionalism

Professionalism is considered adequate when the person has professional qualifications, know-how and experience that are suitable to properly and efficiently fulfil the tasks arising from the corporate position, also with reference to the Group's Code of Ethics.
In particular, in relation to the role of Parent Company of an Insurance Group, the Directors and Statutory Auditors of Yafa S.p.A. must be chosen among persons that have accrued an overall experience of at least three years in the performance of qualified professional activities.
In addition to above requirements, the Statutory Auditors must meet the requirement of enrolment on the register of auditors.

Requirements of integrity

Notwithstanding the need of ensuring compliance with the integrity requirements under Ministerial Decree 220/2011, even with reference to the Group's Code of Ethics, there must be no impediments as per aforementioned Decree.
The impediment does not occur in the event that the Board of Directors of Yafa S.p.A. assesses, based on adequate evidence gathered and according to reasonableness and proportionality, that the person concerned was not involved in the facts leading to that situation.
Finally, the persons under the conditions set forth by Article 2399 of the Italian Civil Code cannot hold the office of Statutory Auditor.
Given that Yafa S.p.A. is the Parent Company of the insurance Group to which Vittoria Assicurazioni belongs, pursuant to Article 36 of the Legislative Decree no. 201/2011 (the so-called interlocking), holders of offices in the governing, management and control bodies, and top-level managers of the Company are not allowed to hold or exercise similar offices in undertakings or groups of undertakings operating in the credit, insurance and financial markets that are competitors, operating in the same product and geographical markets, of Vittoria Assicurazioni. The prohibition of the accumulation of offices does not apply to undertakings that belong to the same group. Offices held in foreign companies do not fall within this prohibition. Verification is carried out also with regard to the dimensional relevance threshold of the intermediaries involved, updated with Communication of 21 December 2018 Bank of Italy, Consob and IVASS, in agreement with AGCM.

Requirement of independence

The requirement of independence is assessed according to Article 6 of the Ministerial Decree 220/2001 and is based on the criteria identified by Article 20 of corporate Bylaws.
Specifically, Yafa S.p.A. considers it appropriate that at least one fourth of the directors are independent according to the criteria identified also under IVASS Regulation 38/2018.
If a director has been on the Board of Directors of Yafa S.p.A. even for more than 9 years, this is not considered as an obstacle to the independence.
Above Policy provides for the requirements of integrity for the Holders of the Key Functions and the Relevant Personnel with reference to what is set forth by the Decree of the Minister for Economic Development no. 220 of 11 November 2011, as well as the requirements of professionalism and independence.

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

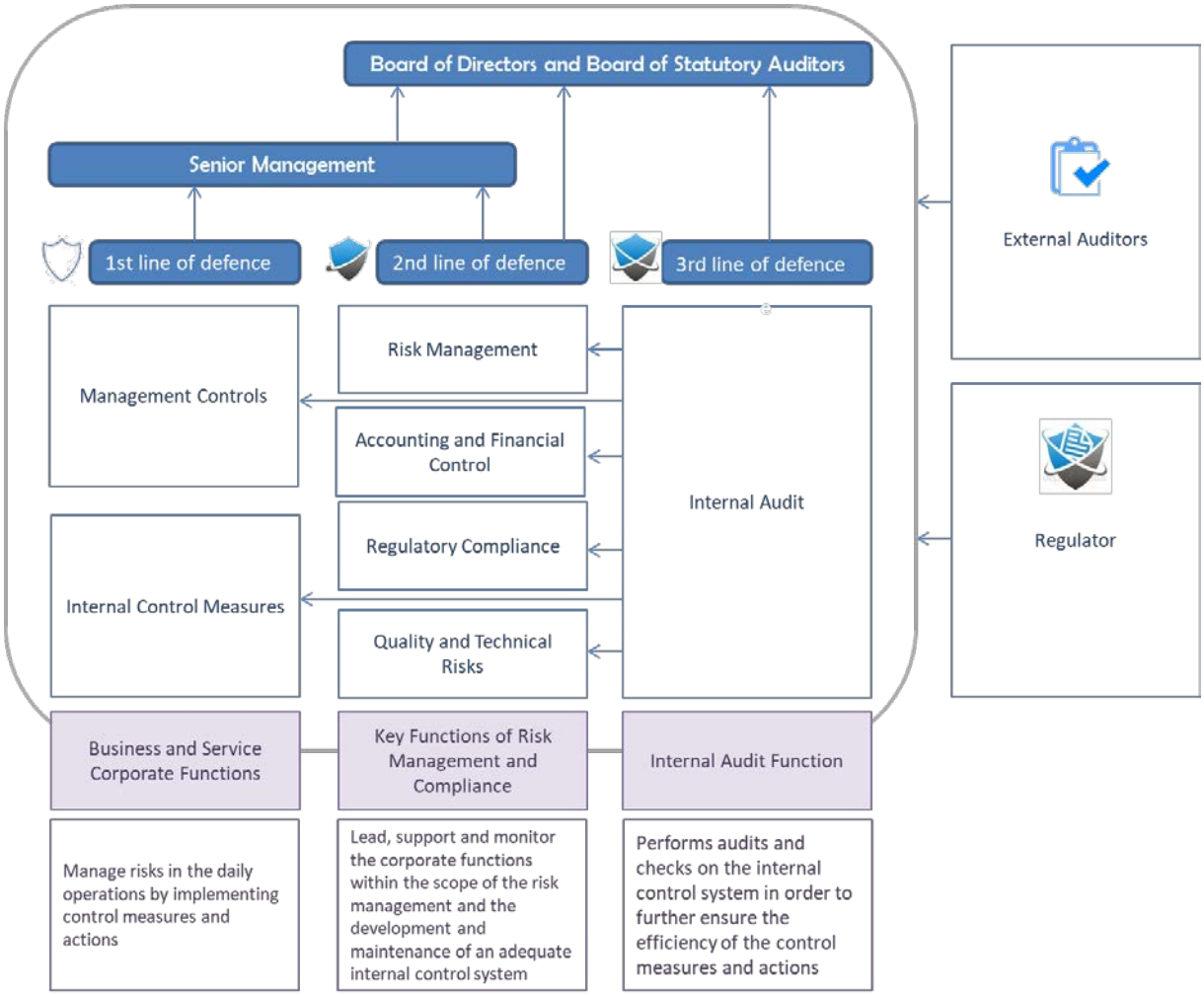
The corporate governance system rules how the Parent Company is governed and controlled. Essential elements of the corporate governance system are therefore made up of the risk management system and the internal control system.
The Parent Company has properly adopted, and maintains, on a continuous basis, these systems in order to fulfil its commitments towards its policyholders and beneficiaries, as well as their counterparties, and to pursue the strategic objectives in the long run and in accordance with the rules and regulations currently in force.

The risk management system adopted by the Parent Company complies with the following general principles:

- spreading of the risk culture within the Parent Company by leveraging synergies, best practices and specific expertise,
- accountability, delegation and control, in the risk management and treatment, to the operational functions by disseminating the governance policies to all levels,
- timeliness in the identification and control of risks, including the environmental and social risks,
- independence and segregation of Key Functions from operational functions to monitor the corporate risks.

B.3.1 Group Risk Management Process

The Group's Risk Management Function, within the scope of the Group's corporate governance system, deals with the implementation and monitoring of the risk management system, based on a thorough view of all risks which the Group is or may be exposed to.
The Board of Directors has defined the principles and features of the risk management and internal control system, by regulating its purposes, structure, roles and responsibilities.
Within these systems, the corporate bodies and corporate functions operate according to the well-known organizational model based on three defence lines.



In brief, the risk management system is:

- based on the joint activity of the following parties: Board of Directors, Risk and Control Committee, Board of Statutory Auditors, Risk Management Function, Compliance Function;

- made up of the set of principles, guidelines and lines of conduct, rules and processes and resources (human, technological and organizational) and instruments to support the strategy of risk management defined by the Parent Company's Board of Directors, which includes the risk appetite, preferences and objectives.

Hence, with reference to the risk management system:

- The Board of Directors, with the support of the Risk and Control Committee, and the Board of Statutory Auditors, each within their purview and responsibilities under chapter "B.1 - General information on the governance system", ensure their adequacy and effective functioning and ensure that the risks, which the Parent Company, also through its subsidiaries, is or may be exposed to, are identified, adequately managed, monitored and communicated, also through thresholds such as those measuring the level of risk/performance,
- The business and service corporate functions (first line of defence) performs checks in the daily operations, by notifying the Key Functions of the occurrence of events that may turn into criticalities,
- The Key Functions (second line of defence) monitor the risks and promote the development and maintenance of a system which enables an adequate understanding of the nature and significance of risks and an holistic approach to the risk management, as integral part of the business management,
- The Internal Audit Function carries out internal audit controls (III level of defence) in order to monitor and assess the efficiency and effectiveness of the system of internal controls and the need for its adjustment, also through activities of support and advice to other corporate functions.

The Board of Directors ensures that all corporate levels are aware of and adopt the directives referred to the risk management system by guaranteeing the dissemination, at all levels, of the Group's general regulation on the corporate governance and ensuring, through the Senior Management, that they are supported by a suitable system of information flows and procedures. It also ensures that the risk appetite document[1] and the own risk and solvency assessment report are disclosed to the staff at the appropriate hierarchical and decision-making levels.

The abovementioned Policies issued by the Board envisage any relevant aspect of business and corporate risk. Each policy describes the purpose and scope, rules the principles, provides an overview of the measures of the risk management and internal control system and recalls the organizational and operational documents adopted where the implementation procedures are governed. They also recall the Group's General Regulation on Corporate Governance, which regulates roles and responsibilities of the bodies and functions concerned and the coordination procedures among parties involved, including the information flows.

These flows provide for the top-down approach with respect to the communications from the Board of Directors, the bottom-up approach with regard to the information to the Board of Directors, a cross-cutting approach among the different corporate and intra-group functions with particular reference to the information flows to the parent company.

The process of risk management adopted by the Parent Company is performed on an ongoing basis, to take account both of the changes in the nature and size of the business and market environment, both in the occurrence of new risks or change of the existing ones. The process, which reflects the market standards on the matter, consists of (i) risk identification and mapping, (ii) assessment of exposure to risks, (iii) monitoring and control, (iv) risk treatment and (v) information management.
Each corporate function is called to notify any circumstances or the occurrence of events that may turn into criticalities (i.e. risks at individual level).
The Risk Management Key Function carries out or oversees the more comprehensive process that leads the Risk Management Function to a risk management at aggregate level and to the determination of the Solvency Capital, i.e. the amount of own funds that the Parent Company

[1] i.e. The *Risk Appetite Statement:* rules the preferences and level of risk that the Parent Company is willing to take for the attainment of its strategic objectives.

must hold, for regulatory purposes and capital strength, to cover the risks arising from the business.

Integral part of the risk management system adopted by the Parent Company is the system of the risk targets, implemented in close connection to the Mission, the multi-year strategic plan, the Business Plan, the forward-looking risk profile, the asset and financial management and the business and organizational model of the Parent Company. The risk appetite is incorporated, in a structured manner, into the corporate processes as a component needed for the risk strategic management.
The objectives of quantitative risk and the thresholds measuring their level of achievement are formalized within the scope of the risk appetite framework. The risk appetite defines also the qualitative and monitoring objectives with particular reference to the types of risk, that by their very nature and features, may be difficult to quantify and are not covered by the capital requirements laid down by law: risk of non-compliance with standards, and related reputational risk.
In particular, the adopted thresholds are referred to risk measures, return measures and risk drivers. In this regard, the target values or the value range desired, the tolerance range and the maximum limits are set. Within the scope of monitoring, any occurrence of undesired values is managed by way of the process for the definition of recovery actions which provides for an escalation according to the severity of the violation.

Also, in this respect, the risk management system addresses the planning and the strategic choices, supports the decision-making processes and guides the organizational and operational aspects - and so it is the trait-d'union between the Bodies with governing, management and control functions and the business units.
Indeed,

- the holder of the Group's Key Function participates in the meetings of the Risk and Control Committee meetings,
- those performing the Group's Key Functions are involved in the business processes in order to provide assessments and provide opinions, including, but not limited to:
  - the prior assessment of the Group's Risk Management Function with reference to the asset allocation, projects for acquisition of equity investments and designing of new products, also in terms of solvency requirements,
  - assessments performed and the support provided by the Group's Compliance Function with particular reference to compliance with primary and secondary rules directly applicable to the Parent Company.

B.3.2 Own Risk and Solvency Assessment

The process of current and forward-looking risk assessment of the Group is outlined in the Group's Risk and Solvency Assessment Policy, which lays down principles and guidelines aimed at defining methods supporting the evaluation identification and development of methods, patterns and scenarios of solvency assessment.
The Parent Company, thanks to processes of own risk and solvency assessment, ensures compliance of operations with agreed corporate objectives, understands and governs the risks which the Group is or may be exposed to, and the current and forward-looking solvency position.
By issuing the Policy on that matter, the Board of Directors has defined the methodological principles, the lines of conduct and the macro-processes aimed at assessing the overall solvency requirements and the ability of the Parent Company to fulfil, on an ongoing basis, and given the medium and long-term strategic planning, the mandatory capital requirements and the requirements concerning the technical provisions.
In defining the principles and responsibilities, the Policy has the purpose of establishing a risk management that allows to preserve the stability and solvency, also in extreme stress conditions.
These principles refer to:

- integration of the own risk and solvency assessment in the process for the analysis of the business strategy. The assessment is, in fact, an instrument of risk and capital management strategic planning;

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

The methodology adopted is referred to:

- the current and forward-looking risk and solvency assessment, with reference to:
  - the quantitative assessment that is compliant with Solvency II regime (for insurance, market, credit and operational risks),
  - the quantitative assessment that is closest to the Group's actual risk profile,
  - the use of stress tests and scenario analyses, what-if and sensitivity,
  - the qualitative analysis used, for example, in the assessment of risks of non-compliance with standards (and the potential related reputational risk) and the liquidity risk,
  - the processes for monitoring the risks, also through checking the risk and performance indicators adopted, as well as the solvency indicator.
- the ongoing assessment of compliance with capital requirements and requirements relating to technical provisions (the so-called ORSA second assessment),
- the analysis of the deviations from assumptions underlying the calculation of the Standard Formula (the so-called ORSA third assessment).

