

Ordinary and Extraordinary Shareholders' Meeting

19.04.13 (first call)

20.04.13 (second call)

Report of the Board of Directors on the forth item on the agenda for Ordinary Meeting.

To Shareholders

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

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

- Section One, which is being submitted for your approval pursuant to ISVAP Regulation no. 39 and Article 7 of the Articles of Association describes:
 - a) the remuneration policies the Company intends to adopt with respect to Directors, Statutory Auditors, the General Manager, managers with strategic responsibilities and staff, in the sense specified in ISVAP Regulation no. 39, that is managers and staff at the highest level in internal control areas (Internal Audit, Compliance and Risk Management) and categories of staff whose activities could have a significant impact on the Company's risk profile;
 - b) the procedures used to implement this policy;
- Section Two, which does not require Shareholder Meeting approval, is divided into two parts with information by name for members of management and control bodies, the General Manager, and on a combined basis, managers with strategic responsibilities, and provides:
 - a) an appropriate reporting of each remuneration item;
 - b) a detailed breakdown of compensation resolved in 2012 in favor of the Directors, the General Manager, Senior Management and Statutory Auditors for the year 2012 for any reason and in any form by the Company and its subsidiaries or affiliated companies, with an indication, if necessary, of any components of the above compensation that related to activities performed in previous periods.

The Board of Directors

Milan, 8 March 2013

Vittoria Assicurazioni

REGISTERED OFFICE: VIA IGNAZIO GARDELLA 2 - 20149 MILANO

SHARE CAPITAL EURO 67.378.924 FULLY PAID

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PARENT COMPANY OF THE VITTORIA ASSICURAZIONI INSURANCE GROUP

ENTERED AT NUMBER 008 IN THE REGISTER OF INSURANCE GROUPS

Remuneration Report FY 2012

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

[Vittoria Assicurazioni S.p.A.](#)

www.vittoriaassicurazioni.com

Approved by the Board of Directors on 8 March 2013



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Remuneration Report

Section One

Foreword

The Board of Directors, in compliance with the provisions introduced by the new Article 123-ter of Italian Legislative Decree no. 58/1998 (TUF) and by IVASS Regulation 39, submitted for the first time to the Shareholders' Meeting of 20 April 2012 the approval of the guidelines for the remuneration policies to be adopted with reference to the Directors, the General Manager, senior managers with strategic duties and personnel.

For this purpose, the Company had evaluated the level of compliance of current remuneration systems with the new regulatory provisions of the ISVAP (now called IVASS), identifying the measures deemed most appropriate for their upgrade.

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, this report shall discuss:

- the general guidelines of the remuneration policies that Vittoria Assicurazioni S.p.A. intends to adopt;
- the role and duties of various participants in decision-making processes that lead to the determination of remuneration policies;
- the principles and criteria 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 of 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.

The Board of Director proposes to confirm, for 2013 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 S.p.A., Senior Management consists of the General Manager, Co-General Manager and Central Managers.

Managers: all managers other than Senior Managers.

Internal control areas: the Internal Audit, Risk Management and Compliance departments as indicated in IVASS Regulation no. 20/2008.

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

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

RAL: *retribuzione annua lorda*, gross annual compensation, i.e. the fixed gross annual component of remuneration for those who have an employment relationship with the Company.

CCNL: *contratto collettivo nazionale*, 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 IVASS Regulation no. 39/2011, starting in 2012 the Company's remuneration policy is to be determined by the Board of Directors with the support of the Appointments & Remuneration Committee and of the Managing Director, with the involvement of the Internal Control Departments and the Staff and Human Resources Management Department. The latter is particularly involved in determining staff requirement objectives and methods and criteria for 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 IVASS 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 and Remuneration Committee (hereafter also the "Committee");
- the Managing Director;
- the Board of Statutory Auditors;
- the Staff and Human Resources Management Department
- the internal control departments (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 and 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 IVASS 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 2012, 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

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, as indicated by 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.
- 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, 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 Staff and Human Resources Management Department for implementation purposes:

- definition of personnel 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.

