# Sustainability Report 2017

Next to people, next to you.



**Cover design** Industree S.p.A.

# UnipolSai Assicurazioni **Sustainability Report**

2017

KEY INDICATORS		
----------------	--	--

## PROCEDURAL NOTE

Basis of reporting
Document structure
Data processing procedure and methods
The materiality matrix
Dialogue with stakeholders
Managing reputation

## IDENTITY

## GOVERNANCE

	The Corporate Governance system	15
	Internal Control and Risk Management System	17
	Remuneration policies	20
	Managing sustainability	21
	Correct conduct	22
	Anti-corruption, anti-money laundering and anti-terrorism	
	measures	22
	Tax management	24
	Responsible Lobbying	24
	Human Rights	25
	Privacy	25
	Sanctions	26
F	INANCIAL PERFORMANCE	27

Profitability of the UnipolSai Group's activities

## SOCIAL PERFORMANCE

SHAREHOLDERS	32
Shareholding structure	32
Investor relations	33
Investment policies	33
EMPLOYEES	39
Employment	39
Human resource development policies and changes in the business	41
Managing diversity	43
Remuneration system	44
The Welfare system	45
Sustainable mobility	46
Employees' health and safety	47
Union relations	48
CUSTOMERS	49

Customer relations	49
The range of products	51
SRI products for individual investors	54
Support for the Third sector in Italy	54
Claims handling	55
Anti-fraud measures	56
Customer relations	57
Complaint management	58
Customer satisfaction	60
AGENTS AND AGENCIES	63
Geographical presence	63
Relations with the Network	65
SUPPLIERS	68
THE COMMUNITY	72
ENVIRONMENTAL PERFORMANCE	75
Environmental impacts	75

# **KEY INDICATORS**

			Uni	polSai Group	
Area		Indicator	2017	2016	Change <sup>1</sup>
Governance		Percentage of independent BoD members according to Consolidated Law on Finance and the Code of Conduct	56%	56%	-
		Percentage of women on BoD	33%	33%	-
Financial		Direct insurance premiums (€m)	11,068	12,497	-11.4%
performance		Non-Life premiums (€m)	7,355	7,218	+1.9%
		Life premiums (€m)	3,713	5,279	-29.7%
		Loss ratio - net of reinsurance Ratio between claims and premiums in direct business	69.2%	68.0%	+1.2 p.p
		Combined ratio net of reinsurance	97.3%	96.5%	+0.8 p.p
		Consolidated net profit (€m)	537	527	+1.8%
		Value of real estate assets (€m)	3,858	3,982	-3.1%
Social performance	Shareholders	Amount of class C, D debt instruments and equity securities and assets subject to environmental and social monitoring (€bn), not including UCIs, on own account	47.7	48.1	-0.8%
F		Percentage of assets deemed sustainable following monitoring (not including UCIs, on own account)	98.2%	98.4%	-0.2 p.p.
		Amount of SRI products offered and managed by the Group in pension segment ( ${\ensuremath{\in}}$ m)	77.9	82.1	-5.1%
	Employees	Total number of employees	11,529	10,280	+12.2%
		Permanent staff	95.7%	96.4%	-0.7 p.p.
		Percentage of women	53% 26%	51% 27%	+2 p.p.
	Customers	Percentage of women employees in a position of responsibility Number of customers and policyholders (m)		10.1	-1 p.p. +42.6%
	Customers	Number of customers - individuals (m)	14.4	9.2	+42.0%
		Number of customers - legal entities (m)	0.9	0.9	-
		Claims settlement rate for the current year (UnipolSai Assicurazioni)	82.0%	82.0%	-
		Amount of products with social and environmental value (€m)	1,748	1,224	+42.8%
		Percentage of products with social and environmental value	23.7%	17.9%	+5.8 p.p.
		Customer Satisfaction Index (CSI) UnipolSai vs Market standard	92.7 (UnipolSai) vs 92.3 (market standard)	97.9 (UnipolSai) vs 96.6 (market standard)	-0.9 p.p. improvement in CSI vs std mkt
		Percentage of claims channelled with direct repair services (Auto Presto&Bene)	31.0%	29.8%	+1.2 p.p
		Amount of fines paid to IVASS (as % of total Non-Life premiums)	0.021%	0.037%	-0.016 p.p
	Agents	Number of agencies in Italy	2,778	2,918	-4.8%
		Number of sub-agencies in Italy	5,519	5,435	1.5%
		Bancassurance branches	3,078	3,249	-5.3%
		Primary network agency partners in Italy	33,027	33,670	-1.9%
		Direct investment in Unipol Group Academy for network training(€m)	1.5	2.2	-31.8%
		Total number of training hours supplied by the Academy	688,176	1,065,564	-35.4%
	Suppliers	Total number of suppliers	5,354	4,898	9.3%
		Percentage of expenditure on suppliers in the register	38%	58%	-20 p.p
		Percentage of amount paid to Italian suppliers	98%	97%	+1 p.p
	Community	Total amount of contributions to the community (€m)	8.2	8.2	-
		Contributions to the community as a percentage of pre-tax profit	1.1%	1.2%	-0.1 p.p
Environmental performance		CO <sub>2</sub> emissions - Scope 1 (tons)	6,687	6,315	+5.9% (-28.0%) <sup>2</sup>
Performance		CO <sub>2</sub> emissions - Scope 2 (tons)	38,643	35,114	+10.1% (-6.8%) <sup>2</sup>

 $^1$  2017 scope changed following the acquisition of Linear and UniSalute  $^2$  change calculated on like-for-like 2016 real estate scope

## **PROCEDURAL NOTE**

#### **Basis of reporting**

The UnipolSai Group Sustainability Report is drawn up every year in keeping with a time schedule lined up with that of the Consolidated Financial Statements.

The reporting period is 1 January 2017-31 December 2017. Where available, certain information after the reporting date has been added. The scope covers all UnipolSai Group companies according to the criteria adopted in the Consolidated Financial Statements. For certain data, it was deemed that the scope of companies operating in Italy or those in the core financial-insurance sector was most representative.

For the most important information for 2017, a comparison with the previous year is provided, excluding cases where widening of the scope of reporting led to the comparison becoming immaterial. For the same reason, data prior to 2016 has not been published, given that the Group structure underwent profound changes on the acquisition of UniSalute and Linear.

In some cases, limited to a few specific areas associated with information availability and Financial Statements reporting dates, the figures are the result of estimates adopted on the basis of prior year values.

#### **Document structure**

The introduction to the procedural note is followed by the "Identity" section, which contains information helpful for understanding the nature and size of the Group.

The performance report (economic, social and environmental) is structured in accordance with the issues emerging from the materiality analysis and the positioning in the matrix envisaged in GRI G4 guidelines. It also follows the scope of analysis for the main ESG funds.

#### Data processing procedure and methods

Collecting the data and processing the document (coordinated by the Sustainability Department) involved all corporate Departments and Group companies.

As happens every year, at the beginning of 2017 all the Managers were involved in identifying the priorities and the principal elements that were a feature of the year.

The SapSuPM information system was used to collect the data and prepare the report. Over 160 individuals were involved in the SapSuPM, each to the extent of their responsibilities, from data sources to authorising officers, from all the Group's departments. On completion of the data collection and reporting process, the Managers checked and approved the Report prior to its publication.

The content of the Report is supplemented throughout the year with additional information published in the "Sustainability" section of the website www.unipol.it/en.

#### The materiality matrix

The point of departure for operating in continuity with the Strategic Plan is understanding and monitoring material topics to mark out those with regard to which, on the one hand, the interests and expectations of the stakeholders toward the Group and, on the other, the strategic priorities of Top Management are concentrated.

The analysis began with building a tree of sustainability topics important for the sector and for the company, starting from analyses emerging from the Observatory for monitoring and managing reputational and emerging risks of the Unipol Group using the "meeting point" approach.

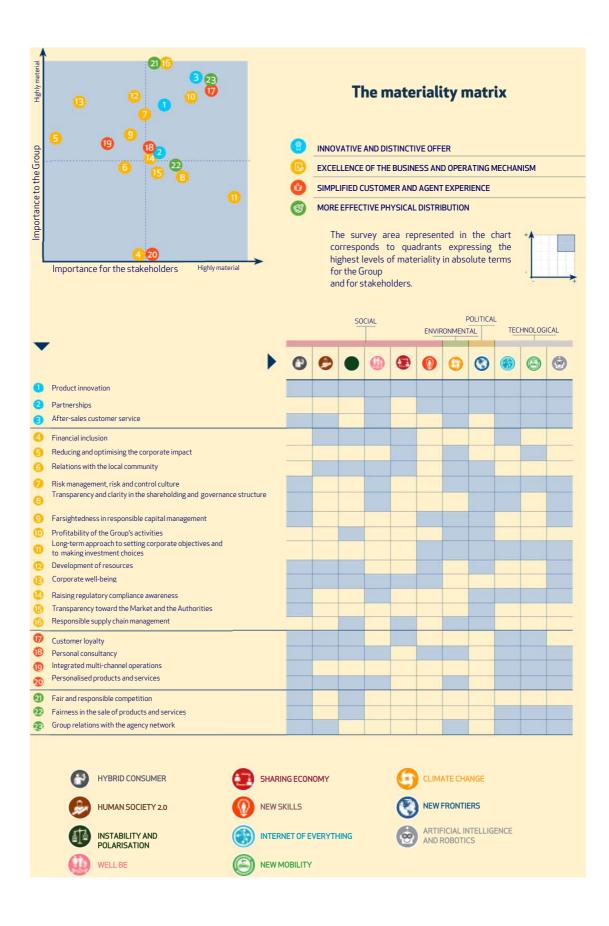
The order of topics was defined according to two aspects: strategic importance for the Group and importance perceived by the stakeholders. The Strategic importance for the Group was determined with one-to-one interviews with the Senior Executives of UnipolSai Central Departments. The Importance perceived by the stakeholders was determined based on the evidence gathered through Group stakeholder listening and engagement activities specifically designed to understand the business opportunities associated with the SDGs. In particular, in the three-year period 2014-16 the following were involved:

- individual customers, through online questionnaires (CAWI approach);
- business customers, suppliers, civil society representatives, through individual interviews;
- employees and agents, through local focus groups.

For greater coherence and transparency in connecting commitments-goals and expected results, it was considered appropriate to assign the same time horizon as the Integrated Three-Year Plan, except for extraordinary events, to the Matrix.

As regards materiality, the stakeholder engagements that ended in December 2016 will begin again in the second half of 2018 as part of the preparation of the 2019-2021 Strategic Plan, with a view to integrating stakeholder interests and expectations in the Group among the medium-term strategic priorities.

The following chart identifies the links between the materiality of topics and the eleven significant trends that are changing society, the market and insurance business even beyond the time horizon of the Business Plan, to illustrate how our topics are "material" not only for the stakeholders involved, but actually in a much broader strategic sense:





The eleven trends that are significant for society, the market and insurance business are mapped in the Emerging Trend Radar, fed with Observatory data on emerging and reputational risks for the Unipol Group, with constant monitoring. As part of the Radar, every topic is classified according to:

- its prevalent nature: the radar is divided into four quadrants corresponding to the four dimensions of the external environment: Social, Technological, Environmental and Political (STEP);
- its maturity level: in its most inner circle the radar includes emerging issues that will become material to the sector over the time range of the Plan, and the outer circle includes those that will become material later.

A strategic and proactive approach, designed to anticipate the trends mapped on the Radar to prevent emerging risks and seize upon future business opportunities, translates into actions with an impact on the same environments originating those trends (whether social, environmental, political or technological), thereby contributing to achievement of the SDGs: intercepting changes in protection needs with innovative responses means creating shared value and promoting progress in the economic and social conditions in UnipolSai's community of operations.

#### Dialogue with stakeholders

The management approach with a Sustainability imprint adopted by the Group implies consideration for all the legitimate expectations of the various stakeholder categories, balancing and integrating these with corporate strategies.

In 2017, in keeping with its tradition, the Group strengthened its capacity for meeting and dialogue with stakeholders to respond to essential and real needs, improve its service capacity and make its operations accessible and transparent.

The following table illustrates the many stakeholders with which the Group has dealings in carrying out its functions, highlighting the intensity of relations and the capacity to influence and/or condition activities.

Stakeholders	Channels	Issues
EMPLOYEES	Focus	Construction of the materiality matrix
	Shareholders' meetings and trade union meetings	Regulatory, economic and support conditions
	#ilfuturo in gioco workshop	Identity profile
	Dining with top management	Strategic objectives
	Intranet Community Platform	Training, Services and Utility
	Annual survey based on the Rep Trak®	Reputation
SHAREHOLDER	Shareholders' meeting	Performance and trends
	Periodic reporting	Performance and trends
	Website and social media	Performance and trends
CUSTOMERS	Individual interviews and Surveys	Construction of the materiality matrix
	Periodic Customer Satisfaction Index surveys	Listening and customer satisfaction levels
	Net Promoter Score	Customer experience assessment
	Website and social media	Products and services mix
	Annual survey based on the Rep Trak® model	Reputation
AGENTS	28 meetings with the Agent Group chairmen	Strategic objectives and improvement of decision-making process
	30 Operations work groups	Product development
	45 Technical Committees	Sales initiatives
	6 Agent Groups	Construction of the materiality matrix
	Focus Group	
		Results and Objectives
	Business Roadshow	Action Plan
		Business reliability
	Network satisfaction monitoring survey	Satisfaction and loyalty
	Annual survey based on the Rep Trak® model	Reputation
SUPPLIERS	Individual interviews	Construction of the materiality matrix
AND BUSINESS	Partnerships	Research and Innovation
PARTNERS	Suppliers portal	Management, Selection, Periodic Assessment and Monitoring
OCAL COMMUNITY	Individual interviews with NGOs	Construction of the materiality matrix
	Interviews with interest protection associations	Construction of the materiality matrix
	Unipol Regional Councils (CRU)	Planning and strategic guidelines
	Partnerships with universities	Recruitment, Research and Innovation
	Annual survey based on the Rep Trak® model	Reputation
INANCIAL	Meetings with Investors	Strategy and Performance
COMMUNITY	Questionnaires for SRI rating agencies	Sustainability Strategy and Performance
	Meetings with sector associations	Sector issues
	Annual survey based on the Rep Trak® model	Reputation
NSTITUTIONS	"Derris" Project	Public-private partnerships on damage caused by climate
	"Welfare, Italia" Project	change
	Issue-specific meetings with the legislator and regulators	Advocacy on White Economy opportunities
		Leaded at a set Decide time.
	Annual survey based on the Rep Trak® model	Legislation and Regulations

Listening to the problems, interests, worries and expectations of stakeholders has also helped to identify and construct a complete understanding of the impact of SDGs on the Group for which particular stakeholder categories, first and foremost all the shareholders and employees, have provided relevant and inspiring information for understanding the development opportunities that can help reach the Agenda 2030 Goals.

To this end, the Group also consolidated the processes begun in 2016, such as RepTrack<sup>1</sup> and the NetPromoterScore<sup>2</sup>, relaunched existing tools such as the Unipol Regional Councils, which at the same time became a venue for listening and for discussing insurance needs, as well as a regional structure for creating shared value, and further outlined the principles for dialogue and participation in the new agency mandate signed at the end of 2017 (for a detailed description, please refer to the Agents and Agencies chapter).

#### Managing reputation

From 2014 the Group began building a framework for corporate reputation management with the aim of firmly integrating the asset into business planning processes. The Unipol framework operates in the dual mode of building and protecting reputational capital.

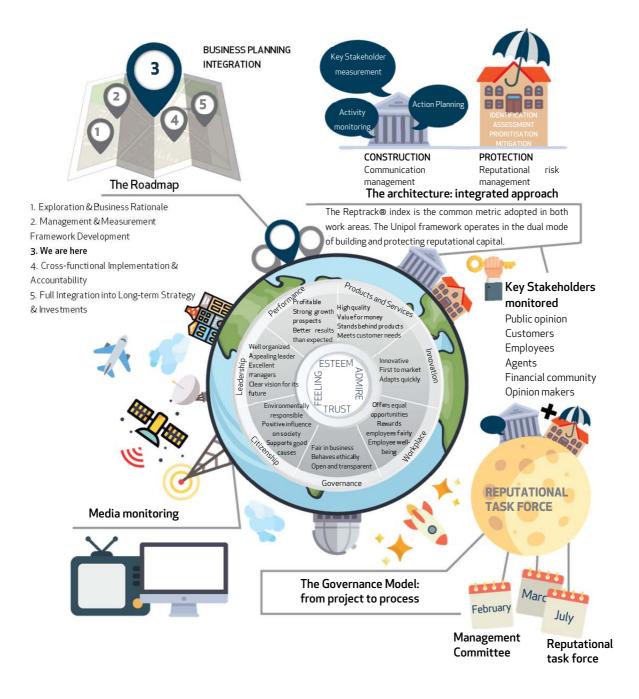
The project was transformed into a process with formalisation of an integrated governance model that ensures proactive reputation and reputational risk management, promoting the involvement of the various corporate functions. The reputational task force is the accountability body that defines the objectives, monitors the KPIs, arranges internal reporting and coordination of the action plans, and manages reputational crises.

The scorecard for the Reptrack® index is used as a metric in periodic surveys of key stakeholders and as a filter for classifying and analysing media content (offline and online).

<sup>&</sup>lt;sup>1</sup> the RepTrak<sup>®</sup> model of Reputation Institute is an authoritative framework at international level that measures reputation, identifies guiding factors and allows companies to monitor and compare its performance against competitors.
<sup>2</sup> indicator that measures the proportion of "promoters" of a product or service against the "detractors". It is based on the question "Would you recommend the

<sup>&</sup>lt;sup>2</sup> indicator that measures the proportion of "promoters" of a product or service against the "detractors". It is based on the question "Would you recommend the company to your best friend?". The answers are scored on a scale of 0 to 10. The indicator is calculated by subtracting the percentage of detractors from the percentage of promoters.

## **Reputation Management**



inclusive institutions at all levels.

sustainable development.

**SDGs - Sustainable Development Goals**: the 2030 Agenda for Sustainable Development is a plan of action for people, the planet and prosperity, signed in September 2015 by the governments of 193 UN member states. It encompasses 17 Sustainable Development Goals - SDGs - as listed below:





For detailed information, please refer to the "Sustainability" section of the Unipol Group's website.

loss

# **IDENTITY**

The UnipolSai Group, national leader in the Non-Life insurance segment, represents a strong entity operating in four sectors (insurance, real estate, hotels and diversified), able to offer customised and innovative solutions to everyday needs and the long-term plans of households and companies alike, thanks to its proximity to the customer and its widespread professional agency network.

The result of a merger between Unipol Assicurazioni and FonSai, achieved through a complex and articulated integration project, that has known how to comply with value creation targets and still maintain standards of excellence in terms of capital solidity and returns for its shareholders, from 2016 the Group adopted the New Three-Year Strategic Plan ("UnipolToBE") in which the sustainability commitments are integrated with the business goals that steered action taken in the year just ended.

Compared to the previous reporting period, the scope of consolidation has expanded as a result of the streamlining of the Unipol Group insurance segment, which led to disposal - to the subsidiary UnipolSai Assicurazioni S.p.A. - of Unipol Gruppo S.p.A.'s interests in UniSalute S.p.A. (98.53% of the share capital) and in Compagnia Assicuratrice Linear S.p.A. In this way, UnipolSai strengthened its potential to act in a sector with strong social impact and potential growth, i.e. healthcare.

For UnipolSai, operating in favour of sustainable development means supporting improvement in the quality of life of its customers, proposing solutions for their protection and to achieve their own plans, at the same time guaranteeing a fair welfare model and a long-term positive impact on the environment.

Underlying the strategic decisions, in fact, are the Core Values, expressed in the Charter of Values and outlined in the Code of Ethics in terms of principles of conduct with the various stakeholders. The commitments undertaken in the Code were further developed in the Sustainability Policy approved by the Unipol Gruppo Board of Directors at the beginning of 2018, which formalises principles, styles of

conduct and the corporate culture objectives, ensuring their weighting in the corporate processes.

Inspired by the SDGs<sup>3</sup> and the Global Compact principles<sup>4</sup>, the Sustainability Policy commits the company to complying with:

- human and labour rights;
- environmental protection;
- fairness and transparency to consumers;
- fair business practices, with a particular focus on lobbying and tax strategy practices;
- equal opportunities;
- integration of sustainability into business.

To strengthen their adoption into the everyday behaviour of individuals, in 2017 several engagement opportunities with employees were held, through methods such as "*Lego serious play*" and "community" to outline the Values and Mission in the Identity Principles. This led to the selection of 10 Identity Principles, then divided into relational behaviour and styles to enhance the corporate culture and make the managerial style even more coherent.

<sup>&</sup>lt;sup>3</sup> SDGs - Sustainable Development Goals: the 2030 Agenda for Sustainable Development is a plan of action for people, the planet and prosperity, signed in September 2015 by the governments of 193 UN member states. This encompasses 17 Sustainable Development Goals (SDGs). For further details of the SDGs, reference should be made to the web site http://asvis.it/for an updated overview of their relationship with the business models of companies in Italy.

<sup>&</sup>lt;sup>2</sup> United Nations initiative launched in 2000 to encourage companies all over the world to adopt sustainable policies and make their results public. In detail, the Global Compact requires participating businesses and organisations to share, support and apply within their sphere of influence a set of fundamental principles regarding human rights, labour standards, environmental protection and the fight against corruption.



The commitment undertaken in the Sustainability Policy supports the achievement of Agenda 2030 SDGs, and the strategic guidelines of the 2016-2018 Business Plan, focusing on the core insurance business, enhancing the Group's points of excellence and distinguishing factors. Details of the Sustainability Plan of Action and the results achieved are provided below.

### UnipolToBe Results and Objectives

	2017 Actual	2018 Plan Targets
Innovative and distinctive offer		
New MV customers	+105k	+ 500k
AP&B Claims routing	31%	40%
Premiums financed by Finitalia	€945m	~€1bn
Impact of Black Boxes on the MV portfolio	35.4%	~ 45%
Household penetration of welfare coverage	8.4%	10.0%
Impact of products of social and environmental value	23.7%	22%
Simplified customer and agent experience		
Agent sentiment indicator in line with the market	3.18 > 3.16 mkt	>mkt
Customer Satisfaction Index	92.7 > 92.3 mkt	>mkt
More effective physical distribution		
Number of SME Specialist Business Consultants	364	~ 450
Excellence of the operating mechanism		
IT investments	€116.4 m	~€150m
Percentage of "ambassadors" among employees	30%	25%
CSR Policy		
Achievement of a "solid" reputation index	69.0	70
CO2 emissions per employee	3.32 tonnes CO2	3.24 tonnes CO2
Inclusion in the main SRI indices	2	2

The strategy translates into sustainability actions consistent with the Sustainable Development Goals (SDGs) set in September 2015 by the governments of United Nations members, which illustrate that the way we act on the market has major positive external repercussions, impacts recognisable by stakeholders, and increased well-being of the communities in which the Group operates. Amongst the precise actions identified to achieve the Group Business Plan targets, we note in particular Unipol for the climate and the DERRIS (DisastEr Risk Reduction InSurance) project funded through the European Life fund; Unipol for the social, an in-depth analysis of the potential and specific needs of the non-profit sector to support its growth; extension to the Welfare range in accordance with the standard "The values of the Life product" (*I valori del prodotto Vita*); the development, consolidation and enhancement of activities carried out with respect to socially responsible financing, through compliance with the Principles of Responsible Investment (PRI).





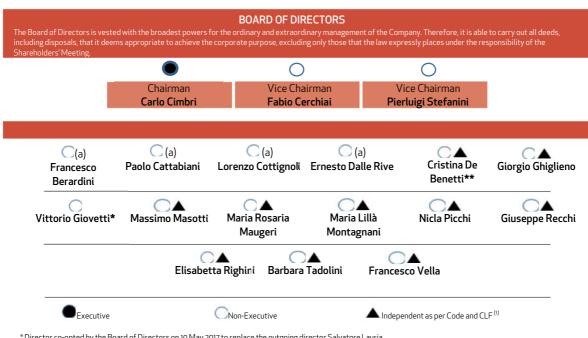
For further details, please refer to the 2016-2018 Business Plan "UnipolToBe" <u>www.unipoltobe.it/en/</u>. http:// www.unipolsai.com/en/investors/unipoltobe-2016-2018-strategic-plan

# GOVERNANCE

#### The Corporate Governance system

hareholders' Meeting is the body that expresses the will of the company via including the numbers abstaining or against. The Board of Directors conside athods for communication with Shareholders, a significant moment for fru- tions on price sensitive information. BOARD OF DIRECTORS	ers the Shareholders' Meeting, even in the pre	esence of a broad diversification of
CHAIRMAN Legally represents the Company and exercises the powers laid out in the By-Laws. GENERAL MANAGER Responsible for the operating guidance of the Company, in line with the general programmatic and strategic policies defined by the Board of Directors.	<b>Board of Statutory Auditors</b> Exercises supervision over observance of the law and the by- laws, respect for the principles of proper management	Independent auditor PricewaterhouseCoopers S.p external auditor responsible f the legally-required audit of t accounts.
Chairman's Committee Carries out an advisory and support role in identifying development polic Appointments and Corporate Governance Committee Carries out a propositional and advisory role in the identification of the o Company's corporate governance system.		
Control and Risk Committee Provides a judgment to the Board of Directors on the definition of the gu the main risks faced by the Company are correctly identified, and adequa Committee for Related Party Transactions: Carries out an advise parties, in compliance with the provisions of regulations in force.	ately measured, managed and monitored.	

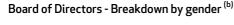
The parent Unipol Gruppo S.p.A., in line with its policy and control role, has the **Ethics Committee**, with membership of independent directors only, and the **Sustainability Committee**, chaired by the Chairman of the Board of Directors and with two independent directors as members, offering advice, suggestions and resolution proposals as illustrated later under the paragraph "Sustainability Management".

