

Vittoria Assicurazioni

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PARENT COMPANY OF THE VITTORIA ASSICURAZIONI INSURANCE GROUP
ENTERED AT NUMBER 008 IN THE REGISTER OF INSURANCE GROUPS

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

Remuneration Report FY 2015

pursuant to Article 123-*ter* Italian Financial Act and
to ISVAP Regulation n. 39

[Vittoria Assicurazioni S.p.A.](http://www.vittoriaassicurazioni.com)
www.vittoriaassicurazioni.com

Approved by the Board of Directors on April 5, 2016



REMUNERATION REPORT

Index

Section One	1
Foreword	1
1. Aims pursued through the remuneration policy	1
2. Definitions	2
3. Persons involved in the decision-making processes for remuneration policies	2
4. Remuneration of the Board of Directors	5
5. Remuneration of the Board of Statutory Auditors	6
6. Remuneration of the Managing Director, the General Manger, Senior Managers and other Managers	6
6.1. Remuneration structure	7
6.2. Reference parameters for the variable component	8
6.3. Payment of variable component	8
7. Remuneration of managers of internal control areas	10
8. Non-monetary Benefits of Senior Management and of Managers	10
9. Indemnity at the expiration or termination of the employment	11
10. D&O Policy	11
11. Remuneration of other individuals with a potential conflict of interest, intermediaries and outsourced service providers	11
12. Staff remuneration (no risk taker)	12
13. Companies of the Vittoria Assicurazioni Group	14
SECTION TWO	15
Part One	15
1. Non-executive Directors	15
2. Chairman, Deputy Chairmen and Managing Director	16
3. Statutory Auditors	16
4. General Manager and Managers with strategic responsibilities	17
Part Two	18
Table 1: Compensation paid to members of administrative and control bodies, the General Manager and other managers with strategic responsibilities.	19
Table 2: Monetary incentive plans for members of the Board, the General Manager and managers with strategic responsibilities.	24
Table 3: Shareholdings held by members of the Board of Directors and of the Board of Statutory Auditors, by the General Manager and by managers with strategic responsibilities.	25
Internal Audit and Compliance Functions' Report on the Implementation of Compensation Policies	26

Remuneration Report

Section One

Foreword

This Report has been approved by the Board of Directors, pursuant to art. 123-ter of Italian Legislative Decree 58/1998 (Italian Finance Act) and ISVAP (now IVASS – the Italian insurance supervisory body) Regulation no. 39.

The guidelines of the remuneration policy were thus set out consistently with the principles of sound and prudent risk management and in line with the company's long term strategic objectives, profitability and balance.

In compliance with the aforementioned regulatory provisions, in this report shall discuss:

- the general guidelines of the remuneration policies that Vittoria Assicurazioni S.p.A. intends to adopt for the Financial Year 2016;
- the role and duties of various participants in decision-making processes that lead to the determination of remuneration policies;
- the principles and criteria to be used to coordinate the determination of remuneration for executive directors and other individuals in senior positions at the Company;
- the parameters and criteria to be used to determine any variable part of remuneration, when provided.

1. Aims pursued through the remuneration policy

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

The primary objective of the compensation policy implemented by Vittoria Assicurazioni S.p.A. is to ensure remuneration that is sufficient to recruit, motivate and retain resources with the professional qualities required to successfully pursue the goals of the Company and Group, which mainly consist of aiming to achieve continual excellent results in the achievement of its corporate purpose, and as a result, to create value for shareholders and safeguard company assets over the long term.

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

To date, Vittoria Assicurazioni has decided not to adopt remuneration policies and plans for executive directors and senior management, and for all staff in general, that provide incentives or compensation using the Company's stocks or other financial instruments, or profit-sharing schemes.

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

For further information, this report regulates the principles applied to the remuneration of all employees of Vittoria Assicurazioni: Senior Management, other Managers and non-management personnel, and therefore it is not limited to the personnel referred to Ivass Regulation. In particular, it provides a variable component of the remuneration to all managers, even though subjects not relevant to the Ivass Regulation.

The Board of Director proposes to confirm, for 2016 as well, the guidelines that oriented remuneration policies the previous year.

2. Definitions

Senior Management: the set of Senior Managers with strategic responsibilities. In Vittoria Assicurazioni this category includes the roles of General Manager, Co-General Manager, Vice General Manager and Central Manager.

These roles, identified as "risk takers" in accordance with the Ivass Circular Letter of April 9, 2013, participate in the discussion of the key decisions for the Company, which are submitted to the Board of Directors, and ensure the implementation of the guidelines through the operating functions.

In particular, such roles are held by the heads of main business functions, which oversee the main risks to which the Company is exposed: Commercial; Technical Area; Human Resources, Organization and General Services; Claims; IT; Administration and Finance.

Senior Managers are assigned with the highest executive powers, consistent with the pattern of powers and delegations adopted.

Managers: all managers other than Senior Managers and identified as "no risk takers" according to the Ivass Circular Letter of April 9, 2013,

Internal control areas: the Internal Audit, Risk Management and Compliance departments as indicated in ISVAP Regulation no. 20/2008, and Actuarial Function, as indicated in the Solvency II Directive.

Variable component: the remuneration component recognised on the basis of the achievement of predetermined objectives.

Incentive: when provided, the part of compensation that may be received as a result of achieving objectives related to the specific role or function.

RAL: *Retribuzione Annuale Lorda*, gross annual salary, i.e. the fixed gross annual component of remuneration for those who have an employment relationship with the Company.

CCNL: *Contratto Collettivo Nazionale di Lavoro*, National Collective Labour Agreement. Collective agreements apply to employees of Vittoria Assicurazioni SpA are: a) the National Collective Labour (Negotiable) Insurance, which regulates the relationship between insurance companies and non-managerial employees, b) National Contract Regulatory and Economic for Managers of Insurance Companies.

3. Persons involved in the decision-making processes for remuneration policies

As required by ISVAP Regulation no. 39/2011, starting from 2012 the Company's remuneration policy is determined by the Board of Directors with the support of the Appointments & Remuneration Committee and of the Managing Director or, in his absence, of the General Manager, with the involvement of the Control Departments and the Organization, Human

Resources and General Services Department. The latter is particularly involved in determining staff requirement objectives and methods and criteria for evaluating human resources.

The Remuneration Policy is reviewed annually and it is approved by the Board of Directors which, in turn, submits it to the Shareholders' Meeting for approval.

All decision-making processes are formalised, clear and transparent and they are structured to avoid potential conflicts of interest between the Company and the individuals subject to remuneration policies.

In accordance with the principles of the Corporate Governance Code of Listed Companies adopted by Vittoria Assicurazioni S.p.A. and the provisions of ISVAP Regulation 39 of 2011, a key role in the determination of guidelines for remuneration policies is assigned to the Appointments & Remuneration Committee, established within the Board of Directors.