Staff and Human Resources Management Department

The Staff and Human Resources Management Department, which organisationally reports to the Managing Director, supports the Managing Director for the definition of manpower requirements and of methods and criteria for evaluating human resources.

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;
- submitting to the Managing Director the proposal for the Company's overall compensation plan;
- developing and defining, together with the individual involved department heads, 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:

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

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 the 2012 remuneration policies, prepared in accordance with Article 23, Paragraph 2 of IVASS 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 or non-monetary benefits are provided for the Chairman and non-executive Directors.

The executive Deputy Chairmen, Mr. Carlo Acutis and Mr. Andrea Acutis, do not benefit from incentive-based remuneration because the Acutis family is the Company's controlling shareholder, whilst discretionary use of the company car is allowed. The Vice President Mr. Andrea Acutis is a manager of the Company and, as such, receives remuneration consists of a fixed part and a variable part, as described in chapter 6.

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, and 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, of Senior Managers and of other Managers

6.1 Remuneration structure

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

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 and 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, its size and the operations of the Vittoria Group;
- determining management compensation to ensure that the fixed component of compensation is, in all cases, sufficient to remunerate service regardless of the achievement of objectives that entitle the individual to receive a variable portion of compensation as calculated below, 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, 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, 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 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 is expressed as a predetermined percentage for the fixed component with amounts rising in relation to the position and responsibilities covered.

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

- for the Managing Director, General Manager and Co-General Manager, not to exceed 200% of the fixed component.
- for Central 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 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, 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.

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

For 2013, the percentage of the amount of the technical balance allocated for the payment of the variable component is determined on the basis of the following table:

Annual budget (Ordinary Technical Result):	€ 61.8 million
Actual result achieved: ≥ 50% (30.9 million)	Variable = 3% of the technical balance
Actual result achieved: ≥ 60% (37.08 million)	Variable = 3.5% of the technical balance
Actual result achieved: ≥ 70% (43.26 million)	Variable = 4% of the technical balance
Actual result achieved: ≥ 80% (49.44 million)	Variable = 4.25% of the technical balance
Actual result achieved: ≥ 90% (55.62 million)	Variable = 4.5% of the technical balance

The maximum amount to be allocated to pay the variable component of the Managing Director, of Senior Management and of the other Managers shall be Euro 2.781 million.

6.3. Payment of variable component

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

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

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

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

- the remaining 20% is paid the following year, after approval of the financial statements.

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

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

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

On the other hand, the result is deemed to be achieved, and the right to obtain the variable component of compensation accrues, when the amount of the final ordinary technical result is equal to or greater than 50% of the amount of the ordinary technical result projected in the budget as indicated in the table in item 6.2 above.

For the Managing Director and for other individuals in senior positions (General Manager, Co-General Manager and Central Managers) who leave their position or work relationship at the end of their term, 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 in the case of sub-paragraph c), and in the case of voluntary resignations.

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

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

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, for these department heads, based on the option specified in Article 20, paragraph 2 of ISVAP Regulation 39/2011, and subject to the principle that the fixed component must represent a greater percentage than the variable component of compensation, we believe it is accurate and appropriate to ensure that the above department heads receive annual bonuses tied to objectives that are mainly qualitative, the assessment of which is assigned to the Appointments and Remuneration Committee after receiving the opinion of the Control and Risk Committee, which is made up of independent Directors.

The Internal Control Committee assists the Board of Directors in carrying out duties related to the internal control system, and in particular, it assesses the adequacy, efficiency and actual operation of the internal control system. 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.

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.

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 use a company car at their discretion.

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

The Company's general policy, with reference also to the Directors, General Managers and other Managers with strategic responsibilities, does not contemplate:

- 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 Managers of the Company, thus also including Senior Management, in case of early termination of the employment, the compensation that may be paid to the individual in question, in accordance with current regulations and contractual provisions, shall be equal to the amount provided by way of notice by applicable regulatory and National Collective Labour Agreement provisions.

