

*Unipol's First Fifty Years.  
A story written looking to the future.*



**On the cover**

*Large Photo:* Unipol Assicurazioni Headquarters, Bologna.

*Small Photo:* Early Seventies, sporting event sponsored by Unipol.

Unipol Gruppo Finanziario  
2012 **Sustainability Report**  
Summary

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## Letter from the Chairman

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"(...) The Values and the Sustainability strategy on which Unipol bases its identity and its way of doing business are not a sort of new ideological constraint but represent the most modern and advanced way of competing in the market. In recent years, in fact, we have experienced the much-talked-about bankruptcy of competitive models that relied on speculation and maximizing very-short-term gains irrespective of any other ethical and moral consideration and the social and environmental consequences.

From this point of view Unipol is proof that it is possible to do business – and do it successfully – while paying attention not only to the economic and profitability aspects, which are essential, but also to social and environmental aspects. Moreover, these last two are powerful factors for growth because they represent the best way of responding to the requirements and demands of individuals and communities, thus restoring to the undertaking – and to the entire financial system – the social role of creating real wealth and value for everyone who shares common interests and purposes with the undertaking. This social role is especially important for an insurance group whose mission is to protect individuals and their possessions from risks. (...)"

**Pierluigi Stefanini**

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## Letter from the Chief Executive

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"(...) However we must react to the crises by endeavouring to seize the opportunities that present themselves to change and promote innovation and new equilibriums. That's what Unipol has done when making its choices over the past year, starting with the fundamental decision: the acquisition of the former Fondiaria-Sai Group – an operation that made it possible to safeguard the rights of millions of customers, the work of thousands of people, employees, agents and consultants and along with it a wealth of expertise and professionalism of immense value to the entire country. Moreover, it ensured that Italy would remain financially sound despite the turbulence in the markets. With the support of its shareholders Unipol carried out an operation – promoted and developed in absolute compliance with regulations and the provisions of the Supervisory Authority – fully in line with a responsible and far-sighted entrepreneurial approach, conscious of the social role of the undertaking and that of insurance business in particular. (...)"

**Carlo Cimbri**

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## Procedural note

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This Report includes the companies in the Unipol Group before control of the Fondiaria-Sai Group was acquired during the year. The document is divided into three sections – financial, social and environmental – each reporting on the impact of Unipol’s activity on its various stakeholders. In order to point out the synergies between areas of business, and in the expectation of the expansion, in future, of the scope of reporting, Group business is reclassified according to sector: Insurance, Bancassurance and Banking, with the figures analysed covering more than one company.

The reporting process makes use for the first time of **SAP Sustainability** software, which collects all data, both quantitative and qualitative, from the various companies in the Group. The system makes it possible to integrate the accountability process with all the IT systems already used by the Company in such a way as to bring into line and administer the Group’s financial, social and environmental performance systematically and using a single tool. In order to guarantee maximum transparency and full information all the indicators also include indicators required by the main ESG funds. New indicators resulting from the work of monitoring the Sustainability Plan have also been used, thus increasing the number of indicators of results.

The contents are based on the **G3 guidelines developed by the GRI** (Global Reporting Initiative) for evaluating the economic, environmental and social services provided by businesses, and in particular the supplement relating to the financial sector. Particular attention has also been paid to the most important aspects of the relationship between the undertaking and its principal Stakeholders.

The Ethical and Social Responsibility Department drew up the Report, with all the Managers involved in identifying the priorities and the principal elements that were a feature of the year, whilst the Sustainability Contacts, appointed for each Department and Company in the Group, collected data from the various people in charge of the work and helped to process it.

The Unipol Group's primary objective is to improve the quality of life of its customers by providing them with protection, assistance and security throughout their lives. In order to do so it has adopted an entrepreneurial strategy that is effective, profitable and sustainable and is based on the contribution made by its employees and the value that they add. Following this approach, the Group is aware that its **Values** of Accessibility, Looking ahead, Respect, Solidarity and Responsibility, along with the guidelines laid down in the **Code of Ethics**, inspire it to pursue policies for growth that express its identity in the market and in the community. This identity has been strengthened in the fifty years of the history of Unipol, from 1963 to the present day, during which the target markets have been developed and the Group has undertaken to ensure transparency and control, rigour and financial strength, competitive ability to create value for all its stakeholders with a view to achieving sustainability.