The role of the Appointments & Remuneration Committee is even more significant in the decision-making process that leads to the determination of compensation policy for Directors and Senior Management, i.e. those senior managers who have responsibility for the processes that could affect the Company's development or outlook.

The Company does not employ independent experts for the definition of its remuneration policies.

The bodies and persons involved in the decision-making processes and in the evaluation of the remuneration and compensation policies implemented by Vittoria Assicurazioni S.p.A. are:

- the Shareholders' Meeting;
- the Board of Directors;
- the Appointments & Remuneration Committee (hereafter also the "Committee");
- the Managing Director;
- the General Manager;
- the Board of Statutory Auditors;
- the Organization, Human Resources and General Services Department;
- the internal control Functions (Internal Audit, Compliance, Risk Management).

Shareholders' Meeting

As prescribed by current regulations and by the Articles of Association, the Shareholders' Meeting, with regard to remuneration matters:

- annually approves the remuneration policies submitted to it by the Board of Directors;
- sets the total gross annual compensation for the Board of Directors and for the Board of Statutory Auditors;
- is responsible for deciding on any compensation plans based on financial instruments, at the proposal of the Board of Directors.

Board of Directors

As prescribed by current regulations and by the Articles of Association, the Board of Directors, with the support of the Appointments and Remuneration Committee:

- defines the Remuneration Policy for Executive Directors, Senior Management and Managers;
- approves the method for dividing the total compensation set by the Shareholders' Meeting for the Board of Directors;
- determines the remuneration of Directors holding special office, on the basis of the proposals of the Appointment & Remuneration Committee and after receiving the opinion of the Board of Statutory Auditors;

- annually submits to the Shareholders' Meeting the Report on Remuneration Policies prepared in accordance with Article 123-ter of the Consolidated Finance Act and of ISVAP Regulation 39.

Appointments and Remuneration Committee

Under Article 14 of the Articles of Association, the Board of Directors has established the Appointments and Remuneration Committee within its ranks.

As of 31 December 2015, the Appointments and Remuneration Committee consists of the following members:

Lodovico PASSERIN d'ENTREVES	Independent non-executive Chairman
Luca Paveri FONTANA	Non-executive member
Francesco BAGGI SISINI	Independent non-executive member

At the date of this Report there were no changes in the composition of the Committee.

With regard to remuneration matters, the Committee has the following functions:

- Submitting proposals to the Board of Directors with regard to the definition of the policy for the remuneration of directors and senior managers with strategic responsibilities. In particular:
 - (a) Making proposals or expressing opinions to the Board of Directors for the remuneration of executive Directors and of Directors holding specific offices;
 - (b) Making proposals to the Board, on the advice of the Managing Director, for setting the remuneration of the senior management of the Company in such a way as to attract and motivate high-calibre people, and the remuneration of the heads of the internal control departments;
 - (c) Defining, by internal Regulations, the criteria and dimensions of the variable components of the remuneration of the Managing Director, Senior Management and Managers;
 - (d) assisting the Managing Director in developing proposals for the remuneration of the Directors, the Chairman, the Managing Director and the General Manager of subsidiaries.
- Verifying the enforcement of the Board of Directors' decisions on remuneration, monitoring also the actual attainment of performance targets.
- Verifying the proportionality of the remuneration of executive directors to each other and to the personnel;
- Periodically evaluating the adequacy, overall consistency and concrete enforcement of the remuneration policy, relying, for senior managers with strategic responsibilities, on the information provided by the Managing Director, formulating proposals on this matter.

Managing Director

The Managing Director or, in his absence, the General Manager, as responsible for the Company's management, shall carry out the following tasks pertaining to the remuneration policy, with the concurrence of the Appointments and Remuneration Committee for matters under its purview and through the Organization, Human Resources and General Services Department for implementation purposes:

- definition of human resources policies;
- operational definition, consistently with the Remuneration Policy described herein, of the incentives relating to the variable part of compensation.

Board of Statutory Auditors

The Board of Statutory Auditors formulates the opinions required by current regulations on the proposed remuneration of Executive Directors.

Organization, Human Resources and General Services Department

The Organization, Human Resources and General Services Department, supports the Managing Director and the General Manager for the definition of the objectives of personnel requirements, methods, the criteria for evaluation, professional development and economic development of human resources, in line with the strategic and operational objectives of the Company.

In particular, with regard to remuneration, the Department has the following duties:

- implementing and managing evaluation, professional development and career programmes and Staff rewards/incentives, in agreement with the Managing Director and the General Manager;
- submitting to the Managing Director and to the General Manager the proposal for the Company's overall compensation plan;
- developing and defining, together with the involved heads of each department, the method to assign and verify the Staff's individual, departmental and corporate qualitative and quantitative targets.

Control departments

The Remuneration Policy adopted by the Company is audited once a year by the internal control departments, in compliance with the principles of independence:

- the Internal Audit Department audits the proper application of policies established by the Board and their correspondence to the Board's guidelines;
- the Compliance Department ensures that the policies comply with regulations applicable to the Company and reports any legal and reputation risks resulting from an incorrect implementation of regulations to Senior Management;
- the Risk Management Department contributes to the identification of risk indicators in the definition of performance targets, and evaluate the overall consistency of the remuneration policies with the risk appetite defined by the Board of Directors.

Internal control Departments carry out the above controls within the scope of their duties, and report the results of the audits they performed to the Board of Directors, through the appropriate bodies and Committees.

The joint report by the heads of Internal Audit and Compliance pertaining to the audits under their respective responsibilities, carried out on the implementation of remuneration policies, prepared in accordance with Article 23, Paragraph 2 of ISVAP Regulation 39, is enclosed herewith.

4. Remuneration of the Board of Directors

Concerning the remuneration of the Board of Directors, Article 15 of the Articles of Association prescribes the following:

- compensation of the Board of Directors shall be established by the Shareholders' Meeting, and the Board shall determine how it will be divided among its members;

- the remuneration of the Chairman, Deputy Chairmen and Managing Directors and any Directors with specific duties shall be determined by the Board of Directors after consulting the Board of Statutory Auditors.

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

- fixed compensation of the same amount for all Directors;
- additional compensation established as a fixed amount for Directors who participate in Committees established within the Board;
- other compensation established as a fixed amount for Directors to whom the Board has assigned special duties, determined on the basis of the effort expected to be required to carry out such duties.

Directors are entitled to the reimbursement of the expenses incurred in the performance of their duties.

No attendance fees shall be paid for participating in Board meetings.

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

No remuneration tied to the Company's operating results are provided for the Chairman, the Vice Chairmen and non-executive Directors.

Non-executive Directors are not entitled to non-monetary benefits. The Managing Director, in addition to the aforesaid fixed compensation, shall receive variable remuneration, determined on the basis of the achievement of predetermined targets, within the terms and at the conditions described in Chapter 6 below.

Chairmen, Vice Chairmen and Managing Directors shall be entitled, as non-monetary benefits, to insurance coverage similar to those prescribed by the National Collective Labour Agreement for Company Managers, as well as discretionary use of a company car.