10. D&O Policy

Following the authorisation by the Shareholders' Meeting of 24 April 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 the persons who committed the violations did so without any malice.

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, 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 370 contract agencies at 31 December 2012 whose remuneration is based on fees that are typical for the insurance market, and that are pre-established by the Company and broken down by individual branches and by type of risks incurred.

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

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

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

12. Staff remuneration

At 31 December 2012, Vittoria Assicurazioni had 492 employees spread out among the registered offices in Milan and the other operating units throughout Italy (including the Turin office).

Staff could be broken down as follows: 327 office workers up to level 6 of the National Collective Labour Agreement; 142 supervisors; 23 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.

Each year, all unit/office heads receive the 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 specific professional expertise required for the employee's operating area.

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

The possible compensation measures at the end of the evaluation process, which also take into account market positioning, the critical nature of the resource's position and difficulty in recruiting a replacement, are solely:

- one-time individual measures, which are mostly based on an exceptional performance level and are not calculated according to economic parameters tied to company income criteria;

- a promotion, if an agreement was previously reached between the employee's supervisor and Personnel, for the achievement of levels of autonomy and work knowledge/expertise that corresponds to the next higher level, or if there are new duties that involve the recognition of a promotion;
- raises, which indicate exceptional professional growth in terms of competences and autonomous decision-making, which, though consolidated, do not yet entail a promotion in contractual terms.

Three areas that are sensitive to the company's risk profiles 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 head of the claims network, for Claims Supervisors, i.e., those involved in the settlement of liability Automobile and Non-Marine Branch claims in operating units (Claims Inspectorates) throughout Italy (approximately 90 employees), and Commercial Supervisors (Damages and Life Branches) and their Area Coordinators and Technical Supervisors (approximately 30 employees in all) who work closely with the distribution network made up of contract agencies. These incentives are formalised and accepted at the beginning of each calendar year and approved by the line departments where the resources are employed and by the Human Resources Department with the aim of achieving objectives that are particularly significant for the Company.

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

- Human Resources Department;
- 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.

Whilst the objectives assigned to employees of the claims network (Claims Supervisors and Claims Inspectors) are tied to the results achieved by the individual employee and by the Claims Inspectorate where (s)he works, for all other positions the objectives are purely assigned to each individual.

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.

Remuneration of the Subsidiaries' Corporate Bodies is approved by the Appointments and Remuneration Committee at the proposal of the Managing Director.

Section Two

Part One

This section details compensation paid to Directors, Statutory Auditors and the General Manager and, in a combined form, to managers with strategic responsibilities (the Co-General Manager and Central Managers, 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 23 April 2010, which appointed the Board of Directors in office for the 2010, 2011 and 2012 financial years, set the Board's total gross remuneration at €580,000 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:

- € 20,000 for each Director, for a total amount of € 320,000;
- € 5,000 for each member of the Appointments and Remuneration Committee, for a total amount of € 15,000;
- € 15,000 for the Chairman of the Internal Control Committee and € 10,000 for the other two members of the same Committee, for a total amount of € 35,000;
- € 5,000 for each non-executive member of the Finance Committee, for a total amount of € 20,000;
- € 5,000 for each non-executive member of the Real Estate Committee, for a total amount of € 25,000;
- € 110,000 for 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;
- € 40,000 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 € 15,000 was left over from the total amount set by the Shareholders' Meeting, for future allocation by the Board.

Following the establishment, in August 2012, of the new Committee for the Evaluation of Transactions with Related Parties, the Board then decided to recognise an additional annual compensation of € 5,000 to each member of the Committee, thus using the residual amount of the total compensation set by the Shareholders' Meeting.

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:

- € 60,000 to the Chairman
- € 30,000 to each Deputy Chairman
- € 450,000 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, Deputy Chairman Andrea Acutis receives remuneration tied to the employment contract, consisting of a fixed part and a variable. In 2012, on the basis of the results achieved in 2011, Mr. Acutis received a variable compensation of euro 40,000.