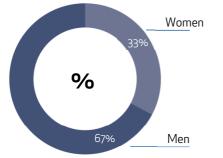


\* Director co-opted by the Board of Directors on 10 May 2017 to replace the outgoing director Salvatore Lauria \*\* Director co-opted by the Board of Directors on 9 November 2017 to replace the outgoing director Milva Carletti

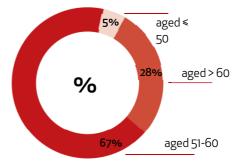
(1) Indicates whether the Director has been classified by the Board of Directors as independent in accordance with the criteria laid out by the Corporate Governance Code and at the same time meets the requirements established by Art. 148, paragraph 3 of the Consolidated Law on Finance. (a) Directors excluded in 2017 from the group of Independent Directors, as they held office on the company badies of the direct holding company Unipol Gruppo S.p.A. and/or, a

(a) Directors excluded in 2017 from the group of Independent Directors, as they held office on the company bodies of the direct holding company Unipol Gruppo S.p.A. and/or, at the time of the controls, on those of the indirect holding company Finsoe S.p.A. Offices with the latter ceased with effect from 15 December 2017 following the winding-up of Finsoe after its spin-off.





Board of Directors - Breakdown by age <sup>(b)</sup>



Skills <sup>(b)</sup>

Strategic planning100%Insurance and/or banking and/or<br/>financial and/or real estate business100%Trends in the economic/financial<br/>system and in the sector78%Sector legislation and regulations and<br/>corporate governance<br/>Accounting disclosure, financial and/or<br/>actuarial reporting systems83%Internal control and risk management67%Company management and remuneration50%Sustainability17%

#### Number of meetings and percentage of participation (c)

Board of Directors	10 (93%)
Chairman's Committee	1 (100%)
Appointments and Corporate Governance Committee	4 (100%)
Remuneration Committee	3 (100%)
Control and Risk Committee	8 (100%)
Committee for Related Party Transactions	12 (100%)
	1

(b) Referring to the Board of Directors in office as of 27 April 2016, also taking into account co-opted appointments during 2017 (c) Referring to all of 2017

#### Internal Control and Risk Management System

The internal control and risk management system is a key element in the overall corporate governance system and is defined in related Directives, adopted and periodically updated by the Board of Directors, with the goal of ensuring that the main risks relating to the Company and its subsidiaries are properly identified, measured, managed and monitored, while determining the degree of compatibility of such risks with management aligned with the strategic objectives identified. This system is subject to periodic assessment and review in relation to developments in company operations and the reference context.

The UnipolSai Assicurazioni internal control and risk management system is structured similarly to that of the Parent, as described in its Consolidated Financial Statements, on multiple levels:

- line controls (so-called "first-level controls"), aimed at ensuring transactions are carried out correctly. These are
  performed by the same operating structures (e.g. hierarchical, systematic and sample controls), also through the
  different units which report to the managers of the operating structures, or carried out as part of back office activities;
  as far as possible, they are incorporated in IT procedures. The operating structures are the primary bodies responsible
  for the risk management process and must ensure compliance with the adopted procedures for implementing the
  process and compliance with the established risk tolerance level;
- risk and compliance controls (so-called "second-level controls"), which aim to ensure, among other things, the correct
  implementation of the risk management process, the tasks assigned to them by the risk management process,
  compliance with operating limits assigned to the various functions, compliance with regulations, including selfgovernance, of the corporate operations. The departments responsible for these controls are separate from the
  operating functions; they help define the risk governance policies and the risk management policy;
- internal review (so-called "third-level controls") verification of the completeness, functionality and adequacy of the Internal Control and Risk Management System (including the first- and second-level controls) and that business operations comply with the System.

The Corporate control functions (Audit, Compliance and Risk Management) have separate organisations and report directly to the Board of Directors, operating under the coordination of the Director responsible for the Internal Control and Risk Management System. The Corporate control functions carry out the activities for which they are responsible for the Company itself, handle the outsourcing of the service for the companies that have entered into dedicated service agreements with it and functionally report to the corresponding Parent Functions.

#### Audit Function

The Audit Function manager, appointed and terminated by the Board of Directors, has the specific skills and professional experience to carry out this activity and has the necessary authority to ensure independence. The Function's staff have access to corporate and external data as required to appropriately carry out their duties and are adequate in terms of their number, technical and professional skills and level of training, also through inclusion in ongoing training programmes.

The activities of the Function are carried out in compliance with the Code of Ethics of the Institute of Internal Auditors. The Audit Function operates within the scope of the duties and responsibilities defined by the specific directives issued by the Board of Directors, as well as in compliance with regulations in force (IVASS, Consob and Covip) on internal control and risk management.

The Audit Function is responsible for assessing the completeness, function, reliability and adequacy of the Internal Control and Risk Management System in relation to the nature of business activities and the level of risks undertaken, as well as its updating, also through support and advisory activities provided to other corporate functions.

In carrying out its duties, the Function structures its activities into:

- audit process (insurance, operations, financial and IT),
- preparation of regulatory reports,
- audits of insurance agencies and settlement services,
- investigation of internal fraud by employees, trustees and persons pertaining to the sales networks.

In 2017, activities were based on the audit plan submitted to the Control and Risk Committee and the Board of Directors of Unipol Gruppo.

The Function was involved in 95 activities (process and other audits) and 506 inspections of the sales networks, settlements and internal fraud.

All critical issues that emerged from the process audits were shared with the management, which made efforts to address them by identifying individuals to manage them and setting deadlines. The Audit Function periodically monitors the status of the

adjustments and then checks the effective implementation of corrective actions through follow-up activities. The Audit Function reported to the departments concerned, the top management and the Control and Risk Committee on the results of its activities and the planned adjustments.

#### **Compliance Function**

The Compliance Function, responsible for assessing the adequacy and efficiency of procedures, processes, policies and the internal organisation according to a risk-based approach, with the goal of preventing compliance risk, i.e. the risk of judicial or administrative sanctions, financial losses or reputational damage as a result of violations of laws, regulations or Supervisory Authority measures, or of self-regulation rules, such as by-laws, codes of conduct or corporate governance codes, and risk deriving from unfavourable changes to the regulatory framework or case law guidance.

The Compliance Function operates by:

- constantly identifying applicable legal regulations and the evaluation of their impact on corporate processes and procedures;
- assessing the adequacy and effectiveness of the measures adopted to prevent compliance risk, and recommending the implementation of organisational and procedural changes aimed at ensuring such risk is effectively monitored;
- assessing the adequacy of organisational adjustments (i.e. to structures, processes, procedures) deriving from the suggested changes;
- arranging information flows addressed to corporate bodies and the structures involved.

As part of its operations, the Compliance Function performs *ex ante* and *ex post* assessments. The first of these (*ex ante* assessments) are primarily to support Top Management in their updating activities required due to i) external events, such as the issue of new applicable regulations by the European and Italian legislators, Supervisory Authorities, etc., or ii) internal events, such as management's proposal of new projects, new products or the development of new operating processes. The *ex post* assessments, on the other hand, check the level of compliance of procedures, processes, policies and the internal organisation with applicable regulations, as well as compliance risk.

The Compliance Function provides ongoing advice to Top Management and to corporate departments on issues under their responsibility.

#### **Risk Management Function**

The Risk Management Function is responsible for ensuring an integrated evaluation of the various risks at Unipol Group and Company level, supporting the Board of Directors, the Appointed Director and Top Management in the evaluation of the structure and effectiveness of the Risk Management System, and reports its conclusions to said bodies, highlighting any deficiencies and suggesting ways of resolving them.

In that context, the Risk Management Function evaluates the Group and Company risk profiles and capital adequacy within the *Own Risk and Solvency Assessment* (ORSA) process, ensuring that the work carried out by the various company departments dealing with risk management is coordinated. These activities are carried out in line with market best practices and in compliance with regulations imposed by the Supervisory Authorities. This does not exempt the individual operating departments from their specific responsibilities for managing the risks relating to their own work.

In that context, the Risk Management Function, jointly with other control departments, provides support to cultivate and reinforce the culture of risk within the Group and the Company in order to make personnel at all levels aware of their roles, also with respect to control activities, and favour the full involvement of all company departments in the pursuit of objectives.

Risk Management plays an active role in Solvency II discussions in the key institutional areas covered.

UnipolSai implements a comprehensive and efficient internal control and risk management system, taking into account the different applicable regulations and the various business areas, consistent with guidelines issued by the Parent, with the aim of ensuring that the main risks inherent to its business activities are correctly identified, measured, managed and controlled, as well as proving compatible with sound and correct management.

Special internal company committees have been set up at UnipolSai under the internal control and risk management system so that the various positions and roles have the possibility to communicate and debate with each other.

Through this model and the adoption of corporate policies and guidelines, the Company measures and manages the risks to which it is exposed, also as a result of its strategic decisions, taking into consideration the various business areas.

In particular, the strategies and management objectives of the risks of the Group and of the consolidated companies, including UnipolSai, are indicated in the "Risk management policy". The risk management process has also been defined in reference to the identification, measurement, control and mitigation of the risks, defining the roles and responsibilities of the corporate bodies and departments involved in the process.

The risk identification, measurement and monitoring processes are carried out on a continuous basis to take into account any intervening changes to the nature and extent of the business and the market context, whether this gives rise to new risks or changes existing ones.

Note that UnipolSai Assicurazioni S.p.A. has received authorisation for use of the Partial Internal Model to calculate the individual Solvency Capital Requirement.

The Risk Management Function has performed its duty of monitoring the risk management system in compliance with current regulations. As part of the risk governance, the Risk Management Function is in constant contact with the Parent Company to ensure Group-level standardisation and consistency in adopting the risk governance and control policies, procedures and methods.

The Risk Management Function provides support to the Board of Directors and Top Management in defining the risk management strategies and the related monitoring and measurement tools, through a suitable quarterly reporting system.

The technical insurance risk management is regulated by the Subscription and Reservation Policies relating to Life and Non-Life business, which lay down the guidelines for acceptance and the principles and criteria to be complied with in determining the provisions, with the aim of sound and prudent management and safeguarding of the company's assets, and defines the principles for identifying, measuring, monitoring and mitigating specific risks, describing the roles and responsibilities of the players involved.

The management of market, liquidity and ALM risks is defined in the Group Investment Policy, which describes the measurement approaches, operating limits and mitigation principles as well as defining the roles and responsibilities of the players involved. In compliance with the Prudent Person Principle, all assets, particularly those covering the minimum capital requirement and solvency capital requirement, are invested in such a way as to guarantee the safety, quality, liquidity and profitability of the portfolio as a whole.

In addition, the credit risk assumption practices, defined in a specific policy (Group Credit Policy), envisage risk assumption limits in connection with counterparties whose credit rating is considered inadequate. This credit rating is assessed and constantly monitored, both through external indicators (e.g. market ratings or benchmarks) and through measures defined internally (benchmarks also used for the purpose of the Partial Internal Model).

An integral part of the internal control and risk management system, the operational risk management system facilitates improvements in the overall efficiency of processes, ensuring that potential operational risks are identified, measured, controlled and managed according to approaches that are defined and consistent within the Group.

To this end, the Group adopted a Business Continuity Policy which defines the guidelines on business continuity with the aim of reducing the impacts of disastrous events on significant services to a minimum, whether they are provoked by sector, company, local or extended effects (the Business Continuity Management System).

With reference to Reputational Risk and Emerging Risks, the dedicated department has developed the activities of the Group's **"Reputation & Emerging Risk Observatory**", which involves the main support functions for managing these risks, combined in a special Technical Panel, and of the Business Departments.

Particularly as regards Emerging Risks, updates were arranged of the analyses based on the Meeting Point predictive model, which on the one hand captured the qualitative-quantitative trends developing on the 10 Emerging Macro Trends identified in the first cycle, validating the results of the previous analysis, and on the other hand identified new issues to be "watched", highlighting a new emerging macro trend for inclusion in the Group Radar.

In addition, in partnership with Strategic Planning, it carried out the assessment at 31 December 2017 of the Group monitoring level of the 11 Emerging Macro Trends for the insurance sector, mapping the Group's responses to challenges posed by each Macro Trend in terms of risks and opportunities.

With specific reference to Reputational Risk, development continued of the Reputation Protection programme, as part of the wider Reputation Management programme of the Group, which envisages the construction of an integrated model for building and defending the Group's reputational capital and is performed with support from the Reputation Institute and close collaboration with the Corporate Communication and Media Relations Department.

In addition, with participation from the functions most affected, the foundations were laid for the evolution of the "project" into a true integrated reputational risk management "process", envisaging the definition of a reputational risk governance model at Group level in terms of proactive management and to manage any reputational crises.

The reputational risk mapping activity, conducted on the basis of the analysis of internal and external drivers, entailed the identification of 52 basic risk scenarios, deriving from past experience or plans in place, which were enhanced with 10 "what if" scenarios, or risk/opportunity scenarios that can be useful for strategic purposes.

The training initiatives implemented in 2017 on Risk Management issues involved 87 UnipolSai employees from the various departments, and referred in particular to operational risks and Solvency II.

A technical panel was established during the year, composed of the three control functions, to map and verify the monitoring of ESG risks as part of the Sustainability Policy, with assessment of the exposure and present level of monitoring. In cases where the monitoring was deemed not fully effective, improvement plans were identified, some of which already launched during the course of the 2016-2018 Business Plan.



The parties participating in the Company's internal control and risk management system are listed here: <a href="http://www.unipolsai.com/en/Governance/corporate-governance-system/Pages/Internal-Control-System.aspx">www.unipolsai.com/en/Governance/corporate-governance-system/Pages/Internal-Control-System.aspx</a>.

For further details of the UnipolSai Assicurazioni internal control and risk management system, similar to that of the Parent, please refer to the Annual Integrated Report in the Consolidated Financial Statements of Unipol Gruppo.

For detailed information on the Group's responses to macrotrends, please refer to the Annual Integrated Report available in the Consolidated Financial Statements of Unipol Gruppo and in the "Governance-Internal Control System-Risk Management" section of the Unipol Group's website.

For further details on the structure of this system and on the main events in the current year, please refer to what is specified in the dedicated section in the Annual Report on Corporate Governance, which may be downloaded here:

www.unipolsai.com/en/Governance/corporate-governance-system/Pages/Annual-Report.aspx

#### **Remuneration policies**

The top objective of the Remuneration policies is to guarantee fair remuneration, adequate to the role, responsibilities, degree of professionalism and individual skillset, in compliance with legal and regulatory provisions and consistent with sustainable performance requirements, and a sound and prudent risk management policy in line with the Group's long-term strategic, profit and balance objectives.

The annual remuneration of non-executive Directors is fixed. In addition, they receive reimbursement of expenses incurred to carry out their duties, and a fee for attending each board meeting and shareholders' meeting. In addition, the Board of Directors provides Directors who are members of board committees, if any, with an extra fixed fee for each respective meeting attended. No variable component is envisaged in the remuneration linked to results or based on financial instruments, nor is the payment of an indemnity due to Directors in the event of resignation, termination of mandate/office or dismissal following a takeover bid.

The annual remuneration of Statutory Auditors is fixed. In addition, they receive reimbursement of expenses incurred to carry out their duties. Statutory auditors are paid no variable remuneration.

UnipolSai Assicurazioni applies rigorous remuneration policies on the basis of the guidelines defined by the Board of Directors with a view to efficiency and safeguarding the company's assets. The implementation of these policies is subject to periodic verification by the Internal Control Functions.



For further details, please refer to chapter on "Employees" and for Directors to the Remuneration Report, available in the "Governance" section of UnipolSai's website

#### Managing sustainability

#### Organisation and Governance

The UnipolSai Group's commitment to sustainable management is first of all guaranteed by assigning the task of sustainability guidance and supervision to two Board of Directors' Committees of the holding Unipol Gruppo S.p.A., consistent with its guiding and controlling role with advisory, proposition and decision-making functions.

- the Ethics Committee, with only independent directors as members;
- the Sustainability Committee, with two independent directors as members and the Chairman of the Board of Directors as chair.

The Ethics Committee in particular, in concert with the Ethics Officer in turn appointed by the Board, has the task of promoting coherence between the principles of the Code of Ethics and corporate policies, taking action to ensure awareness and understanding of the Code of Ethics, monitoring compliance with the Code of Ethics, and the annual publication of the Ethics Report.

The Sustainability Committee assists in the identification of sustainability strategies, verifies the monitoring activities, agrees upon and approves the reporting tools.



For detailed information on the skills and responsibilities of the Sustainability Committee, please refer to the Report on Corporate Governance and Ownership Structures, available in the "Governance" section of UnipolSai's website

The Sustainability Function, part of the staff unit of the Chairman, supports business by identifying development areas and objectives, managing integration of the CSR policy into business with support from twenty or so "contacts" appointed by the main Group and Company Departments with responsibility for planning support and dedicated activities in the various Departments to ensure integration into the core business activities.

The Parent's Sustainability Function, which is responsible for stakeholder engagement and management of the Unipol Regional Councils, whose members are representatives of the employment market, is also responsible for the adequacy and completeness of the Sustainability Policy. To this end:

- starting from topics identified by the Risk Management Function based on the Reputational & Emerging Risk Observatory, it involves all company functions and the key stakeholders in the construction and updating of the Materiality Matrix;
- with support from the Risk Management and Compliance corporate control functions, each to the extent of their
  responsibilities, it identifies ESG risks to which the Group is exposed, assesses its monitoring and suggests
  improvement action;
- it verifies the adequacy and effectiveness of improvement action taken, and agrees with the various function managers on commitments undertaken in the Policy and the Indicators;
- it verifies the accuracy/completeness/materiality of data for input to the Indicators;
- it prepares reports to the Board of Directors, Sustainability Committee and Parent Top Management.

#### Action to increase employees' awareness of and commitment to Sustainability

To adequately implement the Sustainability Policy, the dissemination of awareness among employees is crucial. For this reason, the Unipol Group set up a training and education path some time ago. An e-learning course was arranged for all employees and agents on the Values and the Code of Ethics. This issue was specifically reviewed and outlined during the Master CAPI, launched last year and still in progress, which will involve over 3000 persons discharging managerial responsibilities. This action helped to disseminate a management model that exemplifies the Values. In 2018, a distance learning course will be made available on integrated thinking and integrated financial reporting so as to aid understanding of the tool and support the construction process for the new Integrated Three-Year Plan.

To offer everyone easy access to information on sustainability policies, tools and actions, not only is a large section of the website available, but a special section has been created on the Intranet that is constantly updated and enhanced with the publication of numerous news items on the home page.

A particular role to help reflect on areas which today guide the development of integrated thinking has been taken on by *Changes*, the digital magazine created as a communications tool for the Unipol Group, capable of producing forward-looking scenarios and discussing these in all their forms. The magazine is divided into six macro categories (Technology, Society 3.0, Sharing, Environment, Well-Being, Close to You) which take into account the many daily questions about the economy, climate, health, nutrition and factors that have an impact on the insurance business, with a constant watch on data emerging from the Reputational & Emerging Risk Observatory of the Unipol Group and always bearing in mind the areas covered by the Unipol Group's sustainability policies.

Throughout the year, the Sustainability Function organises conferences and seminars open to all employees. The issues discussed in 2017 included climate change, welfare, socially responsible investments, innovation, the risks of gambling and social enterprise. Particularly important in this respect is the Group's commitment to supporting, promoting and providing content for the Sustainable Development Festival, which is held throughout Italy to increase awareness of the 17 Sustainable Development Goals (SDGs) of the United Nations' Agenda 2030. Added to this was the training and education activity provided by CUBo on "Wellbeing in the workplace".

#### Correct conduct

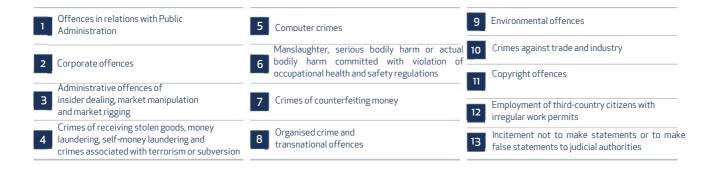
The integrity of insurance and financial practices makes a fundamental contribution to UnipolSai's reputation. Every day the Company puts rules and principles into practice which cultivate a determining factor: the trust of its customers, suppliers, partners, employees, agents and regulatory and supervisory authorities.

In particular, the procedures outlined in the Organisational, Management and Control Model aim to prevent the commission of offences and violations as part of business operations. Specific training is guaranteed to all Group employees to expand the culture of legality and prevent fraudulent conduct, episodes of corruption and money-laundering phenomena.

In 2016 the UnipolSai OMM was updated to include the recently-introduced legal aspects on the offence of self-money laundering, introduction of the environmental offences of "Environmental pollution", "Environmental disaster" and "Criminal environmental offences", as well as reinforcing those on financial statement fraud and false or misleading disclosures by listed companies.

The update also aimed for an overall review of the document to ensure standardised implementation of the OMM within the Group and to ensure internal coherence between the General and Special sections.

Following a detailed analysis of the business processes and operations, the areas at risk considered material for Legislative Decree 231/2001 were identified (risk mapping). From the analysis conducted, it emerged that the crimes and offences that could be committed as part of the sensitive activities identified are:



The Company's Internal Control Functions feature dedicated specialised oversight mechanisms responsible for managing the risks relating to the various types of crime. Procedures are also envisaged for the internal reporting of irregularities or violations, actual or presumed, of regulations and principles of the appointed corporate bodies as well as to the Ethics Officer, the Group's reference officer for issues relating to the implementation and compliance with the Code of Ethics.

#### Anti-corruption, anti-money laundering and anti-terrorism measures

UnipolSai Assicurazioni's commitment to preventing specific "eligible offences" is based on the adoption and effective implementation of the Group Organisational, Management and Control Model (OMM), which allows the Company to envisage a structured, across-the-board system for prevention, dissuasion and control, designed to instil in persons working directly or indirectly in sensitive activities the awareness that, in the event of unlawful conduct, could cause the infliction of sanctions not only upon themselves, but also upon the Company.

The oversight and control mechanisms put into place to combat corruption set forth in Special Part 1 of the OMM make reference to the crimes laid out in Articles 318, 319, 319 ter, 319 quater, 320, 322 and 322 bis of the criminal code. In Special Part 2, reference is made to the crime of corruption between private parties laid out in Art. 2635 of the Civil Code.

In particular, these Special Parts highlight the general conduct principles applied to the corporate bodies and employees directly and to partners on the basis of dedicated contractual clauses.

These principles concern:

- the training of associates by Department Heads in contact with the Public Administration and the tracking of information flows to it;
- the assignment of representation duties to external parties through formal appointments;

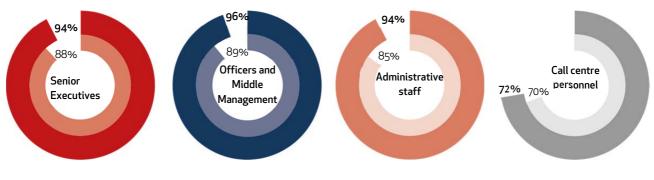
• the inclusion in contracts with partners of specific declarations by them concerning their knowledge of Legislative Decree 231/2001 and their commitment to comply with the OMM as well as the fulfilment of integrity requirements.

The specific principles of conduct for preventing the commission of each type of crime specified above are also laid out in detail in the Special Parts of the OMM.

2017 saw the conclusion of the training programme targeting Company employees which involved:

- meetings with top management: schedule of specific meetings with the first line managers, their immediate superiors
  and the Risk Takers (general managers, strategic executives and managers, personnel at the highest level of the internal
  control functions and other categories of personnel whose activities have a major impact on the business risk profile), to
  which the possible offences to which each area could be exposed, including corruption offences, are illustrated;
- classroom training targeting employees in the "sensitive areas", involving specific training on the risks/offences identified from the analysis and mapping activities.

In addition, the web-learning module on the 2016 update to the OMM was prepared and made available to employees.



#### Percentage of employees specifically trained on anti-corruption policies and procedures

Source: UnipolSai Group Joint Administration, Management Control and Operations Department

**2017 figures** 2016 figures

In total, 91% of employees in Italy have been specifically trained on anti-corruption policies and procedures.

The companies operating in Serbia included provisions in the By-Laws and Code of Ethics that envisage the duty to avoid conflicts of interest. For the company operating in Ireland, UnipolRe, to strengthen control over combating corruption, the signatory powers approved by the Board of Directors envisage that every transaction requires two signatures.

To guarantee the effective implementation of the OMM, the "examination" certification is requested from agents and suppliers, which was

received from 82% of agents and 38% of suppliers.

In 2017, UnipolSai and its subsidiaries did not incur costs for sanctions pursuant to Legislative Decree 231/2001 in relation to corruption offences.

Pursuant to ISVAP Regulation no. 41 of 15 May 2012 - containing the implementing provisions of Legislative Decree 231/2007, as amended (the "Decree") on organisation, procedures and internal controls on anti-money laundering and combating terrorism - the Company established a specific function to manage money laundering and terrorist financing risk with activities designed to ensure full compliance with provisions of the Decree as regards:

- customer due diligence obligations;
- storage and reporting obligations;
- personnel training.

Dedicated e-learning and classroom training courses on anti-money laundering and the fight against terrorist financing have been made available to employees and all parties that work for the Company in any capacity. In particular, in 2017, 87.6% of the staff participated in the "Anti-Money Laundering" course.

As regards developments in the reference regulatory framework, note the issue of the Letter to the Market of 5 June 2017, later amended on 25 July 2017 (the "Letter to the Market"), in which IVASS requested that insurance companies operating in the life segments should, in reference to 2016, carry out an initial self-assessment to estimate the level of exposure to money laundering and terrorist financing risk and assess the soundness of the related controls, taking into account the approach indicated by the Supervisory Authority, which will form the basis for future periodic measurements.

Under the Parent's coordination, UnipolSai Assicurazioni and the other Companies receiving the Letter to the Market have arranged for the Supervisory Authority's requests to be satisfied.