2012 marked the end of the **2010-2012 Business Plan**, which gave a boost to the Unipol Group as a result of the focus on the insurance sector and the significant return to operational efficiency and profitability.

The Unipol Group's financial strength and reliability enabled it, during 2012, to intervene in the crisis that struck the Fondiaria-Sai Group by launching the rescue package and the associated integration plan.

At the same time this operation was an extraordinarily valuable contribution to the national economy and to the financial stability of Italy, which was grappling with an unprecedented crisis in the public finances. For Unipol it was a choice that confirmed its commitment to generate responsibility and faith in the future, for the Group and its Stakeholders and for the entire nation.

**The aim of the integration plan between the Unipol Group and the Fondiaria-Sai Group** is to become the leader in the Non-Life insurance market in Italy and to consolidate the Group's financial strength as a result of good business performance. The acquisition operation was possible thanks both to the experience the Unipol Group has accrued over the past few years in operations to restructure the insurance portfolio and to its ability to improve profitability by rationalizing operational procedures and the corporate structure. The effectiveness of the current rationalization of investments will create business synergies in the medium term (return to Non-Life profitability, costs, improved productivity).

The integration plan has begun with the work of drawing up operations and guidelines for the **2013-2015 Business Plan**. It has involved all the companies concerned and identified the synergies to be implemented in order to meet the targets. The work has been divided among 26 workshops, which in turn have been subdivided into 72 smaller workshops. In order to help in the achievement of the technical and financial targets of the Business Plan the working groups have planned more than 350 processes, involving approximately 800 people in the companies in the new Unipol-Fondiaria-Sai Group.

As part of the process of merging the companies in the former Fondiaria-Sai Group into the Unipol Group two tools for managing sustainability have been set up – a 'platform' for helping all the working groups to forge a closer link between sustainability and strategic choices and a 'workshop' with the task of drawing up and planning the best methods of providing and updating tools for managing sustainability within the integrated Unipol Group.

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## Managing sustainability

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The importance for Unipol of a business approach that considers sustainability to be a strategic lever can be seen not only from the fact that **the Sustainability Department is included in the working groups dealing with the merger and the Unipol Group's associated 2013-2015 Business Plan** but also from the results of the **2010-2012 Sustainability Plan**.

Concluded in December 2012, the three-year Sustainability Plan involved all the Departments in collecting 160 quarterly monitored indicators, the progress of which was presented half-yearly to Senior Executives and the Board of Directors' Sustainability Committee. Almost 60% of the measures provided for were carried out, including major work on strengthening the system of governance and measures to increase the value offered to Stakeholders. Only 7% of the measures were never started, to which must be added a further 7% that did not reach the sustainability targets set. The remaining measures are still ongoing and will be fully operational in the **2013-15 Sustainability Plan**. Of the measures required for responsible corporate governance, the publication of the 2013 Sustainability Budget, drawn up for the third year for company use, and the inclusion of sustainability criteria in the bonus scheme for senior executives following the acquisition and merger of the Fondiaria-Sai Group have been suspended and postponed until the new business activities of the new Group structure have been consolidated.