Prepared and documented by the Risk Management Function, the own risk and solvency assessment supports the identification and classification of risks which the Parent Company is or may be exposed to, and provides the Board of Directors with the elements aimed at determining what the significant risks are, i.e. those whose consequences may undermine the solvency of the Company or constitute a serious obstacle to the achievement of medium-long term objectives.

The overall assessment, performed on an annual basis, is assessed and commented by the Board of Directors and submitted to the Regulator. The assessment is repeated upon occurrence of sensitive changes concerning, for example, the macro-economic scenario or the market sectors where the Parent Company operates or invests or upon occurrence of significant changes in the portfolio. Assessments are also performed on a quarterly basis, mainly to constantly check the capital requirements and those relating to the technical provisions, following which, in case of significant deviations and, in any case, in case of criticalities, an appropriate information escalation is provided for to the Senior Management and the Board of Directors.

In particular, the Own Risk and Solvency Assessment:

- determines the plausibility of the strategic planning covering a three-year term,
- is the basis for the capital planning also for solvency purposes,
- supports the monitoring of thresholds which measure the level of achievement of risk targets.

B.4 Internal control system

B.4.1 Information on the main procedures provided for by the internal control system

The Internal Control System is aimed at ensuring the adequate control of current and forward-looking risks, the timely reporting system of corporate information, the reliable, complete and accurate accounting and operational information, as well as the compliance of the business with existing regulation, directives and corporate procedures. It contributes to the safeguard of company assets even in the medium-long term.
The Parent Company defines and implements the internal control and risk management system for itself and for the Group's companies based on a management and coordination process operated under Article 2497 et seq. of the Italian Civil Code and in accordance with industry-specific rules (IVASS Regulation no. 22/2016 and no. 38/2018).

The main managerial supervision tasks are performed through:

- a system of delegated powers,
- information on ongoing corporate and Group's projects of the Board, which will approve the ones with major impact on the internal control system,
- the approval of the most significant internal procedures, delegating to the different functions the task of regulating with handbooks and/or procedures all the corporate areas that are deemed to be sensitive and implementing the measures to ensure continuity and regularity of the activity performed, as well as developing emergency plans,
- the adoption of reporting procedures needed to identify, monitor, manage and report risks at aggregate level,
- the adoption of administrative and accounting procedures and of a proper system of information disclosure at Group level,
- the appointment of the Group's Holders of Internal Audit, Risk Management and Compliance Functions, the approval of related annual plans and any reviews, if significant,
- information by delegated bodies,
- the communication by Yafa S.p.A. to IVASS of any significant risk concentration at Group level,
- the adoption of organizational and administrative measures,
- the approval of documents relating to guidance, technical issues, risk management and monitoring which the corporate operativeness is usually exposed to.

The Board of Directors, with the support of the Managing Director who has the task of supervising the functioning of the internal control and risk management system, provides to define the rules of the Internal Control System. Vittoria Assicurazioni Group has adopted an internal system of policies of governance, reporting and management of risks and corporate processes, whereby roles and responsibilities of the structures involved are outlined.
The Board of Directors of the Parent Company defines the annual plan of issuance and revision of policies of the Group and the process flows. These policies include both the regulation applicable to the Parent Company and the management principles and criteria that are common to all Group's entities, according to their activities, to ensure also a governance and control and risk management system at Group level, with the following objectives:

- efficiency and effectiveness of the operational activities,
- the adequate control of current and forward-looking risks,
- a timely reporting system of corporate information,
- reliable, complete and accurate accounting and operational information,
- the safeguard of company assets even in the medium-long term,
- compliance of the activities with existing rules and regulations, directives and corporate procedures.

The internal control and risk management system is regularly subject to assessment and review, in relation to the progress of the corporate operations and relevant context.
In particular, the guidelines of the Internal Control System are subject to specific monitoring, with particular reference to their enforcement, and are reviewed, on a regular basis, in order to ensure their adequacy, efficiency and adjustment to regulatory, organizational or business changes.

The Parent Company ensures that the internal control and risk management system and the reporting procedures are implemented consistently in all undertakings belonging to the Group, by way of:

- integration mechanisms of the accounting systems, even to ensure reliable findings on a consolidated basis by the Parent Company,
- through the definition of adequate information flows, provision of reporting and accounting procedures to identify, quantify, monitor and control the operations among the entities of the Group,
- the activities of the Group's Key Functions, in order to ensure a sound and prudent management and avoid the implementation of operations that may produce effects for the Group solvency or other effects arising from the occurrence of the contagion risk or the concentration risk.

The relevant structure of the internal control system, outlined by the Board of Directors and adopted also at Group level, is made up, as stated before, of three different levels of operativeness and control responsibility.
The roles and responsibilities of the II and III level control functions are defined in the relevant Group's policies, approved by the Board of Directors, with preliminary examination by the Risk and Control Committee.

B 4.2 Compliance Function

Within the internal control and risk management system, the objective of the Compliance Function is to ensure the Group's ongoing the compliance of the Group and related activities, in order to prevent the risk of non-compliance - i.e. the risk of incurring legal or administrative sanctions, significant financial losses or reputational damage as a result of non-compliance with rules, regulations, European standards, directly applicable or orders from regulators or self-regulatory rules, such as bylaws, code of ethics or internal policies.
The Function hierarchically reports to the Managing Director of Yafa S.p.A. and functionally to the Board of Directors, to which he/she reports on issues relating to contents and organization of compliance activities, also through the Risk and Control Committee.

The responsibilities, tasks, operational procedures, nature and frequency of reports are defined in the "Group's Policy on the Compliance Function" and in the Annex 3 to the "General Regulation regarding Group Corporate Governance" approved by the Board of Directors.

The risk management of non-compliance and the operation of the Function consists of the following aspects:

- the process for risk identification is aimed at recognizing and identifying, on a continuous basis, the main applicable rules, by assessing their impact on corporate processes and procedures,
- the risk measurement and assessment are aimed at operatively assessing the adequacy and effectiveness of the organizational measures adopted for the non-compliance risk prevention,
- the identification of mitigation actions is aimed at assessing the efficiency of mitigation actions and organizational adjustments as a result of changes suggested;
- the continuous monitoring of risks implies the continuing evaluation of the good performance of the Compliance controls, aimed at promptly identifying risks of non-compliance and quantifying the significance and sustainability, and the follow-up of the effective and efficient implementation of the corrective organizational and procedural measures,
- the reporting provides for reports to be drawn up for the Board of Directors, the Risk and Control Committee, the Senior Management and the persons in charge of the operational departments on the evolution of the non-compliance risk and in order to ensure an overview of non-compliance and operational risks so as to avoid an overall adequacy assessment of the measures and the internal control system.

The activities of the Group's Compliance Function are performed according to a risk-based approach and based on an Compliance annual plan, submitted to the Risk and Control Committee, approved by the Board of Directors and drafted, in accordance with the proportionality principle, taking into account the nature, size, and complexity of Group's risks considered as a whole.
In order to ensure the prevention and/or mitigation of the risk of non-compliance with standards, in addition to annual reporting to the Board of Directors and Risk and Control Committee, the Compliance Function provides for the assessment on the adequacy and efficiency of the measures adopted by the Parent Company for the non-compliance risk management, and prepares appropriate information flows to the Senior Management and the corporate Functions aimed at:

- spreading the culture of control and compliance with rules, regulations and internal provisions;
- promptly informing with respect to the main criticalities on compliance with law and on the related risk mitigation plans.

B.5 Internal Audit Function

B.5.1 - Description of internal audits performed in the relevant period

The Board of Directors established the Internal Audit Function as third level control function and integral part of the internal control and risk management system, by specifying its role and responsibilities through a functional chart.
The Function is free from conditions that may compromise the objectivity in the performance of its activities, as it:

- does not have direct responsibility or authority over the areas subject to audit,
- is not involved in any operational activities that might be subject to audit,
- carries out audit activity on an autonomous initiative and is free to allocate the resources available and apply the most appropriate techniques for the attainment of the targets assigned,
- is free to make its own assessments, within the scope of the performance of activities assigned, by way of analyses that are thorough and anyway based on an impartial bias-free approach, while avoiding any conflict of interest.

In order to ensure autonomy and independence:

- the Function consists of a specific business unit;
- the Board of Directors resolves on the following items:
  - appointment and revocation of the Holder of the Function, after hearing the Board of Statutory Auditors and the Risk and Control Committee,
  - approval of the Function Policy,
  - remuneration of the Holder of the Function,
  - assignment of objectives and assessment of the performance of the Holder of the Function,
  - approval of the Function activity plan, resource plan and related budget.

The Board of Statutory Auditors checks the existence of the needed autonomy and independence and evaluates the effectiveness of its functionality.

The Holder of the Function:

- is appointed and revoked by the Board of Directors of Yafa S.p.A., after hearing the Board of Statutory Auditors and Risk and Control Committee;
- meets the fit & proper requirements defined in the related Group Policy;
- functionally reports to the Board of Directors, to which he/she reports on issues relating to contents and organization of his/her activities.

The Function staff adheres to the International Professional Practice Framework issued by the Institute of Internal Auditors and applies and promotes the Code of Ethics of the category. Furthermore, it complies with the principles of integrity, objectivity, confidentiality and expertise established by the aforementioned Code of Ethics and satisfies the fit & proper requirements defined in the related Group Policy.

Objectives and responsibilities

The main target assigned to the Function is to support the Board of Directors, Risk and Control Committee and the whole organization in pursuit of the objectives defined through a professional and systematic approach, as it is aimed at assessing and improving the risk management, internal control and corporate governance system processes.
The responsibilities of the Internal Audit Function, detailed objectives, tasks, powers and main activities of the Function are ruled in the Internal Audit Policy, reviewed, on an annual basis, by the Board of Directors of Yafa S.p.A., outlining the methodological principles of the audit activity and relations with corporate bodies and other functions.
Based on the tasks assigned by the primary legislation (see Article 30-quinquies of the Code of Private Insurance Companies) and in compliance with Article 91 of IVASS Regulation 38/2018, within the risk management system and the internal control system, the main responsibilities assigned to the Internal Audit Function are:

- maintaining an appropriate relationship with the Board of Directors and the Risk and Control Committee,
- monitoring and evaluating the functioning, efficiency and effectiveness of the internal control and risk management system, as well as the other components of the corporate governance system,
- identifying, monitoring and assessing any needs of adjustment of the internal control system, by also including support and advisory activities to corporate functions, assessing and verifying, in the context of the audit activities, the correctness of the management processes, the efficiency and effectiveness of organizational procedures, as well as the effectiveness of the controls carried out on any outsourced activities and functions, communicating the results and any dysfunctions and critical issues to the Administrative Body, Top Management and the Supervisory Body,
- communicating the findings of the area being audited to the head of the function concerned by the audit activity, verifying the implementation of the remedial actions decided by the Board of Directors with reference to the deficiencies detected and on the basis of the recommendations included in the audit reports,
- establishing a programme of quality assurance and improvement by which its audit activities can be assessed and professional growth promoted, by notifying the Board of Directors of elements that enable to evaluate future performance of the Function,
- promptly drafting reports on particularly relevant events,
- verifying annually the correct application of the Group Remuneration Policies, approved by the Shareholders' meeting,
- verifying and monitoring the consistent and continuous application of the Guidelines for directly controlled Companies and the compliance of conduct with the guidelines set by the Board of Directors,
- monitoring the effectiveness of the internal control and risk management system, through coordination mechanisms including with the other Key Functions of the Group and the Insurance Company which make it possible to verify the compliance of the Group's activities with corporate and Group directives and procedures,
- ensuring coordination with the corresponding Functions set up within the Group, maintaining a continuous information flow with the other Key Functions of the Group, in order to ensure, in coordination with the other Key Functions of the Group, an adequate approach to risk and control of management and a systematic evaluation process of the internal control system, while maintaining the independence of the Function,
- proposing the updating and contributing to the drafting of the content of the policies, for the areas within its competence, presenting the Activity Plan, at least once a year, to the Board of Directors,
- establishing, implementing and maintaining, on a continuous basis, the Audit Plan indicating the activities to be carried out, in the Parent Company and in the Group, in order to verify the operation and suitability of the system of internal controls and of the other components of the corporate governance system,
- submitting, at least once a year, to the Board of Directors the Report on the activities carried out in the framework of the Audit Plan, on the checks carried out, on the results

that emerged and on the critical issues detected, giving an account of the state of implementation of the relevant improvement measures, if any,
- reporting to the Risk and Control Committee every six months on the progress of the annual audit Plan and, after appropriate in-depth analysis, on any reports received from the Control Functions of Group companies.

The Internal Audit Function has the power to freely access, without limitations, all corporate functions, relevant documentation, information systems and recordings relating to the area audited, as well as to all information relevant for checking the adequacy of the controls performed. In the performance of its duties, the Function is also ensured the full collaboration of the heads of the different organizational units.

Implementation

The Holder of the Internal Audit Function defines and formalizes the planning of the Function activities through a Group Annual Plan. The Plan is defined through a method of risk assessment that includes emerging trends and risks, significant organizational changes and the main services, processes, operations, findings of the audit activities performed recently and the areas of focus on risks or controls. The audit plan is previously submitted to the Risk and Control Committee and approved by the Board of Directors and is brought to the attention of the Board of the Statutory Auditors.
The planned activities are performed in accordance with above plan and can be changed and supplemented, at the discretion of the Function Holder, by actions that may be required to meet new needs. Any significant changes in the Plan are subject to the Board of Directors for approval at the first meeting.