The self-assessment process carried out by the Company for money laundering and terrorist financing risks led to a residual risk assessment of "Non-significant" in consideration of:

- the "Low" level of intrinsic money-laundering risk to which the Company is exposed in relation to the business model, the
  nature and extent of activities actually exercised;
- the "Non-significant" vulnerability of corporate controls the organisational structure and internal control system to threats identified at intrinsic risk measurement stage, as well as compliance with the elements considered for vulnerability assessment purposes. The controls proved to be adequate and functional in mitigating the risk.

The controls adopted by the Company prove effective in preventing its involvement in money-laundering. In addition, the risk awareness level of the personnel involved is suitable.

However, with a view to continuous optimisation, certain corrective actions and a number of areas for potential improvement and development have been identified in relation to the processes to adequately verify customer details and store data.



For more information on the OMM, please refer to the Corporate Governance section of the UnipolSai Company website: <a href="http://www.unipolsai.com/en/governance/internal-control-and-risk-management-system">http://www.unipolsai.com/en/governance/internal-control-and-risk-management-system</a>

#### Tax management

Recognising that the context in which it operates is fundamental to its capacity to create value and competitiveness, UnipolSai returns a percentage of the value created through taxes and contributions for the management of communal goods and services, helping to maintain and improve the conditions for widespread well-being.

The Group's Italian and foreign companies pay taxes and duties in application of the tax regulations in force in each country.

In 2017, the total taxes paid to the tax authorities (on income, premiums, ownership, etc.) by UnipolSai Group companies was around  $\leq 2.4$  bn. Income taxes recorded a tax rate for the year of 29.4% (22.5% in 2016).

The Group Tax Service, responsible for managing taxes, providing advice, performing guidance and control activities and monitoring audits carried out by the Tax Authorities on the various Group companies, ensuring cooperation and support for the auditing bodies. The changes in tax regulations are monitored and disseminated in circulars and internal communications that illustrate and explain their effects with regard to obligations to be satisfied to ensure their application in compliance with law.

Tax risk forms part of the operational risks monitored and measured for Solvency II purposes. The approach adopted envisages the identification, profiling and quantification of tax risks for the purpose of defining capital requirements. The risk associated with potential future audits, against which prudential allocation of provisions might be required, was also assessed.

The corporate processes define the roles and responsibilities for application of the tax regulations and the procedures and tools to manage them. A number of significant tax processes were recognised for the purpose of procedures pursuant to Law 262/2005 (Law on the Protection of Savings and Governance of the Financial Markets).

The Company's Board of Directors does not specifically define its general tax strategies, nor is explicit and structured involvement envisaged for the tax aspects of all transactions examined. For transactions of greater significance, however, the relevant functions conduct appropriate preventive assessments of their tax consequences, if any, and issue suitable reports.

The Financial Statements documentation discloses the revenues, profit deriving from technical and financial management, taxes for the year, and also include a statement of reconciliation of the theoretical tax burden compared to the actual tax burden with an explanation of the main reasons for deviations. A disclosure is provided on all of the main items that have resulted in misalignments between taxes paid and taxes accounted for. From 2016, the Parent Unipol Gruppo provides the tax authorities with *country-by-country* reporting data that also include those of UnipolSai.

#### **Responsible Lobbying**

Given the number and complexity of rules and regulations governing the Group's operating sectors, UnipolSai maintains proactive dialogue open with the public decision-makers, contributing to public debate on political and legislative action on issues of interest to the Group.

In 2017, the institutional positioning activities aimed for the Group's further accreditation, as authoritative and independent point of reference for the national and European institutions, as well as multiplication of the relational areas useful to increasing support for business and awareness of the external competitive contexts.

These activities were primarily pursued through the levers of lobbying and advocacy, participating in public consultations promoted by the institutions, with specific skills and experience with a view to supporting decisions.

Firstly, relations and direct dialogue with national and European institutions were strengthened and the monitoring of politicallegislative activities in the interests of the community was enhanced. Secondly, Unipol's presence has increased in the national and international think tanks, which analyse trends and help to form the opinions of decision makers.

#### Human Rights

The UnipolSai Group is committed to promoting and respecting universally-recognised human rights, as well as supporting the elimination of all forms of forced labour and the effective elimination of child labour in its respective spheres of influence, from human resource management to the procurement chain and its own products and services. To this end, the Group confirms its support for the UNGC (United Nations Global Compact) principles<sup>5</sup> and its intention of promoting them within corporate activities as a whole.

The commitment was undertaken in the Code of Ethics, with specific reference to the United Nations' "Universal Declaration of Human Rights" and the fundamental rules of the Internal Labour Organisation (ILSO), and further developed in the Sustainability Policy approved by the Unipol Gruppo Board of Directors at the beginning of 2018, which formalises principles, styles of conduct and the corporate culture objectives, ensuring their weighting in the corporate processes.

These principles are the drivers for the policies on responsible investment and on personnel management. Within this context, UnipolSai promotes specific policies to protect and support individual and family requirements, with no discrimination based on gender, sexual orientation or political, cultural and religious beliefs, such as the monitoring performed by the Peer Committee on Equal Opportunities.

In 2017, the Group developed and is continuing to gradually adopt a special selection, management and monitoring system for its suppliers and for the assessment of compliance as regards ESG risks (as described in the "Suppliers" section), which will be outlined in the management policies for the specific risks, with a particular focus on respect for human and labour rights.



For more information on the Code of Ethics, please refer to the "Our identity" section of the Unipol Group website <u>http://www.unipol.it/sites/corporate/files/pages\_related\_documents/cartavalori-</u> <u>codiceetico\_approvato\_23032017\_versione\_03082017\_enq.pdf</u>

#### Privacy

UnipolSai has established dedicated organisational controls, including a Function within Legal Affairs devoted to providing legal assistance in the area of privacy (the "Legal Privacy Function") in order to guarantee that personal data (of customers, employees and, in general, everyone who comes into contact with the Company) is processed in compliance with the provisions set forth in the Personal data protection code.

The Legal Privacy Function contributed towards defining, from the legal perspective, priority lines of action intended to guarantee compliance with regulatory requirements, particularly as regards IT security, data access by third parties and the generation of documentation required by law.

With reference to Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on personal data protection (the "GDPR"), which enters into force on 25 May 2018, a specific work group was set up to coordinate the project to adapt all the Group companies to the GDPR regulatory requirements.

Agents and employees are properly trained to further ensure the protection of personal data. In 2017, e-learning training courses continued to be provided:

- to Unipol Group employees, with 85% participation;
- to Group Agents and their partners, with 91% participation.

Distance learning courses concerning video surveillance were also activated for system administrators, healthcare facilities and hotels.

<sup>&</sup>lt;sup>5</sup> United Nations initiative launched in 2000 to encourage companies all over the world to adopt sustainable policies compliant with corporate social responsibility and make the results of their actions public. It envisages compliance with 10 Principles divided into 4 areas: Human Rights, Labour, Environment and Anti-Corruption. To date, over 18,000 companies from 157 countries worldwide have adopted the United Nations' 2030 Agenda of <u>Sustainable Development Goals</u> (SDGs).

In 2017, 18 complaints were received for companies operating in Italy regarding the protection of personal data (11 in 2016 on a likefor-like basis), which were appropriately answered. Of these, 7 complaints involved the Antitrust Authority, without resulting in findings of any violation of the law and consequently no application of sanctions. The remainder, however, were attributable to material errors in record input.

#### Sanctions

The trend of IVASS interventions against the main Company in the Unipolsai Group decreased (-27%) compared to 2016. This is in line with the reduction in complaints (-12%) that occurred during the same time period. Considering IVASS measures by company area of only UnipolSai, almost the entire decrease was attributable to the Claims Area, which has a 78% on the total and fell by 12%. This was followed by the Sales Area with a 26% decline. Opposing trends were seen in the Administration Area (+14%) and IT (+83%), but with a negligible percentage impact on total complaints. Both the number of IVASS sanctions from complaints and the relative amount paid decreased compared to the previous year. For UnipolSai S.p.A., 230 sanctions were paid with a decrease in the amounts by 45% (-€1,159k).

#### Number of IVASS interventions and Sanctions paid

	2017	2016
Amount of IVASS sanctions paid (€m)	1.5	2.7
Number of IVASS interventions	3,251	4,257
Number of IVASS sanctions	278	539

Source: UnipolSai Group Joint Legal, Equity Investments and Institutional Relations Department

By measure dated 27 May 2015, the Antitrust Authority (AGCM) claimed at in the period 31 January 2011-23 November 2015 UnipolSai had adopted an unfair trading practice pursuant to articles 20.2, 24 and 25 of the Consumer Code (as amended), consisting in having issued writs of summons against consumer customers in arrears, with a view to recovering its receivables, through a judicial authority in a different area to that of residence. In addition to banning the dissemination or continuation of such practices, the Antitrust Authority also imposed a sanction of  $\in$ 1,800,000 upon UnipolSai, which the Company has paid. UnipolSai filed an appeal with the Lazio Regional Administrative Court, challenging the aforementioned measure, with the appeal notified on 26 July 2016. A hearing date is still pending for these administrative proceedings.

# FINANCIAL PERFORMANCE

€ 537 m Consolidated net profit

97.2% Combined Ratio net of

reinsurance

€ 0.145 Proposed unit dividend per share

Direct insurance premiums

Profitability of the UnipolSai Group's activities

On 29 June 2017, the Boards of Directors of Unipol and UnipolSai approved a project for the definitive streamlining of the insurance segment of the Unipol Group, as part of which, on 16 November 2017, UnipolSai purchased the parent Unipol's interests in:

- UniSalute, the insurance company specialising in the healthcare segment (leading insurance company in Italy for the number of customers managed), equal to 98.53% of the share capital at the price of €715m.
- Linear, an insurance company specialising in the direct sale of Non-Life products, particularly MV, equal to the entire share capital at the price of €160m.

#### Key financial and capital indicators

Amounts in €	m 31/12/2017	31/12/2016
Non-Life direct insurance premiums	7,355	7,218
% variation	1.9	(1.6)
Life direct insurance premiums	3,713	5,279
% variation	(29.7)	(20.6)
of which Life investment products	261	585
% variation	(55.4)	0.1
Direct insurance premiums	11,068	12,497
% variation	(11.4)	(10.6)
Net gains on financial instruments (*)	1,568	1,580
% variation	(0.8)	(22.8)
Consolidated profit (loss)	537	527
% variation	1.8	(28.5)
Balance on the statement of comprehensive income	702	325
% variation	116.3	(33.5)
Investments and cash and cash equivalents	51,971	63,261
% variation	(17.8)	(0.0)
Technical provisions	45,757	55,816
% variation	(18.0)	(0.5)
Financial liabilities	3,663	4,681
% variation	(21.7)	20.1
Shareholders' Equity attributable to the owners of the Parent	5,869	6,156
% variation	(4.7)	(1.9)
UnipolSai Assicurazioni SpA Solvency ratio (Partial Internal Model)	241%	243%

(\*) Excluding net gains and losses on financial instruments at fair value through profit or loss for which investment risk is borne by customers

(index- and unit-linked) and arising from pension fund management. Source: UnipolSai Consolidated Financial Statements

Ø

For more detailed information, see the Investor Relations page on the website <u>http://www.unipolsai.com/it/investor-relations/Pagine/default.aspx</u>

UnipolSai closed 2017 with a **consolidated net profit of \in537m**, marking an improvement with respect to  $\in$ 527m recorded at 31 December 2016 despite the effects associated with completion of the restructuring plan of Unipol Banca for  $\in$ 113m. Net of these effects, the consolidated net profit would have reached  $\in$ 649m in 2017.

During the period in question, direct insurance premiums, gross of reinsurance, were equal to €11,068m (€12,497m in 2016, -11.4%).

Direct premiums in the **Non-Life business** came to  $\notin$ 7,355m (+1.9% compared to  $\notin$ 7,218m in 2015), impacted by the effects of changes in the scope of consolidation, whilst no change is seen if UniSalute and Linear premiums for the fourth quarter of 2017 are excluded.

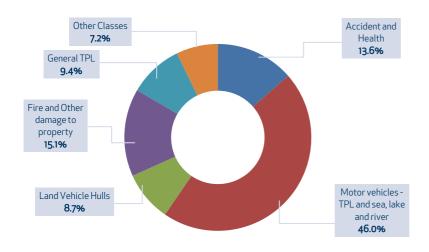
The direct premiums of only **UnipolSai**, the Group's main company, stood at  $\leq$ 6,901m ( $\leq$ 6,960m at 31/12/2016; -0.8%), of which  $\leq$ 3,937m in MV business ( $\leq$ 4,042m at 31/12/2016; -2.6%), the premiums for which were affected by the persisting strong market competition which resulted in competitive pressure on rates.

**UniSalute**, Italy's leading health insurance company for the number of customers managed, is specialised in the Health sector (Health and Assistance business), capable of innovating its product mix and operating segments, achieved premium income of  $\notin$ 430.1m ( $\notin$ 408.5m at 31/12/2016), up 5.3%.

In the **Life business**, the volume of direct premiums amounted to  $\leq$ 3,713m, with a 29.7% decline when compared with the same period of 2016. The slowdown should be read in terms of financial risk containment and, especially, in the decline in premiums in the bancassurance channel, particularly Popolare Vita, for which the existing distribution agreement was cancelled during 2017 and is about to be transferred to third parties.

Activities were characterised by the offer of multi-segment and linked products that met with strong marketing success in a market context characterised by very low interest rates that were negative in the short term.

The UnipolSai Group retained its leading position in the supplementary pension funds market, despite a difficult competitive context.



#### **Breakdown of Non-Life and Life direct premiums**

Source: UnipolSai Consolidated Financial Statements

Amounts in €m	31/12/2017	% of total
Total direct premiums		
I Whole and term life insurance	2,304	62.1
III Unit-linked/index-linked policies	504	13.6
IV Health	2	0.1
V Capitalisation insurance	300	8.1
VI Pension funds	602	16.2
Total Life business direct premiums	3,713	100.0

Source: UnipolSai Consolidated Financial Statements

In terms of Non-Life claims, although there was an improvement in the final quarter of the year, 2017 was characterised by a significant increase in claims from atmospheric events and a greater presence of claims of significant amounts.

#### **Non-Life-Direct business**

Non-Life business	31/12/2017	31/12/2016
Loss ratio - net of reinsurance	69.2%	68.0%
Expense ratio (calculated on premiums earned) - net of reinsurance	28.1%	28.5%
Combined ratio - net of reinsurance (*)	97.3%	96.5%

(\*) with expense ratio calculated on premiums earned

Source: UnipolSai Consolidated Financial Statements

The gross profitability of the Group's insurance financial investments portfolio achieved a particularly significant return during the period under review, equal to 3.9% of invested assets, of which 3.5% relating to the coupons and dividends component, whilst the total return recorded in 2016 stood at 3.7%.

Again in 2017, in terms of medium/long-term investments, the investment policies continued to pursue the general criteria of prudence and of preservation of asset quality consistent with the Guidelines defined in the Group Investment Policy.

Specifically, financial operations were geared towards reaching profitability targets consistent with the asset return profile and with the trend in liabilities over the long-term, maintaining a high-quality portfolio through a process of selecting issuers on the basis of their diversification and strength, with a particular focus on the liquidity profile.

In the real estate sector, the UnipolSai Group is one of the leading operators in Italy in terms of extent of assets managed. At the end of December, the total volume of asset property managed was €3.8bn. During the year, the Group continued to renovate its owned property assets in order to subsequently leverage the refurbished properties with a view to leasing or use for business purposes. The projects are characterised by the use of technologies designed to maximise energy savings, including by relying on renewable energy.

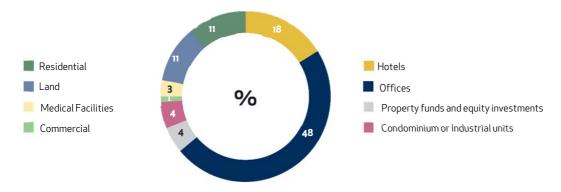
The main projects, which all began in previous years, have been concentrated in the Milan area, and include:

- the conclusion of the authorisation procedure with the Municipality of Milan for the construction of a new multi-storey building for business use in piazza Gae Aulenti (Porta Nuova Garibaldi area). The tower will be built in such a way as to have the highest certification in terms of energy and water saving and ecological quality of the interior (Leed Platinum certification);
- the completion of activities preliminary to the renovation works for the completion and refurbishment of a headquarters building in Via De Castilia (Porta Nuova area) to obtain a new eco-sustainable, cutting edge building. The property will consist of two buildings connected with a mirrored facade which, aside from recalling the stylistic features used for the tower that will be built by the Group in the nearby piazza Gae Aulenti, will actively contribute to reducing local atmospheric pollution thanks to the innovative materials that will be used for its construction;
- the continuation of the renovation of Torre Galfa, Via Fara 41. The building renovation project was developed to allow for the use by the general public of spaces located at street level and the preservation of the original stylistic forms of the facades, while also improving the entire structure's energy efficiency. To date, lease agreements have already been entered into for more than 85% of the leasable surface area;

- the completion of works on a historic property in Via Pantano 26/Corso di Porta Romana 19, consisting of two
  independent blocks built at different times, which develop around a central courtyard; marketing is nearly fully
  completed, under the brand "Residenze Ca' Litta", for the building in Via Pantano no. 26 for residential use. The offices
  for business use in the part of the building facing Corso di Porta Romana are already operational;
- the continuation of renovation activities on the office complexes located in Milan in Via Dei Missaglia 97 and Via Crespi 57. As regards the former, named Milano Business Park and consisting of fourteen buildings, renovations are proceeding with a view to leasing several portions of the complex. During the year, lease agreements were signed and renegotiated for more than 11,000 square metres. As regards the building in Via Crespi 57, during the year renovation works were carried out to bring the property into line with the quality standards requested by the market with a view to reaching full occupancy.

During the year, contracts were entered into for the sale of more than 500 property units, a part of which will be completed in the course of 2018, located in various areas of Italy. The transaction was carried out to further optimise the portfolio from the perspective of management costs, given the number of property units involved, and savings on investments that would be necessary for the renovation of and subsequent generation of income from such properties. Properties were sold during the year for a carrying amount of €198m.

As regards acquisitions, an accommodation facility which will be temporarily leased, located in a particularly high-value area of Rome, was acquired, and the Parent Unipol acquired a 100% stake in Ambra Property Srl, a transaction carried out as part of the more extensive process launched in 2014 of streamlining the shareholding structures of the diversified activities segment and the Group's real estate assets. The company owns two hotels in Bologna and San Lazzaro di Savena, as well as a historical dwelling in San Lazzaro di Savena used by the Group as a company training centre. The total value of the two transactions is approximately €80m.



#### Real estate assets by intended use

Source: UnipolSai Consolidated Financial Statements



### Geographical breakdown of the real estate assets

Source: UnipolSai Group Joint Administration, Management Control and Operations Department

Sales management and development of the diversified companies continues. 2017 closed with positive results in all the business segments.

With regard to the **hotels business**, the subsidiary UNA Group (formerly Atahotels) more than doubled its sales revenues following the merger with Una Hotels, up from around  $\in$  58m in 2016 to approximately  $\in$  127m at 31 December 2017, and achieved profit for the year of roughly  $\in$  0.6m.

As regards the **hub of medical clinics**, the company Villa Donatello achieved revenues from services of around  $\leq 20m$  for the year, compared with  $\leq 19m$  in 2016, marking an improvement of around 10%, closing the year with profit of  $\leq 0.1m$  compared with the negative results recorded in previous years.

As regards **agricultural activities**, the revenues of Tenute del Cerro rose by around 20% compared to 31 December 2016, increasing from roughly €6.5m to €7.8m. At 31 December 2017, the company recorded a net profit of approximately €0.1m compared to the loss of 2016 (€-5.3m).

# SOCIAL PERFORMANCE

SHAREHOLDERS



Market Capitalisation (-5% on 2016) 98.2% of assets deemed sustainable following ESG monitoring The UnipolSai security entered the SRI index



#### Shareholding structure

The company is controlled by Unipol Gruppo S.p.A., pursuant to Art. 2359, paragraph 1, number 1) of the Civil Code.

#### Shareholding structure



26.83%	Market
53.18%	Unipol Gruppo S.p.A.
9.99%	Unipol Finance S.r.l.
10.00%	Unipol Investment S.p.A.



Source: UnipolSai Group Joint Legal, Equity Investments and Institutional Relations Department

Maintaining and developing a policy of shareholder dialogue is a priority for UnipolSai, which in this sense has for some time now relied on a Regulation for the orderly and functional running of Ordinary and Extraordinary Shareholders' Meetings. The Regulation, approved by the Shareholders' Meeting of the Company, specifically governs the procedures for speaking at meetings and the maximum duration, voting procedures and the powers of the Chairman to maintain order during the Shareholders' Meeting, so as to ensure active participation by those entitled in all meeting activities, while also guaranteeing the orderly and functional running of the meeting. The Company's website also outlines the procedures for exercising the right to ask questions prior to the Meeting and the right to add to the Agenda, as well as the procedure for participation and proxy voting.

With respect to capital management strategies and objectives, the Group places particular attention on applying a "Capital management and dividend distribution Policy", which provides the proper description of the capital management and dividend distribution process as well as the roles and responsibilities of the bodies and company structures involved in that process. The UnipolSai Board of Directors has proposed to the Ordinary Shareholders' Meeting the allocation of €0.145 per Ordinary Share to dividends. Overall, the amount allocated to dividends, taking into account the treasury shares held, amounts to €410m (equal to 71% of the profit).



For detailed information, please refer to the Governance – Shareholders' Meeting section of the website <u>http://www.unipolsai.com/en</u>.

#### Investor relations

The mission of Investor Relations within the Group is to provide adequate and punctual disclosure to the market regarding the Company's economic and financial information in full compliance with current regulations on the matter. The primary objective is to improve the visibility and appeal of the Group with investors, to ensure that information is disclosed equally and on a continuous basis and to facilitate the proper valuation of outstanding financial instruments. At the same time, segment trends and competitor performance are monitored, continuous dialogue is maintained with financial analysts and proactive discussions are kept up with shareholders and potential investors. In the course of the year, there were 158 meetings or conference calls with analysts and investors during which the Company met with 210 companies. Financial analysts expressed 9 neutral recommendations on the UnipolSai security. Of these, it should be noted that during the year under way prestigious new coverage was obtained from JPMorgan.

The UnipolSai Finance Department includes the "Management of alternative investments, financial innovation, sustainability and SRI investments" office, which works closely with the Investor Relator for the management of relations with institutional shareholders and others and to enhance the integration of Sustainability and SRI investments within the Group's investment policy.

UnipolSai attributes great importance to financial as well as non-financial assessments. The ESG rating agencies evaluate UnipolSai's activities from a non-financial perspective, i.e., on the basis of the best ESG practices deployed by the Company. The scores obtained from the main ESG rating agencies constitute an external, independent recognition of the quality and transparency of the information provided and are an excellent reflection of UnipolSai's sustainability policies.

The UnipolSai shares are present in some of the main international SRI Indexes.

- MSCI World Esg Leaders
- FTSE4Good Global
- FTSE4Good Europe
- EURO STOXX Sustainability
- EURO STOXX Sustainability ex Alcohol Gambling Tobacco Armaments & Firearms
- EURO STOXX Sustainability ex Alcohol Gambling Tobacco Armaments & Firearms Adult Entertainment
- STOXX Europe Sustainability
- STOXX Europe Sustainability ex Alcohol Gambling Tobacco Armaments & Firearms
- STOXX Europe Sustainability ex Alcohol Gambling Tobacco Armaments & Firearms Adult Entertainment
- STOXX Europe Ex Tobacco Industry Neutral ESG
- STOXX Europe Industry Neutral ESG
- Standard Ethics Italian Index
- ECPI Euro ESG Equity
- ECPI World ESG Equity
- ECPI Global Developed ESG High Yield Corporate Bond

The year 2017 was also characterised by its participation in the Italian Sustainability Day at the Italian Stock Exchange, an occasion for dialogue between listed Companies and financial stakeholders, to analyse market trends and go into detail on matters relating to the disclosure of ESG metrics. This was an opportunity to present UnipolSai's SRI/CSR strategy and actions to investors as well as analysts.

#### Investment policies

The investment policies implemented by the Group adhered, in terms of long-term investments, to the general criteria of prudence and of preserving asset quality through a process of selecting issuers based on their strength and diversification, in line with the "**Investment Policy**". In the course of 2017, by integrating traditional risk and financial return analysis techniques with the non-financial ESG analysis, investments were made which helped to strengthen the position in Companies that reconcile profitability and risk management targets with relevant social and environmental sustainability characteristics.

The integration of sustainability within the financial markets has become a top objective of European institutions: the EU Commission has worked on an Action Plan on sustainable finance presented in Brussels in early 2018. For some time now, the Group has put in practice its commitments and principles of responsibility and prudence with respect to investments, which were formalised in 2012 within a Policy with exclusion criteria that calls for independent quarterly sustainability monitoring<sup>6</sup>. Sustainability monitoring analyses investments in listed and unlisted financial instruments, excluding Investment Trusts (unit trusts set up and managed by SGR, Open-Ended Investment Companies), including investments in assets held as a hedge against

<sup>&</sup>lt;sup>6</sup> This monitoring is carried out with the support of the external consultant ECPI S.r.l. (www.ecpigroup.com). This is an independent company specialised in assigning ESG ratings and building sustainability indices, which analyses issuer environmental and social performance and governance structure strength in accordance with its rigorous proprietary qualitative and quantitative research method.

technical provisions, including investments relating to supplementary pension schemes, and unit-linked and index-linked investments managed directly by UnipolSai.

The exclusion criteria at the basis of the sustainability monitoring are supplemented by the assessment of the level of compliance with the ESG principles of each issuer (expressed by means of a rating which identifies its minimum acceptable standard), according to the methodology described in the document "Proprietary Portfolio Black List Rules".