In line with the general policy adopted by the Company, no stock option plans or profit-sharing schemes are contemplated.

Directors shall be provided with the insurance coverage for civil liability (D&O Policy) described in Chapter 10 below.

5. Remuneration of the Board of Statutory Auditors

The remuneration of the Board of Statutory Auditors is established, in accordance with the law and with the Articles of Association, by the Shareholders' Meeting upon appointment. No variable remuneration is contemplated for Statutory Auditors.

Statutory Auditors are entitled to the reimbursement of the expenses incurred in the performance of their duties.

Statutory Auditors shall be provided with the insurance coverage for civil liability (D&O Policy) described in Chapter 10 below.

6. Remuneration of the Managing Director, the General Manager, Senior Managers and other Managers

6.1 Remuneration structure

The remuneration of the Managing Director, General Manager, Senior Management and other Managers, based on their position and role, is partly related to Company results. This performance-related part of the remuneration is paid according to the achievement of pre-established objectives.

In line with the general policy adopted by the Company, no stock option plans or profit-sharing schemes are contemplated.

The Board of Directors believes that a proper remuneration policy for the Managing Director, General Manager, Senior Management and other Managers, should be based on the following principles in keeping with the Company's history:

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

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

The variable component of the remuneration of the Managing Director, General Manager, Senior Management and other Managers, which is predetermined by the Board of Directors based on the proposal of the Appointments and Remuneration Committee, remunerates the performance of recipients on an annual basis as a part of a medium-term plan.

As a result, the remuneration of the Managing Director, General Manager, Senior Management and the other Managers is structured as follows:

- a fixed component: for the Managing Director, the fixed component is set throughout the term in office, at the proposal of the Appointments and Remuneration Committee, by the Board of Directors as a total annual amount. For the General Manager and the other Senior Managers, it is set by the Board of Directors as a total annual amount, at the proposal of the Appointments and Remuneration Committee. For Managers, it is set at the time of hiring or promotion and it may be revised periodically to take into account personal or department performance, at the time of the assignment of new responsibilities or of the performance of the insurance compensation market with respect to the individual's position;

- a variable component: it can achieve a maximum percentage of the fixed component and differs for different people involved in the system, based on the organizational level, the power to directly influence the results and the impact that the single role has on the business. In addition, the deferred delivery system of the variable component varies with respect to the role, giving less weight to the short-term component for top management (risk takers).

Particularly, the variable component is equal to a pre-established percentage of fixed compensation, as follows:

- for the Managing Director and General Manager not to exceed 200% of the fixed component.
- for other Senior Managers, not to exceed 60% of the fixed component.
- for the other Managers, not to exceed 40% of the fixed component.

The Board of Directors, at the proposal of the Appointments and Remuneration Committee, approves the allocation of the total amount intended for variable remuneration, determined as described in Paragraph 6.2. below, between the Managing Director, the General Manager, the Senior Management and the other Managers, within the terms prescribed by the internal Regulations approved by the Appointment and Remuneration Committee.

6.2. Reference parameters for the variable component

Under the Company's multi-year development and business plan, the variable portion of remuneration of the Managing Director, General Manager, Senior Management and other Managers is accrued on the basis of the achievement of the total ordinary technical result (Life and Non-Life business) specified by the annual budget plan, approved by the Board of Directors.

In particular, the maximum amount of the variable compensation related to the FY 2016 is set at 4% of the technical result as set forth in the annual budget plan, with modulation of the percentage of the amount to be paid based on achievement of the result.

For FY 2016, according to the annual budget plan approved by the Board of Directors, the percentage of the amount of the technical balance allocated for the payment of the variable component is determined on the basis of the following table:

Ordinary Technical Result (OTR) Budget FY 2016: Euro 106.3 million

Actual result achieved: \geq 70% (74.410 million)	Variable = 3.25% of the OTR achieved
Actual result achieved: \geq 80% (85.040 million)	Variable = 3.50% of the OTR achieved
Actual result achieved: \geq 90% (95.670 million)	Variable = 3.75% of the OTR achieved
Actual result achieved: \geq 100% (106.300 million)	Variable = 4.00% of OTR as per budget

Therefore, the maximum amount to be allocated to pay the variable component of the Managing Director, General Manager, Senior Management and the other Managers shall be Euro 4.252 million.

6.3. Payment of variable component

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

- 50% of the variable portion is paid after the approval of the financial statements for the reference year by the shareholders' meeting;
- the remaining 50% is set aside, and 25% is paid in the second year, and the remaining 25% in the third year, after the approval of the financial statements.
- the payment of the deferred portion is subject to the achievement of a distributable profit in the year of deferral.

The variable portion of compensation of other Managers is not paid in full in the year of accrual but over a three years period based on the following criteria:

- 60% of the variable portion is paid after the approval of the financial statements for the reference year by the shareholders' meeting;
- the remaining 40% is set aside, and 20% is paid in the second year, and the remaining 20% in the third year, after the approval of the financial statements.
- the payment of the deferred portion is subject to the achievement of a distributable profit in the year of deferral.

In order to determine from the outset a remuneration policy that complies with regulatory provisions, the Board, on the basis of a proposal of the Appointments and Remuneration Committee, intends to propose the adoption of rules that specify that all or a part of the variable portion of compensation of the Managing Director, the General Manager, the Senior Management and the other Managers will not be paid under the following conditions:

- a) failure to achieve the pre-established objectives under the medium-term plan;
- b) a significant deterioration in the Company's capital and financial position; in this case, it would be possible to review the determination of a portion of variable compensation.

In the event of intentional or grossly negligent conduct that have determined results proved no lasting or even not actually been made, or which have resulted in a significant deterioration of the risk profile, it is provided the partial or total refund of the variable portion of the compensation of the Managing Director, the General Manager, the Senior Management and the other Managers, without prejudice to any further action.

The assessment and evaluation of the occurrence of the conditions that give rise to the obligation to refund is submitted to the Board of Directors, upon proposal of the Nomination and Compensation Committee.

For the Managing Director, the General Manager and the Senior Managers who leave their position or work relationship at the end of their term, for pension or for reasons beyond their control, payment of the accrued and allocated variable component will be made.

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

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

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

7. Remuneration of managers of internal control areas

For heads of internal control areas, there is no variable remuneration, meaning the component of compensation provided on the basis of results achieved by the Company. However, as permitted by art. 20 paragraph 2 of ISVAP Regulation n. 39/2011, subject to the principle of a higher incidence of the fixed component on the variable remuneration component, is deemed fair and appropriate to provide that the managers of the control functions are beneficiaries of bonuses linked to the achievement of defined objectives based on the specific activities of each function and connected to the effectiveness and quality of the control action, with the exclusion of any economic and financial performance indicator, which is potential source of conflicts of interest. The bonuses cannot exceed 40% of the fixed component.