The Internal Audit Functions performs activities of assurance, aimed at assessing whether the processes of risk identification, assessment, management and control and governance of the Parent Company and Subsidiaries, as designed and implemented by the Management, are adequate and work properly. In the performance of this task, the Function also evaluates the activities of Compliance and Risk Management.
In particular, as required by Article 36, paragraph 1 of IVASS Regulation 38/2018, assurance actions include at least the verification of:
- the correctness of management processes and efficiency and effectiveness of the organizational procedures,
- the regularity and functionality of the information flows among company sectors,
- the adequacy of the information systems and their reliability so that information quality on which the senior management relies its decisions is not impaired,
- the adherence of the accounting administrative processes to correct and regular accounting procedures,
- the efficiency of the controls performed on the outsourced activities.

The Internal Audit Function checks the consistent enforcement by the Subsidiaries of the applicable corporate governance provisions and, by coordinating the internal audit activity in the Group, it carries out periodic controls vis-à-vis the Insurance Company also by way of the Internal Audit Function itself.

B.6 Actuarial Function

Yafa S.p.A. has deemed to derogate the establishment of an Actuarial Function, given the presence, within the Group, of one undertaking carrying out the insurance activity and having its own Actuarial Function, whose activity is reported and monitored by the Group's Risk Management Function.

B.7 Outsourcing

Yafa S.p.A. has adopted a Group's Policy on outsourcing with the aim of providing the Group with principles and guidelines to be adhered to with respect to the outsourcing of intra-group and extra-group activities and/or functions, by defining the general principles:

- proportionality and compliance with applicable regulation, according to the organizational and operational features of the companies involved,
- sound and prudent management, by adopting, implementing and keeping suitable measures aimed at contributing to the stability and functioning of the whole Group, including the measures of the risk management and internal control system and the management of the conflicts of interest,
- cost-effectiveness, efficiency, effectiveness and reliability of the organizational and productive structure of the company,
- quality and continuity of processes, by adopting stringent criteria for the selection of suppliers.

The following is also defined:

- the criteria for the identification of the activities to be outsourced,
- the criteria for the classification of activities as essential or important,
- the decision-making process to outsource corporate functions or activities, roles and responsibilities in this regard,
- the criteria for the selection of suppliers based on the principles of fairness and transparency,
- the minimum content of the outsourcing agreements and the procedures to be adopted for the assessment of the supplier performance level,
- internal information flows aimed at providing the control bodies and the Key Functions with full knowledge and handling of the risk factors relating to the outsourced activities,
- the guidelines to be followed in case of inadequate performance of the functions outsourced by the service providers, including those relating to the emergency plans and the exit strategies in cases of outsourcing of essential or important functions and activities,
- disclosure obligations towards the Regulator.

The selection for the outsource service provider represent a condition to outsourced guarantee adequate quality levels and to pursue cost-effective objectives.

In view of the adoption of the "enhanced" corporate governance system and consistent with the organizational solutions set forth by the Letter to the Market of 5 July 2018, neither Yafa, nor Vittoria Assicurazioni, make use of outsourced Key Functions. As at the date of this report, the Parent Company has not outsourced any essential and/or important activities and, after receiving suitable information, monitors, the activities outsourced by its direct subsidiaries and Vittoria Assicurazioni, whose outsourced essential and/or important activities are reported in Report of the Insurance Company, to which reference should be made.

B 8 Other information

There is no information to be reported.

C. Risk profile

The types of risk, to which the Group is exposed, are ascribable to the size of the Group itself, the activities performed, the specific regulations to which each entity is subject and the overall strategies of the Group. The Group's exposure to risk, including any exposure arising from off-balance sheet, is measured with the Standard Formula envisaged by Solvency II regulation.
It should be noted that the risks arising from the specific features and characteristics of the activities of the insurance business fall within the scope of Vittoria Assicurazioni S.p.A., while the rest of risks concern the scope of the whole Group.
As at 31 December 2020, there are no cases of risk transfer through securitization or other Special Purpose Vehicles at Group level.
The risk profile of Vittoria Assicurazioni Group as at 31 December 2020 is well represented by the modular structure of SCR, which enables to understand the significance of risks, as well as the benefits of diversification between modules and sub-modules of risk: this pattern is shown under chapter E.2 - Capital Management - Solvency Capital Requirement and Minimum Capital Requirement.

C.1 Underwriting risk

Underwriting risks come from the insurance activity performed by Vittoria Assicurazioni S.p.A. Capital absorption for the underwriting risk is referred to the possible unexpected losses both on the covered risks, and on processes used in the conduct of business.

Non-life health underwriting

Non-life health underwriting risks may depend on a non proper structure of pricing and reserving processes (pricing and reserving risk), for example, an inadequate estimate of the frequency and/or severity of claims; they may also depend on the occurrence of extreme or exceptional events (catastrophe risk) or on the particular influx of lapses by the policyholders (lapse risk).
The pricing risk comes from the possibility that premiums generated by existing contracts do not cover claims and expenses incurred or to be incurred, also in relation to very volatile and particularly expensive events.
The reserving risk arises from the uncertainty of the uncertain nature of claim payment. The so-called lapse risk, i.e. the risk of failed renewal of contracts, arises from the possible inadequacy of estimates concerning the assumptions of discontinuance of the portfolio or changes in the policyholders' behaviours.
Finally, the Catastrophe Risk identifies the risk linked to possible extreme or exceptional events such as natural catastrophes (storm, flood, pandemic, etc.) or artificial catastrophes (fire, terrorism, other events involving a place where there are many insured persons etc.).
The capital absorption is quantified by aggregating the three sub-modules Pricing and Reserving, Lapse and Catastrophe for Non-Life and Health.
Losses determined at sub-module take into account the mitigation provided by the passive reinsurance, where provided for by the Standard Formula.

Life underwriting

Underwriting risks are divided into biometric risks and operational risks. Biometric risks are linked to uncertainty of assumptions on mortality, longevity, morbidity and disability rates used in the process of valuation of insurance liabilities. Operational risks come from the uncertainty linked to expenses and contractual options, whereby the policyholders may reduce, suspend or partially lapse the insurance coverage.
The mortality risk is defined as the risk of loss arising from the increase in the mortality rates. This risk concerns all policies whose performance in case of death are higher than the relevant technical provisions.
The longevity risk is defined as the risk arising from the decrease in the mortality rates and is related to all policies which, de facto or in terms of options to be exercised, provide for the payment of periodical benefits as long as the insured person is alive.

Similarly, the disability/morbidity risk is defined as the risk linked to a possible increase in the disability and morbidity rates.
The lapse risk is the risk arising from options offered to the insured parties, whose exercise can change the future cash flows and therefore the technical provisions (termination, surrender, decrease, restriction or suspension of insurance covers, annuity appetite etc.).
The expense risk is related to the risk linked to the change in expenses resulting from the contract management.
Also, the Life business provides for the Catastrophe Risk. Specifically, this risk reflects a scenario where the mortality is subject to a strong immediate increase.
The capital absorption is quantified by aggregating the seven sub-modules Mortality, Longevity, Disability/Morbidity, Lapse, Expense, Revision[2] and Catastrophe.
Losses determined at sub-module take into account the mitigation provided by the passive reinsurance, where provided for by the Standard Formula.

Reinsurance

As the only insurance company of the Group, Vittoria Assicurazioni adopts a reinsurance policy, with the aim of preserving the balance as a whole and for each line of business.
Proportional or non-proportional reinsurance treaties are used according to the retention objectives set forth by relevant policy. Furthermore, the Company uses specific facultative reinsurance contracts to underwrite risks without quantitative and qualitative features falling within the reinsurance treaties.
The Reinsurance Policy of the subsidiary outlines the best criteria for the selection of the counterparties, by previously verifying the credit worthiness and checking any restrictions to procedures of balances settlement, as well as the maximum exposure to a single counterparty or group.
The verification of the efficiency of the risk mitigation performed through reinsurance is carried out when the annual plan of outward reinsurance and half-year changes is defined.

C.2 Market Risk

The main market risks to which the Group is exposed are interest rate risk, equity risk, real-estate risk, spread risk, currency risk, maturity mismatch risk.

Interest rate risk

The interest rate risk arises from adverse changes and volatility of the interest rates. The Group is exposed to the interest rate risk with regard to the bond portfolio and insurance currency liabilities with Best Estimate methods. After quantifying the basic BOF value as difference between Assets and Liabilities that are sensitive to the spreads, the capital absorption corresponds to the worst of the two changes in BOF occurring in two scenarios, where the value of Assets and Liabilities is re-calculated with a spread curve altered with upwards and downwards shocks.

Equity risk

The equity risk reflects possible adverse changes in the level and volatility of the market value of the financial and capital instruments adjusted for the asymmetry of equity prices. The Group is exposed to the equity risk relating to the equities and interests in listed and not listed companies, OICR units and mutual funds.
In the calculation of the capital absorption for the equity risk, the Group considers the “Transitional Measures” provided for by the EU regulation to limit increases in the volatility of the equity markets. In the calculation of the capital absorption for the equity risk, the Group considers the “Transitional Measures” provided for by the EU regulation to limit increases in the volatility of

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

the equity markets. These measures have enabled to reduce the capital absorption for all investments in capital instruments, including those present in the Funds, already held as at 1 January 2016. The capital absorption provided for the FY2016 was identified by applying a shock of 22% and this percentage is re-aligned to the ordinary shocks, including the Symmetric Adjustment, by 2023 with at least a linear progression.

Real-estate risk

The real-estate risk represents the possible adverse changes in the level and volatility of market prices of real estate. The Group is exposed to the real-estate risk with respect to land, property, property rights, held directly and direct or indirect investments in real-estate companies. These activities include also the real-estate property owned by the Group.

Spread risk

The spread risk reflects the possible adverse changes in the level and volatility of the credit spreads. The Group is exposed to the spread risk with respect to the bonds, financing, debt funds, non-residential mortgages, and loans. Financing to subsidiaries or associates is included in this type of risk. Government bonds, or anyway connected to them, are not included in this risk. The amount of the capital absorption is sensitive to the rating class of the debt and the duration of the securities concerned.

Exchange rate risk

The exchange rate risk arises from the adverse changes in the level and volatility of the exchange rates of the currencies, which affects the value of assets and liabilities of the Group. The exposure to the exchange rate risk is referred to the financial instruments and accounts in foreign currencies.

Concentration risk

The concentration risk measures the additional risks arising from investment portfolios that are particularly focused on some counterparties, by taking into account the significant exposures to the same counterparty or Group to which the counterparty belongs. To this end, activities considered in the spread, equity and real-estate risk sub-modules are examined, with exclusion of the investments in government bonds. In the light of the foregoing, the position on which the capital absorption as at 31 December 2020 was calculated, are made up of the investment in Yura International S.p.A., which is part of the equity investments.

Additional information

The “prudent person principle”, set forth by Article 132 of the Directive no. 138/2009 was implemented at governance level by adopting the specific policy for the management of the investments of the Group. Consistently with the overall Risk Management System and with the Risk Appetite, the specific objectives of the investments policy are:

- ensuring the capital solidity of the Company and the Group with particular focus on safety, quality, liquidity and profitability of the portfolio as a whole,
- giving preference to continuity of returns over time and in addition, in case of acquisition of investments, the Company can also consider any operational synergies it may benefit at Group level,
- defining the criteria for selecting the investments and related limits.

The Group’s investments portfolio is mainly made up of the investment in Vittoria Assicurazioni. As a result, the relevant sources of investment risk to which the Company and the Group are exposed essentially coincide with those reported to the Company. Guidelines are therefore outlined for the Insurance Company with information of the investment limit for the sources considered relevant.

In the pursuit of the objectives of an efficient and effective management of investments, the Group assesses the main external and internal factors that may impact on the capital stability and defines limits and instruments for monitoring the risks on the management of liquidity, integrated assets and liabilities management (ALM) and investments activities. Furthermore, given the nature of the investments of the Group, in order to manage and monitor the level of each source of risk deemed relevant, the Group defines specific limits to the concentration risk.
The risk absorption relating to the market risk is calculated by aggregating the sub-modules Equity, Real Estate, Spread, Currency, Interest Rate and Concentration.

C.3 Credit risk

The credit or default risk reflects the possible losses generated by an unexpected default or deterioration of the creditworthiness (rating), of the counterparties and Group's debtors.
The credit risk in the insurance sector is generated by different sources, i.e. events that may concern the specific management, insurance in narrow sense, and the financial management.

The capital absorption relating to the credit risk takes into account the different types of counterparties:

- Type 1 - counterparties, aggregated per Group, having a rating that enables to assess the probability of default (credits to insurance or reinsurance companies and balances on bank or post accounts).
- Type 2 - exposures in which the counterparty is without rating (policyholders, intermediaries, residential mortgage lending etc.).

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

C.4 Liquidity risk

The liquidity risk reflects possible losses arising from the difficulty of fulfilling the cash commitments, expected or unexpected, owed to counterparties. The risk arises mainly from the "Liquidity Mismatch Risk" (i.e. the mismatch between cash-flows in and the cash-flows out) or by the "Market Mismatch Risk" (the mismatch among flows may arise from an inadequate treasury management, such as the sale of assets at economic conditions and with timing that are not fair).
Specifically, the liquidity risk of the Group arises from:

- Management of insurance and reinsurance assets, in particular linked to the risk that the reinsurance contractual counterparty which the Company is exposed to cannot fulfil obligations entered into,
- Management of the debt financing, with the risk that the Company cannot fulfil existing obligations because of insufficient resources,
- Management of investments, including the liquidity risks connected to those assets that may potentially become illiquid and lead to unexpected losses from disinvestment.

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

C.5 Operational risk

The Operational Risk is defined as the risk of losses due to the inadequacy or dysfunction (shortcomings or errors) of internal processes, human errors or of systems or external events. Operational risks, inevitably included in the business, may arise from internal factors (inefficiency, inadequacy, internal fraud, etc.) or external factors (external fraud, outsourcer's activity, etc.).
Similarly, this sector includes the risks relating to non-compliance with law, reputational risks and contagion risk.
In compliance with the EU regulation, the Group determines the capital absorption relating to the operational risk according to the Standard Formula. Furthermore, analyses of potentially significant scenarios for the Group are performed.

C.6 Other material risks

Concentration Risk of the Group

The Concentration Risk is defined as the risk arising from exposures to the same party, groups of parties interconnected and parties of the same economic sector or performing the same business or belonging to the same geographical area (so-called "geo-sectorial" Concentration Risk).