In 2012, the Managing Director, Mr. Roberto Guarena, in addition to the aforesaid fixed compensation, also, received a variable compensation of euro 500,000 set by the Board at the proposal of the Appointments and Remuneration Committee on the basis of the results achieved in 2011.

In 2012, the Managing Director and the Deputy Chairman Andrea Acutis (the latter in his capacity as manager of the Company) became entitled to the variable remuneration established according to the incentive-based remuneration plan illustrated in the Report on Remuneration Policies approved by the Shareholders' Meeting of 20 April 2012. The amounts of the variable remuneration, which will be paid by the month of June 2013, is reported in table n. 2 below.

Statutory Auditors

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

Although the reference fees were adjusted during the term of office, the Company agreed to maintain unaltered the method for determining the Statutory Auditors' compensation as set on the date of the aforesaid 2010 Shareholders' Meeting.

Standing Statutory Auditors Giovanni Maritano and Corrado Versino receive compensation for positions on Boards of Statutory Auditors and Supervisory Bodies established pursuant to Italian Legislative Decree 231/2011 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/or 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.

The remuneration paid to the General Manager and other managers with strategic responsibilities in 2012 also included a variable portion tied to the operating results achieved by the Company in 2011; particularly,

the General Manager received a variable compensation of euro 250,000 and the Senior Managers, collectively, received a variable compensation of euro 330,000.

In 2012, the Managing Director and the other managers with strategic responsibilities became entitled to the variable remuneration established according to the incentive-based remuneration plan illustrated in the Report on Remuneration Policies approved by the Shareholders' Meeting of 20 April 2012. The amounts of the variable remuneration, which will be paid by the month of June 2013, is reported in table n. 2 below.

Part Two

Compensation related to 2012 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 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 2012.

Table 1

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

Name and 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	01/01/2012 31/12/2012	FY 2012							
				Fees from Vittoria Assicurazioni	Board membership Office	20,000 60,000	Finance Real estate	5,000 5,000		90,000
				Fees from subsidiary and associates		6,000				6,000
				Total		86,000		10,000		96,000
Andrea Acutis	Vice Chairman	01/01/2012 31/12/2012	FY 2012							
				Fees from Vittoria Assicurazioni	Board membership Office Employees	20,000 30,000 190,000			45,000 8,749	293,749
				Fees from subsidiary and associates		7,000				7,000
				Total		247,000		45,000		300,749
Carlo Acutis	Vice Chairman	01/01/2012 31/12/2012	FY 2012							
				Fees from Vittoria Assicurazioni	Board membership Office	20,000 30,000				50,000
				Fees from subsidiary and associates						
				Total		50,000				50,000
Roberto Guarena	Managing Director	01/01/2012 31/12/2012	FY 2012							
				Fees from Vittoria Assicurazioni	Board membership Office	20,000 450,000			445,500	915,500
				Fees from subsidiary and associates		6,000				6,000
				Total		476,000		445,500		921,500

Name and 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	01/01/2012 31/12/2012	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership	20,000 Finance	5,000				
	Fees from subsidiary and associates			Duty assigned	40,000 Real estate				70,000	
	Total				117,750				117,750	
Francesco Baggi Sisini	Director	01/01/2012 31/12/2012	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership	20,000 Appointment-Remuneration	5,000				
	Fees from subsidiary and associates				Real estate	5,000			30,000	
	Total				20,000	10,000			30,000	
Marco Brignone	Director	01/01/2012 31/12/2012	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership	20,000 Related Parties Transactions	2,069			22,069	
	Fees from subsidiary and associates									
	Total				20,000	2,069			22,069	
Fulvia Ferragamo Visconti	Director	02/08/2012 31/12/2012	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership	8,274				8,274	
	Fees from subsidiary and associates									
	Total				8,274				8,274	
Bernd Gierl	Director	16/02/2012 31/12/2012	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership	17,479				17,479	
	Fees from subsidiary and associates									
	Total				17,479				17,479	