The Control and Risk Committee is in charge for the assessment of the achievement of the objectives, as it assists the Board of Directors in carrying out duties related to the internal control system. In particular, it assesses the adequacy, efficiency and actual operation of the internal control system. For this purpose, the heads of the control departments report the results of their activity to the Control and Risk Committee, to which they submit the annual work plans of their respective departments, the periodic reports on the activity carried out and an annual report on the effectiveness and efficiency of the internal control system, for review and approval.

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

The bonuses are paid over a two-years period based on the following criteria:

- 60% is paid after the approval of the financial statements for the reference year by the shareholders' meeting;
- the remaining 40% is paid in the following year, after the approval of financial statements, and is not subject to the achievement of a distributable profit in the year of deferral.

Rules similar to those given in section 6.3 are applied to these bonuses, in relation to the total or partial payment, the possible refund of the part already paid or in the event of termination of employment.

8. Non-monetary Benefits of Senior Management and of Managers

As provided by national industry collective agreements, the company's Managers are the recipients of non-monetary benefits, mainly consisting of complementary pension funds and health care extended to their families, with guarantees in case of permanent disabilities, of death and total permanent invalidity due to injury or occupational and non-occupational illness and in case of partial permanent invalidity due to injury or illness.

In accordance with the market practice, the Company's Managers are recipients of non-monetary benefits linked to additional insurance coverage in case of death from any cause, critical illness, and long-term care.

Managers, like all Company employees, benefit from more favourable contractual conditions for the stipulation of insurance products and from preferential access to home loans/mortgages.

All Managers are allowed to a discretionary use of a Company car.

Managers with specific powers shall be provided with the insurance coverage for civil liability (D&O Policy) described in Chapter 10 below.

9. Indemnity at the expiration or termination of the employment

Currently, even with regard to Directors, Senior Management and managers with strategic responsibilities there are no:

- agreements entitling to indemnity upon early termination of the employment, or to the execution of consulting agreements for a period following the termination of the relationship;
- agreements calling for the allocation or maintenance of non-monetary benefits after the termination of the position, or compensation for non-competition obligations.

For all Senior Management and Managers of the Company, in case of early termination of the employment, the compensation that may be paid, in accordance with current regulations and contractual provisions, shall be equal to the amount provided by applicable regulatory and National Collective Labour Agreement provisions.

10. D&O Policy

Following the authorisation by the Shareholders' Meeting of April 24, 2009, the Company annually renews a D&O insurance policy with standard insurance market terms and conditions, adequate for the performance of the Company's and of the Group's business.

The purpose of the coverage is to hold harmless from losses the members of the Board of Directors, of the Board of Statutory Auditors, the Financial Reporting Manager, Managers with specific powers in relation to acts carried out in the performance of the duties of their offices, of the powers vested in them, of their respective tasks, within the limits of their powers and in compliance with laws, provisions, regulations and also with the procedures adopted by our Company. Coverage shall only be valid if perpetrators of the violations have acted without intent.

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

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

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

Vittoria Assicurazioni S.p.A. operates throughout Italy with a traditional distribution network consisting of over 400 contract agencies at December 31, 2015 whose remuneration is based on fees that are typical for the insurance market, and that are pre-established by the Company and broken down by individual branches and by type of risks incurred.

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

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

When significant and essential activities are outsourced, and in all cases when consideration is greater than the amounts specified in the procedure, in addition to the selection criteria that

apply to all suppliers, suppliers must, in all cases, satisfy the requirements of professionalism, honesty and economic capacity as detailed in the procedure.

12. Staff remuneration (no risk taker)

As at December 31, 2015 Vittoria Assicurazioni had 534 employees spread out among the registered offices in Milan and the other operating units throughout Italy.

Staff could be broken down as follows: 361 office workers up to level 6 of the National Collective Labour Agreement; 147 supervisors; 26 managers.

In addition to the full application of the schedule parameters and benefits stipulated by the National Collective Labour Agreement entered into between ANIA and the industry unions and by the Company's Supplemental Contract (CIA) entered into with the Company's union representatives, the compensation of all employees is reviewed annually on the basis of a remuneration policy managed by the Human Resources Development Department, which is based on the following objectives by order of priority:

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

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

The form calls for an evaluation largely based on the objectives, activities, knowledge and specific professional expertise required for the employee's operating area. Once the form has been approved and signed by the employee being evaluated, by his/her supervisor and by the head of the relevant department, it is forwarded to the Human Resources Development Department.

The economic measures foreseen by the Company's policies, take into account the process of performance evaluation as well as the market position (external and internal to the Company), and assess the critical nature of the resource's position and difficulty in recruiting a replacement. The economic measures could be:

- one-time individual measures, which are based on an exceptional performance level (they are not calculated according to economic parameters tied to company income criteria);
- promotions, which are provided where the contractual status of the resource is not correct with respect to the role played by the same;
- salary increases *ad personam*, which are wage adjustments related to fairness criteria (internal and external to the Company) and which take account of professional maturity of the resource.

In order to orient more and more the workforce that is not manager to achieve the objectives of the Company, and to align and direct the individual behavior towards corporate objectives, incentive systems were adopted that allow resources to access a variable compensation.

All incentive systems adopted by the Company provide for the achievement of a common formalized Company's objective which is the same one used to determine the variable part of the remuneration of the Managing Director, the General Manager, the Senior Managers and other Managers: the overall ordinary technical result (Life and Non-Life).

It is not acquired any right to the variable compensation when the value of the final ordinary technical result is less than 70% of the ordinary technical result value as set forth in the annual budget.

The result is considered achieved, giving rise the right to the variable remuneration component, when the value of the final ordinary technical result is equal to or greater than 70% of the ordinary technical result value as set forth in the annual budget, as per the table in item 6.2.

Three areas that are particularly sensitive to variable compensation have been identified among employees: the commercial area, the claims area and the technical area.

As a result, an incentive system has been established for the Heads of the claims network, for Claims Liquidators, i.e., those involved in the settlement of liability Automobile and Non-Marine Branch claims in operating units (Claims Inspectorates) throughout Italy (approximately 104 employees), and for Commercial Supervisors (Damages and Life Branches) and for their Area Coordinators and Technical Supervisors (approximately 37 employees in all) who work closely with the distribution network made up of agencies. These incentives are formalised and accepted at the beginning of each calendar year.

The incentive system is approved by the line departments where the resources are employed and by the Human Resources Development Department, with the aim of achieving objectives that are particularly significant for the Company.

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

- Human Resources Development Department;
- Motor and Non-Marine Business claims Department;
- Commercial Department;
- Underwriting Non-marine business.

The technical/qualitative criteria/parameters used are formalised at the start of each calendar year. Maximum incentive limits are set for each of these parameters, and an overall maximum limit is also set, based on the employee's title and responsibilities, for the incentive that may be paid. The variable amount is paid in the calendar year following the reference year, depending on the level of achievement of objectives.

In the logic of focusing more and more the employees on achieving objectives and to the aim of improving transparency and sharing the objectives assigned, during 2013 the Company started to design and plan the introduction of a system of incentives that, after an initial test phase carried out during 2014, will be gradually extended to other business functions.