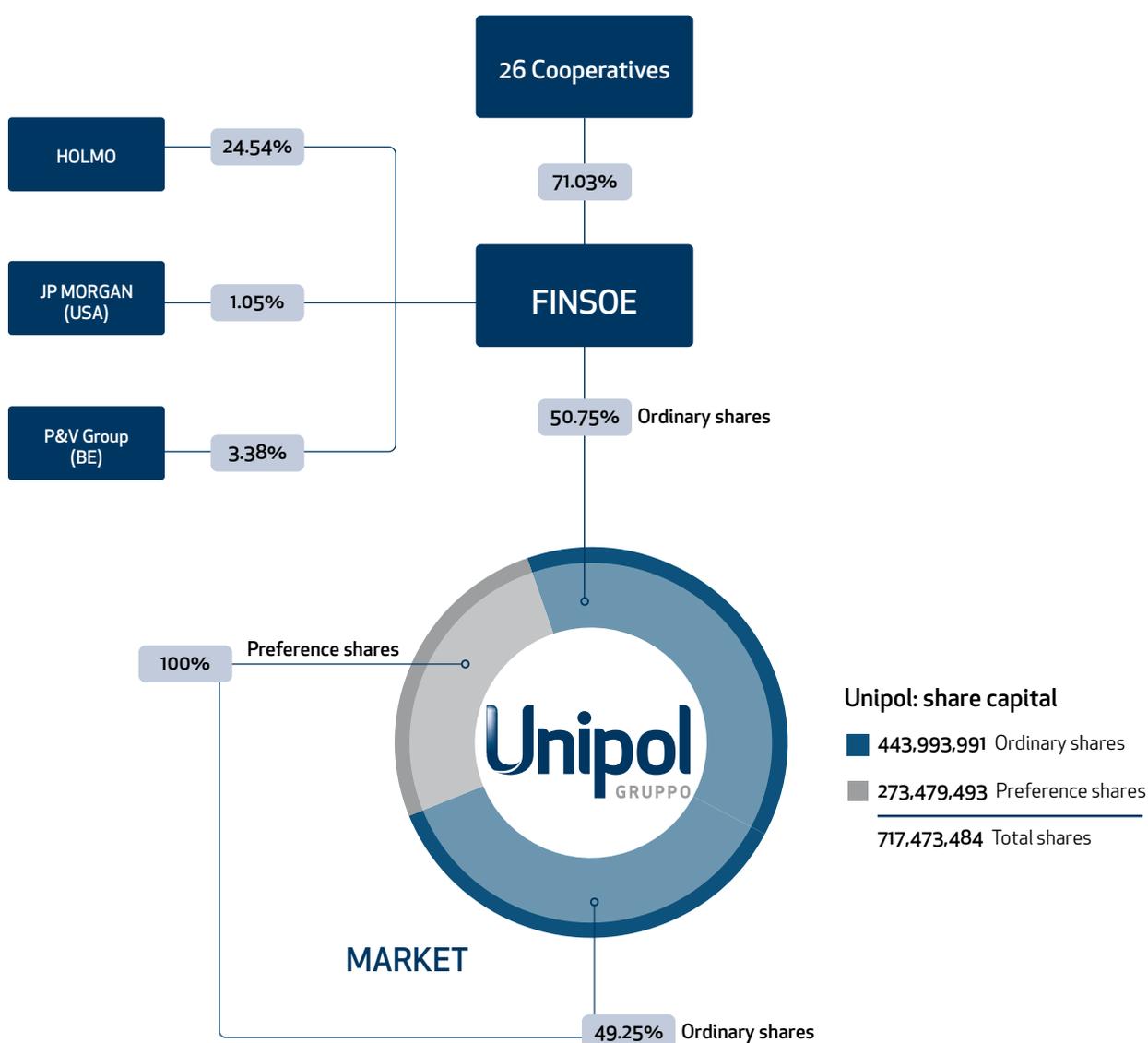
In order to improve the quality and traceability of data and integrate the work and results of the subsidiary companies, the decision was made to introduce an automated computerized system for collecting and processing data and indicators, starting with the 2012 Sustainability Report (SAP Sustainability Performance Management).

To this was added Unipol's usual commitment to develop ideas on the topic of sustainability through active membership of the relevant associations and networks. Membership of Impronta Etica, the Forum for Sustainable Finance and the CSR Manager Network is particularly relevant.