Name and 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
Luciano Gobbi	Director	01/01/2012 11/05/2012								
	Fees from Vittoria Assicurazioni			Board membership	7,178	Risk & Control	3,589			
						Finance	1,795		12,562	
	Fees from subsidiary and associates									
Total					7,178		5,384		12,562	
Arnaud Hellouin de Menibus	Director	01/01/2012 31/12/2012								
	Fees from Vittoria Assicurazioni			Board membership	20,000	Real estate	5,000		25,000	
	Compensi da controllate e collegate				6,000				6,000	
	Total					26,000		5,000		31,000
Pietro Carlo Marsani	Director	01/01/2012 31/12/2012	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership	20,000	Risk & Control	15,000			
						Related Parties Transactions	2,069		37,069	
	Fees from subsidiary and associates									
Total					20,000		17,069		37,069	
Giorgio Marsiaj	Director	01/01/2012 31/12/2012	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership	20,000				20,000	
	Compensi da controllate e collegate									
	Total					20,000				20,000
Lodovico Passerin d'Entrèves	Amministratore	01/01/2012 31/12/2012	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership	20,000	Appointment-Remuneration	5,000		25,000	
	Fees from subsidiary and associates								0	
	Total					20,000		5,000		25,000

Name and 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
Luca Paveri Fontana	Director	01/01/2012 31/12/2012	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership	20,000	Risk & Control	6,411			
				Duty assigned	110,000	Finance	5,000			
						Real estate	5,000			
						Appointment-Remuneration	5,000			151,411
Fees from subsidiary and associates					137,250				137,250	
Total					267,250		21,411		288,661	
Robert Ricci	Director	01/01/2012 24/04/2012								
	Fees from Vittoria Assicurazioni			Board membership	6,247					6,247
	Fees from subsidiary and associates				6,000					6,000
	Total				12,247					12,247
Giuseppe Spadafora	Director	01/01/2012 31/12/2012	FY 2012							
	Fees from Vittoria Assicurazioni			Board membership	20,000	Risk & Control	10,000			
						Related Parties Transactions	2,069			32,069
	Fees from subsidiary and associates									
Total					20,000		12,069		32,069	
Luigi Guatri	Onorary Chairman	01/01/2012 31/12/2012								
	Fees from Vittoria Assicurazioni			Office	40,000					40,000
	Compensi da controllate e collegate									
	Total				40,000					40,000
Cesare Caldarelli	General Manager	01/01/2012 31/12/2012								
	Fees from Vittoria Assicurazioni			Employees	350,000		267,300	9,668		626,968
	Fees from subsidiary and associates				0			0		0
	Total				350,000		267,300	9,668		626,968

Name and 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	Chariman of Statutory Auditors	01/01/2012 31/12/2012	FY 2012							
	Fees from Vittoria Assicurazioni			Office	52,007				52,007	
	Compensi da controllate e collegate				0				0	
	Total				52,007				52,007	
Giovanni Maritano	Statutory Auditor	01/01/2012 31/12/2012	FY 2012							
	Fees from Vittoria Assicurazioni			Office	38,525				38,525	
	Fees from subsidiary and associates				59,496				59,496	
	Total				98,021				98,021	
Corrado Versino	Statutory Auditor	01/01/2012 31/12/2012	FY 2012							
	Fees from Vittoria Assicurazioni			Office	38,385				38,385	
	Fees from subsidiary and associates				90,324				90,324	
	Total				128,710				128,710	
n. 5 managers with strategic responsibilities	Fees from Vittoria Assicurazioni			Employees	1,031,417	376,200	42,957		1,450,574	
	Fees from subsidiary and associates				17,386				17,386	
	Total				1,048,803	376,200	42,957		1,467,960	