The quantitative criteria/parameters used (or qualitative where it is not possible to identify quantitative ones) are defined at the beginning of each calendar year, shared with the line departments the resources belong to and with the Human Resource Department, with the goal of achieving objectives that are particularly significant for the company.

The incentive system, which in 2015 involved about 175 resources and that in 2016 plans to involve up to a total of 290 resources, provides for assignment a group objective (connected to reaching an objective assigned to the unit the resource belongs to) and of one or more individual goals (connected to reaching a personal objective assigned to each individual).

A maximum incentive limit is set for each of these objectives.

The variable amount is paid in the calendar year subsequent to the reference year.

For employees who leave their work relationship for retirement or for reasons beyond their control, payment of the accrued and allocated variable component will be made.

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

13. Companies of the Vittoria Assicurazioni Group

The Board of Directors has assigned the Managing Director the duty of ensuring the overall consistency of the Group's remuneration policies in order to ensure compliance with the principles set forth in this document for all Group companies and to ensure their correct application.

The Appointments and Remuneration Committee assists the Managing Director in developing proposals for the remuneration of Directors, the Chairman, the Managing Director and the General Manager of the subsidiary companies.

Section Two

Part One

This section details compensation paid during the FY 2015 to Directors, Statutory Auditors and the General Manager and, in a combined form, to managers with strategic responsibilities (the Co-General Manager and Central Managers, collectively referred to as Senior Management) by Vittoria Assicurazioni S.p.A. and subsidiaries and associate companies.

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

Non-executive Directors

The Ordinary Shareholders' Meeting of April 19, 2013 which appointed the Board of Directors in office for the 2013, 2014 and 2015 financial years, set the Board's total gross remuneration at € 800,000 for each financial year, in order to remunerate the Directors for their participation in the Committees and for the specific tasks assigned within these Committees. As provided by Article 15 of the Articles of Association, this amount does not include compensation for Directors with specific duties.

The Board of Directors, upon meeting at the end of the aforesaid Shareholders' Meeting, therefore resolved to divide the amount specified by the Shareholders' Meeting as follows:

- € 25,000 for each Director, for a total amount of € 400,000;
- € 5,000 for each member of the Appointments and Remuneration Committee, for a total amount of € 15,000;
- € 25,000 for the Chairman of the Internal Control Committee and € 15,000 for the other two members of the same Committee, for a total amount of € 55,000;
- € 7,500 for each member of Committee for the Evaluation of Transactions with Related Parties, for a total amount of € 22,500;
- € 5,000 for each non-executive member of the Finance Committee, for a total amount of € 15,000;
- € 5,000 for each non-executive member of the Real Estate Committee, for a total amount of € 25,000;
- € 130,000 for Mr. Luca Paveri Fontana in relation to the special duties assigned on the Finance Committee for the supervision of foreign investee companies and investments in the private equity sector;
- € 60,000 to Ms. Adriana Acutis Biscaretti di Ruffia in relation to duties assigned on the Finance Committee and Real Estate Committee for the supervision of foreign investee companies and foreign real estate companies.

Therefore, a sum of € 77,500 was left over from the total amount set by the Shareholders' Meeting, for future allocation by the Board. Following the new appointments in the Committees resolved by the Board of Directors in the course of 2015, this amount is now € 52,500.

Directors are entitled to the reimbursement of expenses incurred in the exercise of their duties. No lump-sum reimbursements or attendance fees are provided for attending meetings of the Board or of the Committees.

Neither incentive-based remuneration systems, nor fringe benefits are contemplated for non-executive Directors.

Chairman, Deputy Chairmen and Managing Director

In accordance with Article 15 of the Articles of Association, the Board of Directors, at the proposal of the Appointments and Remuneration Committee and with a favourable opinion from the Board of Statutory Auditors, resolved upon the following gross annual remuneration for Directors with specific duties:

- € 50,000 to the Honorary Chairman
- € 80,000 to the Chairman
- € 40,000 to each Deputy Chairman
- € 500,000 to the Managing Director.

The Chairman Mr. Giorgio Roberto Costa and the executive Deputy Chairmen Messrs. Carlo Acutis and Andrea Acutis do not benefit from an incentive-based remuneration tied to their office.

As a manager of the Company, Vice Chairman Andrea Acutis receives remuneration tied to the employment contract, consisting of a fixed part and a variable. In 2015, on the basis of the results achieved in 2014, Mr. Acutis received a variable compensation of € 100,000.

In addition to the fixed compensation of the Managing Director, Roberto Guarena, in 2015 an additional amount of variable compensation of € 918,720 was assigned. This was calculated on the basis of the remuneration program approved by the Shareholders' Meeting of April 29, 2014 for the results achieved in 2014, and is to be distributed as follows: € 551,232 paid in 2015; € 183,744 to be paid in 2016 and € 183,744 to be paid in 2017.

The Board of Directors, during its meeting of March 10, 2016, having noticed the achievement of the targets set for the FY 2015, has also granted the Managing Director and the Vice Chairman Andrea Acutis (the latter being also Manager of the Company) the right to the variable remuneration provided for by the incentive compensation plan described in the Report on Remuneration Policies approved by the Shareholders' Meeting held on April 24, 2015. The relevant amounts will be paid on or before May 2016 and are shown in Table n. 2 of Part II of this Section Two.

Statutory Auditors

The Ordinary Shareholders' Meeting held on April 19, 2013, which appointed the Board of Statutory Auditors for 2013, 2014 and 2015, set the Board's gross annual compensation as follows: € 75,000 for the Chairman of the Board of Statutory Auditors and € 50,000 for each Standing Statutory Auditor, and the refund of the expenses incurred.

Standing Statutory Auditor Giovanni Maritano received also € 10,000 as compensation for the position in the Company's Supervisory Bodies established pursuant to Italian Legislative Decree 231/2011 and other compensation for positions on Boards of Statutory Auditors and Supervisory Bodies in subsidiaries and associated companies of Vittoria Assicurazioni S.p.A.

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

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

General Manager and Managers with strategic responsibilities

Senior Managers are company employees whose remuneration consists of a fixed component, including individual income, fringe benefits tied to their management position and dictated by the National Collective Labour Agreement and the company's supplemental contracts.

In particular, fringe benefits include a company car, supplemental pension and insurance policies, whose amount is indicated in table 1 below in accordance with the taxable income criterion.

In addition to the fixed compensation paid to the General Manager in the form of a salary, in 2015 an additional amount of variable compensation of € 730,800 was assigned. This was calculated on the basis of the remuneration program approved by the shareholders' meeting of April 29, 2014 for the results achieved in 2014, and is comprised as follows: € 438,480 paid during 2015; € 146,160 to be paid in 2016 and € 146,160 to be paid in 2017.