The Group assesses and manages the risk concentration by considering:

- direct and indirect risk exposures of each company of the Group towards external counterparties that may cause losses so as to endanger the solvency and financial condition of the Group or substantially change the risk profile,
- the exposures are analysed within the context of individual risk factors or factors of risk closely connected to be included in the overall assessment of the risk profile of the Group,
- concentrations may arise in the assets, liabilities or off-balance sheet items of the Group.

The Parent Group identifies the significant risk concentrations, as under IVASS Regulation no. 30, in 5% of the Solvency Capital Requirement.

C.7 Other information

Both the Group and the Company carry out periodic assessments of stress tests by quantifying possible impacts due to the occurrence of adverse scenarios, caused by external phenomena or regulatory changes. Below is the list of scenarios used in the Group ORSA assessment, partly arising from EIOPA 2018 Stress Test:

- Persistency of very low interest rates ("Interest Rate Stress");
- Consistent increases in the interest rates and credit spreads on financial activities, with significant impact also on the bond, equity and real-estate markets, to which an increase in surrenders on Life Insurance Policies and an increase of claims for the Non-Life Business is associated;
- Assumption of increase in the frequency of MTPL claims for the next three financial years ("Non-Life Technical Stress");
- assumption of catastrophic event accompanied by default of the main reinsurer of the reinsurance program ("Natural Catastrophe Stress");
- assumption of deterioration of the Group strategy, with subsequent reduction in the premium income, costs and impact on the economic performance and on the investments of the Group in UK ("Strategic/Reputational Stress").

For each scenario, the Group assesses its impact and checks compliance with the limits set forth by the *Risk Appetite Framework* adopted.

D. Valuation for solvency purposes

General principles

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

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

In particular, these items were assessed according to the international accounting standards adopted by the Commission under Regulation (EC) no. 1606/2002, where compatible with Solvency II regulation.
No criteria of valuation have been used that are not allowed by Article 16 of the Delegated Acts.

As better described under paragraph A1.6 and A1.7 herein, consolidated assets and liabilities assessed according to Solvency II criteria, differ from corresponding IAS/IFRS values as at 31 December 2020, for the different valuation criteria, and also for the different area of consolidations considered for the purpose of calculating the Group solvency, compared to the one for the purposes of the drafting of consolidated financial statements.

Fair value hierarchy

In identifying the fair value levels, the following hierarchy was taken into account:

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

Factors for determining an active market are, in order:

c. Trading volume
d. Trading frequency
e. Market participants' willingness to trade the asset at market prices.

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

- **Market approach**, which uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or a group of assets and liabilities.
- **Income approach**, which converts future amounts, such as cash flows or income and expenses, to a single current amount. The fair value reflects current market expectations about these future amounts.
- **Cost approach or current replacement cost approach**, which reflects the amount that would be currently required to replace the service capacity of an asset. From the perspective of a market participant seller, the price that would be received for the asset is based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable quality adjusted for obsolescence.

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

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

Insofar as relevant observable inputs are not available, including situations of low activity of the market for the asset or liability as at the date of valuation, non-observable inputs are used that reflect the assumptions that the market operators would use to set the price of the asset or liability, including the assumptions on the risk.
The valuation can be performed internally or by relying on appraisals drawn up by external independent experts.
When making valuation of assets and liabilities, **separately for each class,** the Company applies the principle of **materiality** and **proportionality** of data, as set forth by the Delegated Acts.
The valuation is performed as a **going concern**.
Assets and liabilities of the group were aggregated in the different classifications provided for the Solvency II Regulation, given the nature and risks relating to each item. In particular, the plan of the consolidated financial statements, drawn up according to IAS/IFRS standards, was reviewed in order to identify the homogenous indicators based on the features of each item.

D.1 Assets

(€/000)

Assets	Consolidated value IAS/IFRS accounting standards	Differences in consolidation area	Reclassifications	Accounting policy differences	Consolidated value Solvency II
Goodwill	21.862	-	-	(21.862)	-
Intangible assets	12.082	(806)	-	(11.276)	-
Deferred tax assets	107.873	(1.256)	-	68.276	174.893
Property	731.075	(257.348)	-	95.774	569.501
Participations	173.127	22.310	-	99.738	295.175
Equities, Bonds and Other investments	3.410.031	0	-	-836	3.409.195
Assets held for index-linked and unit-linked contracts	113.796	-	-	-	113.796
Reinsurance recoverables	67.214	-	-	(18.778)	48.436
Receivables and other assets	587.115	(7.828)	(221.222)	2.571	360.636
Cash and cash equivalents	15.289	(4.199)	-	-	11.090
Total assets	**5.239.464**	**(249.127)**	**(221.222)**	**213.607**	**4.982.722**

Valuation method

A. Intangible assets

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

In the IAS/IFRS consolidated financial statements, the goodwill is measured at cost and is subject, on an annual basis, or more frequently in case of specific events or changed circumstances, to checks to identify any impairment in the value, as provided for by IAS 36 “Impairment of assets”. Deferred acquisition costs are accounted for by adopting the provisions set forth by the local accounting standards, as established by IFRS 4. The other intangible assets are recorded under assets, according to IAS 38.

B. Deferred tax assets

The item refers to tax assets detected in the balance sheet, supplemented with the tax effects relating to the differences arising from Solvency II valuations.
Differed taxes are due to:

- Temporary differences, i.e. mismatch between the moment when a component of expenses or income is entered in the balance sheet and the related taxability or deductibility,

- Differences between the values recognized for tax purposes and the book values ascribed to assets or liabilities in the balance sheet or the statement of assets and liabilities prepared with Solvency II accounting standards,
- Any benefits on previous tax losses.

Differed taxes are calculated according to tax rates in force in the financial year in which the reversal of differences is provided for, given the rules issued as at the date of drafting of the financial statements, and the specific tax regime applicable to the different items of the balance sheet.
The deferred tax assets are recorded to the extent that there is the reasonable assurance of adequate future taxable income in the years in which the deductible temporary differences come due.

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

- Within 1 year: 58.4%
- from 2 to 5 years: 33.0%
- over 5 years: 8.5%.

There are no unused tax losses or tax credits for which no deferred tax asset is found.

In the consolidated financial statements, this item includes assets relating to differed taxes, as defined and regulated by IAS 12.

C. Property

Assets included in this category are valued to fair value, according to alternative methods under the above fair value hierarchy. The valuation is mainly based on appraisals by external independent experts, based on financial variables, such as the discounting rate used (which includes the most recent market data and the capital cost) and on non-financial variables, such as rents, realized expectations and related timing, and by way of offers received by market operators. For the purposes of the consolidated financial statements, in compliance with IAS 16, the owner-occupied property is valued at the cost of purchase or production net of depreciation and write-downs. Costs are included where directly attributable to making the asset fit for use according to company requirements.
As provided for by IAS 36, at least on an annual basis, permanent value losses are checked by recognizing any excess of the carrying amount over the recoverable amount as an impairment loss.
Real-estate investments are stated at cost as required by IAS 40, by adopting the depreciation criterion as laid down by IAS 16.
The useful life considered for the purposes of amortization is between thirty and fifty years, according to the type of property.

The uncertainty factors in determining the market value of real-estate are mainly due to the accuracy in the estimate of future cash flows, in particular in assuming the sales values, lease rentals and the timeframe for the market to absorb the property to sell and rent, that are subject to assessment.
There are also financial variables such as the capitalization rates and actualization rates of future cash flows inferred from current average conditions of the economic and financial context of the capital market.
To mitigate the level of uncertainty, the independent assessor in charge of that, combines the capitalised-earned method with the comparative procedure, which consists of an analysis aimed at identifying properties recently sold and purchased or offered for sale on the market, comparable by type, construction and location. There are no significant deviations from the results of this comparison.

In compliance with IFRS 16 principle, the Property item also includes leased property and equipment, net of related depreciation fund. For this category of the asset, the principle provides for the accounting of an asset which represents the right of use of the leased asset. This item is valued according to provisions under the Article 75 of the Directive.

Plants and equipment reclassified under these items have been valued in compliance with Article 75 of the Directive.

D. Equity investments

The item includes the investments in unconsolidated subsidiaries, associates and joint ventures, i.e. holding directly or by way of control 20% or more of the voting rights or the share capital or a significant influence. For more details on shareholdings please refer to paragraph A.1.5.
The classification between subsidiaries and associates reflects the presence of control or significant influence on the investee companies, respectively.
As these investments are not listed, the value for Solvency II was determined by using the adjusted equity method (pursuant to Article 13 of the Delegated Acts), whereby the undertaking is required to value its investments based on the share of the excess of assets over liabilities of the investee company, by valuing each asset and liability recorded in the financial statements of the investee companies with Solvency II criteria.
For non-significant investments in associates, the valuations were performed under consideration of the proportionality principle.
The fair value of fund shares is represented by the NAV determined by the management company.

For the purposes of the financial statements pursuant to Article 95 of the Code, the subsidiary Yura International S.p.A. and the Pegasus Real Estate Fund were fully consolidated, while for the purposes of the calculation of Group solvency, it were consolidated with the equity method, as it is not held for the insurance activity.
In the consolidated financial statements, the item includes the equity investments other than those fully consolidated, valued at equity or at cost.
In determining the investment relationship, the definitions of control, significant influence and joint control were used.

E. Equities, bonds and other investments

Equities, bonds and investment funds **listed** are valued to the market price traded on active markets, of the last available trading day.
With particular reference to the Investment Funds, the Fair Value is represented by the value of the equity published as at the relevant date and, if not available, valued using the last value of equity available, including instalments or reimbursements issued in the relevant period.

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

- Unlisted equities: for unlisted capital equities, but for which transactions in liquid markets take place, the Fair Value is measured on the basis of prices of recent transactions.
- Unlisted bonds: in case of bonds unlisted on regulated markets, the Fair Value is measured alternatively as follows:
  - on the basis of prices of recent transactions, if transactions are carried out in liquid markets,
  - on the basis of the observation of the market prices of similar instruments,
  - using the cost net of any impairments cumulated for bonds of non-significant value.

In order to mitigate the impact of the main uncertainties, the Company checked that the securities available in the portfolio are traded in an active and liquid market.
Unlisted equity investments are mainly referred to shares held in the company Banca Passadore & C. S.p.A., equal to 0.2% of the total investments.

As for the stress tests adopted, please refer to chapter “B.3 - Risk management system, including the own risk and solvency assessment (ORSA)”.

For the purposes of the consolidated financial statements, bonds are valued at fair value or at depreciated cost according to relevant classification. The undertakings of collective investments (UCIs) are entered at fair value, represented by the value of share. Capital instruments are valued with the same criterion used for Solvency II purposes.

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

These investments are related to insurance policies with risk borne by the Life policyholders, both for the purposes of the consolidated financial statements and for Solvency II purposes, are valued at the price and exchange rate of the last of the last day of transaction.

G. Amounts recoverable from reinsurance

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

H. Receivables and other assets

These items are valued according to provisions under the Article 75 of the Directive.
In the consolidated financial statements, financing is valued at depreciated cost by using the criterion of the effective interest. Receivables are entered at their nominal value and, as at each reporting date, aligned with their estimated realizable value. This item includes the amounts to be recovered by Policyholders and third parties for claims payments on policies with "no claims bonus" clause, deductibles and subrogations, which for Solvency II purposes are reversed from the assets, as already included in the Best Estimate calculation (amounting to 26,549 thousand euro). In the consolidated financial statements, the item includes also the offsetting item of the obligations of the Parent Company and Vittoria Assicurazioni S.p.A. for payments destined for financing alternative investments in transactions of private equity, private debt and infrastructure funds.
The other assets of the consolidated financial statements include mainly accrued income and prepayments, referred to miscellaneous revenues and general expenses.

I. Cash and cash-equivalent

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

D.2 Technical provisions

D.2.1 Technical provisions: value for material asset area

There are no Group Annual QRTs on Life and Non-Life technical provisions.D.2.2 Technical provisions: main bases, methods and assumptions used for the solvency assessment.

Composition

Solvency II regulation provides that all items are reported on the balance sheet at the fair value. If the Technical Provisions can be replicated by financial instruments, they can be calculated as a Whole according to the market value of financial instruments used. For all other technical provisions, the Solvency II regulation provides that the market value is determined as the sum of **Best Estimate** and **Risk Margin**.
The **Best Estimate** is determined by the discounting of all expected cash outflows (net of cash inflows), without prudent elements provided for by the current local GAAP and supervisory regulation: ultimate cost (Claims Reserve), premium linear deferral (Premium reserve) and usage of prudential technical bases (Mathematical Reserve).
Discounting is carried out using risk-free rates and **Volatility Adjustment**.

The Best Estimate is not the market price to which obligations to policyholders could be transferred, insofar as, just because of the lack of prudency required for its calculation, the potential buyer of the liabilities would have the same probabilities (50%) to yield a profit or a loss from the settlement of acquired obligations.

For this reason, the Best Estimate is integrated by the Risk Margin that, in the context of transferring insurance liabilities, represents the "risk remuneration" required by the buyer in order to take the risk that the Best Estimate is insufficient.

The Risk Margin is equal to the remuneration of the Own Funds that the buyer of insurance liabilities must hold to cover the SCR needed till complete payment of the liabilities. The quantification method is defined as "Cost of Capital Cost" and the rate of return on capital is defined by the supervisory regulation.
The method applies also consistently with the reserves and reinsurance Recoverables.

Best Estimate

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

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

Claims reserve Direct Business (claims reported and IBNR - net of the ULAE (non-allocated expenses): for all Homogeneous Risk Groups (HRG) the Runoff triangles as at the observation date are analysed. For the HRGs including the risks with the longer runoff (and that are more sensitive to management changes and the uncertainty in the occurrence of phenomena), four deterministic estimate models have been implemented and supplemented (Chain Ladder Paid, Chain Ladder Incurred, Fisher Lange and Bornhuetter Ferguson), properly weighted. For all other HRGs, the models Chain Ladder Paid and Incurred models have been fuelled and analysed as at December 2019; the analyses performed on the settlement speed and the underlying management factors (such as any peak claims) showed that the models can be used for all HRGs; for some of them, more weight was given to the Chain Ladder Incurred than to Paid.
The resulting vector of flows was discounted to obtain the value of Best Estimate of this component.