The rating criteria - for the evaluation of issuer compliance with ESG principles - were developed in line with the "ICCR" ("Principles for Global Corporate Responsibility: Benchmarks for Measuring Business Performance") guidelines and inspired by the principles developed by international bodies such as the UN Global Compact, Global Reporting Initiative<sup>7</sup> and UNPRI – United Nations Principles for Responsible Investment<sup>8</sup>.

In detail, in the case of **companies** (equities and corporate bonds), they are excluded if, directly or through subsidiaries:

- they manufacture unconventional weapons of mass destruction such as cluster bombs, anti-personnel mines, nuclear weapons, biological weapons, chemical weapons and other controversial weapons;
- they are involved in serious or systematic infringements of human rights, such as homicide, torture and deprivation of freedom, and employment rights, such as forced labour and forms of child labour exploitation;
- they are involved in serious environmental damage and cannot demonstrate that they have developed a strategy for the
  effective management of the company's environmental impact, they do not place attention on the strategy and
  environmental management, or on the impact of products and the production process;
- they are involved in serious episodes of bribery and they cannot demonstrate that they have developed a social strategy and a system of governance for the proper management of relations with the various stakeholders;
- they are involved in activities linked to gambling to a prevalent extent.

**Countries** (government bonds) are excluded if, through the study of a series of indicators, they demonstrate insufficient regard to the principles of the UN Global Compact.

The indicators consider the following areas:

- environment: ratification of the main environmental protection treaties and agreements prepared by the UNFCCC -United Nations Framework Convention on Climate Change (e.g. the Kyoto Protocol adopted during the COP3 and subsequent agreements, such as that signed in Paris during the COP21 Conference of the Parties) and assessment of overall environmental performance of countries;
- society: ratification of the main conventions regarding respect for human rights (e.g. the UN Universal Declaration of Human Rights) and workers' rights (e.g. the conventions of the International Labour Organisation);
- governance: assessment of a country's institutional environment in terms of the presence of democratic institutions, economic freedom, ease of doing business and level of bribery and corruption.

The countries classified publicly by the Freedom House NGO as "not free" or "partly free" in terms of civil liberties and political rights are also excluded.

Through ex-post quarterly Sustainability monitoring, the abovementioned topics (respect for human rights and labour, care for the environment, respect for anti-corruption regulations, the exclusion of the manufacture of weapons of mass destruction and involvement to a prevalent extent in activities linked to gambling) are taken into consideration by UnipolSai in its role as investor: the percentage of investments subjected to quarterly verification with respect to such criteria, calculated on total assets under management, was 89.4% as at 31 December 2017. The topics are also considered ex-ante in the investment policy of the SRI segment "Balanced Ethics" of the pension product "Fondo Pensione Aperto UnipolSai Previdenza FPA". The assets of this segment represent 8.5% of the total of the Open Pension Funds offered by the Unipol Group.

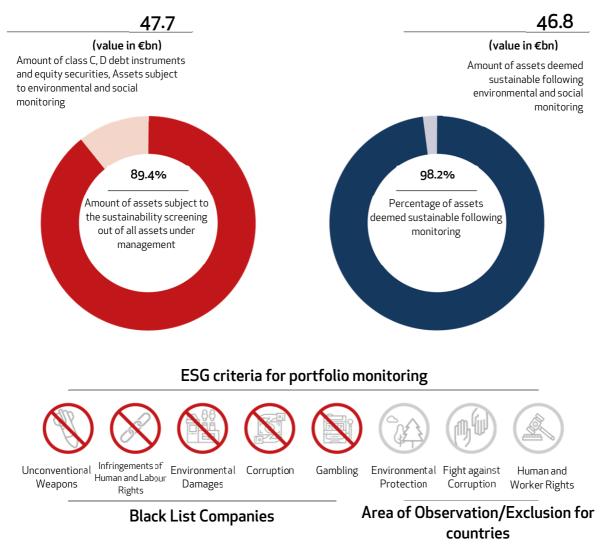
As an insurance company exposed to the Non-Life business, the matter of **climate change** is a material aspect considered in UnipolSai's responsible investment policies, with respect to which the Company became a CDP<sup>9</sup> Investors signatory in order to properly evaluate the climate impact of its investment choices and committed to the Paris Pledge for Action<sup>10</sup>.

<sup>&</sup>lt;sup>7</sup> an organisation founded with a view to helping the public and private sectors to understand, measure and communicate the impact that any activity may have on the various aspects of sustainability (economic, environmental and social) by formulating specific reporting standards. <u>www.globalreporting.org</u>

<sup>&</sup>lt;sup>8</sup> principles promoted in 2006 by the United Nations to favour the spreading of sustainable and responsible investment amongst institutional investors, which are signed and implemented by financial sector Companies. The Companies commit to incorporating ESG concerns within investment analyses and decision-making processes, as well as their company policies and practices. www.unpri.org
<sup>9</sup> The CDP (Carbon Disclosure Project) is an organisation that supports companies and cities in the reporting and disclosure of their environmental impact. Through

<sup>&</sup>lt;sup>9</sup> The CDP (Carbon Disclosure Project) is an organisation that supports companies and cities in the reporting and disclosure of their environmental impact. Through CDP questionnaires and initiatives, companies have detailed information available to understand their impact, to improve environmental reporting and manage environmental risks. <u>www.cdp.net</u>

<sup>&</sup>lt;sup>10</sup> multistakeholder commitment to support, with its own proactive contribution, the commitment assumed by in countries by governments to maintain the temperature increase below 2°C with respect to the pre-industrial period, while making all possible efforts to limit this increase to 1.5°C. http://www.parispledgeforaction.org/



# Assets subject to sustainability monitoring and percentage of investments satisfying sustainability monitoring criteria

Source: UnipolSai Finance Department

At year-end, the base of investments subject to sustainability screening amounted to  $\notin$ 47.7bn, corresponding to 89.4% of all assets (direct and indirect management). A total of 98.2% of investments screened complied with the above-mentioned criteria on 31 December 2017 (corresponding to  $\notin$ 46.8bn). The remaining 1.8% of the portfolio was monitored on a quarterly basis and was made up partly of securities that did not meet the requirements and partly of securities not yet covered by the Sustainability Consultant.

There are 10 Companies which are not in compliance with the Group's environmental criteria, representing a very marginal value of the Unipol Group's investments (less than 0.2% of the total). In this respect, in order to launch adequate active engagement practices, UnipolSai has declared its compliance with **Climate Action 100+**, a five-year partnership promoted by investors (UNPRI, CERES) to involve companies generating the most pollution in terms of greenhouse gas emissions (GHG emissions) to improve climate change governance, reduce emissions and strengthen financial transparency on these matters.

In drawing up its investment policy, the Group also focused greatly on the issue of speculation on the **agricultural commodities** market (soft commodities), and chose not to invest either directly or indirectly (as the manager of its customers' assets) in that market. In the area of investment property, the Unipol Group adopts a precautionary approach, to protect the human rights of the weakest members of society with regard to the phenomenon of **land grabbing**, or the large-scale, coercive hoarding of "unused"

land, which is sold or rented to third parties (companies or governments of other countries) without the consent of the communities that live there or cultivate that land for food, as defined in the Tirana Declaration<sup>11</sup>.

In the course of 2017, due diligence activities were launched on the Group's property assets to identify any critical issues in terms of land grabbing, in order to monitor the maintenance of the Group's commitment to this delicate matter. In particular, the following working groups were formed with respect to its properties:

- owned property assets: screening of the ownership history of the assets (real estate and land)<sup>12</sup> to identify those which were under public ownership, as the transactions most at risk are those in which a private party acquires land previously owned by a public entity, which communities may have accrued the customary right to use over the years <sup>13</sup>;
- leases: screening of current contracts which have public entities as counterparties;
- real estate funds in which the Group holds shares: verification of compliance with the Group's principles by the Management Companies;
- transversal activities: within the scope of activities linked to land grabbing, document-based screening of transactions . with the verification of the presence of documents of public administrations concerning environmental and social impacts, on owned land and real estate.

Activities during the year resulted in the mapping of the Group's real estate assets in Italy to investigate any public origin of the assets:

31/12/2017	History*
100%	100%
100%	-
-	-
	100% 100%

\*Note: the retrospective historical analysis began from the date of establishment

of the various Group Companies mapped

Source: UnipolSai Finance Department

From the analysis conducted on the Group's real estate assets (part concerning owned land and real estate) held as at 31 December 2017, it was found that no owned asset was acquired by the Group directly from a public entity.

The historical analysis of the original ownership of the real estate assets, for the period of time considered<sup>14</sup> under the Group's responsibility, showed that 288 million<sup>15</sup>, corresponding to 7.5% of the UnipolSai Group's assets, had a public origin, but the transfer from public to private use took place prior to the Group's acquisition of the properties.

There are currently no leases from public entities. The retrospective analysis of the public origin of the properties leased by the company will be carried out in 2018. With respect to the document-based screening of transactions (acquisition or lease), verifications regarding the presence of documents of public administrations concerning environmental and social impacts on owned land and properties are still under way.



For detailed information, please refer to the "Technical articles" published in the Sustainability section of the website www.unipol.it/en

<sup>&</sup>lt;sup>11</sup> ILC - International Land Coalition (2011) "Tirana Declaration: Securing Land Access for the Poor in Times of Intensified Natural Resources Competition" (2011)

http://www.landcoalition.org/sites/default/files/documents/resources/tiranadeclaration.pdf <sup>12</sup> The retrospective analysis of the ownership history of the assets begins, for each Group Company, from its establishment. For example, for the Unipol Group from 1963, for Unipol Banca from 1994, etc.

<sup>&</sup>lt;sup>13</sup> The analysis covers not only large parcels of land, but all of it. In this manner, the Group moves beyond the definition of land grabbing by checking for any abuse on all land, with no distinction in terms of size.

<sup>&</sup>lt;sup>14</sup> The retrospective analysis of the ownership history of the assets begins, for each Group Company, from its establishment. For example, for the Unipol Group from 1963, for Unipol Banca from 1994, etc.

<sup>&</sup>lt;sup>15</sup> The scope of the investigation is currently being defined. The following assets which historically have a public ownership origin, in part leased by Unipol Banca and in part belonging to Arca Vita, are not included in the value of the assets (real estate and land): Car park on via C. Poma (VR), Warehouse via C. Poma (VR), Office at via P. Ferrigni 16 in ROME, Laboratory in San Polo dei Cavalieri (RM) Via delle Peschie, via S. Totti ANCONA, via U. Terracini 20/4 BOLOGNA, Land in Bologna, Residential Property via del Risorgimento in AMASENO (FROSINONE), via Fiumara Antica GENOA, Building at via Siria 100 in GROSSETO, Industrial Building via Po 19 in PIOMBINO, via I. Alpi 4 in MANTUA.

13

15

To further strengthen its Responsible Asset Management activities, since 2016 the Group has followed the **Principles for Responsible Investment (UNPRI)** and consolidated its investment in Alternative Investments (green economy, social housing, infrastructure, etc.), a category that includes Private Equity Funds, Hedge Funds and investments in Real Assets, which are also relevant for SRI purposes.

For the selection/reporting of these alternative investments, methodological due diligence was conducted which, alongside the usual financial analyses, calls for an analysis of environmental, social and governance (ESG) criteria which are continuously revised and updated, and the mapping of non-financial risks which could have a reputational impact. The investments are classified on the basis of their contribution to the SDGs.

nematic and un	pact investmen		72			
Topics	Value	SDGs	Topics	Value SDGs		
Residential care and S	Social assistance	€9.9m	3	Renewable energy, environmental	€131.8m	
Digital Networks and	Infrastructure	€6.3m	9	efficiencv	€131.0M	
Sustainable mobility		€32.5m	11	Environmental innovation	€0.6m	
Social Housing		€10.0m	11	Sustainable forest management	€11.7m	

## Thematic and impact investments and SDGs

Source: UnipolSai Finance Department

In the field of the green economy, investments were made in the sectors of renewable energies (photovoltaics, wind, hydroelectric, biogas, renewable biomasses), energy efficiency, environmental innovation (particularly the reduction of energy and materials by input unit), sustainable mobility and reforestation.

TOTAL THEMATIC AND IMPACT INVESTMENTS €202.8m

In investments in Welfare, there are investments in the field of social assistance services.

We also made investments in the area of infrastructure for digital innovation (particularly fibre for high-speed connections) also dedicated to introducing networks into rural areas, triggering social benefits for local communities. There is also a fund which applies the sustainable investment strategies, defined by Eurosif<sup>16</sup>, of integration<sup>17</sup> and soft engagement<sup>18</sup>.

<sup>&</sup>lt;sup>16</sup> Eurosif (European Sustainable Investment Forum) is an international non-profit association whose mission is to develop sustainability through the European financial market.

<sup>&</sup>lt;sup>77</sup>Explicit integration by the financial operator of ESG opportunities and risks within traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. https://www.eurosif.org/responsible-investment-strategies/

<sup>&</sup>lt;sup>10</sup> Dialogue between the investor and the investee company. https://www.eurosif.org/responsible-investment-strategies/

As regards investments in social housing, the portfolio consists of investments in the Housing Toscano, Polaris Parma Social House, Housing Sociale FVG and Uni HS AbitaRE Funds. These Funds develop and manage social real estate with the goal of supporting a new supply of accommodation for those who are unable to satisfy their housing needs in the market, for economic reasons as well as due to the lack of adequate availability.

According to the Eurosif classification of ethical and sustainable investment strategies, the above-mentioned funds were classified as **Impact Investments**<sup>19</sup>, for which, in terms of transparency and based on the new Eurosif guidelines, the percentage of actual impact (corresponding to the value of investment property<sup>20</sup>) is reported below:

Percentage of impact	%*
Polaris Parma Social House	75.66%
Housing Toscano Fund	84.12%
FVG Social Housing Fund	63.38%
Uni HS AbitaRE Fund	61.55%

\*Note: Data at 30 June 2017

Source: UnipolSai Finance Department

At the same time, UnipolSai applies the selection of investments in the area of supplementary pension schemes as well. The results of the screening on the individual assets of the Open Pension Funds, Personal Pension Plans and Individual Pension Schemes are published in the next section entitled "Customers".

A further element of UnipolSai's responsible investment policies consists of the **microinsurance** projects carried out in collaboration with ICMIF (International Cooperative and Mutual Insurance Federation). The project, named 5-5-5 Mutual Microinsurance, involves five countries (Colombia, Kenya, India, Sri Lanka and the Philippines), with a potential number of beneficiaries that reaches up to 5m uninsured households, amounting to 25m people. The objective is to improve the financial inclusion of marginalised low-income people through mechanisms for protection from risk designed and developed by the same groups of people. With this approach, the 5-5-5 Mutual Microinsurance project may contribute to reaching five SDGs, in particular end poverty in all of its forms goal 1) end hunger, guarantee food security, improve nutrition and promote sustainable agriculture everywhere (goal 2), guarantee a healthy life and promote the well being of everyone at every age (goal 3), achieve gender equality through the emancipation of women and girls (goal 5) and adopt urgent measures to combat climate change and its consequences (goal 13). https://www.icmif555.org/projects

Aware of the role it plays in modern society, in offering services of economic as well as social value, UnipolSai has demonstrated its determination in promoting the topics of sustainable development and climate change by taking part in the Italian National Dialogue on Sustainable Development project promoted by UNEP, which gave rise to the commitment by the Ministry for the Environment to establish a Financial Centre for Sustainability in Italy, participating in the European Network, along with the other main financial groups in the country.

<sup>&</sup>lt;sup>19</sup> Investments made with the intention of generating positive social and/or environmental impact along with a financial return. Impact investments may be made in either emerging or developed markets and may have market or below-market returns depending on the circumstances. These investments focus on specific projects and are distinguished from philanthropy. They include for example microfinance, community investments, social investments, the French *fonds solidaires* funds, etc. https://www.eurosif.org/responsible-investment-strategies/

<sup>&</sup>lt;sup>20</sup> An investment portfolio should always be diversified, therefore alongside investments in social housing properties, the portfolio should also include the liquidity to make further possible investments in property and it should be profitably invested in financial assets with adequate risk.

# EMPLOYEES

11,529

Employees (+12.2% on 2016, +1.3% on a like-for-like basis) 53% Employees - Women (+2 p.p. on 2016) (no changes on a like-for-like basis) **25.8%** Women employees in a position of responsibility (-1.2 p.p. on 2016) (+0.4 p.p. on a like-for-like basis)



The 2017 scope changed following the acquisition of Linear and UniSalute

## Employment

The number of employees of the UnipolSai Group in 2017 rose by 1,253 compared to 2016, significantly influenced by the consolidation of UniSalute and Linear, aside from a considerable number of new hires (139 new hires, of which 50% women and 33% under 30). As in past years, the turnover ratios<sup>21</sup> remained significant, although they were considerably lower than the previous year, in the Commerce/real estate and foreign companies segments, especially due to seasonal factors, amounting to 147% and 24%, respectively.

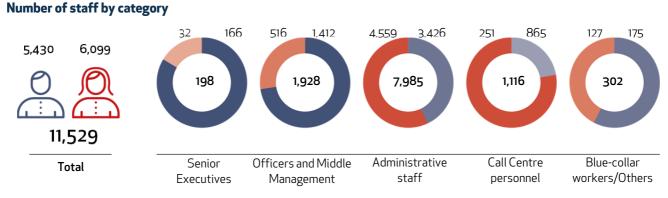
Overall, 96% of employees have a permanent contract, confirming the focus on the protection of stable employment, while recourse to staff leasing contracts is marginal and regards only 53 employees. There were 2,065 part-time workers, amounting to 18% of the total staff, while seasonal workers in the tourism and agricultural sectors accounted for 0.4% of all employees.

# Number of employees by geographical area

		Men	Women	Total
and the states	North-East	166	106	272
	North-West	2,154	2,196	4,350
have been and the second secon	Emilia Romagna	1,168	2,014	3,182
and share	Centre	884	679	1,563
	South and Islands	458	248	706
	Abroad	600	856	1,456
	Total	5,430	6,099	11,529

Source: UnipolSai Group Joint Human Resources and Organisation Department

<sup>&</sup>lt;sup>21</sup> ratio between recruits and leavers and total employees



Source: UnipolSai Group Joint Human Resources and Organisation Department

## Number of employees by age brackets

Up to 30	aged 31-40	aged 41-50	aged 51-60	Over 60 years
674	2,657	3,874	3,741	583

Source: UnipolSai Group Joint Human Resources and Organisation Department

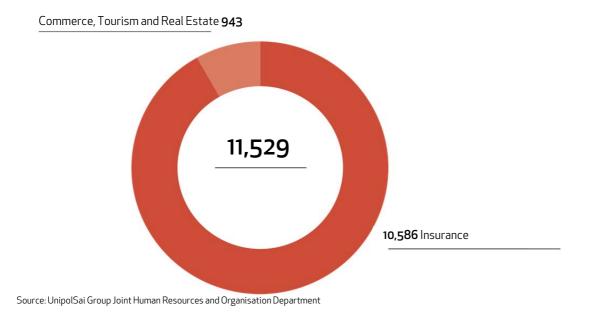
The average age of personnel on staff as at 31 December 2017 is confirmed at 47 years of age, while the average seniority declined from 19 years in 2016 to just over 17 years.

With respect to 2016, the percentage of personnel on staff over 60 went from 3.5% to 5.4%.

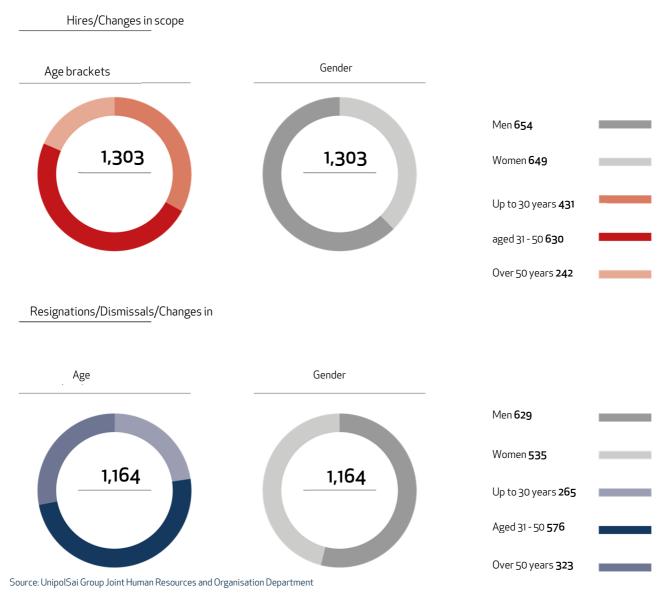
University graduates constitute 40% of the staff and secondary school graduates around 49%.

Currently 494 individuals with disabilities are employed by UnipolSai.

# Number of employees by sector

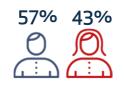


## Turnover by gender and age brackets



# Human resource development policies and changes in the business

Investment in employees continues to support the achievement of the strategic targets established for 2018 and in line with the changing trends sweeping through the insurance segment.



176,722

Total hours of training provided Source: Group Joint Human Resources and Organisation Department From training to organisational model simplification, from development plans to contractual harmonisation, a range of instruments are adopted to identify key capabilities and favour professional employee growth by cultivating their knowledge and loyalty.

With respect to training, the strengthening of internal skills supports the service model evolution plan: In this respect, the Group relies on Unica, the Unipol Group's Corporate Academy focusing on professional and skills training for all structures in Italy, with a direct and indirect investment in training of around  $\in$ 11.2m (of which 38% in direct investments) for the UnipolSai Group employees. The goal of the Academy is to spread and increase knowledge and share the managerial model while strengthening the corporate culture.

In 2017, training activities dedicated to all UnipolSai Group companies involved 7,061 employees in both classroom education and *webinars*.

The average daily participation reached 59 employees in classroom or webinar mode and 86 employees in remote training. A total of 730 courses were created and provided for Group employees.

Most employee training activities covered management, regulatory and technical/insurance topics. During the year, courses were created and held to update technical knowledge and skills, including the hours of training provided to meet obligations and regarding IVASS Regulation no. 6/2014, necessary to reinforce understanding of insurance products and to provide updates on sector regulations.

The main training projects included:

- the Master's program in Employee Management and Development, dedicated to developing the skills of roughly 1,800 department heads in the various Group companies. Launched in 2016 in the Master's and Advanced modes, the course was attended by 560 managers, joining the 105 who already participated in 2016;
- the SME Risk Management Course, which develops the skills of a new specialised role, named the SME Tutor, included within
  the sales organisation to support the commercial development of the insurance business of agencies operating in the SME
  sector.

The real estate and diversified companies were mainly concerned by technical and regulatory training activities, with a particular focus on occupational safety training.

A good deal of the projects were also enacted with the support of funds from the Banks and Insurance Companies Fund.

#### Development of digital skills and innovation

In 2017, a course for the development of innovative skills was consolidated with the participation of internal resources and the contribution of external specialists.

Innovation was concentrated on processes capable of distinguishing the insurance offering and was also made possible through training aimed at the improvement of employees' digital skills. For this, UnipolSai adopted new learning modes such as virtual classrooms, *e-learning*, activities oriented towards *smart training*, *office training* and the *digital library*, as well as dedicated training events.

The process of innovation was also strengthened with the entry of 46 new resources (of which 22 transferred from other roles within the Group), enhancing the Leithà, Alfaevolution, Digital Innovation and Unica functional areas.

#### Internal mobility as a tool for retention

Employees are leveraged through significant recourse to internal mobility, a solution which has been applied for many years now. This enables the company to satisfy the majority of staff requirements by leveraging internal professionals and offering them the opportunity to take advantage of new jobs offered, in line with their skills and aspirations. The development actions include a range of tools meant to monitor and enhance the abilities and professional skills present within the Group. In the course of 2017, 46% of the open positions were filled with internal candidates, while 754 people, equal to 6.5% of the entire staff, found a new position within UnipolSai Group Companies by changing their activity and department.

The internal mobility policy fosters the continuous adaptation of employee skills to rapid changes taking place in the economic, regulatory and technological realms. At the same time, with this policy UnipolSai reinforces its commitment to offering internal opportunities for advancement, while boosting employee retention: the survey on the reputation attributed to the Group by employees found that 64.9% of employees were classified as "Supporters<sup>"22</sup> (58.5% in 2016) while 30% fell into the "Ambassador" category (21% in 2016), i.e., those who attribute an excellent reputation to Unipol<sup>23</sup>.

#### Enhancement of younger generations

The commitment of the Group's men and women is fundamental within the Unipol strategy. The enhancement of real professional expertise and the recognition of actual individual capabilities are strategic assets to be supported and rewarded with fairness, consistency and transparency.

In 2017, 6.6% of employees were promoted to the next highest job classification level.

The development actions include various tools meant to monitor and enhance the abilities and professional skills of the young people present within the Group. This is where the "Next Generation Programme" fits in, which is dedicated to university graduates under 35 years of age who have already gained professional experience within the Group. The course saw the involvement of roughly 420 employees, each of which agreed upon an individual development plan with his or her Manager. Out of all of the participants, an initial group of 90 employees participated in a group dynamics initiative useful for the effective measurement of skills, also based on comparisons with other important businesses in a range of sectors.

<sup>&</sup>lt;sup>22</sup> the percentage indicates the share of respondents who expressed the most willingness to participate in behaviour supporting Unipol Gruppo.

<sup>&</sup>lt;sup>23</sup> employees who gave Unipol a reputational assessment higher than 80 points and also expressed a strategy alignment higher than 80 points.

The Group, which participates in **Pact4Youth**, has also activated a Master's program for young people involving recent graduates hired by the Group who are selected through a national competition for a two-year course integrating classroom and on-the-job training to promote new human capital and to support the entry of young people into the world of work.

To concretely promote internal growth, the "Backbone" project was launched to identify figures with strategic expertise for the organisation to be included in succession planning, also through the activation of adequate training and organisational levers.