Similarly, within the maximum amount set in the incentive compensation plan for the year 2014, during the 2015 Managers with Strategic Responsibilities has been granted a total variable compensation of € 598,480, divided as follows: € 391,088 paid in 2015, euro 119,696 to be paid in 2016 and euro 87,696 to be paid in 2017.

The Board of Directors, during its meeting of March 10, 2016, having noticed the achievement of the targets set for the FY 2015, has also granted the General Manager and the Managers with Strategic Responsibilities the right to the variable remuneration provided for by the incentive compensation plan described in the Report on Remuneration Policies approved by the Shareholders' Meeting held on April 24, 2015. The relevant amounts will be paid on or before May 2016 and are shown in Table n. 2 of Part II of this Section Two.

Section Two

Part Two

Compensation related to FY 2016 for Directors, Statutory Auditors and the General Manager is reported, as well as combined compensation paid to managers with strategic responsibilities, using the schedules specified in Schedule 7-*bis* by Annex 3 of the Issuer Regulation, in addition to investments in the companies owned by the same individuals as specified in Schedule 7-*ter* of the aforementioned Annex 3 of the Issuer Regulation.

In this regard, note that:

- In the table 1 entitled “**Compensation paid to members of administrative and control bodies, the General Manager and other managers with strategic responsibilities**” (Table 1 of Schedule 7-*bis*, Annex 3 of the Issuer Regulation), no information is provided concerning compensation paid in the form of profit sharing or equity compensation since these do not apply to the company;
- For the same reason, Tables 2 and 3 of Schedule 7-*bis*, Annex 3 of the Issuer Regulation were not prepared in relation to stock options and incentive plans based on financial instruments other than stock options, which are not applied by the company;
- The table 2 entitled “**Monetary incentive plans for members of the Board, the General Manager and managers with strategic responsibilities**” (Table 3-*bis* of Schedule 7-*bis*, Annex 3 of the Issuer Regulation) reports bonuses accrued according to the remuneration policies approved in 2013, 2014 and 2015.

Table 1

Compensation paid to members of administrative and control bodies, the General Manager and other managers with strategic responsibilities

Name e surname	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in Committee	Variable compensation non equity: bonuses and other incentives	Non-monetary benefits	Other compensation	Total	Compensation for end of office or termination of employment
Giorgio Costa	Chairman	01/01/2015 31/12/2015	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership Office	25,000 Finance 80,000 Real Estate	5,000 5,000			115,000	
	Fees from subsidiary and associates				6,000				6,000	
	Total				111,000	10,000			121,000	
Andrea Acutis	Vice Chairman	01/01/2015 31/12/2015	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership Office Employees	25,000 40,000 262,500		100,000	10,526	438,026	
	Fees from subsidiary and associates				7,000				7,000	
	Total				334,500		100,000	10,526	445,026	
Carlo Acutis	Vice Chairman	01/01/2015 31/12/2015	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership Office	25,000 40,000				65,000	
	Fees from subsidiary and associates									
	Total				65,000				65,000	
Roberto Guarena	Managing Director	01/01/2015 31/12/2015	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership Office	25,000 500,000		826,764		1,351,764	
	Fees from subsidiary and associates				6,000				6,000	
	Total				531,000		826,764		1,357,764	

Table 1

Compensation paid to members of administrative and control bodies, the General Manager and other managers with strategic responsibilities

Name e surname	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in Committee	Variable compensation non equity: bonuses and other incentives	Non-monetary benefits	Other compensation	Total	Compensation for end of office or termination of employment
Adriana Acutis Biscaretti di Ruffia	Director	01/01/2015 31/12/2015	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership	25,000 Finance	5,000			95,000	
	Fees from subsidiary and associates			Duty assigned	60,000 Real Estate	5,000			119,000	
	Total				119,000	10,000			214,000	
Francesco Baggi Sisini	Director	01/01/2015 31/12/2015	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership	25,000 Appointment-Remuneration	5,000			35,000	
	Fees from subsidiary and associates				Real Estate	5,000				
	Total				25,000	10,000			35,000	
Marco Brignone	Director	01/01/2015 31/12/2015	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership	25,000 Related Parties Trans.	7,500			32,500	
	Fees from subsidiary and associates									
	Total				25,000	7,500			32,500	
Fulvia Ferragamo Visconti	Director	01/01/2015 31/12/2015	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership	25,000				25,000	
	Fees from subsidiary and associates									
	Total				25,000				25,000	
Bernd Gierl	Director	01/01/2015 31/12/2015	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership	25,000				25,000	
	Fees from subsidiary and associates									
	Total				25,000				25,000	

Table 1

Compensation paid to members of administrative and control bodies, the General Manager and other managers with strategic responsibilities

Name e surname	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in Committee	Variable compensation non equity: bonuses and other incentives	Non-monetary benefits	Other compensation	Total	Compensation for end of office or termination of employment
Lorenza Guerra Seragnoli	Director	01/01/2015 31/12/2015	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership	25,000				25,000	
	Fees from subsidiary and associates									
	Total				25,000				25,000	
Pietro Carlo Marsani	Director	01/01/2015 31/12/2015	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership	25,000 Risk & Control	21,740			54,240	
	Fees from subsidiary and associates				Related Parties Trans.	7,500				
	Total				25,000	29,240			54,240	
Giorgio Marsiaj	Director	01/01/2015 31/12/2015	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership	25,000				25,000	
	Fees from subsidiary and associates									
	Total				25,000				25,000	
Lodovico Passerin d'Entrèves	Director	01/01/2015 31/12/2015	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership	25,000 Appointment-Remuneration	5,000			30,000	
	Fees from subsidiary and associates									
	Total				25,000	5,000			30,000	
Luca Paveri Fontana	Director	01/01/2015 31/12/2015	FY 2015							
	Fees from Vittoria Assicurazioni			Board membership	25,000 Risk & Control	15,000				
	Fees from subsidiary and associates			Duty assigned	130,000 Finance	5,000				
	Fees from subsidiary and associates				Real Estate	5,000				
Total				130,000 Appointment-Remuneration	25,000	25,000		185,000		
Total	Fees from subsidiary and associates				336,666				336,666	
	Total				491,666	30,000			521,666	

Table 1

Compensation paid to members of administrative and control bodies, the General Manager and other managers with strategic responsibilities

Name e surname	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in Committee	Variable compensation non equity: bonuses and other incentives	Non-monetary benefits	Other compensation	Total	Compensation for end of office or termination of employment
	Director	01/01/2015 31/12/2015	FY 2015							
Giuseppe Spadafora	Fees from Vittoria Assicurazioni			Board membership	25,000 Risk & Control Finance	21,521 3,260				
	Fees from subsidiary and associates				Related Parties Trans.	7,500			57,281	
	Total				25,000	32,281			57,281	
	Director	01/01/2015 31/12/2015	FY 2015							
Anna Strazzera	Fees from Vittoria Assicurazioni			Board membership	25,000 Risk & Control	12,205			37,205	
	Fees from subsidiary and associates				Real Estate	5,000				
	Total				25,000	17,205			37,205	
	Onorary Chairman	01/01/2015 31/12/2015								
Luigi Guatri	Fees from Vittoria Assicurazioni			Office	50,000				50,000	
	Fees from subsidiary and associates									
	Total				50,000				50,000	
	Direttore Generale	01/01/2015 31/12/2015								
Cesare Caldarelli	Fees from Vittoria Assicurazioni			Employees	400,000	698,628	13,068		1,111,696	
	Fees from subsidiary and associates									
	Total				400,000	698,628	13,068		1,111,696	