Sums to be recovered from policyholders or others – direct business: for the more significant HRG, the estimate was made applying a percentage vector to the future payment flows estimated for the Claims Best Estimate and IBNR; the percentage, on each HRG, was chosen by comparing the historical arrays of payments with those of the recoveries carried out.

Open claims – indirect business: the amount, given the low value of this item, was estimated using the balance sheet amounts.

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

Non-Life Best Estimate: Claims and Recoveries, Direct and Indirect business, recoveries borne by Reinsurers:

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

Open claims (retroceded business): currently this item refers only to claims on guarantees on "Aviation hulls", included in the LoB 6 (Maritime, aeronautics and transport insurance), and is valued with the balance sheet data.

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

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

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

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

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

Premium reserve - indirect business and retroceded indirect business: for the indirect business, the corresponding balance sheet amount is used.

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

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

- premiums,
- recoveries arising from the reinsurance (performance and commissions).

Cash outflows include:

- benefits payable for death,
- payable for disability,
- payable for redemption,
- payable for surrender,
- payment for annuities,
- payment of coupons,
- administrative costs (commissions and costs directly linked to the management of the policies),
- payments to reinsurers.

Linked policies

As for the so-called Linked policies, whose benefits are linked to indexes or other financial instruments and the financial risk is borne by the policyholders, the Company has evaluated that the contractual forecast of cost application in case of surrender, the presence of management commissions commensurate to the share value, along with the management expenses, ensure that, for these types of policies, the valuation with the As a Whole method is not enough accurate. The Best Estimates of said policies benefits are calculated by using, as expected annual returns of the underlying assets, the implicit forward rates in the risk-free curve provided by EIOPA.

Counterparty default adjustment

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

Risk Margin

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

Calculation of Non-life Risk Margin

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

Calculation of the Life Risk Margin

The Life Risk Margin is calculated by adopting, among the different simplified methods proposed by EIOPA, the one that implies the constancy in the years to come of the ratio between SCRs (Life SCR and Life component of the Operational Risk) and the Best Estimate.
Based on this assumption, the SCR amount relating to the current portfolio at the end of each year of projection is estimated by applying said ratio to the Best Estimate calculated at that time. The sequence of future SCRs so set is therefore discounted with curve of risk-free rates and without volatility adjustment. The application of the capital cost of 6% to this amount results in the Risk Margin, which was assigned to the LOBs as a proportion of the related contribution to the Life SCR.

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

Non-Life

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

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

Life

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

D.2.4 Difference between Solvency II valuation and consolidated financial statements

Main bases, methods and assumptions used for the valuation for the purposes of consolidated financial statements – Qualitative differences

Technical provisions in the consolidated financial statements consist of:

Non-Life Business

Items	Valuation
Premium reserves	The premium reserves consist of: ▪ Pro-rata temporis reserves, determined by calculating, for each contract, based on recognized gross premiums net of direct acquisition costs, the part of relevant premium of the period after the end of the financial year, ▪ Reserves for ongoing risks, calculated by estimating the amount of any risk surplus provided for on the insurance policies in portfolio compared to the reserve for part of premium with future premiums, net of acquisition expenses, ▪ Integrative reserves established under the Italian regulations for some LoB or guarantees (suretyships, hail, natural disasters, nuclear hazards).
Claims reserves	The claims reserves represent the prudent valuation of compensations and settlement expenses estimated for claims occurred and not yet paid, wholly or partially, as of the date of the balance sheet date, based on all components forming the requirement for coverage of the claim's ultimate cost. "Ultimate cost" means the estimate of all foreseeable costs based on a prudent assessment of factual evidence (document examination) and forecasts (expected claims settlement time frame and related inflation rates), not discounted.
Other Non-Life Technical Reserves	The other technical reserves include the ageing reserve for health insurance accrued on policies that, in setting premiums, do not take into account changes in the policyholder's age and contain clauses that limit the Insurance Company's ability to withdraw. The estimate is based on a comparison between estimated cash inflows (premiums) connected to contracts and estimated cash outflows (claims and expenses), by setting aside 10% of gross premiums written on these contracts.
Equalization reserves	The equalization reserves are amounts of reserves provided for by the regulations in order to offset the fluctuations of the claims rate in the future years or to cover particular risks, and is set aside for contract of the Credit segment and for risks of natural disasters.

Life Business

Items	Valuation
Mathematical reserves	The life business technical reserves are calculated on the basis of the pure premiums and actuarial assumptions deemed to be appropriate as at the date of contract conclusion. For the revaluable insurance policies, the calculation of mathematical reserve is based on the revaluation obtained through the rate of return determined on the basis of the related investments for the reserves themselves. The premiums-carried-forward component of mathematical reserves is calculated on a pure-premium basis. The mathematical reserve is never lower than surrender value.
Complementary insurance premium reserves	The premium reserve for complementary accident insurance is calculated analytically by applying the premiums-brought-forward criterion to the related pure premiums.
Profit participation and reversal reserves	Profit participation includes all amounts pertaining to the year, paid and to be paid to policyholders or other beneficiaries, including amounts used to increase technical reserves or reduce future premiums, provided that they result in the allocation of technical profits arising from both Life and Non-Life insurance management activity. Reversals consist of the amounts that are partial rebates of premiums made on the basis of each contract's performance.
Other technical reserves	The other technical reserves include the reserve for management expenses, calculated on loading for management expenses and on the other technical bases of the insurance pricing applied. They include the deferred liability reserve to Policyholders (Life business) which specifies the share of unrealized profits and losses attributable to the Policyholders "Shadow Accounting". The LAT reserve (Life Business) refers to provisions for liability adequacy test.
Reserves relating to contracts whose performance is connected with investment funds or and market units and resulting from the management of pension funds	The reserves relating to unit-linked contracts and pension funds were calculated based on the contractual obligations, both of the financial assets linked to these contracts and cover the commitments from Life Business insurance whose return is determined based on the investments for which the policyholder bears the risk or based on an index.

Additional provisions for financial risk	Provision for guaranteed interest rate risk: the valuation of the creation of this provision was performed for the separate managements deemed as significant and, starting from the determination of foreseeable returns of each of them, through ALM methodology. In relation to the contracts with guarantees not associated to separately managed accounts, the valuation was carried out by applying an actual and foreseeable return, calculated as weighted average of the returns of the different separately managed accounts, to the flows of liabilities. Provision for time-lag: said provisions is created when there is time-lag between the period in which the return reached maturity under the contract, and the time when the same return was acknowledged to the insured; this comes from contractual conditions providing for the use of certified rates in time before the time of acknowledgement.
Additional provisions other than the provisions for financial risk	Provision for demographic risk: the valuation of this amount was made by re-calculating for each contract some technical provisions using the demographic base IPS55 and considering the difference compared to the level 1 technical provisions. The additional provision for each contract was therefore measured by applying the ratios of contract settlement in form of annuity to the annuity tariffs, and the ratios of conversion of capital into annuity to the capital tariffs. For the forms of annuities existing in the portfolio as at the date of this report, an additional provision was considered to adjust said mathematical provisions to the level 2 demographic base.

Quantitative differences between valuation for Solvency II purposes and values of consolidated financial statements

Non-life technical reserves

(€/000)

Item	Solvency II value	Statutory accounts value	Change
Technical provisions - non-life	**1.560.810**	**1.672.215**	**(111.405)**
Technical provisions - non-life (excluding health)	**1.509.920**	**1.588.385**	**(78.465)**
Best Estimate	1.408.338	1.588.385	(180.047)
Risk margin	101.582	-	101.582
Technical provisions - health (similar to non-life)	**50.890**	**83.830**	**(32.940)**
Best Estimate	41.121	83.830	(42.709)
Risk margin	9.769	-	9.769

The difference between the Solvency II valuation and the individual balance sheet values of non-life technical reserves is not due to the different nature of valuations:
In particular:

- as for the premium component, the reserve, valued according to the Best Estimate, represents an estimate of the financial flows expected for the future years on existing contracts. This estimate is made by separately assessing claims and premiums expected on these contracts starting from the year after the valuation date. But the premium

reserve in the consolidated financial statements is calculated starting from the linear rediscount of the premium portion of these contracts, eliminating the prudence deriving from the provision of catastrophe and equalization reserves, not permitted by IFRS 4,

- as for the claim component, the Best Estimate valuation is without prudential rules that are considered in IAS/IFRS valuations.

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

(€/000)

Technical provisions - non-life	Solvency II value	Statutory accounts value	Change
Premium reserve:pro-rata temporis basis and additional reserves		420.855	(109.943)
Premium best Estimate	310.912		
Claims reserve *		1.224.402	(85.855)
Claims best Estimate	1.138.547		
Other technical reserves (aging reserve)		409	(409)
Risk Margin	111.351		111.351

(*) This item is shown net of "Receivables due from policyholders and third parties for recoverables" which as at 31/12/20 amounting to 26,549 thousand euro and sums to be recovered for outward reinsurance claims which as at 31/12/20 amounting to € 5,779 thousand euro.

The Best Estimate of the Premium reserve is lower than 26.1% compared to balance sheet data; similar change in the Claim Reserve is -707%. The Risk Margin is 7.7% of the Best Estimate.

(€/000)

Item	Solvency II value	Statutory accounts value	Change
Technical provisions - life	**1.828.409**	**1.712.495**	**115.914**
Technical provisions - health (similar to life)	**12.096**	**4.736**	**7.360**
Best Estimate	11.022	4.736	6.286
Risk margin	1.074	-	1.074
Technical provisions — life (excluding health and index-linked and unit-linked)	**1.705.456**	**1.593.145**	**112.311**
Best Estimate	1.672.510	1.593.145	79.365
Risk margin	32.946	-	32.946
Technical provisions — index-linked and unit-linked	**110.857**	**114.614**	**(3.757)**
Best Estimate	110.254	114.614	(4.360)
Risk margin	603	-	603

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

- Projection of revaluations of benefits of the revaluable policies based on the vector of "risk neutral" expected rates, that do not include the extra-return arising from holding financial instruments with expected returns that are higher than the risk-free curve, rather than being based on a vector of "real world" expected rates,
- Usage, in Solvency II, of technical bases of second level instead of first level (demographic tables, assumptions of behaviours of policyholders, costs of portfolio management etc.),

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

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

Using the Risk-Free curve without the Volatility Adjustment, the values would be the following:
- Life technical provisions: Euro 1,837,433 thousand
- Non-life technical provisions: Euro 1, 564,636 thousand
- Net differed tax assets: Euro 47,360 thousand

D.3 Other liabilities

(€/000)

Other Liabilities	Consolidated value IAS/IFRS accounting standards	Differences in consolidation area	Reclassifications	Accounting policy differences	Consolidated value Solvency II
Provisions other than technical provisions	51.103	-	-	-	51.103
Pension benefit obligations	6.956	-	-	-	6.956
Deposits from reinsurers	6.389	-	-	-	6.389
Deferred tax liabilities	53.578	-	-	77.846	131.424
Derivatives	2.863	-	-	-	2.863
Subordinated liabilities	280.679	-	-	21.351	302.030
Insurance & intermediaries payables	32.673	-	-	-223	32.450
Reinsurance payables	11.170	-	-	(5.779)	5.391
Debts owed to credit institutions	108.959	(101.262)	-	-	7.697
Financial liabilities other than debts owed to credit institutions	212.077	-	(194.674)	0	17.403
Payables trade - not insurance and other liabilities	123.400	(3.492)	-	(794)	119.114
Total Other liabilities	**889.847**	**(104.754)**	**(194.674)**	**92.401**	**682.820**

A. Reserves other than technical reserves

The item includes the funds for future risks and expenses set aside to cover expenses arising from potential actions to void in bankruptcy, penalties and ongoing legal actions, relating to normal business operations. The valuation is performed in compliance with Article 75 of the decree. In the consolidated financial statements, the item is entered in accordance with IAS 37.

B. Pension liabilities

The item refers to the amounts due to the employees, that consist of the following items valued with actuarial techniques, both in the consolidated financial statements and in Solvency II financial statements:
- Supplementary Pension;
- Post-employment benefits;
- Other long-term benefits.

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

- Economic and financial assumptions:
  - Annual inflation rate: 1.00%
  - Annual technical discounting rate
    (for the purpose of calculating the severance payment) 0.22%
  - Annual technical discounting rate
    (for the purpose of calculating seniority services and health services) 0.34%
  - Annual rate of severance payment increase 2.25%
  - Annual rate of growth of remuneration
    (for the purpose of calculating seniority services) 2.00%
  - Annual rate of growth of the average reimbursement 1.00%
    (for the purpose of calculating health services)

Sensitivity analysis of some input has been carried out (discounting rate, inflation rate and turnover rate). These analyses showed no significant criticalities.

C. Derivatives liabilities

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

For the statutory financial statements, these hedging instruments are measured at fair value, with an equal change in fair value from the effective date of the hedging relationships currently in place. The change in the fair value of the bonds, subject to hedging recognized in the period of validity of the hedge itself, is positive for € 2,863 thousand and negative for € 2,863 thousand as regards the change in the fair value of the derivative.

D. Subordinated liabilities

These liabilities, specifically related to the Subordinated Loan issued by the Insurance Company, is assessed at market value, with the current value of the risk-free interest rate curve adding the credit spread of the Issuer available upon issuance, hence excluding the price fluctuations due to changes in the creditworthiness of the Issuer, as required by Article 75 of the decree.
For the purposes of the consolidated financial statements, the Insurance Company's liabilities included in this category are assessed at the depreciated cost by using the criterion of the effective interest.