## Group structure

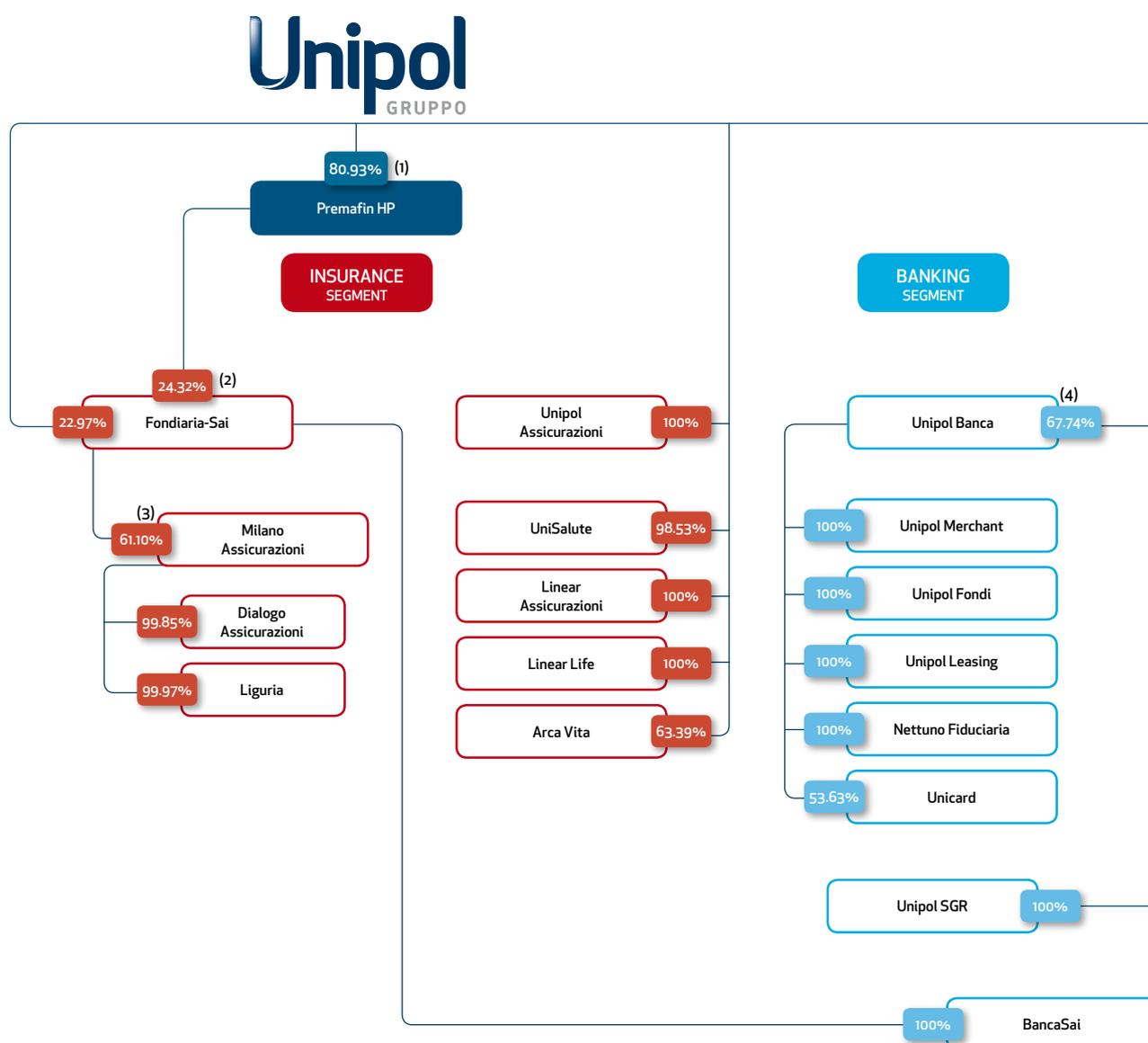
Unipol Gruppo Finanziario S.p.A., the listed holding company – which manages and coordinates all the other subsidiaries, including those belonging to the former Fondiaria-Sai Group, which was acquired during 2012 – is controlled by Finsoe S.p.A., which continues to hold 50.75% of the ordinary share capital (31.40% of the total capital). In turn Finsoe is controlled by 26 Cooperatives, which have a majority holding of 71%.

## Shareholding structure



The Unipol Group operates in three sectors: Insurance, to which Unipol Assicurazioni, Linear Assicurazioni, UniSalute, Linear Life, Fondiaria-Sai, Liguria Assicurazioni, Dialogo and Milano Assicurazioni belong; Bancassurance, in which the Arca Group operates along with Arca Vita and Arca Assicurazioni; Banking, in which the Unipol Banca Group operates along with Unipol Merchant, Unipol Leasing, Unipol Fondi, Unicard and BancaSai.