Table 1

Compensation paid to members of administrative and control bodies, the General Manager and other managers with strategic responsibilities

Name e surname	Office	Period in office	Expiry	Fixed compensation	Compensation for participation in Committee	Variable compensation non equity: bonuses and other incentives	Non-monetary benefits	Other compensation	Total	Compensation for end of office or termination of employment
Alberto Giussani	Chairman of Statutory Auditors	01/01/2015 31/12/2015	FY 2015							
	Fees from Vittoria Assicurazioni			Office	75,000				75,000	
	Fees from subsidiary and associates									
	Total				75,000				75,000	
Giovanni Maritano	Statutory Auditor	01/01/2015 31/12/2015	FY 2015							
	Fees from Vittoria Assicurazioni			Office	50,000 OdV	10,000			60,000	
	Fees from subsidiary and associates				82,440				82,440	
	Total				132,440				142,440	
Francesca Sangiani	Statutory Auditor	01/01/2015 31/12/2015	FY 2015							
	Fees from Vittoria Assicurazioni			Office	50,000				50,000	
	Fees from subsidiary and associates								0	
	Total				50,000				50,000	
n. 6 managers with strategic responsibilities	Fees from Vittoria Assicurazioni			Employees	1,353,617	701,328	64,697		2,119,642	
	Fees from subsidiary and associates				15,421				15,421	
	Total				1,369,038	701,328	64,697		2,135,063	

Table 2

Monetary incentive plans for members of the Board of Directors, the General Manager and managers with strategic responsibilities

Name and surname	Office	(1) Plan	(2) Bonus vested in 2015			(3) Bonus of previous years			(4) Other bonus
			(A) Payable in 2016	(B) Deferred	(C) Period of deferment	(A) no more payable	(B) Payable	(C) Deferred	
Roberto Guarena Vittoria Assicurazioni incentive plan	Managing Director		476,160						
		24 April 2015		158,720	FY 2017				
		29 April 2014		158,720	FY 2018		183,744	183,744	
		19 April 2013					166,860		
(III) Total		476,160	317,440			350,604	183,744		
Andrea Acutis	Vice Chairman								
Vittoria Assicurazioni incentive plan		24 April 2015	100,000						
(III) Total									
Cesare Caldarelli	General Manger								
Vittoria Assicurazioni incentive plan		24 April 2015	452,352						
		24 April 2015		150,784	FY 2017				
		29 April 2014		150,784	FY 2018		146,160	146,160	
		19 April 2013					100,116		
(III) Total			452,352	301,568			246,276	146,160	
6 managers with strategic responsibilities									
Vittoria Assicurazioni incentive plan		24 April 2015	514,888						
		24 April 2015		139,296	FY 2017				
		29 April 2014		87,296	FY 2018		119,696	87,696	
		19 April 2013					66,744		
(III) Total			514,888	226,592			186,440	87,696	

Table 3

Shareholdings held by members of the Board of Directors, by Statutory Auditors and by the General Manager

Name	Office	Vittoria Assicurazioni shares	Number of shares held at the end of FY 2014	Number of shares purchased	Number of shares sold	Number of shares held at the end of FY 2015
Costa Giorgio	Chairman	directly	50,000	0	0	50,000
Acutis Carlo	Vice Chairman	through controlled companies	38,664,400	200,000	0	38,864,400
Acutis Andrea	Vice Chairman	directly	117,730	0	0	117,730
Guarena Roberto	Managing Director	directly/through family	26,950	23,050	0	50,000
Acutis Biscaretti di Ruffia Adriana	Director	directly	64,750	0	0	64,750
Baggi Sisini Francesco	Director	through controlled companies	3,849,000	1,000	0	3,850,000
Brignone Marco	Director	directly	20,000	0	0	20,000
Marslaj Giorgio	Director	directly	344,644	0	0	344,644
Paveri Fontana Luca	Director	directly	69,000	0	0	69,000
Caldarelli Cesare	Direttore Generale	through family	11,500	0	0	11,500

Shareholdings held by managers with strategic responsibilities

Number of Managers	Vittoria Assicurazioni shares	Number of shares held at the end of FY 2014	Number of shares purchased	Number of shares sold	Number of shares held at the end of FY 2015
5 managers with strategic responsibilities	directly/through family	95,780	6,222		102,002

Report of the Internal Audit and Compliance functions on implementation of the remuneration policies

Introduction: reference regulatory framework

On March 10, 2015 the Board of Directors of Vittoria Assicurazioni approved the Report on Remuneration Policies, which was then submitted to the Shareholders' Meeting of Vittoria Assicurazioni for its approval on April 24, 2015.

Vittoria adopted the remuneration policies on the basis of the regulations applicable to it, and in particular:

- ISVAP Regulation no. 39/2011;
- Art. 7 of the Corporate Governance Code issued by Borsa Italiana in December 2011;
- Art. 123-ter of Italian Legislative Decree 58/1998 (Italian Financial Act - TUF).

In particular, in establishing that the type, size and operating characteristics of the company have to be considered when determining remuneration policies, ISVAP Regulation no. 39/2011, the regulation that is the primary reference for an insurance company, indicates the principles that the remuneration policies of an insurance company must follow:

- remuneration policies must be consistent with the sound, prudent management of risk and in keeping with the strategic objectives, income and equilibrium of the company over the long term.
- they must not be solely or predominantly based on short-term results to avoid providing incentives for excessive risk exposure.

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

Art. 23 of ISVAP Regulation no. 39/2011 establishes that implementation of remuneration policies must also be subject to an annual audit of internal control departments, which are required to report the results of audits to bodies responsible for adopting any corrective measures.

In particular:

- the Internal Audit Department audits the proper application of remuneration policies on the basis of guidelines set by the Board of Directors.
- the Compliance Department ensures that remuneration policies are consistent with the requirements of ISVAP Regulation no. 39/2011, the Articles of Association and other codes applicable to the company or with which it complies (e.g., the Corporate Governance Code issued by Borsa Italiana) in order to prevent and contain legal and reputational risks.

Art. 23 of ISVAP Regulation no. 39/2011 also then requires that the Board of Directors annually makes an appropriate report to the Shareholders' Meeting on the application of remuneration policies.

Remuneration policy of Vittoria Assicurazioni S.p.A.