Table 2

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

		(1)	(2)			(3)			(4)
Name end surname	Office	Plan	Bonus vested in 2012			Bonus of previous years			Other Bonus
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable in 2013	Deferred	Period of deferment	No more payable	Payable/paid	Deferred	
Roberto Guarena	Managing Director								
Vittoria Assicurazioni incentive plan		20 April 2012	445,500	148,500	FY 2014				
				148,500	FY 2015				
(III) Total			445,500	297,000					
Andrea Acutis	Vice Chairman								
Vittoria Assicurazioni incentive plan		20 April 2012	45,000						
(III) Totale			45,000						
Cesare Caldarelli	General Manager								
Vittoria Assicurazioni incentive plan		20 April 2012	267,300	89,100	FY 2014				
				89,100	FY 2015				
(III) Total			267,300	178,200					
4 managers with strategic responsibilities									
Vittoria Assicurazioni incentive plan		20 April 2012	376,200	108,900	FY 2014				
				59,400	FY 2015				
(III) Total			376,200	168,300					

Table 3

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

Surname and name	Office	Vittoria Assicurazioni shares	Number of shares held at the FY 2011	Number of shares purchased or subscribed	Number of shares sold	Number of shares held at the FY 2012
Costa Giorgio	Chairman	directly	42,000	6,000	0	48,000
Acutis Carlo	Vice Chairman	through subsidiary company	38,664,400	0	0	38,664,400
Acutis Andrea	Vice Chairman	directly	117,730	0	0	117,730
Guarena Roberto	Managing Director	directly/through family	26,950	0	0	26,950
Acutis Biscaretti di Ruffia Adriana	Director	directly	64,750	0	0	64,750
Baggi Sisini Francesco	Director	through subsidiary company	3,849,000	0	0	3,849,000
Brignone Marco	Director	directly	20,000	0	0	20,000
Marsani Pietro Carlo	Director	directly/through family	4,000	0	0	4,000
Marsiaj Giorgio	Director	directly	344,644	0	0	344,644
Paveri Fontana Luca	Director	directly	62,000	0	0	62,000
Versino Corrado	Statutory Auditor	directly	9,014	0	0	9,014
Caldarelli Cesare	General Manager	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 2011	Number of shares purchased or subscribed	Number of shares sold	Number of shares held at the end of FY 2012
4 dirigenti con responsabilità strategiche	directly/through family	122,002	0	0	122,002

Internal Audit and Compliance Functions' Report on the Implementation of Compensation Policies

Preambles: benchmark regulations

On 13 March 2012, the Board of Directors of Vittoria Assicurazioni has approved the Compensation Policy Report that was approved by the Shareholders' Meeting of Vittoria Assicurazioni of 20 April 2012.

The compensation policies were adopted by Vittoria based on the applicable regulations and, in particular:

- the ISVAP Regulation no. 39/2011;
- Article 7 of the Voluntary Self-Regulatory Code promoted by the Italian Stock Exchange in 2006 as modified in March 2012 by the Corporate Governance Committee;
- Article 123-ter of Italian Legislative Decree no. 58/1998 (Consolidated Finance Act).

In particular, regulation 39/2011, which represents the prime benchmark regulation for an insurance company, establishing that, in determining compensation policies, the nature, dimensions and operative characteristics of the company must be considered, indicated the principles that an insurance company's compensation policy must respect:

- the compensation policies must be in line with healthy and prudent risk management and strategic goals, profitability and long-term company equilibrium.
- they must be exclusively or predominantly based on the short-term results to avoid creating incentives for excessive risk exposure.

These principles are of particular relevance where there is a variable compensation component, understood as the compensation component assigned based on results obtained by the company, including bonuses, premiums and other forms of incentives.

Art. 23 of regulation 39/2011 states that the implementation of the compensation policies must be subject to an annual audit of the functions, which are required to report the audit results to the competent bodies to adopt any corrective measures.

In particular:

- the Internal Audit Function verifies the correct application of the compensation policies based on the guidelines defined by the Board of Directors.
- the Compliance Function verifies that the compensation policies are in line with that set forth by the ISVAP Regulation no. 39, the by-laws and other applicable company codes or those that it follows (for example, the Voluntary Self-Regulation Code enacted by the Italian Stock Exchange) in order to prevent and contain the legal risks and those to its reputation.