E. Payables and other liabilities

Payables (to insurers, to reinsurers, tax due, payables to employees, social security payables and trade payables) and the other liabilities (commissions to be paid on the bonus being collected and provisions for agency awards and balance of the liaison account between Life and Non-life business) are valued in compliance with 75 of the Decree, and their value coincides with the value of the consolidated financial statements, except for the differed commissions connected to investment contracts, that are cleared for Solvency II purposes.
In the consolidated financial statements, the item includes also the financial liabilities under IAS 39 entailing the offsetting item of the obligations of the Parent Company and Vittoria Assicurazioni S.p.A. for payments destined for financing alternative investments in transactions of private equity, private debt and infrastructure funds. Related obligations are entered among the other liabilities.
In compliance with IFRS 16 principle, the item includes the leasing liabilities corresponding to the current value of payments due for leasing contracts to be paid as at the financial statements date. Payments due for the leasing are discounted using the marginal financing rate calculated by the Group and arising from the application of one rate curve. This curve contains the risk free and an estimate of the Group's credit risk (different rate according to the residual maturity with 10-year cap). This item is valued in compliance with Article 75 of the decree.

F. Deferred tax liabilities

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

G. Potential liabilities

There are no relevant potential liabilities, as set forth by the Delegated Acts.
There are no financial or operating leases.

D.4 Alternative methods for valuation

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

D.5 Other information

There is no information to be reported.

E. Capital Management

E.1 Own funds

E 1.1 Eligible own funds as at 31 December 2019

Vittoria Assicurazioni Group does not identify limits to the transferability and fungibility of the own funds eligible to cover the solvency capital requirement of the group.
The following table sums up, separately for each level, the information on the structure, amount and quality of the Group's own funds at the end of the relevant period ended as at 31 December 2020.

Own Funds Solvency II (€/000)

	31/12/20	31/12/19	Change
Ordinary share capital	15.000	15.000	0
Share premium	22.183	22.183	0
Reconciliation reserve before dividends at Group level	669.649	607.176	62.473
Minority interests	160.382	142.512	17.870
Net deferred tax assets	43.469	32.314	11.155
Solvency II excess of assets over liabilities	**910.683**	**819.185**	**91.498**
Foreseeable dividends, distributions and charges	(1.000)	(2.638)	1.638
Deferred tax assets elimination	(20.978)	(2.792)	(18.186)
Subordinated liabilities - Tier 2	302.030	295.484	6.546
Non-available minority interests at group level	(43.765)	(32.264)	(11.501)
Solvency II eligible own funds	**1.146.969**	**1.076.975**	**69.994**

As at 31 December 2020, the Share Capital totally paid up consists of no. 15,000,000 ordinary shares with a par value of Euro 1.00 each, authorized, issued and fully paid in.

The share premium reserve represents the amount of the excess of the issue price of the shares over their par value.
The reconciliation reserve is determined by the amount of the excess of the assets over the Solvency II liabilities including minority interests, not allocated to share capital, share premium reserve and net deferred tax assets, after deducting the dividends approved by third parties.

As detailed in the Note on Covid-19 emergency above, the Group has promptly followed up on the requests from IVASS regarding further information on the solvency. The ongoing capital strengthening performed by Vittoria Group in the last years and the constant investments in technological solutions enable us to confirm that there are no factors to question the business continuity, whose logic this Report is based on.

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

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

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

	31/12/20	31/12/19	Change
Tier 1- unrestricted	822.450	751.968	70.482
Tier 2	302.030	295.484	6.546
Tier 3	22.490	29.522	- 7.032
Total eligible own funds to meet SCR	**1.146.970**	**1.076.974**	**69.996**
Tier 2 not eligible own funds to meet MCR	(243.617)	(237.096)	(6.521)
Tier 3 not eligible own funds to meet MCR	(22.490)	(29.522)	7.032
Total eligible own funds to meet MCR	**880.863**	**810.356**	**70.507**

Tier 2 amounts are made up of the Subordinated Loans issued by the Parent Company and the Insurance Company, whose features are described below. The subordinated loan issued by the Insurance Company shows the following features:

- Nominal amount: Euro 250,000,000
- Issue Date: 11 July 2018
- Expiry Date: 11 July 2028
- Spread: 5.75% per year
- Stock Exchange: Ireland (Euronext Dublin)
- Coupon frequency: annual

Coupon subordination: payment of coupons is suspended if it implies failed coverage of the Solvency Capital Requirement.
Capital subordination: if it implies failed coverage of the Solvency Capital Requirement, the capital reimbursement is suspended, unless otherwise specified by the Regulator's authorization. This authorization is anyway required for the repayment on maturity, even in case of coverage of the Solvency Capital Requirement.
Options for early repayment: as in case of repurchase of the Loan by the Insurance Company, the early repayment must be authorized by the Regulator, and may occur as a result of changes in:

- the tax regulation that, for example, make interest expense non-deductible, or that have the borrower borne the withholding taxes originally due by the bondholder,
- the insurance regulation that, for example, exclude the Subordinated Loan from eligible Own Funds,
- the methods for assigning the rating that, on a level playing field, imply an impairment of the features of the Equity Credit (this is how a financial instrument is comparable to an ordinary share) originally assigned to the loan.

The subordinated loan issued by the Parent Company shows the following features:

- Nominal amount: Euro 27,500,000
- Issue Date: 1 October 2018
- Expiry Date: 31 December 2028
- Spread: 5.75% per year

Coupon frequency: annual, expiring on 31 December each year starting from 31 December 2018
Coupon subordination: payment of coupons is suspended if it implies failed coverage of the Solvency Capital Requirement.
Capital subordination: if it implies failed coverage of the Solvency Capital Requirement, the capital reimbursement is suspended, unless otherwise specified by the Regulator's authorization. This authorization is anyway required for the repayment on maturity, even in case of coverage of the Solvency Capital Requirement.
Options for early repayment: the early repayment may be resolved by the Board of Directors starting from 1 January 2024 with prior authorization by the Regulator.

Tier 3 amounts are made up of the balance between deferred tax assets and liabilities, which as at 31 December 2020 meets the limit laid down by the regulation, which provides that the sum of elements of Tier 2 and Tier 3 cannot exceed 50% of the SCR.

The eligible amount to cover the MCR is made up of Tier 1 funds and Tier 2 funds (20% of SCR), as required by the regulation.

Reconciliation Solvency II Own Funds with Net Assets consolidated financial statements

Items referring to the difference between the IAS/ Net Assets Consolidated IAS/IFRS and Own Funds Solvency II, are as follows:

(€/000)

	31/12/20	31/12/19	Change
Shareholders' Equity IAS IFRS	**964.907**	**815.552**	**149.355**
Unrealised capital gains on financial Investments and properties net of IFRS 16 liabilities	177.271	75.501	101.770
Intangible assets valued at zero	(33.138)	(37.220)	4.082
Technical provisions non-life valued at a lower value	84.857	42.202	42.655
Technical provisions life valued at a lower value	(115.914)	- 45.120	(70.794)
Reinsurance recoverables valued at a higher value	(12.999)	(19.441)	6.442
Other net activities	20.993	11.721	9.272
Subordinated liabilities	(21.351)	(15.532)	(5.819)
Tax effect	(9.570)	(15.320)	5.750
Consolidation differences	(144.373)	6.842	(151.215)
Solvency II excess of assets over liabilities	**910.683**	**819.185**	**91.498**
Foreseeable dividends, distributions and charges	(1.000)	(2.638)	1.638
Deferred Tax Assets elimination - Tier 3	302.030	295.484	6.546
Subordinated liabilities - Tier 2	(20.978)	(2.792)	(18.186)
Non-available minority interests at group level	(43.765)	(32.264)	(11.501)
Solvency II eligible own funds	**1.146.970**	**1.076.975**	**69.995**

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

E 1.2 Objectives pursued, policies and processes applied for managing the own funds and time horizon used for business planning

The Parent Company Yafa S.p.A. handles the capital resources so as to ensure a higher available (current and forward-looking) capital, consistently with the economic capital requirements and to keep a Solvency II Ratio in line with the Group’s risk appetite, also on a forward-looking basis.

The Capital Management consists of activities and procedures aimed at:

- Complying with growth strategies for the internal lines through self-financing of the economic capital needs, consistently with the objectives established in the strategic plan and in the Risk Appetite Framework.
- Keeping an adequate financial solidity to ensure that current and forward-looking solvency requirements are in line with the risk appetite and with provisions under the strategic plan.

- Ensuring that the Own Fund elements meet, on a continuous basis, the applicable capital requirements and are properly classified.
- Ensuring that terms and conditions of each element of the Own Funds are clear and unmistakable.
- Keeping an adequate level of return on investments.
- Identifying and documenting the situations whereby the distributions of an element of the Own Funds may be reduced or cancelled.
- Ensuring that any policy or statement relating to the dividends due for the ordinary shares is taken into account in terms of capital position.
- Ruling the issuance of the elements of the Own Funds according to a Capital Management Plan, if there is the opportunity, albeit not provided for, to rely on the increase of the Own Funds.

As required by IVASS Regulation no. 38/2018, given that the capital management is particularly important in the guidelines established by EIOPA, Yafa S.p.A., as Parent Company of Vittoria Assicurazioni Group, performs the activities outlined below in order to pursue the pre-set objectives within the relevant Policy, adopted on Capital management.
In particular, the Parent Company defined the capital planning process, with the aim of achieving the objectives while keeping the ability to face adverse scenarios, by formalizing methods and instruments, including monitoring and reporting.
The outcome of the capital planning process consists of the Group's Capital Management Plan, formalized through specific information flow, including a reliable forecast of the available Own Funds and any new funds, based on the performance of the planned activity, on the future expected profits, the dividend policy and the measures of capital management provided for by the Senior Management of Yafa S.p.A.

Verification and classification of the Own Funds

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

Capital monitoring

In making assessments of the risk profile of the Group on a forward-looking basis and its possible changes, Yafa S.p.A. identifies the link between the risk profile and the overall solvency requirements, both in terms of quality and of quantity, and as a result detects any capital shortcomings in relation to the risk level that it aims to take in the medium-long period. The Capital Management Plan outlines the capital resources through which Yafa S.p.A. aims to support the development of the assets of the Group, by planning the quantity and the future composition of the Own Funds of the Group consistently with the strategic medium-long term approach.
Planning is performed with a three-year time horizon.
The Plan encompasses the forward-looking indicators relating to the Balance Sheet in order to outline the future trend of the available Own Funds net of any dividends provided for various years, and the future economic flows generated in relation to the activities that will be carried out and the risk objectives defined in the Risk Appetite Framework, by checking that limits and tolerance levels set also on a forward-looking basis are met.
The monitoring outcome of these metrics is formalized in the dedicated information flows of "Monitoring of the Risk Appetite indicators".
For the preparation of the Capital Management Plan of the Group, Yafa S.p.A. makes use of methods and tools that enable to project the capital requirement and the own funds in the future years, taken the strategic decisions implemented through the Business Plan data.
In the event that the future data showed a capital requirement that is not covered by the self-regulation, the Capital Management Plan would outline any operations of issuance of capital instruments (timing, amounts, types, requests).
Whether the Capital Management Plan is adequate is checked when significant changes occur to the risk profile of the Group, in line with the circumstances defined in the Risk and Solvency

Assessment Policy, such as extraordinary operations (i.e. acquisition/sale of a line of business, or a portfolio of contracts or entering new markets), substantial change of the types of risks insured, events in the economic/financial/real-estate market or macroeconomic scenarios that may have a significant impact on the level of current and/or forward-looking solvency requirements.
Within the scope of the capital monitoring process, the Parent Company Yafa S.p.A. performs also continuous monitoring activities aimed at checking compliance of the composition of the Group's Own Funds. In fact, the composition of the Own Funds is monitored on a quarterly basis according to the quantitative disclosures to be submitted to the Regulator (Quantitative Reporting Templates - QRT).
In particular, in order to comply with provisions under existing Regulation, Yafa S.p.A. carries out the following monitoring activities in terms of level and quality of the own funds:

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

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

Management and preservation of adequate capital levels

As outlined above, Yafa S.p.A. handles the capital resources so as to ensure an available (current and forward-looking) capital, that is higher than economic capital requirements and to keep a Solvency II ratio consistently with the risk appetite, also on a forward-looking basis, and under any stress conditions.
If, even after forward-looking assessments made, an inadequacy of the available capital funds is to be found, in relation to the limits of risk or the pre-set performance objectives, Yafa S.p.A. shall review the Capital Management Plan and/or Business Plan so as to align the capitalization level to the expected needs.
In particular, if a solvency level that is not in line with the pre-set objectives is to be found, the Managing Director, with the support of the Risk Management and Administration and Corporate Functions, identifies the areas are less efficient in terms of capital absorption and take any corrective actions such as the mitigation and the de-risking (asset allocation, selection of the counterparties with high credit standing) in order to optimize the capital absorbed.
The Group has not yet rely on Alternative Risk Transfers (Catastrophe Bonds, Securitization, Derivatives, financial reinsurance) and securitisations as corrective measures.