The organizational structure was modified during the year because of the change in the size and complexity of the corporate structure as a result of the merger of Unipol Assicurazioni with Fondiaria-Sai, Milano Assicurazioni and Premafin. There was further centralization in the holding company of the functions and departments dealing with strategy, management, coordination and control, in other words management of services across the two sectors, banking and insurance, the aim being to ensure consistency in the work of guiding, coordinating and controlling the newly acquired companies. This involved creating five new Area General Offices reporting direct to the CEO and General Manager: Human Resources Area General Office, Legal, Corporate and Shareholdings Area General Office, Finance Area General Office, Administration and Operations Area General Office and Planning, Property and Other Companies Area General Office.



(1) Interest of 0.85% held by Fondiaria-SAI and interest of 0.43% held by Milano Assicurazioni

(2) Interest of 3.09% held by Finadin

(3) Interest of 2.3% through other controlled entities

(4) 100% controlled through Unipol Assicurazioni which owns an interest of 32.26%

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## Governance and control system

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Unipol Gruppo Finanziario's system of **governance** is based on a clear distinction between management functions and those of guidance and control and on a traditional organizational model with a Board of Directors, a Board of Statutory Auditors and a Shareholders' Meeting as its principal corporate bodies. For greater incisiveness and efficiency the Board of Directors is divided into six Committees that offer advice and make suggestions: the Management Committee, the Appointments and Corporate Governance Committee, the Remuneration Committee, the Internal Control Committee, the Committee for Related-Party Transactions and the Sustainability Committee/Ethics Committee.

Following the reorganization of the Group's companies and departments and the incorporation of the New Self-Governance Code of the Italian Stock Exchange for Listed Companies, the **internal control system** was revised to take account of relevant legislation and best international practices.

In particular the Unipol Group's internal control system includes rules, procedures and organizational structures and is split into several levels: the **Internal Audit** department, the **Compliance** department and the **Risk-Management** department, which reports to the Board of Directors. The first carries out an annual audit of Unipol Gruppo Finanziario and the subsidiaries, the Board of Directors fixes its duties, powers, responsibilities and reporting procedures. Amongst the most important work carried out in 2012 was the completion of the electronic-audit project for the claims-handling departments, which had begun several years previously.

The aim of the Compliance department, which is responsible for evaluating the suitability and efficacy of procedures, processes and internal organization, is to prevent the risk of incurring penalties, loss of equity or damage to the Group's reputation. In implementing the internal control system the Compliance department liaises with the Anti-Money-Laundering section, which continuously monitors activities to ensure that the provisions of Legislative Decree 231/2007 are observed, and with the Senior Executive responsible for drawing up the Company's accounts.

The Risk-Management department is responsible for evaluating the combination of the various risks at Group level, helps Senior Executives to evaluate the structure and efficacy of the Risk-Management System, reports its conclusions to the Senior Executives and the Board of Directors, highlights any deficiencies and suggests ways of resolving them in line with the best market practices and in accordance with the regulations laid down by the Supervisory Authorities. In order to ensure that the system of corporate governance, risk-control and -limitation and compliance with legislation remain in line with one another, during 2012 the Unipol Group launched the 'GRC Platform (Governance, Risk and Compliance)' in order to provide a package that guarantees an integrated business approach to the work of monitoring and analysing processes, risks and controls carried out within the Group in order to make it more comparable and comprehensive and therefore more reliable.

## Consolidated Financial Statements

On a like-for-like basis (without the companies in the Fondiaria-Sai Group) the Unipol Group ended 2012 with a **consolidated profit of €269m**, exceeding the target of €225m laid down in the 2010-2012 Business Plan, proof of the improvement in business performance in the three-year period in question.

The Group's insurance business ended with a pre-tax profit of €568m (€331m on 31/12/2011), to which Life business contributed €110m (€77m on 31/12/2011) and Non-Life business €459m (€253m on 31/12/2011).

The **improvement** in Unipol Assicurazioni's **profitability** was due to rationalizing the portfolio, making underwriting policies more selective, monitoring the claims-handling process and reorganizing the network of agencies. Despite the difficult economic situation the return to previous levels of profitability was helped by the excellent performance of Life income, which was up 1.8% to €2,521m, whilst Non-Life income was down 2.5%, to €4,224m. On a like-for-like basis total premiums (direct and indirect premiums and investment products) amounted to €6,771m on 31 December 2012, 1% down on 2011.

On a like-for-like basis direct **Non-Life business** continued to improve and recorded a combined ratio<sup>1</sup> of 94.2% on 31 December 2012 (91.9% if the consequences of the earthquake that struck Emilia in May 2012 are excluded) compared with the target of 97.5% for 2012 laid down in the Business Plan.