Once again, Art. 23 of regulation 39/2011 states that the Board of Directors annually provides adequate information to the shareholders' meeting on the application of the compensation policies.

The Compensation Policy of Vittoria Assicurazioni S.p.A.

Vittoria Assicurazioni, in adopting its own compensation policies, has, first and foremost, identified:

- the general compensation policy guidelines that it agreed to apply;
- the role and tasks of the various actors in the decision-making process that lead to the identification of the compensation policies;
- the principles and criteria that guide the identification of the compensation of the executive directors and other executives at the Company, considered as the primary "risk takers;"
- for some categories of subjects, the parameters that can determine the variable part of the compensation where provided.

Vittoria Assicurazioni has also defined the decision-making roles and processes, specifying, in particular, the tasks of the Board of Directors and the Appointment and Compensation Committee, establishing, among other things, that:

- the general compensation policy for staff is defined by the Board of Directors with the support of the Appointments and Compensation Committee and the Chief Executive Officer;
- the tasks and roles of the individual decision-making process actors must be defined in detail.

For the compensation of the Chief Executive Officer, the Executives and top Managers, Vittoria has established, among other things, that:

- this is composed of a fixed and variable component equal to a preset percentage of the fixed compensation;
- for Executives, the percentage of the variable component is determined by the Board of Directors at the proposal of the Appointments and Compensation Committee;
- for top Managers, the amount of the bonus is set forth by their hierarchical superiors with the approval of the Chief Executive Officer;
- the variable part of the Chief Executive Officer and Executives' compensation is accrued based on attaining the ordinary technical results set forth in the annual budget plan approved by the Board of Directors and published;
- the variable part of the Chief Executive Officer, General Manager and Co-General Manager's compensation is not paid in the year in which it is earned but over a three-year period based on the preset criteria; however, this amount may not be paid if special situations arise or following a significant deterioration in the company's economic and financial situation.

Finally, Vittoria has identified two areas sensitive to the company's risk profiles among its staff, the commercial and claims areas, providing an incentives system for these figures shared by the functions on which the resources depend and the Staff functions aimed at reaching goals that are particularly significant for the company. The objectives are primarily quantitative; however, they also consider service quality parameters and are formalized for each resource and for each operative unit at the start of each calendar year.

Analysis of the audit functions on the compliance of the compensation policies with the regulatory objectives and their correct application

Compliance Audit

The principles introduced with the benchmark regulation and the primary points on which the compensation policy is based, approved by the Vittoria Shareholders' Meeting on 20 April 2012 have been reiterated in brief.

The compensation policies approved by Vittoria comply with the general principles set forth by Art. 4 of Reg. 39/2011 and Art. 7 of the Voluntary Self-Regulation Code.

In particular, the compensation policies thusly determined and implemented appear in line with all of the principles set forth by Title III – Section I of Reg. 39/2011, which dictates the rules on the compensation of directors, with particular reference to executives, both in terms of balancing the fixed and variable components, setting and measuring results and paying the variable part.

Vittoria has also adopted a stricter policy for the principles set forth by Reg. 39/2011 and Art. 7 of the Voluntary Self-Regulation Code since it excludes compensation based on financial instruments.

As previously noted, the same principles have been applied, in addition to the executive figures, to:

- 3 Central Directors that, along with the Chief Executive Officer, the General Manager and the Co-General Manager make up the Executives;
- the top Managers, in charge of the operative structures;
- the managers of the audit functions;
- the staff that receive incentives;
- the insurance brokers and outsourced services/business suppliers.

Application Audit

As regards the correct application of the approved compensation, this is jointly verified by the Internal Audit and Compliance functions as follows.