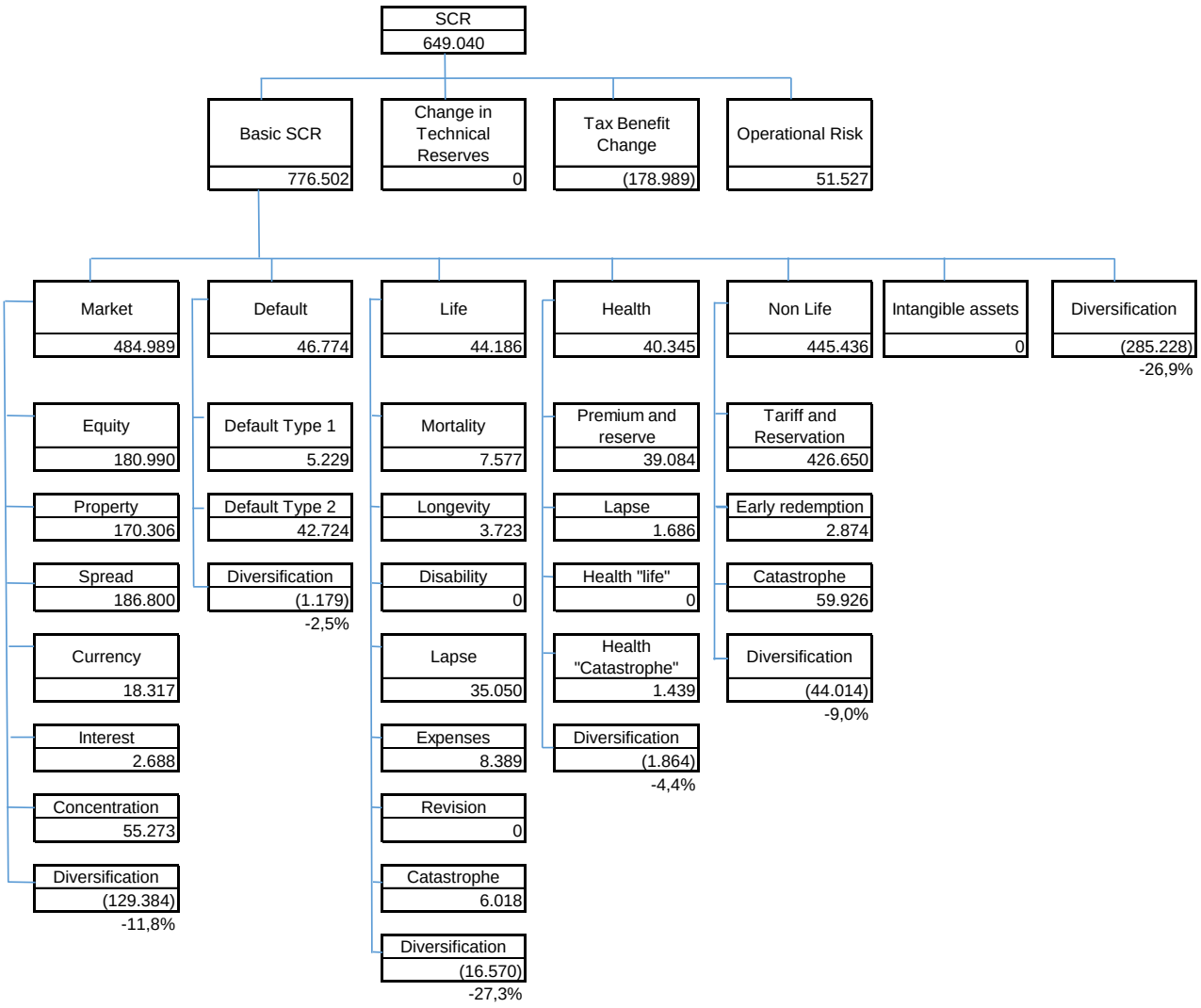
If the Group wants to take direct action on the capitalization level owned, it can avail itself of the following measures:

- reduction or deletion of the distribution of dividends,
- issuance of subordinated loans,
- capital increases,
- limits to the purchase of own shares.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

As at 31.12.2020, the Solvency Capital Requirement (SCR) of the Group accounts for Euro 649.040 thousand, while the Minimum Capital Requirement (MCR) accounts for Euro 292.068 thousand.
Related composition is as follows:

S.C.R. 31.21.2020 - V.A. scenarios **(€/000)**



As required by law, it should be noted that:

- there are no assessments on the amount of SCR by the Supervisory Body;
- sub-modules of the Life Business SCR, as well as the sub-modules Premiums and Provisions of the module Health and Non-Life have, among the inputs, the calculations of the technical provisions, for which some simplified methods were used (as detailed in the QRTs S.12.01 and S.17.01);
- as already reported, Yafa S.p.A. does not use any Group Specific Parameters(GSP) for the calculation of the Premium Risk and Reserve Risk.
- the Supervisory Body has not required a Capital Add-On to the Group;
- the inputs used for the MCR calculation, as provided for by the Standard Formula, consist of the preserved Technical Reserves, the gross Premiums recorded in the year's accounts, retained Life risk capitals, considering that the MCR must anyway be between the floor, accounting for 25% of the SCR, and the cap, accounting for 45% of the SCR.

Using the Risk-Free curve without the Volatility Adjustment, the own funds eligible to cover the SCR would be Euro 1.134.296 thousand.

Details relating to impact on technical provisions are outlined in the chapter: “D.2 Technical provisions”.

E.3 Usage of the equity risk sub-module based on the duration of the calculation of the solvency capital requirement

Not applicable.

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

Not applicable.

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

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

E.6 Other information

There is no information to be reported.

Turin, 5 May 2021 For the Board of Directors

F.Annexes

F.1 Annual quantitative models

(€/thousand)

Vittoria Assicurazioni Group
S.02.01.02 - Balance Sheet

		Solvency II value
Assets		C0010
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	174.893
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	127.341
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	4.146.530
Property (other than for own use)	R0080	442.160
Holdings in related undertakings, including participations	R0090	295.175
Equities	R0100	31.995
Equities - listed	R0110	9.239
Equities - unlisted	R0120	22.756
Bonds	R0130	2.593.554
Government Bonds	R0140	1.952.491
Corporate Bonds	R0150	641.063
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	756.846
Derivatives	R0190	
Deposits other than cash equivalents	R0200	26.800
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	113.796
Loans and mortgages	R0230	27.880
Loans on policies	R0240	350
Loans and mortgages to individuals	R0250	3.749
Other loans and mortgages	R0260	23.780
Reinsurance recoverables from:	R0270	48.436
Non-life and health similar to non-life	R0280	46.436
Non-life excluding health	R0290	46.193
Health similar to non-life	R0300	243
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	2.000
Health similar to life	R0320	2.978
Life excluding health and index-linked and unit-linked	R0330	(978)
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	202.068
Reinsurance receivables	R0370	7.908
Receivables (trade, not insurance)	R0380	96.529
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	11.090
Any other assets, not elsewhere shown	R0420	26.252
Total assets	R0500	4.982.723

Vittoria Assicurazioni Group
S.02.01.02 Balance sheet – continued

		Solvency II value
Liabilities		C0010
Technical provisions - non-life	R0510	1.560.810
Technical provisions - non-life (excluding health)	R0520	1.509.920
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	1.408.338
Risk margin	R0550	101.582
Technical provisions - health (similar to non-life)	R0560	50.890
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	41.121
Risk margin	R0590	9.769
Technical provisions - life (excluding index-linked and unit-linked)	R0600	1.717.552
Technical provisions - health (similar to life)	R0610	12.096
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	11.022
Risk margin	R0640	1.074
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	1.705.456
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	1.672.510
Risk margin	R0680	32.946
Technical provisions - index-linked and unit-linked	R0690	110.857
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	110.254
Risk margin	R0720	603
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	51.103
Pension benefit obligations	R0760	6.956
Deposits from reinsurers	R0770	6.389
Deferred tax liabilities	R0780	131.424
Derivatives	R0790	2.863
Debts owed to credit institutions	R0800	7.697
Financial liabilities other than debts owed to credit institutions	R0810	17.404
Insurance & intermediaries payables	R0820	32.450
Reinsurance payables	R0830	5.391
Payables (trade, not insurance)	R0840	86.805
Subordinated liabilities	R0850	302.030
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	302.030
Any other liabilities, not elsewhere shown	R0880	32.309
Total liabilities	R0900	4.072.040
Excess of assets over liabilities	R1000	910.683

Vittoria Assicurazioni Group
S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**												Line of Business for: **accepted non-proportional reinsurance**				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written																		
Gross - Direct Business	**R0110**	20.023	94.934	-	705.098	140.693	5.436	121.916	77.576	3.201	7.288	30.422	14.721					1.221.310
Gross - Proportional reinsurance accepted	**R0120**	-	1	-	-	-	-	2	75	-	-	17	-					95
Gross - Non-proportional reinsurance accepted	**R0130**																	
Reinsurers' share	**R0140**	26	531	-	1.404	4.045	192	9.534	1.000	1.925	5.166	12.364	144					36.331
Net	**R0200**	19.997	94.404	-	703.694	136.649	5.244	112.384	76.651	1.276	2.123	18.076	14.577	-	-	-		1.185.075
Premiums earned																		
Gross - Direct Business	**R0210**	19.546	94.130	-	707.136	137.801	5.108	116.651	76.054	4.289	7.104	29.947	14.445					1.212.212
Gross - Proportional reinsurance accepted	**R0220**	-	1	-	-	-	-	2	73	-	-	18	-					93
Gross - Non-proportional reinsurance accepted	**R0230**																	
Reinsurers' share	**R0240**	26	540	-	1.404	4.041	189	9.301	923	2.316	5.090	12.088	94					36.012
Net	**R0300**	19.521	93.591	-	705.732	133.760	4.919	107.352	75.204	1.973	2.014	17.877	14.351	-	-	-		1.176.294
Claims incurred																		
Gross - Direct Business	**R0310**	6.687	28.665	-	441.634	68.455	3.256	68.793	28.307	3.014	485	8.678	410					658.382
Gross - Proportional reinsurance accepted	**R0320**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non-proportional reinsurance accepted	**R0330**																	
Reinsurers' share	**R0340**	59	4	-	-	5.514	-	5.569	62	1.781	438	10.682	18					24.126
Net	**R0400**	6.628	28.661	-	441.634	62.941	3.256	63.224	28.245	1.233	48	(2.004)	392	-	-	-		634.258
Changes in other technical provisions																		
Gross - Direct Business	**R0410**	-	-	-	-	422	7	306	-	-	-	-	-					735
Gross - Proportional reinsurance accepted	**R0420**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non- proportional reinsurance accepted	**R0430**																	
Reinsurers'share	**R0440**																	
Net	**R0500**	-	-	-	-	422	7	306	-	-	-	-	-	-	-	-		735
Expenses incurred	**R0550**	7.561	36.340	-	186.627	48.461	1.912	51.223	29.735	2.393	(707)	13.582	4.480	-	-	-		381.608
Other expenses	**R1200**																	12.251
Total expenses	**R1300**																	393.859

Vittoria Assicurazioni Group
S.05.01.02 Premiums, claims and expenses by line of business - continued

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	1.445	178.587	28.393	14.062	-	-	-	-	222.486
Reinsurers' share	**R1420**	1.055	-	-	535	-	-	-	-	1.590
Net	**R1500**	389	178.587	28.393	13.527	-	-	-	-	220.896
Premiums earned										
Gross	**R1510**	-	-	-	-	-	-	-	-	-
Reinsurers' share	**R1520**	-	-	-	-	-	-	-	-	-
Net	**R1600**	-	-	-	-	-	-	-	-	-
Claims incurred										
Gross	**R1610**	44	97.992	5.961	15.690	-	-	-	-	119.687
Reinsurers' share	**R1620**	(67)	(5)	-	1.048	-	-	-	-	976
Net	**R1700**	111	97.997	5.961	14.643	-	-	-	-	118.711
Changes in other technical provisions										
Gross	**R1710**	-	-	-	-	-	-	-	-	-
Reinsurers' share	**R1720**									
Net	**R1800**	-	-	-	-	-	-	-	-	-
Expenses incurred	**R1900**	(276)	14.298	2.293	863	-	-	-	-	17.178
Other expenses	**R2500**									(1.108)
Total expenses	**R2600**									16.070

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

		Home Country	Total Top 5 and home country
		C0010	C0070
	R0010		
		C0080	C0140
Premiums written			
Gross - Direct Business	**R0110**	1.221.310	1.221.310
Gross - Proportional reinsurance accepted	**R0120**	95	95
Gross - Non-proportional reinsurance accepted	**R0130**		
Reinsurers' share	**R0140**	36.331	36.331
Net	**R0200**	1.185.074	1.185.074
Premiums earned			
Gross - Direct Business	**R0210**	1.212.212	1.212.212
Gross - Proportional reinsurance accepted	**R0220**	93	93
Gross - Non-proportional reinsurance accepted	**R0230**		
Reinsurers' share	**R0240**	36.012	36.012
Net	**R0300**	1.176.293	1.176.293
Claims incurred			
Gross - Direct Business	**R0310**	658.382	658.382
Gross - Proportional reinsurance accepted	**R0320**	-	-
Gross - Non-proportional reinsurance accepted	**R0330**		
Reinsurers' share	**R0340**	24.126	24.126
Net	**R0400**	634.256	634.256
Changes in other technical provisions			
Gross - Direct Business	**R0410**	735	735
Gross - Proportional reinsurance accepted	**R0420**	-	-
Gross - Non- proportional reinsurance accepted	**R0430**		
Reinsurers' share	**R0440**		
Net	**R0500**	735	735
Expenses incurred	**R0550**	381.608	381.608
Other expenses	**R1200**		12.251
Total expenses	**R1300**		393.859

		Home Country	Total Top 5 and home country
			C0210
	R1400		
			C0280
Premiums written			
Gross	**R1410**	222.486	222.486
Reinsurers' share	**R1420**	1.590	1.590
Net	**R1500**	220.896	220.896
Premiums earned			
Gross	**R1510**	-	-
Reinsurers' share	**R1520**	-	-
Net	**R1600**	-	-
Claims incurred			
Gross	**R1610**	119.687	119.687
Reinsurers' share	**R1620**	976	976
Net	**R1700**	118.711	118.711
Changes in other technical provisions			
Gross	**R1710**	-	-
Reinsurers' share	**R1720**		
Net	**R1800**	-	-
Expenses incurred	**R1900**	17.178	17.178
Other expenses	**R2500**		(1.108)
Total expenses	**R2600**		16.070

Vittoria Assicurazioni Group
S.22.01.22 Impact of measures for long-term guarantees and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	3.389.219	-	-	12.850	-
Basic own funds	R0020	1.167.948	-	-	(8.735)	-
Eligible own funds to meet Solvency Capital Requirement	R0050	1.146.969	-	-	(12.674)	-
Solvency Capital Requirement	R0090	649.040	-	-	(95)	-