**Life business** was slightly up thanks to €456m in income from two new guaranteed closed-funds mandates (Fon.Te and Previmoda) for Unipol Assicurazioni.

Thus the Unipol Group strengthened its position as a leading player in the supplementary-pension market according to both number of mandates and funds managed.

On the other hand there was a drop in all the other classes affected by the crisis in insurance saving caused by Italians' reduced ability to invest.

The commitment to improve customer service by making the most of the network of Life Tutors, who are Company employees, and specialist agency staff (Agency Life Contacts) continued, with more than 150 individuals receiving training.

A gross return of approximately 4.5% was obtained from **managing insurance assets** in 2012. In view of the continuing uncertainty in the financial markets, especially as a result of the political and economic situation in Italy, the Group's investment strategies continued to be prudent and aimed at maintaining an appropriate balance between risk and yield and hence between assets and liabilities to policyholders.

2012 was the year in which all the **agencies** adopted the new Agents' Agreement, one of the principal new elements of which is that it links agents' commission income to their contribution to the Company's technical profitability.

In **banking business** direct customer deposits amounted to €9,914m, an increase of 3.5% (€9,583m on 31/12/2011), whereas lending to customers was little changed at €10.1bn (+€86m, +0.9% compared with 2011). In particular, under the guidelines for growth and strategic concentration on individual customers and small and medium enterprises, which form Unipol Banca's core business, work on improving the equity and liquidity profiles continued. Because of this policy and despite the continuing economic crisis and the relative deterioration in the credit risk, with the resultant significant strengthening of provisions for deteriorated loans, this sector was once again profitable in 2012.

As regards **operational efficiency**, investment in the new IT system and keeping costs down for the entire Unipol Group continued by centralizing the management of several categories of expense and standardizing operational procedures. The new computerized claims system was developed and the new system of property management was implemented.

In order to guarantee structured profitability in the long term, the Group continued to consider **financial strength** to be a prerequisite in the planning, budgeting and recording processes and in the bonus scheme for the Group's senior executives, especially in view of the volatility in the financial markets over the past few years.

<sup>1</sup> - This indicator measures the balance on Non-Life technical business and is the sum of the expense ratio (ratio between total operating expenses and direct premiums recorded) and loss ratio (ratio between the cost of direct claims and direct premiums for the period).

# Economic performance

## Summary of the Group's most significant figures

Source: 2012 Consolidated Financial Statements

Amounts in €m

	2012	2011*
Direct insurance premiums	6,745	8,921
Direct customer deposits	9,914	9,583
Net premiums	6,583	8,679
Net commissions	93	103
Net returns on investments**	949	834
Net charges relating to claims	-5,746	-7,943
Net operating expenses	-1,391	-1,382
Pre-tax profit (loss)	434	-266
<b>Consolidated profit (loss)***</b>	<b>269</b>	<b>-93</b>
<b>Group net result</b>	<b>252</b>	<b>-108</b>
<b>Result of the statement of comprehensive income</b>	<b>960</b>	<b>-564</b>
Investments, cash and cash equivalents	37,571	34,167
Technical provisions and financial liabilities	36,355	34,868
<b>Equity attributable to the owners of the Parent</b>	<b>-</b>	<b>3,078</b>

\* These figures don't include the amounts as at 31/12/2011 of Bnl Vita, which was sold at the end of 3Q11.

\*\* Excluding assets/liabilities at fair value.

\*\*\* The result as at 31/12/2011 was recalculated following changes to the measurement criteria of actuarial profits and losses relating to defined-benefits pension plans (IAS 19).

## Consolidated results for the new 'Unipol Group'

The Unipol Group's consolidated result on 31 December 2012 under the new Group structure, hence including the Premafin/Fondiarria-Sai Group, was €469m, €269m of which related to the stand-alone Unipol Group and €200m to the contribution of the Premafin/Fondiarria-Sai Group for the period 1 July 2012 to 31 December 2012. This positive contribution, which was of a purely accounting nature, was a direct consequence of valuing the assets and liabilities at fair value on the date of acquisition and applying the accounting standards used by the Unipol Group, as provided for by IFRS 3 for business combinations. Under the new Group structure, including the premiums of the Premafin/Fondiarria-Sai Group for the whole of 2012, the Unipol Group recorded direct consolidated insurance income of €16.8bn (-4.8% compared with 2011), €10.6bn in Non-Life business (-6.6% compared with 2011) and €6.2bn in Life business (-1.7% compared with 2011).