#### Managing diversity

For the UnipolSai Group, the topic of diversity takes the form of the empowerment of women and the improvement of the conditions of well-being and productivity for the disabled within the company. 53% of employees are women: 16% of executives are women while, considering all positions of responsibility including officers, women amount to 26%, for a total of 548 employees.

Amongst the 6,099 women, 28.7% work part-time.

UnipolSai is committed to building a working environment in which professional development is supported irrespective of gender, age, sexual orientation, geographical origin or religion, within a context of reciprocal respect and organisational well-being. UnipolSai was one of the first 16 companies to comply with the "Charter for Equal Opportunities and Equality at Work" (launched in Italy on 5 October 2009 and currently signed by 700 businesses and public administrations). The Charter provides a reference framework of values to guide participating companies in its application, containing programmatic guidelines the definition and implementation of which is left up to the participating organisations depending on their situation, also in relation to existing programs. Within a path of continuous improvement and transparency, Unipol has therefore described processes and defined precise guidelines in its human resource management policies, as well as entered into agreements with the Trade Unions, which it sees as a key interlocutor for the creation of a healthy working environment.

In addition, over the years, UnipolSai has developed a code of best practices which - aside from highlighting the company's mission and values - also identifies certain potentially harmful behaviours (with reference to mobbing, straining and sexual harassment) which may occur in the workplace. All workers are required to view the Code and observe its principles of conduct. When oppressive conduct is identified, employees are able to notify the Human Resources Management department as well as send a report to the union-appointed members of the Group's Mobbing Commission. The code is available to all employees on the Group intranet.

In addition, in 2017 no episodes of discrimination (according to Legislative Decree 215 and 216 of 2003) were recorded and there were no final decisions or sanctions on this matter.

Also in 2017, the figure of **Disability Manager** was created for the Group companies, a role assigned to the Head of the Labour Regulations Function within the Human Resources Department. The primary purpose of the Group's Disability Manager is to offer a global, coherent and progressive approach to supporting disabled employees, so as to minimise the impact of their disability on their ability to play an active role in the workplace. Therefore, the general goal is to define a coordinated corporate policy based on listening and being proactive, which can be used to manage disabilities in the fairest and most effective manner possible.

The Group currently has actions under way such as: obtaining specific assistance technologies for the various disabilities and providing the relative training; identifying "reasonable adaptations" to support employees with degenerative and ingravescent illnesses; new professional roles for employees with disabilities; accessibility interventions at sites/offices and in IT environments/applications; executive and manager training; raising the awareness of colleagues regarding employees with disabilities.

Several dedicated projects were also launched:

- the project for the in-sourcing of General Services activities, which involved 5 colleagues with disabilities for a total of 28 training hours each. The project consisted of providing IT and technical training even to employees with serious disabilities, to in-source some operating activities that they are capable of managing;
- the project for retraining 8 visually impaired and blind employees previously assigned to the switchboard to work in administrative roles within the claims settlement process. The project entailed an analysis of the accessibility of specific software and the resulting training for a total of 40 hours each.

#### **Remuneration system**

The top objective of the Remuneration policies is to guarantee fair remuneration, adequate to the role, responsibilities, degree of professionalism and individual skillset, in compliance with legal and regulatory provisions and consistent with sustainable performance requirements. The key principles for determining remuneration are also internal fairness, meritocracy and comparison with the reference markets.

Evolutions within the remuneration market are bringing with them gradual developments in variable forms of remuneration, at one time considered less appealing: nearly all companies operating in the same sectors as the UnipolSai Group adopt forms of variable remuneration based on the achievement of pre-established objectives and results. For some time now, UnipolSai has also embarked upon this path, developing a remuneration system based, inter alia, on 12 different variable Incentive Systems hinging on objectives-based mechanisms for roughly 80% of the personnel working in the business lines.

The main characteristic of the systems in place is the self-funding requirement and, as a result, the indicators used are based on company results, as well as those specific to the individual's professional area, so as to guarantee sustainable performance over time. The development of Incentive Systems in a number of business areas favours the real and direct assumption of responsibility concerning the achievement of concrete, measurable and clear objectives, while encouraging all individuals to perform their roles proactively and with a sense of belonging.

Executive remuneration involves payment of a fixed as well as a variable component.

The fixed remuneration component provides compensation for skills, capabilities, the role and, in particular, the responsibilities connected to the role.

The variable remuneration component aims to award the results achieved in the short and medium-long term, expressed not only in the form of economic revenues but also in the form of attention to risk and qualitative performance, as well as to develop professional skills by implementing an effective retention policy.

The following principles constitute the specific parameters of the Remuneration Policies:

- adequate balancing between the fixed and variable remuneration components and the connection between the variable component and pre-established and measurable efficiency criteria, to strengthen the correlation between results and remuneration;
- the establishment of limits for the variable component;
- long-term sustainability thanks to the proper balance between short and long-term efficiency criteria, on which
  remuneration is based, through the deferred payment of the variable component, the establishment of a minimum
  vesting period for the assignment of financial instruments and the right to demand the return of that component when
  certain assumptions are not fulfilled.

# THE VARIABLE COMPONENT

One prerequisite for the recognition of any incentive is the continuation of effectively positive economic results and the minimisation of risk factors, aside from the presence of a dividend capability, i.e., the presence of the conditions, in terms of the economic result and the minimum solvency requirements of the Unipol Group, for any distribution of a dividend to the Unipol shareholders.

The Total Bonus is broken down into a Short-Term Incentive (50%) and a Long-Term Incentive (50%).



Each recipient is assigned four short-term objectives every year. The first two individual quantitative objectives account for 60%, and the remainder is divided between a quality objective and a management skills development objective. The sum of the weights obtained by adding up the objectives determines the Individual Level of Performance.

# Long-Term Incentive through the assignment of Unipol and UnipolSai Assicurazioni ordinary shares

The Long-Term incentive is attributed based on a closed share-based compensation plan that calls for the distribution of Unipol ordinary shares and UnipolSai ordinary shares within the 2019-2021 three-year period.

The payment of long-term compensation is based on the achievement of Unipol Group result indicators, the Unipol solvency capital requirement target and growth in the value of the Unipol Share over a three-year period.

In the evaluation and incentive process for executive personnel, qualitative indicators correlated with performance in terms of project and behavioural capacities consistent with the UnipolSai management model are also highly important. These include behaviours meant to favour a managerial approach based on criteria of fairness, farsightedness and responsibility in which indicators connected to sustainable governance capacities are particularly relevant.



The plan also includes malus and claw-back clauses.

#### Malus

The bonuses laid out in the incentive system will not be provided if company risk-adjusted result trends deteriorate or if the Recipient does not comply with regulatory and supervisory provisions, followed by notification of a disciplinary sanction against him or her, or if the Internal Control Functions identify behaviours in serious violation of internal or external provisions or applicable standards of conduct.

Claw-back

The Company will request the return of any compensation paid in violation of applicable Supervisory provisions or if the Recipient has acted fraudulently and/or with wilful misconduct or gross negligence in performing his or her functions, resulting in a deterioration of the company's risk profiles and/or results, without prejudice to any additional measures to be taken.

For detailed information, please refer to the Remuneration Report, available in the "Governance" section of UnipolSai's website

In the definition of its remuneration policies, the UnipolSai Group pays particular attention to guaranteeing pay equality for all employees.

# Pay gaps by gender and job level category



Source: UnipolSai Group Joint Human Resources and Organisation Department

With regard to the **pay gaps between women and men**, the levels were calculated without including any type of variable compensation or the top management on the Board of Directors, who are all men. The median values of women's pay have limited variances with respect to the median values of men's pay, fluctuating, within equal job categories, between positive values of up to 6 percentage points and negative values of up to 11 percentage points. The Group figures show a salary differential to the advantage of women among call centre personnel and seasonal personnel, due to the responsibilities they currently have at present.



For detailed information, please refer to the Remuneration Report, available in the "Governance" section of UnipolSai's website www.unipolsai.com/en.

#### The Welfare system

With a view to improving the well-being of its employees, the Group has activated a first and second level welfare system for some time now.

The keystone of this strategy is the **first level welfare system**, resulting from negotiations with the trade unions such as the employee pension funds, the healthcare assistance funds, preventative healthcare, flexible schedules and additional leave for medical treatment, education and volunteer activities which over the years have been added or expanded, including new elements in the Supplemental Corporate Agreement ("CIA").

In the Group, **12 Pension Funds and 15 Welfare Funds** are active to cover workers in the insurance, agricultural, commercial, tourism and services sectors.

As regards the pension system, around 9,700 employees, including managers, are enrolled in the **Pension Funds**. Overall, more than  $\in 18.6$ m in contributions were made by UnipolSai Group companies. With reference to all Employee Pension Fund members, in 2017 more than  $\in 48$ m was paid, including contributions borne by the Companies, for the Workers and post-employment benefits paid out; while with reference to all members of the Senior Executives Pension Fund it amounted to roughly  $\in 4$ m. The regulation of the Pension Fund provides that it is possible to maintain membership and consequently make voluntary payments into it even when personnel is no longer employed by the UnipolSai Group Companies.

The UnipolSai Group's **Welfare Funds** have more than 10,500 enrolees, including executives: in specific cases in point regulated by the contracts, collective contracts and company regulations, enrolees can continue to benefit from assistance coverage for the time the sources establish even if no longer employees of the Group Companies.

# Percentage of members and contributions paid into the Pension Funds and Welfare Funds

Pension Fund	Senior Executives	Employees
Percentage of <b>members</b>	99.0%	83.9%
Total contributions (€m)	4.1	48.1
Impact of company contributions	56.7%	34.0%

Welfare Fund	Senior Executives	Employees
Percentage of <b>members</b>	97.5%	91.3%
Total contributions (€m)	2.1	18.5
Impact of company contributions	94.2%	88.8%

Source: UnipolSai Group Joint Human Resources and Organisation Department

Alongside these initiatives, the Company has also provided a structured second level **company** welfare system for some time now to improve time management and work-life balance, "Noi Unipol", broken down into three areas: Time-Saving Services, Services for Individuals and volunteer opportunities. The first are developed especially at the offices to facilitate the management of everyday needs; the second reconcile supply and demand to make a range of services as broad, flexible and differentiated as possible available in light of the multiple requirements that arise throughout the lifecycle (including the intercompany nursery and scholarships and summer camps for the children of employees).

Of the most recent ones introduced, *fragibility*, which offers assistance services with **management homes** for the treatment of loved ones who require support services, and the *MaaM* (Maternity as a Master) training course for new parents, which helps them to become aware of the transversal skills parents learn and to leverage them in the workplace, have been particularly popular. In six months, more than 200 people enrolled in the latter course, of which 30% men, confirming the culture of equality present within the company.

#### Sustainable mobility

Considering the complex distribution of UnipolSai throughout the country, it has made a particular commitment to promoting and supporting sustainable mobility. It has a travel management Policy in place which promotes expanded use of public transport and conference calls, car pooling, the identification of cycle mobility interventions, investments in infomobility with a dedicated UnipolEcomobility website and activities to support safe driving.

As regards commuting, in 2017 the commuting plan was extended to 10 cities covering roughly 40 offices. This plan is a tool for the development, implementation and control of an optimal set of measures useful for streamlining employee commutes. The company mobility study (supply, demand, externalities generated) was carried out through a process with employee engagement which made it possible to streamline interventions under way with a view to increasing integration with sustainability policies and with the goal of creating a uniform management system for the various realities from the economic, administrative, appreciation measurement and sustainability perspective. In addition, the sustainable mobility interventions find approval and are increasingly consolidated within the offering of company welfare services.

The implementation of mobility interventions in the 10 cities, office by office, will be developed in the 2019-2021 three-year period, while calibrating activities based on the unique features of each site.

The tools adopted include car pooling, in use since 2011 through two online platforms, and the experimental bike sharing programme, with a fleet of 50 pedal assist bikes in Bologna and Florence. In 2017, more than 2,000 company bicycles were checked out in Bologna alone, marking a 25% increase compared to the previous year. To promote sustainable mobility, parking areas have been created for bicycles in all of the main company offices and an economic incentive system is in place for the acquisition of public transport passes, which is broken down differently depending on the city and the types of passes available, and was used by 1,814 employees in the course of 2017 (roughly 20% of the reference population).

## Employees' health and safety

The protection of health and safety is deemed priority and fundamental in the planning and running of all of the work activities of the UnipolSai Group, which works to guarantee optimal occupational health and safety conditions, with an incremental approach with respect to what is laid out in regulations on prevention and the culture of health, as outlined in the Occupational Health and Safety Management System. In the manual in force, inspired by the BS OHSAS 18001:2007 standard, the methods used to manage aspects relating to worker health and safety within the workplace and real estate assets are illustrated, a Policy, procedures and responsibilities are defined and a monitoring process oriented towards continuous improvement is activated.

This policy is pursued through:

- the protection of conditions of worker physical, mental and social well-being;
- constant risk monitoring in the individual operating activities (whether they are carried out directly or through suppliers and partners) and in strategic decisions;
- the evaluation of environmental aspects and factors of danger in the phase of designing new activities, processes, products, systems and services;
- training and increasing the accountability of personnel and raising the awareness of suppliers and partners in order to increase their knowledge and involvement;
- the improvement of services relating to:
- the search for the best available technologies for prevention and protection;
- reduction of injuries and accidents;
- reduction of occupational illness;
- reduction of complaints and claims;
- improvement of control systems for prevention and protection;
- the systematic communication of information on services, guaranteeing the utmost reliability of data.

At least once per year, the Management System is reviewed to verify its suitability, adequacy, effectiveness and efficiency to satisfy the requirements of reference regulations and applicable legislation and to reach pre-established targets. The review includes an evaluation of opportunities for improvement and the need to make changes to the system, including the Group's policies, objectives and goals.

In 2017, total workplace accidents rose slightly compared to 2016 as a result of commuting accidents, against a slight decline in events at the workplace: 162 accidents, of which 132 while commuting for a total of 3,919 days lost due to accidents, of which 3,134 while commuting.

To support safe and environmentally friendly driving, Unipol renewed its training activities to prevent the risk of accidents deriving from mobility. This intervention is broken down over three levels:

- classroom courses with 4-hour modules for all employees (from 2012 to date, roughly 1,200 participants);
- e-learning courses on three modules: vehicle physics, mental approach to driving and eco-driving (32% of workers took this course);
- courses for workers most exposed to road risk (who travel more than 20,000 km per year). Of the 165 workers exposed, 120 took part in this specific course.

In terms of safety, for the insurance sector companies operating in Italy basic training paths have been in place for some time, which were completed by 8,374 employees and 140 executives. In addition, there are also active continuous education courses that involve employees in line with the deadlines laid out by regulations.

For the companies operating in Serbia, safety training concentrated on first aid and fire prevention, with the involvement of a total of 591 participants, for a total of 1,335 hours provided. In the diversified companies, significant attention is dedicated to occupational health and safety training for personnel: in 2017, 747 employees were trained with a total of 7,715 hours provided.

To support occupational health and safety, aside from workplace inspections (179 for the UnipolSai Group companies, aside from one inspection for each Atahotels structure), health monitoring (nearly 3,500 visits made) and activities linked to properly following reference laws, voluntary health monitoring activity continued and a work-related stress assessment was conducted in accordance with the INAIL 2017 Guidelines.

In particular, for the voluntary prevention initiatives, visits were conducted relating to seasonal influenza (roughly 450 participated), the administration of pharmaceuticals (more than 800) and cardiovascular prevention activities (more than 5,000 visits).

Also within the scope of prevention activities, in 2017 5 smoking cessation sessions were organised, in which roughly 112 employees participated.

As regards the verification of the comfort of offices and workplaces, layout, logistic and ergonomic parameters were taken into consideration as well as environmental aspects (microclimate, lighting, noise, legionella risk).

No dispute specifically regards "health and safety", understood as disputes concerning violations of regulations on safety in the workplace and/or demands for compensation for damages to health attributable to the Company due to its failure to meet its safety obligations pursuant to Legislative Decree 81/2008.

This Group commitment contributes to limiting the employee absenteeism index. This rate, calculated by taking into account the total number of days of absence<sup>24</sup> and the total number of theoretical employee working days at period-end, is 8.9%.

#### Union relations

All employees are covered by the sector collective agreements, while 50.5% are union members with reference to the companies to which the national insurance sector and services sector agreements apply.

A model of union relations based on the principles of transparency, interaction and dialogue, which are implemented through structured, formal processes, ensured that there were no strikes in 2017, while there were 180,224 hours of union leave and 57 union meetings were organised for a total of 12,671 hours.

In the insurance segment, in 2017 the national agreement for insurance companies applied by the Group was renewed. In addition, meetings continued with the union-company representatives for the submission to the trade unions during 12 meetings of the organisational developments regarding the main business areas with a view to "improving the operating mechanism", as laid out in the Business Plan. Lastly, a dedicated meeting was held with the trade unions to provide information about the progress status of the Business Plan and company trends.

Within the companies APB and APB Car Service, a second level trade union agreement was entered into to define certain supplementary benefits, particularly concerning the introduction of a variable bonus, also in the form of welfare and the improvement of healthcare coverage.

At the same time, there was not significant recourse to judicial disputes with employees, either on staff or who have left their position (127, +2 compared to 2016). In only one case was there a final ruling, while UnipolSai was not subject to penalties for any of the disputes.

<sup>&</sup>lt;sup>24</sup> absence refers to a brief illness, accident, public duties, leave to donate blood and other, absences pursuant to Law 104/92, meetings/strikes

# UnipolSai Assicurazioni 2017 Sustainability Report

# CUSTOMERS

23.7%

million customers and Impact of premiums policyholders of products and services of the UnipolSai Group meeting social (+42.6% on 2016) and environmental requirements (+5.8 p.p. on 2016) (

\*Not classified geographically

Source: UnipolSai Sales Department

# 82.0% Claims settlement

rate - current

year

(stable compared to 2016)

(UnipolSai Assicurazioni MV TPL)

18,173

complaints received by

Italian companies of the

UnipolSai Group



Number of complaints as a percentage of the number of claims reported (UnipolSai Assicurazioni) -7 p.p. on 2016

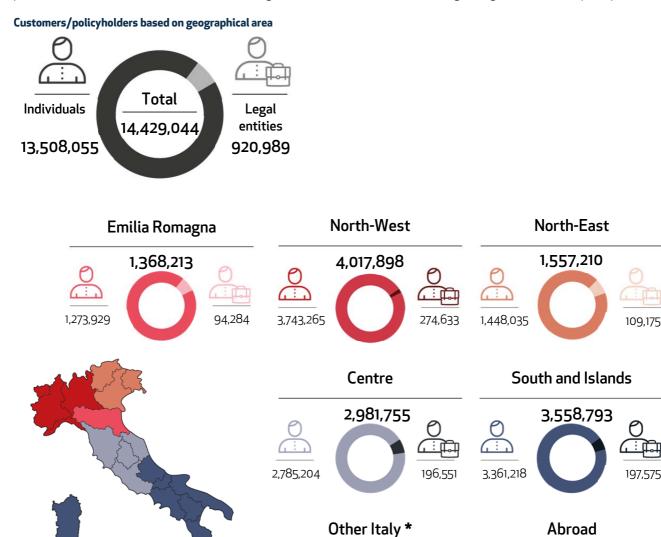
Customer Satisfaction Index -0.9 p.p. of best CSI vs std mkt

2.7%

2017 scope changed following the acquisition of Linear and UniSalute

# **Customer relations**

The UnipolSai Group provides its insurance services to more than 14 million direct customers and policyholders through collective policies: of these, 13.5 million are individuals, with a good rate of retention and cross selling amongst the other Group companies.



698,465

24,256

222,195

674,209

#### 49

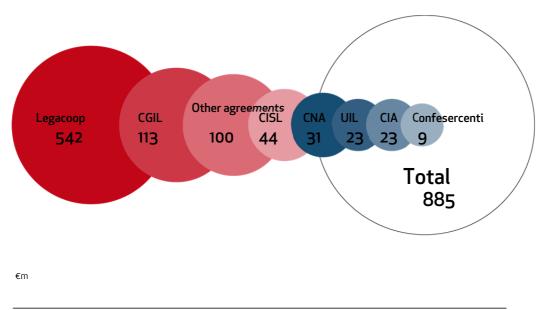
24,515

246,710

The segment of companies is broken down into two macro-categories based on characteristics and needs: small and mediumsized enterprises (SMEs) and Corporate. The former come to a significant extent from Member Organisations, autonomous workers' organisations and associations of small and medium-sized companies (CNA, Confesercenti, CIA) and cooperatives (Legacoop) historically close to Unipol. This relationship is developed particularly by entering into specific agreements, which represent a specific relational model focusing on the aggregation of demand by the members and associates.

Overall, at the end of 2017 the premiums from national agreements with the Member Organisations amounted to  $\in$ 885m (-17% compared to 2016) and accounted for roughly 7% of total premium income, in addition to  $\in$ 583 million in premiums earned through the Workplace Agreements and around  $\in$ 5m in premiums from collective memberships associated with trade union organisations and third sector associations.

#### Amount of premiums from agreements



Source: UnipolSai Sales Department

In the **Corporate segment**, UnipolSai offers a complete range of insurance products and solutions geared to the needs and characteristics of the large companies.

The presence of so-called "Large Customers" was particularly important, associated with the world of cooperation and mediumlarge manufacturing businesses, reached primarily through brokers.

UniSalute contributes significantly to the business portfolio, providing group healthcare policies through Funds, Welfare Funds and mutual healthcare societies aimed at groups and companies of all sizes and sectors: handicraft businesses, banks and credit institutions, political institutions, supervisory institutions, trade associations and social security and assistance entities and supplementary sector healthcare funds for a total of 7m policyholders.

Another distinctive element of UniSalute is its leadership in the management of healthcare Funds, with 34 active National Health Funds covering various sectors (from commerce to multi-service, from the military corps to education) and with 70% of enrolees located in Piedmont, Lombardy, Veneto, Tuscany and Emilia Romagna.

One characteristic of the relationship with the corporate world is the development courses aimed especially at SMEs which receive support from risk management specialists in their internationalisation processes and with the expansion of direct repair services supplemented by assistance services. The measures implemented to boost the productivity and competitiveness of business customers leverage Group excellence: the specialisation of the agent network and process innovation. These measures, along with the strengthening of coverage for production risks and financing for innovation and growth, aim to improve policyholder services and reduce the impact of losses. Indeed, to deal with an interruption in production activities, UnipolSai and its specialised partners have launched a service for business customers (particularly SMEs) which entails prevention activities based on the definition of Disaster Recovery Plans and highly specialised support services post claim, such as emergency intervention and rescue actions, which reduce recovery times to a minimum. The commitment to supporting the adoption of risk reduction behaviours at individual and company level is a fundamental lever to boost production system resilience.

In particular, through its offering of insurance products, UnipolSai provides innovative solutions to the market - especially with regard to the tourism sector and the agricultural sector - which are aimed at preventing risks linked to climate change as well as post-event management.

In 2015, the Unipol Group launched a European project entitled Life DERRIS – Disaster Risk Reduction Insurance (for more information, see the "Environmental performance" chapter) which calls for the implementation of a series of actions to transfer risk evaluation and management skills, as well as knowledge about tools and steps to take to reduce vulnerabilities, and as a result damages, for individual businesses: risk and emergency prevention and management, disaster recovery and business continuity management. When crisis situations take place, reaction time constitutes a decisive success factor to limit the amount of time operations need to be interrupted, so it is fundamental to have adequate plans and knowledge ahead of time to guarantee business continuity.

Businesses are offered 20 hours of training and technical support (through two inspections conducted at each company) to evaluate and reduce weather/climate risk exposure, and a risk self-evaluation tool is made available (CRAM tool), which, using georeferencing, analyses the level of danger of the area where the company is located with reference to the 7 dangers of the DERRIS project (flood, precipitation, wind, lightning, hail, temperature and landslides) and provides the company with information on its risk and resilience index in the case of extreme weather/climate events, based on which companies can gain knowledge of the solutions to be applied within the business to prevent direct and indirect damages (pre- and post-event). During this phase, the objective is to guide companies in preparing an action plan and subsequently involve them in a process aimed at adopting company adaptation plans. The project will be completed in September 2018.

Overall, to handle damages deriving from the catastrophic events that struck Italy in the course of 2017, UnipolSai incurred an economic cost of roughly €80m.

At the end of 2017, the Group's companies portfolio (Corporate and SMEs) counted over 920k customers (equal to 7% of the total), of which roughly 97% in Italy.

Outside Italy, UnipolSai also operates in Serbia: the subsidiary **DDOR Novi Sad** is among the main operators in the Serbian market with a portfolio of roughly 240k customers (7.5% companies), to which it provides Non-Life and Life services and products.

## The range of products

Considering current *trends* and new emerging risks, UnipolSai is moving along two paths: the application of telematics and Big Data analysis on one hand, and direct and integrated governance of service processes accessory to claims management, on the other. In this first regard, the Company boasts a significant position with 3.5m telematic boxes installed in Italy, also thanks to the ongoing launch of new products that use telematics: in 2016, devices were introduced into Business policies and coverage relating to agricultural machines; in 2017, the range of insurance products associated with telematic devices also came to encompass the Km&Servizi 2ruote, Commercio&Servizi, Casa&Servizi and C@ne&G@tto policies.

With regard to the integration of processes and services contiguous with the core business, UnipolSai stands out due to its inhousing of support, emergency response, maintenance and direct damage repair, supporting its customers by providing solutions, not only compensation, for the damages suffered. As a result, the following play a decisive role:

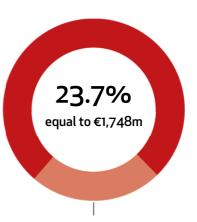
- Finitalia for payment by monthly instalments with no additional costs;
- Auto Presto&Bene and AP&B Car Service, constituting a network of more than 2,700 repair shops present throughout the country to offer MV policyholders certified repairs with no cash advance;
- MyGlass, which provides repair and glass replacement services through 196 glass-fitting centres;
- the network of craftsmen distributed throughout the country for direct repair anywhere in Italy;
- the more than 51k healthcare/social facilities affiliated with UniSalute in Italy and abroad;
- UniSalute Servizi SiSalute division, which offers non-insurance healthcare services, company welfare services and "flexible benefits<sup>25</sup>". SiSalute works alongside businesses to create flexible healthcare benefit packages that can be used on an exclusive basis or structured on third-party platforms, aside from offering a dedicated online platform. In addition, it provides *outsourcing* services to Funds, Banks, Welfare Funds and Mutual societies such as a telephone call centre, the SiSalute affiliated healthcare facility network, reimbursement management, other services and prevention campaigns.