The variable part of the Chief Executive Officer and Executives' compensation is accrued based on attaining the ordinary technical results set forth in the annual budget plan approved by the Board of Directors and published. Identifying the ordinary technical results stipulated in the annual budget within the five-year development plan, on which the accrual of the variable part of the compensation is based, allows, on one hand, the direct and immediate calculation of the management's revenues earned for the company and shareholders and, on the other, ties the variable part of executives' compensation to attaining the desired results.

This allows us to be fully aware of the maximum amount allocated by the company to the variable component of the compensation of the aforementioned figures.

In 2012, the percentage of the technical amount intended for the payment of the variable component was determined based on the following table:

Yearly Budget (Ordinary Technical Results): € 55 million	
Actual results achieved: ≥ 50% (27.5 million)	Variable = 3% of the technical amount
Actual results achieved: ≥ 60% (33.0 million)	Variable = 3.5% of the technical amount
Actual results achieved: ≥ 70% (38.5 million)	Variable = 4% of the technical amount
Actual results achieved: ≥ 80% (44.0 million)	Variable = 4.25% of the technical amount
Actual results achieved: ≥ 90% (49.5 million)	Variable = 4.5% of the technical amount

The actual technical amount earned by Vittoria Assicurazioni in 2012 was €58.231 million for non-life insurance and €1.410 million for life insurance for a total of €59.641 million.

The total amount to allocate to the variable part of the compensation for Executives and top managers was calculated not on the actual amount earned but on the lesser value indicated in the annual budget, i.e. 4.5% of €55 million.

The evaluations for the actual payment of the variable part, based on that set forth by the compensation policies must only be conducted in the second half of 2013.

As regards the Staff, the conduct audits verified the compliance of what occurred with that set forth in the compensation report approved by the Vittoria shareholders' meeting in 2012.

Within the staff, two areas sensitive to the company's risk profiles were identified: the commercial and claims areas. For Liquidators and Claims Adjustors, i.e. the resources in charge of handling civil liability claims and the basic insurance as well as Commercial and Technical Adjustors who work in close contact with the distribution network formed by the subcontracting agencies, an incentive system was created with individual letters that is in line with that indicated in the aforementioned report.

In particular, as regards the claims area, the reference parameters were, by way of example:

the number of demolitions;

the speed with which civil liability claims regarding previous fiscal years were settled;

the reduction in level 1 civil liability disputes;

recovering the deductibles set forth in the contract.

The quality parameter is included among these criteria, determining by the lack of sanctions from the Supervisory Authority (IVASS, formerly ISVAP) following claims falling in 2012 and incurred by 30 April 2013 regarding any civil liability claims handled by the liquidator or Adjustor.

The payout of incentives accrued is scheduled for May 2013 so long as the person in question is still employed by Vittoria.

As regards the commercial area, the reference parameters were, among others, the percentage increase of the basic insurance portfolio paired with maintaining the claims/premiums ratio based on the preset percentages and in line with the company's income objectives.

Again in this case, the payout of accrued incentives is scheduled for June 2013 so long as the person in question is still employed by Vittoria.

The evaluations for the actual payment of the variable part, and based on the parameters set forth, must only be conducted in the second half of 2013.

As regards broker compensation, or more precisely the distribution network provided by subcontracting agencies, the audits performed confirmed that the compensation policies do not differ from that indicated in the Report approved in 2012, meaning that any criteria set forth in the annual incentive plans were established based on attaining preset goals aimed at establishing the proper underwriting balance in order to attain adequate mid/long-term profitability and increase the portfolio value.

The evaluations for the actual payment of any criteria set forth in the incentive plans must only be conducted in the second half of 2013.

The Commercial Management, on 22 May 2012, released circular no. 12/2012 on the agency network that discussed the 2012 national criteria plan, including the appropriate regulation that, along with the criteria already followed in 2011, primarily emphasized the profitability of the company portfolio.

Outsourcing essential and important business, regulated by an appropriate internal procedure that provides, among other things, precise criteria for the selection of suppliers, was constantly monitored by the Legal and Compliance Department, which acts in fulfilment of the internal procedural rules and, as regards the compensation of outsourcers, in line with the principles set forth by regulation 39/2011.