## Added value

Added value represents the link between the Consolidated Financial Statements and the Sustainability Report and expresses the wealth produced by the Group during the year as the difference between production revenues on the one hand and the costs of insurance and banking services for acquiring goods and services on the other.

**Net total added value was €2,015.9m** in 2012, a significant increase compared with the previous year. This result was affected by the increase in net investment income and major reductions in the cost of claims, operating expenses and other costs and expenses.

The figures in table 7.2 show that in 2012 all categories of stakeholder of the Group enjoyed a positive distribution of the added value. The amount distributed to employees and external consultants was more than in 2011 because of the rises granted under the Unipol Supplementary Labour Agreement. The drop in added value distributed to agents and intermediaries compared with the previous year was due to fewer premiums being collected in 2012. The amount distributed to the Government, mainly corporation tax, was positive since the Companies in the Group ended the financial year 2012 with results that brought them above the tax threshold. The amount

distributed to Shareholders and Members was from Parent company's dividends (€113.1m) and the distribution to third parties of the dividends of the subsidiary companies (€34.7m). Amounts retained by way of allocations to provisions also benefited from the good result achieved by the companies in the Group, whilst the contribution to the Group as a whole remained almost unchanged compared with 2011.

Distribution of added value

Source: Administration and Operations Department

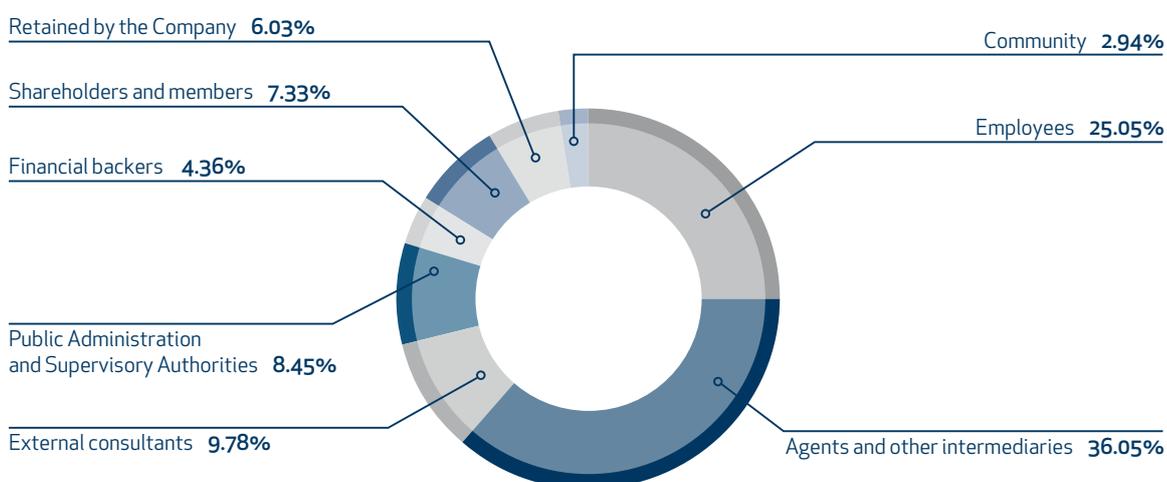
Amounts in €m

	2012	2011	2010
Employees	505.1	494.8	496.7
Agents and other intermediaries	726.8	872.8	780.9
External consultants	197.2	201.0	203.5
Public Administration and Supervisory Authorities	170.3	-343.8	147.3
Financial backers	88.0	101.7	95.8
Shareholders and members	147.8	0	0.1
Retained by the Company	121.6	-93.9	71.0
Community	59.2	61.4	57.3
<b>Consolidated net added value</b>	<b>2,015.9</b>	<b>1,294.0</b>	<b>1,852.6</b>

The majority of the amount redistributed in 2012 went to employees (25%), agents and distributors (36%):

Distribution of added value in the year 2012

Source: Administration and Operations Department



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### Shareholders

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As a result of the variations made to take account of the project to acquire the Fondiaria-Sai Group, Unipol Gruppo Finanziario's share capital at the end of 2012 was €3,365,292,295.47, represented by 717,473,484 shares with no face value. Of these, 443,993,991 were ordinary shares, 50.75% of them owned by Finsoe S.p.A. and 49.25% by the market, and 273,479,493 were preference shares.