<sup>&</sup>lt;sup>25</sup> These are alternative employee remuneration models which, by exploiting the benefits provided to employees, provide tax savings for the company and increased spending capacity for employees. They constitute an alternative company benefit model provided to employees and consist of goods and services such as school fees, pensions and supplementary healthcare.

Another distinctive element of the UnipolSai offer is its long-lasting commitment to responding to a changing society by meeting new environmental or social requirements. In particular, UnipolSai's **leadership position in the Non-Life and Pension Funds segments** is in and of itself an important response to the increasingly significant welfare and security needs arising in the communities in which the Company carries on business.

#### Amount of products of social and environmental value

As can be seen in the figure below, UnipolSai's commitment to supporting the SDGs through its ordinary operations takes shape first and foremost in its offering of products meeting specific environmental and social requirements. The premiums earned by selling these products are allocated on the basis of the objective they contribute to reaching. In addition, the benefits underlying the premiums identified are associated with emerging trends identified for the Group, as they represent an initial, partial Group response to these risks to transform them into business opportunities. In 2017, the premiums of such policies amounted to €1,748m, representing 23.7% of the total premiums of the corresponding product families (up by 5.8 percentage points compared to 2016). The underlying products respond to trends linked to changes in the composition of nuclear families, the loss of buying power by the most vulnerable segments of society, unemployment and unstable working conditions.



1 <sup>po</sup> verty <b>术****</b> *		INSTABILITY AND POLARISATION HUMAN SOCIETY 2.0 SHARING ECONOMY	<b>53.5%</b> €936m			HUMAN SOCIETY 2.0 WELL BEING	<b>29.3%</b> €513m
7 AFFORDABLE AND CLEAN ENERGY			0.5%	8 DECENT WORK AND ECONOMIC GROWTH		INSTABILITY AND POLARISATION	0.1%
÷.	6	CLIMATE CHANGES	€9m	1		HUMAN SOCIETY 2.0 NEW SKILLS	€2m
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	5	INSTABILITY AND POLARISATION	11.9%	<b>10</b> REDUCED	æ	HUMAN SOCIETY 2.0	0.2%
	6	HYBRID CONSUMER	€208m	<₽×		INSTABILITY AND POLARISATION NEW SKILLS	€3m
12 RESPONSIBLE CONSUMPTION AND PRODUCTION		WELL BEING	<b>4.5%</b> €78m	_			

Source: UnipolSai Group Joint Administration, Management Control and Operations Department

In Non-Life protection business, the following have a significant social and environmental value:

- restoration of original conditions (flood, earthquake, compensation in kind to companies);
- safeguard of purchasing power (monthly fractioning, welfare protection, premium protection and zero-rate financing);
- public welfare integration (Health and some policies in the Accident business, such as Comatose Conditions);
- support to new entrants to the labour market (the Smart Activity products, in particular the offer to start-ups and new self-employed);
- climate change (products to protect solar panel systems from climate/weather phenomena, the "salvastagione" product).

Now all products, including Life products as well as those for SMEs, can be paid for in **monthly instalments with no additional costs**. This service is important to maintain and strengthen relationships with customers, as seen by our higher retention rate

(88%) for those who use it compared to the UnipolSai average, which amounts to 86.5% for MV TPL policies upon expiry, and is higher than the market average (84.1%).

With reference to responses to **climate change**, aside from the Life Derris project described above, through its offering of insurance products UnipolSai provides innovative solutions to the market - especially with regard to the tourism sector - which are aimed at preventing risks linked to climate change as well as post-event management. In terms of prevention, for example, since 2015 UnipolSai has contributed to a fund established at the initiative of the Municipality of Pesaro meant to provide merchants/owners of tourist facilities with compensation for loss of profit due to drops in tourism during prolonged periods of bad weather (when specific conditions are met). The "Commercio e Servizi" product, launched in late 2016, is another example of an innovative solution created by UnipolSai for the tourism sector. Indeed, the product provides a parametric benefit named "Salva Stagione", dedicated to hospitality businesses located near beaches which could suffer economically in the case of extended periods of bad weather in the summer months and are able to receive cash compensation to help limit the negative effects of lost turnover. The product also includes optional "Alluvione, inondazione, allagamento" flood coverage dedicated to all business activities, which was created based on risk flood mapping covering the entire country. UnipolSai is also active in the agricultural sector, providing insurance coverage for climate events such as hail, drought, cold, strong wind, etc., which now impact the crops of policyholders even in geographical areas that did not have to deal with these critical issues in the past.

The climate coverages are also combined with an incentive in the policy quote of virtuous policyholder environmental conduct.

For the large corporations, the focus on satisfying security needs translates into the capacity to build innovative solutions for emerging risks that could cause deep crises with major repercussions on employment. Coverage for **reputational damage**, developed in 2017, is in this respect emblematic in that it involves the valuation of intangible assets using forecasting models that are new to the insurance world. Just as significant is the **cyber risk** policy which protects policyholders from cyber attacks linked to interruptions in production processes as well as the theft of the company's own or third-party data.

One element distinguishing the Group's product range is the **social/healthcare assistance model**, to guarantee adequate tools and resources to residents to support their needs during old age in light of declining benefits from public pensions and the simultaneous increase in needs for healthcare services due to the ageing of the population. The year-on-year penetration of welfare (Life and Health) coverage for Italian citizens reached 8.4% in 2017. The 2018 objective is to reach penetration of 10%.

An interesting new coverage introduced into the Healthcare business in 2017 is UniSalute's **MONITOR SALUTE** for the management of those suffering from "chronic" illnesses in Italy, offering the patient and his or her family with the best healthcare and social/assistance protection, even at home. This coverage has been included in several group healthcare plans since the start of 2017, guaranteeing at-home monitoring of the patient for the primary chronic illnesses, such as diabetes, hypertension, asthma and COPD (chronic obstructive pulmonary disease).

UniSalute's Monitor Salute® service:

- helps patients maintain the proper lifestyle based on their characteristics and health status;
- follow a health condition monitoring plan by autonomously using simple medical devices from the comfort of their own homes;
- helps patients follow the treatment instructions provided by their attending physician/specialist;
- counts on the availability and support of professionals who will monitor their health status, contact them if required concerning the monitoring plan and the treatment plan and will be available when required.

Monitor Salute® facilitates the periodic monitoring of clinical parameters and boosts the patient's awareness and autonomy with respect to the steps that can be taken to remain healthy. However, the physician continues to constitute the point of reference for the patient, who with Monitor Salute can better follow the physician's instructions, resulting in more efficient use of medical resources and greater integration of services. In one year of activities, several thousand UniSalute policyholders relied on the service: the most widespread illnesses were hypertension, followed by pulmonary disease and diabetes.

In 2017, the service received three important recognitions:

- "Digital Innovation in Healthcare 2017" from the School of Management at the Politecnico di Milano: special mention in the "Community integration" category for the Monitor Salute® project;
- "AboutPharma Digital Awards 2017": Monitor Salute® recognised for Improvement of the organisation of healthcare processes;
- MF Innovazione Award 2017": Monitor Salute® wins first prize in the Health & Prevention category.

With respect to non-self-sufficiency, UniSalute has developed an **integrated global support model** that is the only one of its kind in the market, which offers the personalised management of medical care and consultancy of excellence in cases of non-self-sufficiency and post-hospitalisation (hospitalisation at home subsequent to staying at the hospital facility).

The UniSalute model combines elements of clinical knowledge of the person, precise guidance on the services offered by the National Healthcare System, the evaluation of the person's environment and integration between the support services guaranteed under the NHS and those provided by the UniSalute Provider Network with a view to resource optimisation. The process calls for the involvement of **Home Nursing Managers** within UniSalute specialised in guiding and organising social/assistance services.

In the Life Business, despite the difficult competitive environment, UnipolSai plays a key role in all forms of supplementary pension schemes dedicated to employees and other workers, managing assets of  $\in$ 3,509m (down 19% compared to 2016) for 367,353 enrolees of the Occupational Pension Funds. As regards the Open Pension Funds, it manages  $\in$ 908m (+3% compared to last year) for 44,442 enrolees. In addition, a total of 102,906 people participate in personal pension funds and individual pension schemes (89,907 total enrolees in 2016), and there are 87,744 insured through the Pre-existing Pension Funds (87,967 in 2016).

#### SRI products for individual investors

As regards pension plans, the "Protezione Etica" segment, one of the four segments of the Unipol Insieme Open Pension Fund, invests in a diversified portfolio of primarily bonds and marginally equity instruments in the Eurozone which are fully managed according to ESG (Environmental, Social and Governance) criteria. The relative assets amount to  $\epsilon$ 77.9m, down 5% compared to 2016, equal to 8.5% of the assets of the corresponding pension segment.

For the "Protezione Etica" subfund, UnipolSai has published a voluntary report dedicated to current and potential subscribers for years now, which adheres to the model of the "European SRI Transparency Code" issued by Eurosif - European Sustainable Investment Forum. Likewise, the percentage of investments for the Individual Pension Schemes and the Personal Pension Plans currently under management that satisfy the ESG criteria was published in the obligatory documents required under the Covip regulation (calculated for each individual pension scheme and personal pension plan).

For the Open Pension Funds, compliance with the criteria amounts to an average of 98%, for Personal Pension Plans 99% and for Individual Multi-Segment 98.8%, while the Individual Pension Schemes reached 99.4%.

In the Life business, with a view to simplifying the acquisition of products by customers while reducing the risk of selling products that are not adequate for the risk profile or do not meet expectations, the **Life product certification** procedure continued alongside a significant streamlining of the Life product price list, to ensure reliability. This certification calls for the verification by Bureau Veritas - a company specialised in control, compliance audit and quality certification services - of UnipolSai's compliance with product specifications in accordance with the values of transparency (full, understandable and trackable information), fairness (clear and balanced cost) and product value (protection of capital and investments selected). The certification body checked compliance with these values by monitoring requisites and indicators running along the entire process, ranging from identification of needs to after-sales management, thanks to transparent and fully tracked organisational practices. The relevant aspects are, on one hand, respect for the balance between meeting the interests of the final customer, the Company and the community, and on the other the search for simple and transparent communication to enable customers to make informed choices. In 2017 UnipolSai's product certification was extended to the Previdenza range of products. This recognition came after the certification obtained in 2016 for the entire Investment range of products, including class III products.

In addition, in order to improve the adequacy of Life product sales, a special IT advisory tool has been developed for the Agents.

Also in the Life business, in terms of Life protection products, the UnipolSai Autonomia low-cost policy, an extendable LTC policy for those over 70 years of age with no medical checks, UnipolSai Smart, a TCM for single-income families earning up to  $\leq$ 30k and UnipolSai Risparmio Giovane, are all particularly significant from the social perspective.

#### Support for the Third sector in Italy

To improve its capacity for **financial inclusion**, UnipolSai is developing micro-insurance products (see shareholders chapter) and innovative sales and accumulation models for the base of the pyramid, and is also conducting detailed analyses concerning the potential and specific needs of the third sector to support its growth as well. A dedicated unit within the Sales Department offers solutions specifically designed to meet the needs of third sector operators to protect their activities and guarantee their continuity.

Premiums in this sector account for 6% of direct non-life premiums.

Alongside these initiatives present in the 2016-2018 Three-Year Sustainability Plan is the "Local Welfare" action, also to be implemented during the Plan period, and aiming to develop policyholder aggregation solutions to extend healthcare and welfare coverage outside the world of work.

## **Claims handling**

Claims handling is a critical step in which the customer interfaces with the Company and assesses its fairness, efficiency and quality. This is why UnipolSai has maintained and strengthened its commitment to improving the excellence of its operating mechanism through settlement structure specialisation and investment in electronic settlements.

In particular, on the **claims settlement efficiency improvement** front, significant initiatives are being carried out in these main areas:

- an organisational model which resulted in the specialisation of settlement structures while maintaining a widespread regional presence, alongside a network of approved representatives consisting of 1,166 adjusters (66 of which in Serbia), 421 medical experts (20 in Serbia) and 1,219 lawyers, thanks to partnership agreements;
- the evolution of settlement processes integrated with telematics, as a tool to guarantee increasing speed of execution and capacity to combat fraud. In the electronic settlement process, the information provided by the black box is used in an innovative manner in the MV claims settlement stage (in particular, by verifying the consistency between the statements rendered and the actual dynamics of the event). The (Single) dedicated portal, integrated with the "Liquido" claims application, was further refined through the development of new features for reading/interpreting the data and defining liabilities. This generates numerous benefits, primarily the ability to combat fraud (strengthening prevention thereof), reducing claims management times and decreasing the number of disputes, with the consequent increase in the settlement rate to the advantage of the insured customers. In the case of vehicle black boxes, the effectiveness guaranteed by the use of online data during settlements is greater in areas which historically have more claims, where the vehicle black box has been used due to expected improvements in risk assessments and, as a result, is more widespread. Indeed, the advantages are particularly evident especially in the South, where the claims supported in the preliminary investigation stage by the data of the black box account for approximately 60% of the total (compared to 41% at the national level). Use of the telematic information also allows punctual management of claims within the management of the CARD agreement.
- The **anti-fraud engine** uses advanced mathematical algorithms to select the sample of potentially fraudulent claims to be channelled to the dedicated settlement structure ("Special Areas"). In the second half, the project for the evolution of the current engine was started, providing for the use of a technological and application platform which also supports artificial intelligence algorithms for the generation of predictive models.
- CPM (Medical Report Centre): a service offered to the injured customer with non-severe injuries (MV, Accident or General TPL), who is offered the option to perform the medical-legal examination directly at the offices of the Company and then to be paid promptly. The process was optimised for the booking of the visits by enhancing the customer's contract service and introducing the use of an electronic agenda for the booking of medical visits, even directly by the Agency. In addition to the CPMs located in the Territorial Settlement offices, covering particularly vast areas or with a high incidence of examinations, the Medical Booking Services were also established, where the service, limited to the examination only, is instead performed directly at the doctor's office.
- General Classes Direct Repair: to offer an innovative service to customers, similarly to what has been done for the MV Classes for years, a process of "direct repair intervention" was established for General Classes (Piped Water, Research and Damage Repair, Weather and Plates). At the time the Insurance Policy is stipulated or at the time of the accident, the Customer has the option of choosing the "Direct Repair" service, consisting of the direct repair intervention through a network of operators selected and made available by the Company, which will repair the damage without any outlay on the Customer's part and with the concurrent zeroing of the deductible, when present.
- APP and Customers Area: in addition to the services already present (relating to own Agency, to the status of own policies, to the identification of the closest body shop and to the direct call to public assistance numbers), the APP and the Customers Area was enhanced with new functions which, in addition to providing a set of information for consultation (with all data about the claim, including date and time of appraisal, indication and address of the adjuster), allow the customer to interact with the "Liquido" claims system by entering useful information for managing the claim. Moreover, the Customer can receive updates on the management of the claim and its status.

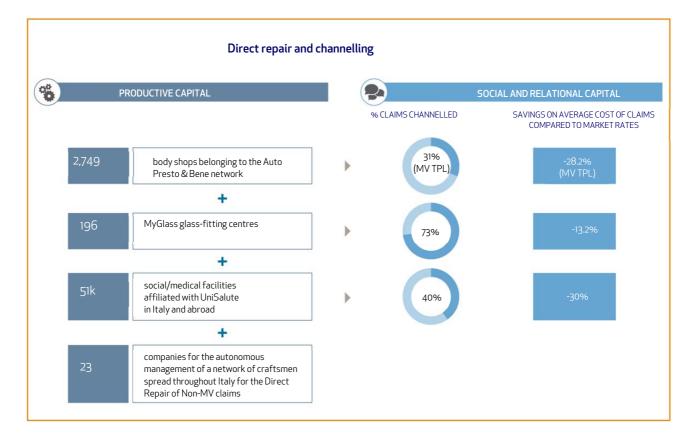
In 2017, UnipolSai Assicurazioni managed a total of 1,368,253 claims reported during the year (of which approximately 79% already settled) in addition to 499,085 claims from previous years ongoing at the start of the year or re-opened (of which over 62% already settled).

An additional distinctive factor in claims settlement is direct repair and channelling due to the selection and management of networks of authorised repair shops, medical facilities and affiliated craftsmen throughout the country. The capacity to engage,

manage, control and help to grow the network of partners in the chain - who accompany the customer by providing solutions, not only compensation, for the damages suffered - is fundamental in the internalisation of the service model, which represents a distinctive element of UnipolSai's business model.

The service provided by the network of partners in the integrated services supply chain helps to consolidate customer relationships, as demonstrated by the 86.7% retention rate of customers that acquire policies with integrated services provided by the AP&B network and the 88% retention rate of customers with zero-interest financed policies (against the MV TPL average of 81.2%).

In the Direct Repair project, the teams of workers that actually carry out the repair work play a fundamental role, in cases in which the customer accepts this innovative form of compensation for damages instead of traditional settlement in cash. In the course of 2017, these workers, operating on behalf of the 23 Companies selected for the project, completed in excess of 3,200 repairs, with an excellent return in terms of customer satisfaction, measured through an NPS monitoring system. The workers operating on behalf of the 23 companies invoiced roughly  $\leq$  4.5m for work carried out directly at the home of UnipolSai insured parties.



The Group aims to avoid, as much as possible, recourse to the judicial authority when claim management disputes arise. The approach of all Group companies to dispute management is based, in fact, on safeguarding the customer's interest, preferring to strive for out-of-court solutions also in order to avoid, where possible, with respect to the prevalently cost-generating nature of this type of dispute, costly lengthening of dispute management times and of related costs charged to customers.

The approach to dispute management of all Group Companies is based, in fact, on safeguarding the customer's interest, preferring negotiation solutions in order to avoid, where possible, costly lengthening of dispute management time and of related costs charged to customers. For this reason, the company is committed to meeting the deadlines imposed by legislation in force on the handling and settlement of claims, basing customer relations on fairness and transparency, and to providing information and tools to stakeholders to help them understand the positions taken by the company and the reasons behind them. Recourse to judicial proceedings mainly occurs in the event of evident attempt to speculate, of unjustified and excessive demands for compensation, of attempted fraud and other fraudulent conduct.

#### Anti-fraud measures

UnipolSai strengthened its commitment to pursue fraud and other criminal behaviour by preventing and combating fraud in order to protect not only the interests of the Company (to reduce costs arising from undue settlements) and the insurance market but also those of the customer and consequently of society as a whole, to avoid speculation which may impact rates. As in previous years, again in 2017 significant efforts were made to combat fraud in the underwriting and settlement phases, privileging - when

possible - the investigation "workflows", as well as to develop and fine-tune new IT methodologies and applications. In this respect, at settlement stage, and integrating the work carried out by the Group's Legal and Anti-fraud functions, in 2017 the Special Areas for Claims Management analysed around 28k reports of suspect claims (an increase on a like-for-like basis of 38% on 2016). The claims managed by the Special Areas, according to the results of the investigation, could be reported to the Anti-fraud Function for possible criminal action, closed with no further action, concluded with a reduced settlement or settled in full if proving genuine.

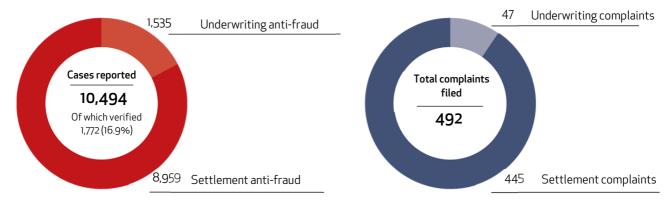
The Anti-fraud Function carries out further investigations, also aimed at possible criminal-law initiatives, and deals, if applicable, with complaint-related activities, also managing the criminal proceedings and handling relations with the Police Authorities. In 2017, the UnipolSai Assicurazioni S.p.A. Anti-fraud Function managed a total of 7,310 reports of fraud in Italy (up 30% compared to 2016 on a like-for-like basis) associated in part with the underwriting of policies entered into fraudulently and in part with falsified documents, and reports relating to claims at risk of fraud.

In response to these reports, the Function identified 1,476 deserving of investigation for the necessary assessments and filed 364 complaints.

For the Company operating in Serbia, reports of fraud totalled 3,184 (32% less than in 2016), while there were 296 verifications and 128 complaints filed.

In the UnipolSai Group's Life bancassurance segment, there are two types of control. The first is conducted by the management offices on the operations of individual adjusters. The second consists of widespread control over all documentation provided to the Company by the branches for transactions requiring management authorisation.

#### Anti-fraud: Cases reported, verifications, complaints



Source: UnipolSai Group Joint Administration, Management Control and Operations Department

#### **Customer relations**

Our focus on the customer takes the form of a digital strategy meant to simplify decision-making processes through all channels and devices as well as the digitalisation and streamlining of sales and administrative processes in the agency. In terms of customer experience, to foster direct contact with the Company, investments have been made to improve the **multi-channel structure** by means of a gradual process that will make all customer services fully accessible from remote and mobile channels, while maintaining the presence and advisory skills of the agency network as a central element. In this manner, a series of digital, customisable *online* services and tools has been activated to facilitate the simplify the process, while the entire network is able to use the new infrastructure supporting processes in mobility, from underwriting to signing the contract and even electronic premium payments.

In terms of **service innovation** to simplify and upgrade the customer experience, in line with the Business Plan UnipolSai has taken action primarily in the area of mobility, with some activities also in the areas of home and health. Its work concentrated on seeking out external solutions through national and international start-up *scouting* and the experimentation of new digital interaction modalities.

As regards non-insurance products/services launched to strengthen its leadership role in mobility and take advantage of the opportunities offered by the cultural transformation from "possession to use", note in particular the long-term rental service included in the "Unica Polizza con Auto inclusa" product. This is a Long-Term Rental contract with an individual policy enabling the customer to avoid penalties in the case of a claim and maintain his or her Bonus/Malus Class. In light of the positive results of the pilot project, this initiative will be extended in the Municipalities of Milan and Como. Further testing is also being conducted on innovative mobility methods.

To favour direct contact with the Company, some of the non-insurance product and service initiatives include the "Il Dentista" project (launched in 2016) involving the sale of the UniSalute dental service within the UnipolSai Agencies, and the "Utility & GDO" pilot project for the sale of power and/or gas contracts in the agency with a special exclusive offer for UnipolSai customers.

The service model based on the concept of access through the implementation of telematics has inspired the "UnipolSai GO" project: the innovative travel policy that can be purchased around the time of departure in just a few minutes using a smartphone, which requires no paper documentation and is activated immediately for a cost of roughly  $\leq 10$ . The UnipolSaiGo app has reached a few thousand downloads and estimates, and roughly two hundred policies were issued: while quite limited, these numbers represent a growing need on the part of customers for innovation and multi-channel offers, as well as products capable of providing real solutions for new segments. At the end of 2017, medical expense coverage was added to luggage, assistance and accident coverage, to make the offer more comprehensive, especially for trips outside Europe.

Also to support customers, there are continuously increasing numbers of both "Family Welfare Consultant" specialists and "SME Business Specialists". The former are consultants dedicated to the protection of family-related needs (health, assets, property), through a special training process and tools that analyse insurance requirements. The latter are specialised in offering *risk* assessment advisory services and identifying customised solutions.

To ensure the understandability, transparency, fairness and accessibility of communications between UnipolSai and customers, a **web and social media presence** is fundamental.

In 2017, information tools were enhanced (newsletters and thematic blogs), and the UnipolSai home insurance service was updated: the increasing availability of digital services, particularly those linked to electronic devices (MV, home, business, corporate, dogs & cats) and information on claims, has resulted in increasing use and rising numbers of enrolees, which marked 105% growth compared to last year. Apps have also had good productivity, with an increase in downloads by customers in the last year (+220%).

As regards UnipolSai, the social channels dedicated to UnipolSai commercial communications (Facebook, Twitter, Instagram, Google+ and YouTube) closed 2017 with more than 147,000 fans and followers, up 21% compared to the previous year. Every day, hundreds of users interacted directly with the Company by reacting to posted content and requesting assistance.

As regards **UniSalute**, its Facebook page closed 2017 with more than 28,200 fans, with an average of more than 1,500 new fans per month, who were able to view news, videos about company welfare, recipes and other content.

The InSalute blog was also popular, with more than 2.5m visits and over 300 articles published. The blog's content is promoted in the "InSalute Informa" newsletter sent twice per month to customers, at healthcare facilities affiliated with UniSalute and with everyone who has registered for the blog: in 2017, it was sent 15m times and was opened 15.8% of the time.

The UnipolSai Group's focus on customer relationships is also demonstrated by the confirmation of UniSalute's **Certification of compliance** with the requirements of the **ISO 9001:2015 Quality Management System** standard for the design and management of supplementary healthcare and health welfare insurance products; for the management of customer care, informational, administrative, settlement and telephone medical consultancy services through the operations headquarters and specialised functions, with the support of IT platforms, both web and mobile; for the management of the affiliated network of healthcare facilities that provide health services and benefits.

#### **Complaint management**

UnipolSai aims to avoid, as much as possible, recourse to the judicial authorities if disputes arise with customers. The approach to dispute management is based, in fact, on safeguarding the customer's interest, preferring to strive for out-of-court solutions also in order to avoid, where possible, with respect to the prevalently cost-generating nature of this type of dispute, costly lengthening of dispute management times and of related costs charged to customers. Recourse to judicial proceedings mainly occurs in the event of a clear attempt to speculate, of excessive and/or unjustified demands for compensation and other fraudulent conduct.