Vittoria Assicurazioni Group
S.23.01.22 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	**R0010**	15.000,00	15.000,00			
Non-available called but not paid in ordinary share capital at group level	**R0020**					
Share premium account related to ordinary share capital	**R0030**	22.183,00	22.183,00			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type un	**R0040**					
Subordinated mutual member accounts	**R0050**					
Non-available subordinated mutual member accounts at group level	**R0060**					
Surplus funds	**R0070**	-	-			
Non-available surplus funds at group level	**R0080**					
Preference shares	**R0090**					
Non-available preference shares at group level	**R0100**					
Share premium account related to preference shares	**R0110**					
Non-available share premium account related to preference shares at group level	**R0120**					
Reconciliation reserve	**R0130**	668.649,00	668.649,00			
Subordinated liabilities	**R0140**	302.030,00			302.030,00	
Non-available subordinated liabilities at group level	**R0150**					
An amount equal to the value of net deferred tax assets	**R0160**	43.469,00				43.469,00
The amount equal to the value of net deferred tax assets not available at the group level	**R0170**					
Other items approved by supervisory authority as basic own funds not specified above	**R0180**	-	-			
Non available own funds related to other own funds items approved by supervisory authority	**R0190**					
Minority interests (if not reported as part of a specific own fund item)	**R0200**	160.382,00	160.382,00			
Non-available minority interests at group level	**R0210**	43.765,00	43.765,00			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	**R0230**					
whereof deducted according to art 228 of the Directive 2009/138/EC	**R0240**					
Deductions for participations where there is non-availability of information (Article 229)	**R0250**					
Deduction for participations included by using D&A when a combination of methods is used	**R0260**					
Total of non-available own fund items	**R0270**	43.765,00	43.765,00	-	-	-
Total deductions	**R0280**	43.765,00	43.765,00	-	-	-
Total basic own funds after deductions	**R0290**	1.167.948,00	822.449,00	-	302.030,00	43.469,00
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive	**R0370**					
Non available ancillary own funds at group level	**R0380**					
Other ancillary own funds	**R0390**	-				
Total ancillary own funds	**R0400**	-			-	-
Own funds of other financial sectors						
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies - total	**R0410**					
Institutions for occupational retirement provision	**R0420**					
Non regulated entities carrying out financial activities	**R0430**					
Total own funds of other financial sectors	**R0440**					
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	**R0450**					
Own funds aggregated when using the D&A and a combination of method net of IGT	**R0460**					
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0520**	1.167.948,00	822.449,00	-	302.030,00	43.469,00
Total available own funds to meet the minimum consolidated group SCR	**R0530**	1.124.479,00	822.449,00	-	302.030,00	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0560**	1.146.969,12	822.449,00	-	302.030,00	22.490,12
Total eligible own funds to meet the minimum consolidated group SCR	**R0570**	880.862,60	822.449,00	-	58.413,60	
Minimum consolidated Group SCR	**R0610**	292.068,00				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	**R0650**	3,02				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	**R0660**	1.146.969,12	822.449,00	-	302.030,00	22.490,00
Group SCR	**R0680**	649.040,00				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	**R0690**	1,77				

Vittoria Assicurazioni Group
S.23.01.22 Own funds – continued

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	910.683,00
Own shares (included as assets on the balance sheet)	**R0710**	-
Forseeable dividends, distributions and charges	**R0720**	1.000,00
Other basic own fund items	**R0730**	241.034,00
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	
Other non available own funds	**R0750**	
Reconciliation reserve before deduction for participations in other financial sector	**R0760**	668.649,00
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	8.416,00
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	32.629,00
Total EPIFP	**R0790**	41.045,00

Vittoria Assicurazioni Group
S.25.01.22 Solvency Capital Requirement for groups using the Standard Formula

		Gross solvency capital	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	484.988,98		
Counterparty default risk	R0020	46.773,61		
Life underwriting risk	R0030	44.186,35	None	
Health underwriting risk	R0040	40.345,07	None	
Non-life underwriting risk	R0050	445.436,32	None	
Diversification	R0060	(285.228,37)		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	776.501,96		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	51.527,23
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	(178.988,95)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	649.040,24
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	649.040,24
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Minimum consolidated group solvency capital requirement	R0470	292.068,11
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities	R0530	
Capital requirement for non-controlled participation requirements	R0540	
Capital requirement for residual undertakings	R0550	
Overall SCR		
SCR for undertakings included via D and A	R0560	
Solvency capital requirement	R0570	649.040,24

Vittoria Assicurazioni Group
S.32.01.22 - Undertakings in the scope of the group

								Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
IT	SC/2	SC	Acacia 2000 S.r.l.	10	Societa a responsabilita limitata	2		1,0000	1,0000	1,0000		1	1,0000	1		1
IT	SC/13	SC	Aspevi Firenze S.r.l.	10	Societa a responsabilita limitata	2		0,6000	1,0000	0,6000		1	1,0000	1		1
IT	SC/24	SC	Aspevi Milano S.r.l.	99	Societa a responsabilita limitata	2		0,4900	0,4900	0,4900		2	0,4900	1		3
IT	SC/25	SC	Aspevi Roma S.r.l	99	Societa a responsabilita limitata	2		0,4900	0,4900	0,4900		2	0,4900	1		3
IT	SC/15	SC	Assiorvieto Servizi S.r.l.	10	Societa a responsabilita limitata	2		0,6000	1,0000	0,6000		1	1,0000	1		1
IT	SC/21	SC	Fiori di San Bovio S.r.l.	99	Societa a responsabilita limitata	2		0,4000	0,4000	0,4000		2	0,4000	1		3
IT	SC/9	SC	Morning Capital S.r.l	10	Societa a responsabilita limitata	2		0,2000	0,2000	0,2000		1	0,2000	1		1
IT	SC/3	SC	Immobiliare Bilancia S.r.l.	10	Societa a responsabilita limitata	2		1,0000	1,0000	1,0000		1	1,0000	1		3
IT	SC/4	SC	Immobiliare Bilancia Prima S.r.l.	10	Societa a responsabilita limitata	2		0,4900	0,4900	0,4900		1	0,4900	1		1
IT	SC/12	SC	Interbilancia S.r.l	10	Societa a responsabilita limitata	2		1,0000	1,0000	1,0000		1	1,0000	1		1
IT	SC/20	SC	Mosaico S.p.a.	99	Societa per Azioni	2		0,4500	0,4500	0,4500		2	0,4500	1		3
IT	SC/22	SC	Pama Partners S.r.l.	99	Societa a responsabilita limitata	2		0,2500	0,2500	0,2500		2	0,2500	1		3
IT	SC/27	SC	Porta Romana 4 S.r.l.	99	Societa a responsabilita limitata	2		0,2678	0,2680	0,2680		2	0,2678	1		3
IT	SC/18	SC	Touring Digital S.r.l.	99	Societa a responsabilita limitata	2		0,4500	0,4500	0,4500		2	0,4500	1		3
IT	SC/16	SC	Touring Vacanze S.r.l.	99	Societa a responsabilita limitata	2		0,4600	0,4600	0,4600		2	0,4600	1		3
IT	SC/10	SC	VRG Domus S.r.l.	10	Societa a responsabilita limitata	2		1,0000	1,0000	1,0000		1	1,0000	1		1
IT	SC/5	SC	Vaimm Sviluppo S.r.l.	10	Societa a responsabilita limitata	2		1,0000	1,0000	1,0000		1	1,0000	1		1
IT	SC/1	SC	Vittoria Immobiliare S.p.A.	10	Societa per Azioni	2		1,0000	1,0000	1,0000		1	1,0000	1		1
IT	SC/7	SC	Vittoria Properties S.r.l.	10	Societa a responsabilita limitata	2		1,0000	1,0000	1,0000		1	1,0000	1		1
IT	SC/33	SC	Vittoria Hub S.r.l.	99	Societa a responsabilita limitata	2		1,0000	1,0000	1,0000		1	1,0000	1		1
IT	LEI/8156003E4A94A3C84066	LEI	Vittoria Assicurazioni S.p.a.	4	Societa per Azioni	2	IVASS	0,7962	1,0000	0,7962		1	1,0000	1		1
IT	LEI/81560065DEB84AAEE070	LEI	Yafa S.p.A.	5	Societa per Azioni	2	IVASS		1,0000				1,0000	1		1
IT	LEI/815600F8E90820CF6442	LEI	Yafa Holding S.p.A.	5	Societa per Azioni	2	IVASS	1,0000	1,0000	1,0000		1	1,0000	1		1
NL	SC/26	SC	Yam Invest NV	99	Naamloze Vennootschap	2		0,3750	0,3750	0,3750		2	0,3750	1		3
GB	SC/31	SC	Yareal Humby Ltd	99	Limited	2		0,9883	1,0000	1,0000		1	1,0000	1		3
GB	SC/32	SC	Yareal Llanforda Ltd	99	Limited	2		0,9883	1,0000	1,0000		1	1,0000	1		3
GB	SC/30	SC	Yareal UK Ltd	99	Limited	2		0,9883	1,0000	0,9883		1	0,9883	1		3
IT	SC/17	SC	Yarpa S.p.A.	99	Societa per Azioni	2		0,2856	0,2856	0,2856		2	0,2856	1		3
IT	SC/28	SC	Yura International S.p.A.	99	Societa per Azioni	2		1,0000	1,0000	1,0000		1	1,0000	1		3

F.2 Independent Auditor' Report

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 47-SEPTIES, PARAGRAPH 7 OF LEGISLATIVE DECREE No. 209 DATED 7 SEPTEMBER 2005, AND ARTICLE 5, PARAGRAPH 1, LETTER A E B, OF IVASS REGULATION No. 42 OF AUGUST 2, 2018

To the Board of Directors of
Yafa S.p.A.

Opinion

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

- Reporting templates "S.02.01.02 Balance Sheet" and "S.23.01.22 Own Funds" (the "reporting templates");
- Sections "D. Valuation for Solvency purposes" and "E.1 Own Funds" (the "Disclosures").

We are not required to audit:

- The components of the technical provisions related to risk margin (items R0550, R0590, R0640, R0680 and R0720) of the reporting template "S.02.01.02 Balance Sheet";
- The Solvency Capital Requirement (item R0680) and the Minimum Capital requirement (item R0610) of the reporting template "S.23.01.22 Own Funds";

consequently, they are excluded from our opinion.

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

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

Basis for Opinion

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

We are independent of Yafa S.p.A. (the "Parent Company") in accordance with the ethical and independence requirements of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* applicable to the audit of the reporting templates and related disclosures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

Other Matters

The Parent Company has prepared the consolidation financial statements as at December 31, 2020 in accordance with International Financial Reporting Standard as adopted by the European Union and the Regulation issued to implement article 90 of Legislative Decree n. 209 dated 7 September 2005, on which we issued our Independent auditor's report to the shareholders of the company dated May 20, 2021.

The Parent Company has prepared the reporting templates "S.25.01.22 Solvency Capital Requirement – for groups using the standard formula" and related disclosures included in the section "E.2 Solvency Capital Requirement and Minimum Capital Requirement" of the attached SFCR, in accordance with the applicable European Union regulations and the Italian insurance regulation, on which we conducted a limited review, according to the article 5, paragraph 1 lett. c of IVASS Regulation No 42 of August 2, 2018; as a result, today we issued our limited auditor's report attached to the SFCR.

Other Information included in the SFCR

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

The other information included in the SFCR consists of:

- Reporting templates "S.05.01.02 Premiums, claims and expenses by line of business", "S.05.02.01 Premiums, claims and expenses by country", "S.22.01.22 Impact of long term guarantees measures and transitional measures", "S.25.01.22 Solvency Capital Requirement – for groups using the standard formula" and "S.32.01.22 Undertakings in the scope of the group";

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

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

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

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

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

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

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

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

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

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

- We have identified and assessed the risks of material misstatement of the reporting templates of MVBS and OF and related disclosures, whether due to fraud or error; we have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient

and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

DELOITTE & TOUCHE S.p.A.

Signed by
Alessandro Grazioli
Partner

Milan, May 20, 2021

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

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INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT PURSUANT TO ARTICLE 47-SEPTIES, PARAGRAPH 7 OF LEGISLATIVE DECREE No. 209 DATED 7 SEPTEMBER 2005, AND ARTICLE 5, PARAGRAPH 1, LETTER C, OF IVASS REGULATION No 42 OF AUGUST 2, 2018

To the Board of Directors of Yafa S.p.A.

Introduction

We have reviewed the accompanying reporting templates "S.25.01.22 Capital Requirement – for groups on Standard Formula" (the "Reporting Templates SCR and MCR") and the related disclosures included in the section "E.2 Solvency Capital Requirement and Minimum Capital Requirement" of the attached Solvency Financial Condition Report ("SFCR") of Vittoria Assicurazioni Group, which comprises Yafa S.p.A. and its subsidiaries (together with Yafa S.p.A. the "Group") for the year ended December 31, 2020 in accordance with the article 47-septies of Legislative Decree No. 209 dated 7 September 2005.

The Reporting Templates SCR and MCR and related disclosures have been prepared by management in accordance with the applicable European Union regulations and the Italian insurance regulation.

Management's Responsibility

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

Auditor's Responsibility

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

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

Furthermore, as required by article no. 14 of IVASS Regulation n. 42 of 2 August 2018, as regards the information concerning non-regulated entities included in the scope of the Group, our audit activities are limited to verify their inclusion based on the values determined pursuant to the provisions of the Legislative Decree 7 September 2005, n. 209, to the related implementation provisions and to the applicable European Union regulations.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Reporting Templates SCR and MCR and the related disclosures included in the SFCR of the Vittoria Assicurazioni Group for the year ended December 31, 2020 are not prepared, in all material respects, in accordance with the applicable European Union regulations and the Italian insurance regulation.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our conclusion, we draw attention to the section "E.2 Solvency Capital Requirement and Minimum Capital Requirement" of the SFCR which describes the basis of accounting of the Reporting Templates SCR and MCR. The Reporting Templates SCR and MCR and the related disclosures are prepared for solvency supervision purposes in accordance with the applicable European Union regulations and the Italian insurance regulation. As a result, the Reporting Templates SCR and MCR and the related disclosures may not be suitable for another purposes.

DELOITTE & TOUCHE S.p.A.

Signed by
Alessandro Grazioli
Partner

Milan, May 20, 2021

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