In adopting its remuneration policies, Vittoria Assicurazioni first of all identified:

- the general guidelines of remuneration policies it plans to adopt for the year 2015;
- the role and duties of various participants in decision-making processes that lead to the determination of remuneration policies;
- the principles and criteria that will be used to coordinate the determination of remuneration for executive directors and other individuals in senior positions at the Company considered as the main risk takers;
- for certain categories of individuals, parameters aimed at determining the variable portion of compensation if provided for.

Vittoria Assicurazioni also defined the roles and decision-making process, and particularly specified the duties of the Board of Directors and of the Appointments and Remuneration Committee. Among other things, it established that:

- the general remuneration policy for personnel is determined by the Board of Directors with the support of the Appointments and Remuneration Committee and of the Managing Director.
- duties and roles of the individual participants in decision-making processes must be defined.

For the remuneration of the Managing Director, senior management and managers, Vittoria established, among other things, that:

- it be made up of a fixed component and a variable component, with the pre-set limit equal to a pre-established percentage of the fixed compensation;
- the variable portion of the remuneration of the Managing Director, senior management and other managers be proportionate to the attainment of the overall preserved ordinary technical result stated in the annual budget plan, with a limit identified in the same budget, with modulation as a percentage of the amount to pay based on its actual attainment, approved by the Board of Directors and published;
- the variable portion of compensation of the Managing Director, General Manager and Co-General Manager is not paid in the year of accrual, but is spread out over three years based on predetermined criteria, while it is paid to senior management over two years. Furthermore, it will not be paid if there are particular situations that arise in the employment relationship or following a significant deterioration of the Company's capital or financial position.

Lastly, Vittoria has identified three areas that are sensitive to the company's risk profiles within its employees: the commercial area, the claims area and the technical area. For these figures, it has set up an incentive system shared by the line departments to whom the resources report and by the Personnel department, aimed at attaining objectives that are particularly important for the company. The objectives are mostly quantitative but also take into account service quality parameters and are formalised for each resource and for each operating unit at the beginning of every solar year, while the variable amount is paid during the solar year following that of reference.

Analysis of the control departments on consistency of the remuneration policies with the regulatory objectives and on their proper application.

Compliance control

Having very succinctly mentioned the principles introduced by the reference regulatory framework and the main points on which the remuneration policy approved by the Shareholders' Meeting of Vittoria Assicurazioni on April 24, 2015 is based.

As previously pointed out, the same principles were applied to the following in addition to the individuals in senior positions:

- Senior Management;
- Managers responsible for business units;
- managers of internal control areas;
- personnel benefiting from incentive plans;
- insurance intermediaries and providers of outsourced activities and services.

In order to check that the remuneration policies were consistent with the instructions of ISVAP Regulation no. 39/2011, the Articles of Association of the Company and Art. 7 of the Corporate Governance Code, in 2015 the Compliance Department conducted the Assessment following the operating methods typical of the Compliance process and in keeping with the steps summarised below:

- Preliminary examination of the regulation on the topic in question;
- Analysis and identification of the list of obligations underlying the identified regulatory requirements, obtained by breaking down the regulatory provisions up to a level of detail consistent with the measurement objectives;
- Comparison of the company process against identified obligations;
- Assessment of the company's degree of exposure to the risk of non-compliance with explicit reference to the perimeter being analysed;
- Listing of any critical areas found and indication of possible corrective actions.

The assessment method used by the department for the Assessment entails using scales of judgement on four compliance levels and associating a score for each of the following levels: “non-assessable”, “non-compliant”, “partially compliant” and “compliant”.

The term non-assessable means the obligation that is not contained in the Vittoria Assicurazioni policies in so far as the company, from the very beginning, decided to rule out resorting to certain tools for its remuneration policy, for example: the clear elucidation of not providing for stock-option plans or profit-sharing systems, or in any case forms of financial instrument-based incentive pay for any figure, and especially for management.

On this question it should be emphasised that the Company adopted a policy generally stricter than the principles provided for by both ISVAP Regulation no. 39/2011 and Art. 7 of the Corporate Governance Code and that rules out financial instrument-based remuneration.

However, the decision to not resort to these incentive forms makes the remuneration policies even more compliant with the principles of sound and prudent management that particularly lie at the heart of the requirements of ISVAP Regulation no. 39/2011 and considerably reduce

exposure both to the risk of non-compliance and to the reputation risk tied to use of these remuneration tools.

In the present version of the remuneration policy Vittoria Assicurazioni S.p.A. has introduced some changes that go in the direction of making the same policy further compliant to the provisions of ISVAP regulation no. 39/2011 and subsequent Circular Letter of IVASS April 9, 2013.

Lastly, please remember that the outsourcing of essential and important activities regulated by special internal procedures requires, among other things, precise criteria for selecting the suppliers, is constantly monitored by the Legal and Compliance department. It appears to be carried out in compliance with the internal procedural rules and, as far as the remuneration of the suppliers of the outsourced activities is concerned, is in line with the principles set out in ISVAP Regulation no. 39/2011. During 2015 the Board of Directors, on the other hand, revised several policies, including the outsourcing Policy, which define the guidelines of the overall internal control and risk management system and in particular establish the company's risk appetite levels.

Application control

In observance of the provisions of Art. 23, paragraph 1, letter a) of ISVAP Regulation no. 39, the Internal Audit department checked that the remuneration policies are properly applied on the basis of the guidelines approved by the Board of Directors.

For this reason the Internal Audit department verified the remunerations paid in 2015 (referring to 2014) on the basis of the guidelines provided by the Board of Directors in the meeting on March 7, 2014, which were approved by the General Meeting on April 29, 2014.

The Internal Audit department reported that:

- the variable portion of the remuneration of the Managing Director and senior management is calculated based on attainment of the overall preserved ordinary technical result (Non-Life Business and Life Business) compared to the data provided in the 2014 annual budget plan;
- the total amount to allocate to the variable portion of the remuneration of the Managing Director, senior management and the managers, equal to 4.5%, was calculated on the technical result established in the 2014 annual budget plan, equal to Euro 77.350 million, and not on the greater value actually attained and reported in the final statement;
- the remuneration of the Directors and of the fees of the Statutory Auditors was calculated in keeping with the resolution of the General Meeting passed on 19 April 2013.
- With regard to the variable portion of the remuneration of the professional figures belonging to the claims, technical and commercial areas, the Company:
 - defined the objectives by formalising individual letters (containing specific references to the incentive system), in line with what was specified in the aforesaid report;
 - calculated in agreement with the actual attainment of the quantitative and qualitative parameters formalised at the beginning of every solar year and assessed with the aid of assessment forms drawn up for every single resource;
 - paid the variable portion of the remuneration according to the directives issued by the Company.
- As regards the variable remuneration of the distribution network made up of the agencies, the Company:

- issued the rules adopted for defining the incentive system through the "2014 national incentive regulation" and distributed them to the sales network;
- calculated actual attainment of the objectives of every single point of sale on the basis of detailed findings, in line with the parameters identified;
- paid the incentives following the directives issued by the Company.