Therefore, the function that receives complaints and provides specialised support to customers is very important, not only to avoid or reduce the occurrence of sanctionable cases, but especially to ensure that customers feel that their rights are protected, supporting the reputation of a knowledgeable and efficient Company. Customers are invited to resolve the dispute first of all by speaking with the Agent, the closest "player" to him or her.

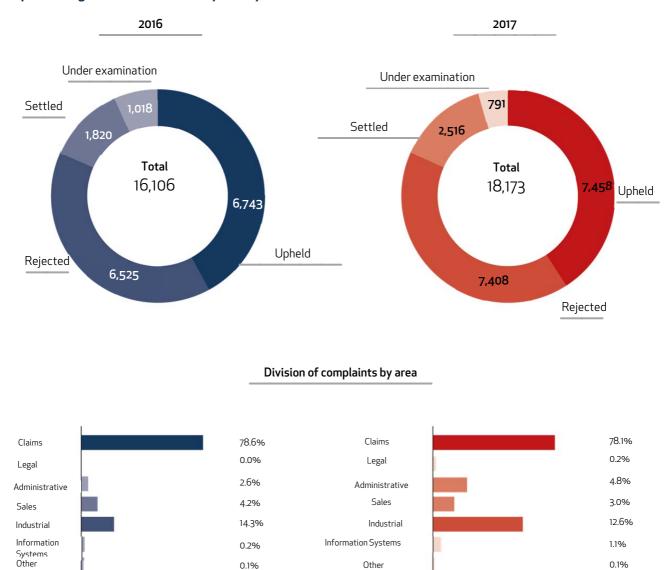
In this regard, a complaints management policy is in place in the UnipolSai Group's insurance companies, which defines guidelines for the proper, timely management of complaints relating to the conduct of the companies, as well as the agents and direct brokers on which the former rely for brokerage activities, inspired by the principles of fair treatment of policyholders, insured parties, beneficiaries and injured parties.

In the course of 2017, complaints addressed only to UnipolSai declined by 12% compared to the previous year, with 36% of the complaints upheld.

Non-Life complaints marked a downturn of 10%, while Life complaints declined by 24%. The breakdown of complaints by area shows that the decrease was concentrated above all in the Claims and Industrial Areas; however the percentage breakdown

reflects the results from 2016. Indeed, roughly 78% of complaints related to claims, while the remainder were linked primarily to technical/underwriting (industrial area) and commercial type issues. Lastly, again with reference only to the Company UnipolSai, there has been a constant reduction over the years in average days for responding to complaints, which reached 23.4 in 2016 and 19.5 in 2017, marking an improvement of nearly 4 days.

There was also a 27% decline in IVASS measures (1,128 fewer), while, bucking the trend, claims associated with the Covip register rose by 61% as a result of consistent growth in the reference portfolio and the number of requests for settlements/advances. The impact of the number of complaints on the number of claims was 0.64%.



Complaint management and division of complaints by area

Source: UnipolSai Joint Legal, Equity Investments and Institutional Relations Department

100%

The charts regarding complaint management and the breakdown by area include all UnipolSai Group companies, but do not include complaints for the Company Ddor Novi Sad (2,349 in 2017, 2,580 in 2016), since the divisions established by IVASS are not applicable.

Total

100%

#### **Customer satisfaction**

Total

**Requests for information and assistance** to customers translated into more than 1m contacts, concentrated primarily in the technical, commercial and claims areas. All information collected by the Assistance Services of the Group companies is catalogued and used to improve the quality of the services/products provided according to a specific structured process for each entity.

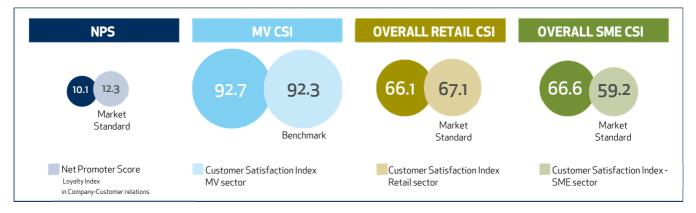
For UnipolSai, the model of direct governance and integration with service processes contiguous with the core business is reflected in the results of the customer satisfaction **and loyalty surveys**. Amongst the elements that were most appreciated is recourse to telematics for settlements, making the process more objective and reliable and speeding up timing, while reducing any inconvenient delays.

The *Customer Satisfaction Index* (**CSI**) measured with respect to the relationship with UnipolSai is better than the market average in the individuals segment and is quite considerable especially in relations with SMEs<sup>26</sup>. The result was also good as measured on UnipolSai MV customers, who indicated that they were highly satisfied with the Company (95.9 overall UnipolSai vs 98.1 overall market standard). The positive data are also confirmed at overall level (UnipolSai CSI 92.7 vs 92.3 market standard), in the area of relationships (93.6 UnipolSai vs 93.8 market standard) and in the area of service (91.9 UnipolSai vs 91.1 market standard). The high levels of overall satisfaction in the various segments confirm the increasing trend seen in recent years.

The most significant factor in the Company's MV TPL churn rate is the financial component, although UnipolSai customers have demonstrated their appreciation for and positive assessment of the breadth of products and accessory services offered. Customers also recognise that the Agents are competent, available to offer insurance support on a continuous basis and clear and accurate in the responses provided, formulating an opinion that is positive on the whole regarding these relationships.

Against the significant investments made in service digitalisation and the development of innovation, customers recognise the speed and fairness of settlements, the professionalism and skill of the adjusters and the ease of relationships with agents and/or claims handlers as the points of excellence of the company UnipolSai.

In addition, the *Net Promoter Score* (NPS), indicating how much customers would recommend UnipolSai, stood at 10.1 overall, again reaching a positive level in 2017, consolidating the increasing importance of providing effective support in claims management, an evident trend in the MV TPL market overall as well as in UnipolSai. In 2017, UnipolSai also constructed an internal NPS detection process that correlates the service provision processes with customer satisfaction. The model, designed to seek opportunities for internal improvement, is currently active on 17 processes with 21 points of contact with customers. After the involvement of 26 thousand customers, 14 improvement actions were identified and adopted, but above all a growing attention to what the customer has to say in order to optimise processes and procedures. Amongst the most significant actions relating to the improvement of customer loyalty and experience are the enhancement and opening of logistics centres in the Centre and South areas (Rome, Naples); the reinforcement of supplementary services through pilot activities on the replacement car service; continuous support for body shops to guarantee efficient services and transparent customer communications; the extension of the current opening and tracking functions of the UnipolSai app including the implementation of functions making it possible to directly monitor claims.



Source: UnipolSai Sales Department

The customer listening activities include the **GFK Multifinanziaria** studies that analyse relationships between customers and the financial sector (banks/insurance). For individuals, the reference scope consists of Italian households with the head of household between 18 and 74 years of age, representing 21m nuclear families, and surveys are carried out through personal interviews (CAPI) at the family home.

Some of the most significant topics investigated are the European macroeconomic scenario and effects on Italian families with respect to their propensity to save, satisfaction with household finances and the recovery of consumption; investment forecasts and the use of asset management; MV, home, accident and medical expense insurance; the insurance consultancy requested for saving, pensions and personal protection.

The overall satisfaction index - taking into account all aspects (policies taken out, relationship, service, etc.) - was slightly lower than the market (66.1 vs 67.1), while with respect to 2016 it lost 3 points. This change was not recorded in the market, which remains unchanged.

<sup>&</sup>lt;sup>26</sup> Source: GFK Multifinanziaria Aziende 2017 
 XVII edition - 1,500 FtoF interviews with owners and administrative/financial managers of companies in the Industry, Services and Commerce segments

In the case of businesses, the investigation is structured on an annual survey of 1,500 businesses belonging to the segment of industry, services and commerce with an oversampling dedicated to the segment of agriculture and livestock farming. The surveys carried out through personal interviews (CAPI) with business owners or managers regarded the perceptions and projects of Italian companies and the overall economic situation, their relationship with banks and insurance companies, recourse to credit, perceived risk exposure, innovative insurance coverage and performance indicators (CSI and NPS). The overall satisfaction index surpassed the market (66.6 vs 59.2); while with respect to the previous year, the indicator was down for the market as well as for UnipolSai customers (-3 p.p.).

In addition to these investigations, UniSalute and Linear carry out assessments on customer satisfaction in specific areas of their business models. In 2017, **Linear** continued with its customer listening activities using the *Net Promoter Score* (**NPS**) system. The measurement takes place in a transactional manner on customers that obtain insurance, renew or have a claim under way during the year, for which the 2017 index maintained excellent values, between 50 and 60. During the year, another 3 new points of contact were included, which obtained just as excellent results: Digital New Business (52), Digital Renewals (54) and Customer Service (38) The investigation allowed Linear to promptly intervene in communications (to make them clearer) and internal processes that needed revision and favoured the improvement of the web and telephone service.

To confirm these results, the German Institute for Quality and Finance (independent entity specialised in the analysis and comparison of financial products) again recognised Linear as one of the TOP insurance companies for customer service and the price-quality ratio of its online MV TPL. The survey, on more than 3,000 opinions of customers of 17 insurance companies, went into detail on numerous aspects of the service offered. Linear excels with respect to the market on important points for customers such as: understandable communications, fairness and the quality of the service provided by approved providers. Actions for improvement have been undertaken in terms of navigation on the website and the approach of call centre personnel.

**UniSalute** evaluates customer satisfaction with the dental network in a more complete and specific manner than what is already done through the annual customer satisfaction survey. Indeed, the dental network represents an extremely important component of the service that UniSalute offers its customers every day, and therefore it is important to carefully evaluate this service. Once the service is provided, UniSalute sends customers a link via SMS and email to access questionnaires available in a dedicated area of the website. Customers also have the opportunity to leave comments in free text fields, which are accepted and assessed as additional elements of *feedback*. The survey is useful not only to evaluate customer satisfaction, but also to improve the approved provider monitoring and control process.

In 2017, roughly 110k questionnaires were sent to gather customer *feedback* after dental services were provided, which received a 20.2% response rate. On a scale from 1 to 5, customer opinions emerging from the questionnaires resulted in an average total score of 4.49.

Also in terms of healthcare, since September 2017 SiSalute has conducted a *customer satisfaction* analysis relating to the **NPS** index. The analysis, carried out on Fondo Est customers, involves an assessment of the experience with the booking service and the service provided at the affiliated healthcare facility. For 2017, the NPS index was positioned within the range of excellence, above 60%.

# AGENTS AND AGENCIES



in Italy



bancassurance branches sub-agencies (-171 compared to 2016, equal to 5.3%) (-56 compared to 2016)



Assicoop points of sale 33,027 agency

partners (-1.9% on 2016)

€1.5m in direct investments for agent training (-31.8% on 2016)

#### Geographical presence

At 31 December 2017, presence throughout the country was guaranteed first and foremost by the widespread distribution of roughly 33k qualified professionals (of which 4,500 agents, 504 multi-firm agents and 28,500 sub-agents), which operate through 2,778 agencies (-4.8% compared to 2016) and 5,519 sub-agencies (+1.5% compared to 2016), the intermediation of 651 brokerage firms and five Corporate Agencies (Assicoop), invested in by UnipolSai, which provide their services through 308 points of sale.

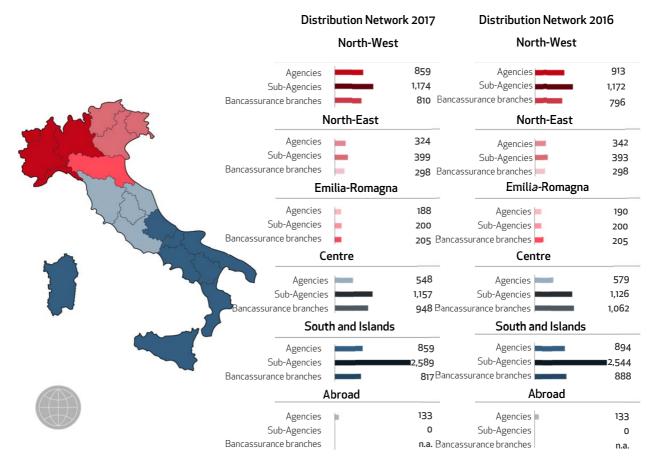
2017 saw continuation of the reorganisation and consolidation of the Agency Network to optimise the nationwide coverage. With a reduction in numbers (-140 agencies compared to 2016), consistent with the process of repositioning the agencies on the market, a growth in size was recorded for the Agencies and their development towards a more managerial model to make them more solid and better structured in organisational terms. The average size of the agencies rose by 10%. As a result of the promotion of corporate integration processes, the average number of sub-agents per agency increased by 2% and the average number of employees per agency by 3%.

In terms of geographical distribution, it should be highlighted that the Agencies, directly or through their secondary offices or subagencies, cover 95% of local employment systems<sup>27</sup>. This enables UnipolSai to maintain its presence throughout the country and in nearly all markets. More than 40% of the points of sale (18% of the Agencies) are found in Municipalities with fewer than 15,000 residents and 11% of the Agencies are located in the 4 metropolitan areas. In addition, while agencies decreased, in line with the process under way, sub-agencies rose compared to 2016 (+84% compared to 2016).

This extensive agency network guarantees complete geographical coverage of the Italian market, and is supported by 3,078 points of sale that are part of the bancassurance partnership: the joint ventures active at 31 December 2017 regard Popolare Vita and The Lawrence Life through the sales network of Banco BPM SpA and Banca Aletti; BIM Vita through the bank branches of Banca Intermobiliare; Incontra Assicurazioni through Unicredit Group.

<sup>&</sup>lt;sup>27</sup> SLL, or the economic aggregates used by ISTAT to distinguish the various geographical areas

## Local distribution network



Source: UnipolSai Sales Department and other Companies' General Offices

Alongside this network are the five Corporate Agencies (Assicoop) that provide their services through 308 points of sale present throughout Emilia Romagna and Tuscany.

The Assicoop ownership structure sees the participation of Cooperatives, Political/Trade Union Organisations and Employee and SME Representatives, as well as significant representation of the Company.

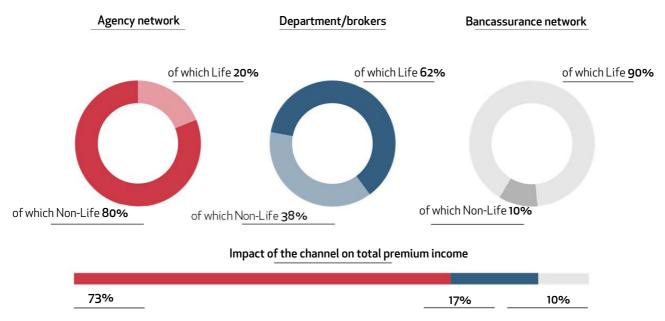
The Corporate Agencies represent an original distribution model that unites effective geographical coverage with a high degree of specialisation in the advisory services offered to customers. This translates into an approach capable of proposing insurance solutions that can meet the needs of households and customers, which also represent stakeholders of the ownership.

In 2017, they guaranteed services to more than 445k customers, of which 11.4% are also Unipol Banca customers, for premium income of almost  $\in$  617m (-6% compared to 2016), of which 60% in the Non-Life business. During the year, the process of strengthening commercial presence throughout the country continued, by streamlining and consolidating the profitability of points of sale while at the same time hiring new sales resources from competing Companies.

In terms of development, the Assicoops continued with commercial activities in accordance with planned guidelines, dedicating significant resources to the following objectives:

- the improvement of the network's commercial productivity;
- the consolidation of market shares and life product offerings;
- the development and integration of the Unipol Banca standardised banking product offer component;
- the acquisition of greater technical/underwriting autonomy;
- the development of relationships with brokers present or operating in the individual units;
- the creation of synergies amongst the Assicoops, which in some instances involved combining adjoining units.

Outside Italy, the Group operates in Serbia through a multi-channel network made up of both internal and external structures. The 133 points of sale (stable with respect to 2016) rely on roughly 1,400 external partners and employees to provide services mainly in the northern part of the country, supported by direct sales channels through the Internet.



# Breakdown of Premium income (direct business) by channel

Source: UnipolSai Group Joint Administration, Management Control and Operations Department

#### **Relations with the Network**

In line with the objective of maximising the effectiveness of customer service laid out in the 2016-2018 Business Plan, UnipolSai dedicates particular attention to **dialogue and to the involvement of its sales network**, taking an approach of respective collaboration and responsibility - in the following areas:

- Identification of solutions for improvement;
- Development and offering of products and services;
- Training.

The identification of solutions for improvement moves through the process of cultural integration and management and operational unification which in 2017 resulted in the definition of a Programmatic Framework Agreement, which constitutes the new platform of contractual relationships between agent offices and the Company UnipolSai Assicurazioni. The Agreement, whereby UnipolSai confirms the centrality of the role played by the agent network for the implementation of the 2016-2018 Business Plan strategy, lays out a series of benefits with a view to strengthening reciprocal synergy and trust between Agents and the Company. These include the following:

- **improved conditions in terms of pension benefits** compared to what is required under the National Agreement for the Agent Pension Funds in line with the welfare policies of UnipolSai and as confirmation of the importance of the Company/Agents system, also in terms of the individual protection of Agents;
- the **development of an agreement for non-life and life policies** under particularly favourable conditions for Agents, their family members, employees and associates;
- the improvement of the company's reference IT system to support agency digitalisation, mobility and the integrated use of devices based on new technologies and architectures. Activities are aimed at simplifying and optimising internal and external administrative management which makes tools available to Agencies that represent and support the medium-term strategic policies identified. As regards the increased use of digital instruments to simplify the customer and agent experience, with a view to boosting network efficiency within an integrated, multi-channel model, the new mobile sales process, digitised from subscription up to signing of the contract and electronic payment of the premium, has been launched and at the end of 2017 it had been deployed across the entire network. In particular, all Agencies, both private and corporate, are now able to use the graphometric Advanced Digital Signature (Firma Elettronica Avanzata) as well as mobile sales: 103,818 policies (+20% compared to 2016) were signed using the Advanced Digital Signature; 34% of agencies received the Customer's enrolment in this signature method; 27% signed Advanced Digital Signature policies; while 7% can also use it in mobility, outside the office.

In 2017, the adoption by all UnipolSai agencies (Private, Corporate, Affiliates) of the **CRM (Customer Relationship Management)** application, adopted by UnipolSai to support sales initiatives and customer management, was completed, providing a more adequate response to customer needs.

The Agreement envisages Agent **involvement** in the **development and offering of products and services** for which 30 Work Groups and 45 Technical Committees have been launched, with the participation of around 10 to 15 agents at a time, as well as specific company contact people regarding specific topics.

Various projects have been rolled out, some technological in nature (such as the extension of the functions of apps, and the implementation of the new home insurance platform) and others oriented towards increasing the customer service component such as the extension of the hourly availability of Company services for the benefit of Agencies and Customers and the new instrument named Consulenza Persone (Personal Advisory) Tool, meant to provide valuable consulting and an offer dedicated to individuals. In addition, new claims and complaint management tools have been adopted, which render customer service more effective and prompt while facilitating the Agent/Policyholder relationship.

The Agreement also establishes that **training** constitutes an essential component for the performance of activities and at the same time a fundamental lever to favour the evolution of the agency network and the Agency sale network. Indeed, for UnipolSai a high level of agent professionalism in the field of brokerage and in customer advisory and educational activities as well as risk selection and control represents an indispensable factor for the growth and success of Agents and the Company alike.

The Company provides agents with detailed training plans and technical support methodologies, as well as projects for the development of Agency activities.

With a direct investment of  $\leq 1.5$ m, in excess of 690 man-hours of training were provided (including the bancassurance companies) and dedicated training courses were developed with the participation of more than 30k agents and partners in the secondary network, equal to more than 90% of the total, with an average of 2.2 hours of training per participant. Traditional classroom training methods were used in addition to webinars and the *digital learning* format.

The average daily participation reached 186 intermediaries in classroom or webinar mode and 915 intermediaries in remote training.

#### **Training the network**

	31/12/2017
Primary agency network training (agencies and bancassurance channel)	
Number of participants (distance training, classroom, webinars)	507,629
Number of parties (distance training, classroom, webinars)	35,367
Number of courses (distance training, classroom, webinars)	471
Number of Man-Hours (distance training, classroom, webinars)	113,385
Secondary network training (sub-agencies)	
Number of participants (distance training, classroom, webinars)	316,167
Number of parties (distance training, classroom, webinars)	38,687
Number of courses (distance training, classroom, webinars)	267
Number of Man-Hours (distance training, classroom, webinars)	583,958
Total network training	
Total participants (distance training, classroom, webinars)	823,796
Total parties (distance training, classroom, webinars)	74,054
Total courses (distance training, classroom, webinars)	738
Total Man-Hours (distance training, classroom, webinars)	697,342

Source: UnipolSai Group Joint Human Resources and Organisation Department

In detail, the training intended for the sales network referred to building courses useful to further increasing the skills of the entire sales network, also in compliance with training obligations envisaged in the IVASS Regulation.

Along with the usual training offering tied to regulatory updates and new products, training intended to support the development of the skills of intermediaries within a continuously evolving market was also implemented.

Some of the main projects were:

- the Family Welfare course, dedicated to a total of nearly 500 intermediaries. The programme involves 3 different training areas (Professional, Evolution and Top Performer) intended, based on the professional level of the participant, to increase their advisory expertise and consolidate the relationship of trust with the "family" customer;
- the IMA Agency Innovation Manager Advanced Course, which began in 2016 and is dedicated to 24 high-potential agents for the development of an innovative business model. This course won the Adriano Olivetti prize as the best course in the One-to-One category;
- the Advanced Course in Risk Management for SME Business Specialists, which developed the insurance modules included in the second year of the course.

The ability to engage, manage, control and help to grow the sales network is fundamental in the implementation of the multichannel model for access to products and services which are increasingly targeted and fine-tuned to meet emerging needs, which represents the distinctive element of the UnipolSai product range.

This model is confirmed in the results of the annual survey on agent satisfaction, which expresses the degree of network satisfaction with and loyalty to the company and positioning with respect to the market benchmark. The survey, conducted by Innovation Team (Mbs Consulting Group), provides the **sentiment indicator**, representing the weighted arithmetic average of two indicators: network satisfaction with the product range, service and relationships (weighting coefficient of 60%) and brand top of mind (weighting coefficient of 40%).

In 2015, UnipolSai was below market levels (2.67 vs 2.74), while in 2016 it had already reached its target of improving its positioning compared to that surveyed throughout the plan (3.19 vs 3.12), improving over the previous year and close to a "good" rating. In 2017 UnipolSai confirmed its positive assessment by agents, improving its positioning compared to 2016 (3.28 in 2017 vs 3.19 in

2016) and to the market benchmark (3.28 UnipolSai vs 3.16 market).

The positive assessment of the relationship is also confirmed by the UnipolSai reputational assessment on the part of agents in accordance with the Reputation Institute's Rep Trak® analysis model, which reached 79.8 (73.1 in 2016).

Rising trust and loyalty within the sales network can also be measured based on attractiveness for sub-agents, which grew by 3% in 2017 compared to 2016 (by 18% on the 2015 figure).

# **SUPPLIERS**

UnipolSai Group trading partners (+9.3% on 2016)

€815m paid to suppliers

expenditure for supplies in Italy (+1% on 2016)

46 days average payment time

Pursuing a Purchasing Policy aimed at favouring the creation of value allows UnipolSai to contribute to economic and social development and limit its environmental impact in the areas where it operates, making suppliers a key stakeholder in the UnipolSai Sustainability strategy.

The pillars on which UnipolSai has built its commitment for responsible procurement over time are:

- neutrality in the selection of suppliers through a transparent and impartial process;
- impartiality in accessing bids, on the basis of free and fair competition, giving the same opportunities to everyone;
- ٠ operational, legal and contractual efficiency and security in providing recommendations and operational support to businesses:
- responsibility, integrating social and environmental criteria in supplier selection and management. .

At 31 December 2017, of the €815m paid to suppliers, 98% (+1% compared to 2016) was paid to Italian companies. Excluding the foreign suppliers of the subsidiary Ddor Novi Sad, in 2017 413 suppliers were enrolled in the Register, i.e. qualified, representing the partners with which the UnipolSai Group has an ongoing and significant relationship in terms of size (indeed, they account for 38% of total expenditure) as well as strategic importance of the products/services purchased.

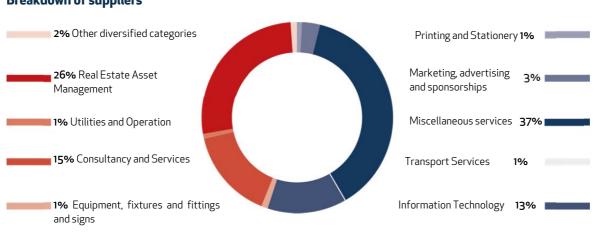
Of the more than 5,300 companies, UnipolSai works with large international groups, SMEs and innovative start-ups and social enterprises (cooperatives, associations, foundations and other organisations offering socially useful goods or services) to satisfy its various purchasing requirements.

# Amount paid to suppliers by region



The figure does not include the company Ddor Novi Sad.

Source: UnipolSai Group Joint Administration, Management Control and Operations Department



#### **Breakdown of suppliers**

Source: UnipolSai Group Joint Administration, Management Control and Operations Department

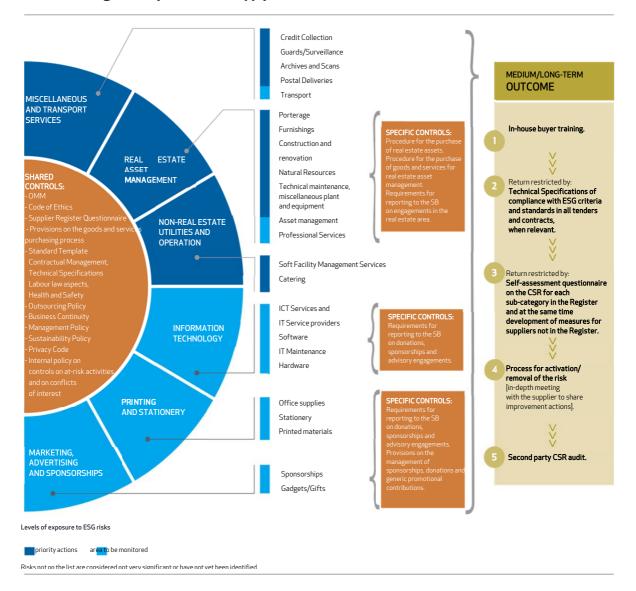
Distribution according to category shows a significant impact of spending, in terms of numbers as well as expenditure, on suppliers linked to Real Estate Asset Management and service providers, with a particular predominance of 'miscellaneous services', which include such heterogeneous services as training, telephone and Internet services, delivery and archiving. While, although it is not as significant in terms of numbers, in terms of value transferred the weight of the Information Technology category is confirmed at more than 13% of the amount paid. The significant share of expenditure for information systems is linked to the centrality of information technologies in the running of Group operations.

# Control of environmental, social and governance (ESG) aspects of suppliers

In accordance with the objectives of the 2016-2018 Sustainability Plan, in 2017 the Group launched its own model for the reduction of environmental, social and governance (ESG) risks along the entire supply chain so as to improve its sustainability management and control system, which it shared with a multistakeholder group of experts. The ESG risks identified according to UN *Global Compact* principles (Labour, Human Rights, Anti-corruption and Environment) were mapped for each product category, assessing the existing exposure and level of control. The risk and control mapping, regularly updated, led to the identification of twenty-four sub-categories that are high-risk for the Unipol Group in ESG terms. Within the high-risk sub-categories, a limited number of sensitive suppliers<sup>28</sup> was identified, to which the tools envisaged in the ESG risk management system will be applied. The tools, from the adoption of a specific code of conduct to self-assessment questionnaires and technical specifications for compliance with ESG criteria and second-party audits, will be implemented next year in such a way as to make them gradually systematic for all purchases managed by the Group Purchasing Department. A dedicated training course for buyers will be developed to integrate these matters within the ordinary purchasing process in accordance with UnipolSai's typical approach.

Once the control system is tested, it will also be implemented on the procurement categories that are less exposed to ESG risks. The chart below illustrates the role covered by the ESG risk management system with respect to the supply chain in the context of the sustainability strategy implemented by Unipol and the Group's responses to the UN SDGs, in particular the goals to ensure decent work and economic growth (Goal 8) and to maintain sustainable consumption and production patterns (Goal 12).

<sup>&</sup>lt;sup>28</sup> suppliers identified as having a high-level reputational risk for Unipol Gruppo, due to their preferential relations associated with the brand or the type of product/service they offer.



#### The ESG risk management system in the supply chain

The Group's ethical, fair and transparent conduct is reinforced in procedures which consolidate the consistency of conduct and relationships with suppliers, which are regularly registered, monitored and selected with a view to long-term partnerships. The **Purchasing Policy** takes shape in the **Supplier Portal** where, aside from highlighting economic and financial capacities and technical/organisational characteristics, the approval process also provides information to guarantee regulatory/legal compliance. In detail, in order to be qualified, suppliers must have viewed the following documents (published in the supplier portal): Organisation, Management and Control Model (pursuant to Legislative Decree 231/2001); Purchasing process and rules of conduct which Group suppliers are required to follow; Code of Ethics and Charter of Values. This translates into commitments by the same suppliers to fight against all forms of discrimination, comply with anti-corruption measures, occupational safety regulations, current laws and National Labour Agreements and ensure to the Group that they have enacted the necessary protections which govern the assignment of activities to external individuals/businesses.

In addition to the information ensuring legal regulatory conformity, financial solvency and qualitative performance, the approval process therefore requires suppliers to provide information relating to their conformity with the **legality rating** and commitment to sustainability, illustrating the extent to which they take account of **and observe social and environmental** aspects. This information is associated with the possession of environmental certifications, the measurement of polluting emissions, the use of non-discriminatory company policies, the promotion of diversity, the cultivation of work-life balance and the management of worker health and safety, in order to enhance the sustainability policies they have already adopted. All of these aspects contribute to giving a rating score that approves the supplier on the whole.

UnipolSai uses this information to check the degree of sensitivity of its most important suppliers to these topics and incentivises a gradual assumption of responsibility as concerns ESG awareness and the development of the resulting measures. In addition to formalising its attention to these matters and their impacts on supplier performance, UnipolSai raises the awareness of selection and control criteria on the part of the suppliers themselves throughout the supply chain.

In the Diversified Companies operating in the sectors of Tourism, Agriculture, Health and Sportscraft, procurement procedures are compliant with the analogous procedures of the Unipol Group founded on the selection and assessment of suppliers through the Group's Supplier Portal. Since 2015, the year of integration within the Group, in order to monitor the supplier payment process, an information system has been introduced: this procedure optimises the flow of order management and minimises errors or delays in activities.

In these sectors, particularly worth mentioning are the food services and laundry procurement areas, in which the **UNA Group** (formerly Atahotels) has decided to privilege long-term relationships with suppliers who have committed to reducing their environmental impact and improving their overall environmental footprint.

Indeed, the food services partners are certified in accordance with the ISO 14001 (Environmental Management System) standard and adopt measures to reduce their carbon footprint: strong incidence of short-range supply chain products and fruits and vegetables from social farming; the adoption of procedures for the optimisation of logistics processes with dedicated software and means of transport with a low environmental impact; the use of packaging solutions meant to reduce weight and volume. The laundry providers selected adopt industrial processes that use 35% less energy than traditional systems and which allow for a global reduction in process water of around 40% compared to traditional washing systems. In addition to this is the use of natural soap detergents and the adoption of transport solutions with a reduced use of plastic materials.

Overall, in 2017 the green products ordered from the multi-catalogue amounted to 37% out of a total of €418k in products purchased.

In line with the partnership approach described above, UnipolSai took concrete steps in collaboration with its suppliers to reduce indirect impacts, i.e., those which derive from activities connected and functional to the core business but which are out of the company's control. Through a system for the online resale of assets recovered from insured events, UnipolSai continued with its asset reuse process that reduces costs and improves profit margins. There are several advantages: for the Company, a net limitation of claim costs, as the indirect costs of settlement to the insured decline, and a decrease in timing for settlement and collaboration with the adjuster in accounting for property; for the insured, the possibility of benefitting from reduced production process interruption times, as recovering assets quickly frees up warehouses, avoiding reputational damage and reducing business down time. If they cannot be sold, the assets are donated to charity organisations. The most significant recovery interventions include the donation of staple food products worth more than €50k in favour of the Banco Alimentare (Food Bank). This is one way in which UnipolSai seeks to favour the full use of resources by extending their useful life, with a view to promoting the circular economy and reducing waste.

# THE COMMUNITY

€8.2m

Total amount of contributions of sponsorships and donations (-8% on 2016 on a like-for-like basis) €1.6m

of the Roman Baths in Petriolo

€75k

of contributions: in favour of Libera - Associations, names and numbers against the Mafia 1.1%

Contributions to the community as a percentage of pre-tax profit (-0.1 p.p. on 2016)

UnipolSai stands out due to its deep roots in and focus on the community, and its continuous and significant support of the areas in which it operates. This support is governed by the "Corporate Sponsorship Program" which identifies five areas: artistic and cultural heritage, the environment, scientific research and social benefits, sports and entertainment.

The adoption of the Corporate Sponsorship Program enabled the clear definition of an internal policy on donations and sponsorships, made actions more effective and facilitated the monitoring of the process for approving projects to be supported.



For more detailed information, see the dedicated page on the website <a href="http://www.unipol.it/en/our-identity/corporate-sponsorship-program">http://www.unipol.it/en/our-identity/corporate-sponsorship-program</a>

In 2017, the total financial resources invested in the Community by the UnipolSai Group reached  $\in 8.2m$  (-8% compared to 2016 on a like-for-like basis), including sponsorships and donations. This figure amounts to 1.1% of the pre-tax profit of  $\notin 760m$ , corresponding to an average contribution per employee of around  $\notin 700$ .

Within the more comprehensive strategy of sustainability and relationships with the community, one of the most important tools for implementing social and civil responsibility initiatives is the Unipol Group's business foundation. In 2017, the contribution to the Unipolis Foundation totalled  $\epsilon$ 750k and is used according to the areas of work defined by its Board of Directors (described briefly below), provided they are in line with the strategic guidelines regarding Group sustainability.

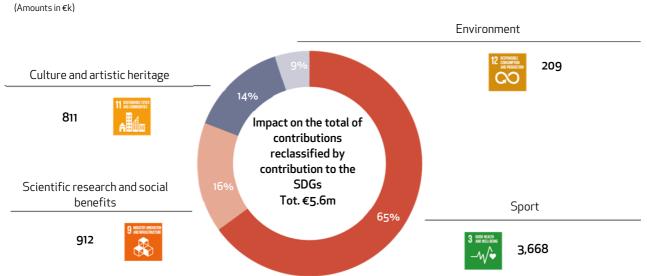


# Contributions to the community according to area and type

\* Excludes the contribution to the Unipolis Foundation. A report on the activities of Unipolis Foundation is published in the Mission Report, available on the website <a href="http://www.fondazioneunipolis.org">www.fondazioneunipolis.org</a>

Source: UnipolSai Group Joint Administration, Management Control and Operations Department

The graph shown below identifies the connections between the areas of intervention of the Corporate Sponsorship Program and the SDGs, highlighting towards which objective 70% of the projects of social and environmental significance supported by the Group and carried out along with civil society players who pursue ends consistent with the Group's values and commitments contribute. Entertainment is excluded from the reclassification.



# Contributions to the community according to SDGs

Source: UnipolSai Sustainability

The year 2017 was characterised by the partnership between **Unipol** and **UNHCR** which, already since 2016, makes it possible to provide life-saving and emergency hospital care - including natural or Caesarean births - to Syrian refugees in Lebanon. This twoyear commitment involves covering 75% - or 90% in more vulnerable cases - of the hospitalisation costs of refugees and of treatment to be provided through the hospital network with which the UNHCR already has agreements. The collaboration between the Unipol Group and the UNHCR also includes a series of awareness-raising initiatives for employees, partners and customers who can contribute to the healthcare assistance programme by making a voluntary donation. Other initiatives supported included:

- in the cultural area, promotion as official sponsor of the XXXVIII edition of the Meeting for friendship among peoples, held in Rimini, and support for the exhibit "Florence in the 1500s. From Michelangelo and Pontormo to Giambologna";
- in the environmental realm, the continuation of the "Bellezza Italia Tuteliamo insieme le meraviglie del Paese" project, the campaign born from the collaboration between the Unipol Group and Legambiente to promote and carry out actions for the recovery and revitalisation of neglected areas of Italy;
- amongst the scientific research and social benefit projects, the promotion of the national Wing4Students competition, the unique Italian edutainment event dedicated to young people for learning English in a fun and innovative manner;
- in the realm of entertainment, the year 2016 saw a continuation of the collaboration with Fondazione Musica Insieme, with the goal of promoting an original artistic formula - combining music and poetry - which aims to create high quality cultural events accessible to the wider public. In the same area, the collaboration continued with Biografilm Festival and Cineteca di Bologna (Bologna Film Library).
- to support youth, amateur and professional sports initiatives, note the sponsorship agreement with the Federazione Italiana Nuoto (Italian Swimming Federation), the Lega Pallavolo Serie A (Italian Volleyball League) and the Federazione Italiana Atletica Leggera (FIDAL - the Italian Athletics Federation) as well as support for the youth segment of Virtus Basket, in addition to our enduring support for Briantea84, a basketball team of disabled players.

A special role is played by **CUBO**, the Group's cultural project in Bologna which provides free meetings, events and laboratories on art, performance, safety, lifestyles, history and the community, with particular attention paid to children and young people, aside from guaranteeing free access to a multimedia library and a space with a driving simulator. In the course of 2017, 416 activities were carried out, involving nearly 34,000 people, of whom 4,000 minors.

The Company has also made a significant commitment to increasing the financial and insurance knowledge and awareness of the general public, particularly young people. The "**Per Gioco Non Per Azzardo**" ("For Fun, Not for Risk") campaign continued, in order to increase the awareness of citizens regarding the risks of promiscuous and compulsive gambling, by supporting the Nomisma

Millennials & Gambling Observatory and organising an interactive exhibition in Milan on the mathematics of gambling in collaboration with "Fate il nostro gioco", which was visited by 6,000 people, of which 4,000 students.

The insurance literacy programme **"Eos, Conoscere l'Assicurazione**" aimed at roughly 2,000 upper secondary school students, became even more widespread, with the "I Casi della Vita" educational project. The project is set up differently for the various school subjects selected by the participating institution and concludes with the development of veritable business projects, to analyse risks and the counter-moves to be deployed through a "disaster recovery plan". In line with the dictates of the "La Buona Scuola" ("Good School") legislation which made work-study programs compulsory, students are able to approach the world of work through laboratories with guided simulations on how to manage business risk.

Lastly, again with a view to increasing awareness and knowledge on insurance and financial topics in Italy, UnipolSai continued its "Welfare, Italia" initiative to study and propose innovative solutions for private and public welfare integration processes. This project has attracted a broad range of institutional representatives and stakeholders, called upon to reflect on the role that the public and the private realms can have together in organising the social/healthcare, social security and welfare services chain (the "White Economy"). This topic is strategic for the development of insurance services and will require a commitment in terms of products, distribution, network training and the regulatory framework.

With respect to the real estate assets, the "**Urban Up**" project, launched in the city of Milan with the renovation of several buildings that are symbolic of the Lombard capital in terms of their historical nature and positioning, continues with the promotion of additional structures in various Italian cities.

This project unites innovation and tradition with a view to highlighting the beauty and importance of the real icons of the Italian urban panorama, reducing the use of the soil and upgrading urban areas with an approach oriented towards green building. One of the most significant urban upgrading activities under way is certainly that relating to the Galfa Tower, near Milan, which had become a place of social degradation lacking in security.

In addition, the area of the **ancient Roman baths of Petriolo**, owned by the Group, is also being renovated and restored as part of a project in collaboration with Ambiente Italia to make these places accessible, safe and a driver for local marketing, while conserving free access and properly managing them as common property. This project, launched with an intense process of participation, both civic and institutional, and developed in partnership with the third sector as well as the public administrations (neighbouring municipalities, the supervisory authorities, etc.), entailed an initial investment of  $\in$ 1.6m in 2017.

With respect to the **Unipolis Foundation**, it has four fundamental areas of intervention - Culture, Research, Safety and Solidarity, and the activities carried out include those oriented towards culture and road safety.

Amongst the former, the most significant is the "Culturability" initiative meant to regenerate spaces to be shared and support innovative cultural projects that upgrade and breathe new life into spaces, buildings and former industrial sites that have been abandoned or are experiencing a transitional phase. Overall, the Unipolis Foundation has made €400k available, including financial contributions for the development of selected projects, support activities for team empowerment and expense reimbursements for participation in support activities.

With respect to road safety, the "Sicurstrada" project to raise people's awareness of road safety and sustainable mobility is broken down into initiatives that are regularly carried out in the area known as "Sicurstrada Live", and the management of the road safety and sustainable mobility portal.

Unipolis also implements and promotes a broad range of significant economic, social and cultural research, studies and analyses, covering the huge transformation taking place at all levels, both nationally and globally, including changes in markets and society. In 2016, together with Tor Vergata University, the Foundation established the Italian Alliance for Sustainable Development (ASviS) with a view to increasing awareness on the part of Italian society, economic players and institutions of the importance of sustainable development by creating a network of all parties involved in achieving one or more of the 17 Objectives of the 2030 Agenda, which in 2017 held its first sustainable development festival with more than 221 events and 2,300 speakers.



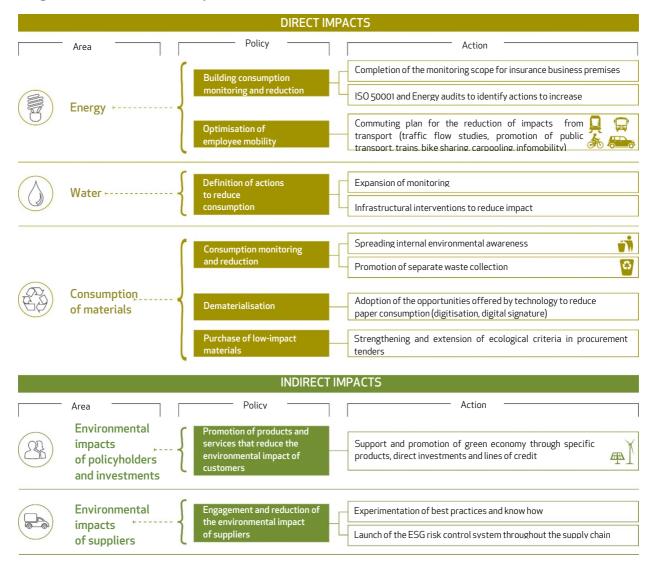
For a comprehensive overview of all of the Unipolis Foundation's activities and projects, please refer to the Foundation's Mission Reports available at <a href="http://www.fondazioneunipolis.org/">http://www.fondazioneunipolis.org/</a>

# ENVIRONMENTAL PERFORMANCE

#### **Environmental impacts**

As the owner of almost all properties belonging to the Unipol Group, UnipolSai adopts and implements the specific policies and commitments of the Unipol Group to reduce its direct and indirect impacts on the environment, also thanks to the involvement of employees, partners and suppliers, which are incentivised and supported by the Group in this sense.

#### Management of environmental impacts



As regards direct impacts, the Unipol Group's environmental performance has improved thanks to the increasing attention it dedicates to the topic of energy efficiency in all buildings owned by the Group and in particular in the main operating sites, where already for some time consumption governance and control measures have been launched to guarantee transparency and continuous monitoring capacity.

As regards the management of **indirect impacts**, the Group is committed to the:

- support and promotion of sustainable companies through investment decisions which take ESG criteria into
  consideration. In this regard, for the sixth year, non-financial risks are monitored every quarter based on the ESG
  guidelines, in compliance with the adopted Principles for Responsible Investment (PRIs). For the selection and reporting
  of private equity, real asset and hedge fund investments which also are relevant for SRI (Sustainable and Responsible
  Investment) purposes, methodological due diligence was conducted which, alongside the usual financial analyses, calls
  for an analysis of social/environmental and governance (ESG) criteria which are continuously revised and updated, and
  the mapping of non-financial risks which could have a reputational impact.
- improvement of the management and prevention of environmental risks with the adoption of best practices by policyholders. In particular, through its offering of insurance products, UnipolSai provides innovative solutions to the market which are aimed at preventing risks linked to climate change as well as post-event management. The commitment to supporting the adoption of risk reduction behaviours at individual and company level is a fundamental lever to boost production system resilience. This is why in 2015 the Unipol Group launched a European project entitled Life DERRIS - Disaster Risk Reduction Insurance to try out an innovative multi-stakeholder collaboration model that involves municipal authorities, insurance companies, the world of research and businesses to reduce the risks caused by extraordinary weather events, developed in 2017 in 10 cities and involving 52 companies. The project aims to increase awareness on business risk profiles and on the relative exposures to risk, as well as the insurability of natural disaster risks. The DERRIS approach appears to be aligned with the orientation expressed multiple times by a number of international organisations (particularly UNEP, the European Union and the OECD), which have recognised and often emphasised the important role that the world of insurance can play in the fight against climate change, especially in terms of the prevention and management of associated risks, by creating and conceptualising new products and services, as well as making long-term investments intended to increase the resilience of residents, businesses and communities. In light of the increasing demand for protection from risks linked to climate change, insurance companies are responding not only with increasingly innovative insurance products, but also with new risk management services in order to mitigate the often devastating consequences of natural disasters (e.g., with disaster recovery and loss adjustment actions). Lastly, the Group is participating in the "Disclosure, Measurement, Management and Mitigation of Climate Change Risk for Companies" research and communications projected promoted by Eni's Enrico Mattei Foundation, which intends to foster scientifically grounded public debate on the risks that climate change poses for Italian businesses.
- promotion of products and services that reduce the customer's environmental impact: this commitment takes shape in the first place in the offer of products that support mitigation processes;
- involvement and reduction of suppliers' environmental impact: In 2017 the Group launched its own model for the
  reduction of environmental, social and governance (ESG) risks along the entire supply chain. The ESG risks identified on
  the basis of the Global Compact principles were mapped for each product category, assessing the existing exposure and
  level of control.

## **Consumption and emissions**

The basis of reporting electricity consumption is based on the concept of "control" again this year.

Therefore, the consumption of the buildings over which UnipolSai has direct control is reported, from the operating sites, to the diversified companies, such as Tenute del Cerro and Marina di Loano, also including the properties in which the UNA Group (formerly Atahotels) carries out its activities.

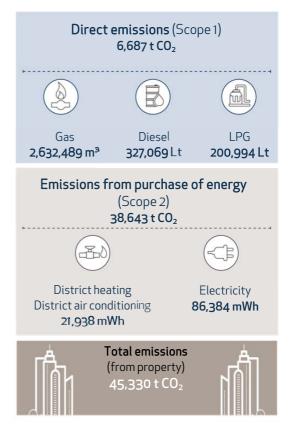
For other sources of energy, reporting includes only the large properties among the operating sites.

For the measurement of climate-changing emissions, the calculation methodology adopted is that laid out in Directive EU/86 of 2003 on the emission trading scheme, in addition to the international classification laid out by the GHG Protocol standard in Scope 1, Scope 2 and Scope 3.

This decision was dictated by the desire to promote greater transparency and comparability of environmental data.

For all properties within its scope, the Unipol Group has committed to reducing  $CO_2$  emissions, as reported in the 2016-2018 Plan, according to which the tonnes of  $CO_2$  per employee should be reduced by 15% by the end of the three-year period.

In relation to emissions generated from employee travel (classified as Scope 3 emissions), the total for 2017 was 5,749 tonnes of  $CO_2$ .



In 2017, the decline in Scope 1 and Scope 2 came to 10% on a like-for-like basis with 2016, and can be attributed to the reduction in total heat and energy consumption as well as the temporary closure of several hotels for renovations.

Consumption was also impacted by the initiatives to increase the efficiency of the information technology structures, among the main sources of energy consumption, after heating, in relation to Unipol's business.

The server virtualisation process allowed a further reduction of around 17,062 MWh/year in electricity consumption for powering and cooling IT equipment, corresponding to roughly 6,852 tonnes of  $CO_2$  not emitted.

In addition, all workstation IT assets and 95% of the server farm equipment have been certified as meeting high energy and green standards, thanks to the careful selection of suppliers (like Energy Star, RoHS). Furthermore, the migrations of different structures which had previously been spread throughout the country to the new core Tier 4 certified Data Processing Centre have been completed.

In 2017, UnipolSai's process of certifying consumption management in all owned buildings continued, and in particular the operating sites, in accordance with the **ISO 50001 standard**<sup>29</sup>. For the 19 buildings certified, the commitment is to reduce electricity and thermal energy consumption by 2% compared to 2014, and based on the certification of 2017 data, the objective was met and renewed for this year. The aim of this objective is to pursue standardisation in the activities carried out, to highlight the tracking and repeatability of the Energy Management System as an integral part of the Certification.

In the future, the Group will continue to be committed to maintaining its downward trend in direct emissions of  $CO_2$  recorded in recent years by coming into line with what has been defined at European level with regard to the achievement of COP21 objectives.

<sup>&</sup>lt;sup>29</sup> a voluntary international standard that provides organisations of any size with a system for optimising the energy performance of all of their processes and for promoting more efficient energy management.

As regards additional environmental impact, the use of water is primarily linked to civil uses; in limited cases it is also used for technological purposes in air conditioning systems. The water used comes from the mains system or other water service management companies.

The total water consumption in 2017 amounted to roughly 850k  $m^3$ : water consumption was determined precisely for the diversified companies and for the large operating site buildings, and with the use of an estimation process for the other insurance offices.

For waste management, the Group followed municipal directives for proper waste disposal, including by changing its processes and procedures to comply with separation rules. The majority of separated waste collected is paper and cardboard. For the Bologna offices, 65 tonnes of waste paper was sent for recycling in 2017.

Waste toner (all meeting current safety requirements and managed at central level also for 98% of the agencies in Italy) and other hazardous waste (neon tubes, batteries, etc.) are disposed of separately in the appropriate manner, in accordance with regulations in force, through specialised firms and in line with the rules on compulsory record keeping.

As one of the most significant environmental impacts in the financial sector derives from paper consumption, the UnipolSai Group has adopted the electronic signature in sales process and dematerialised all personnel management processes as well as all procedures regarding customers for which it is possible to do so, in addition to utilising exclusively sustainable paper meeting the following requirements: ECOLABEL Environmental Certification, ISO 9001:2008 Quality Certification, FSC (Forest Stewardship Council) certified and ECF (Elemental Chlorine Free) certified.



For detailed information on UnipolSai's environmental policies, please refer to the "Sustainability" section of the Unipol Group's website.

# UnipolSai Assicurazioni S.p.A.

Registered Office Via Stalingrado, 45 40128 Bologna (Italy) unipolsaiassicurazioni@pec.unipol.it Tel.: +39 051 5077111 Fax: +39 051 7096584

> Share capital €2,031,456,338.00 fully paid-up Bologna Register of Companies Tax and VAT No. 00818570012 R.E.A. No. 511469

A company subject to management and coordination by Unipol Gruppo S.p.A., entered in Section I of the Insurance and Reinsurance Companies List at No. 1.00006 and a member of the Unipol Insurance Group, entered in the Register of the parent companies – No. 046

> unipolsai.com unipolsai.it



unipolsai.com unipolsai.it

**UnipolSai Assicurazioni S.p.A.** Registered Office Via Stalingrado, 45 40128 Bologna (Italy)