The capital increase of €1,100m carried out in the Summer of 2012, which provided the capital and reserves needed to support the merger, had a considerable impact on the Stock-Exchange performance of shares, which were down, although by the first quarter of 2013 the price was significantly up and they were selling well.

At the same time the average countervalue of exchanges of shares in 2012 was up 31% for ordinary shares and 6% for preference shares. This was presumably linked to investors' greater interest in Unipol securities, partly as a result of the merger with Fondiaria-Sai, which changed the structure and the future of the Group, and to the increase in the number of shares in circulation as a result of the capital increase.

**Investor Relations** continued to provide the market with adequate and timely information about the Company's financial affairs in 2012, the aim being to improve the Group's visibility and attractiveness to investors, ensuring that information on the financial instruments in circulation was transparent and properly disclosed. Nine roadshows were organized to publicize the capital increase carried out during the year (3 in Italy and 6 abroad) and 61 meetings/conference calls with investors, attended by 77 companies and 101 individuals, were held. There were also meetings with nine analysts who follow Unipol securities.

#### Investment policies

An important contribution to making the most of the investment made by its shareholders came from the prudent asset-management policy carried out in accordance with resolutions passed by the Boards of Directors relating to Group **Investment Policy**, in other words the criteria on which investment policy is based, the types of asset in which it is deemed appropriate to invest and the composition of the portfolio of medium-long-term investments (Strategic Asset Allocation).

The commitment to maintaining a high standard of portfolio quality in terms of financial strength and issuer diversity was translated into focusing on bonds and especially government bonds. Long-term investment was also based on reducing total exposure to the share market and concentrated on investments in securities characterized by expectations of low volatility and a high dividend.

To prove the sustainability of its profile, as laid down in the 2010-2012 Sustainability Plan Unipol Gruppo Finanziario assessed the extent to which individual investments included ESG criteria (Environmental – Social – Governance), in order to combine economic and profit objectives with social, environmental and governance objectives. Analysis made it possible to identify the scope and the exclusion criteria to be applied based on the level of compliance to the ESG principles of each issuer. The **Sustainability Assessment** also covered investments in financial instruments, excluding Investment Trusts (unit trusts set up and managed by SGR, Open-Ended Investment Companies), carried out direct by Unipol Assicurazioni S.p.A. on its own account or on behalf of the companies in the Group and the Parent, including investments in assets held as a hedge against technical provisions and investments in open-ended and unit-linked pension funds managed direct by the Group. Also included were investments in the equity of the companies in the Banking Group. Thus investments worth more than €21bn were subjected to sustainability screening.

2 - The UN Global Compact was drawn up in 1999 on the initiative of the Secretary General of the United Nations, Kofi Annan. It is a code of ethics aimed at encouraging the private sector, especially businesses, to sign up to ten global ethical criteria subdivided into four areas: human rights, protection of the environment, employee rights and the fight against bribery and corruption.

In the case of companies the **exclusion criteria** on which the assessment was based were:

- direct or indirect manufacture of unconventional weapons;
- involvement in serious or systematic infringements of human and employment rights;
- involvement in serious environmental damage and absence of a strategy for the effective management of the company's environmental impact;
- involvement in serious episodes of bribery and absence of a social strategy and a system of governance for the proper management of relations with the various stakeholders.

In the case of countries, exclusion relates to insufficient regard to the principles of the UN Global Compact<sup>2</sup>, respect for human rights, employee rights and the environment and the existence of democratic institutions.

**98.1% of investments screened complied with the above-mentioned criteria on 31 December 2012.**

3 - The World Bank: 'Food Price Watch' February 2011; video <http://www.youtube.com/watch?v=T1hhQGc78Ws>

4 - World Development Movement: 'Broken Markets' September 2011, page 13; information provided by the Commodity Futures Trading Commission. According to this research, in fifteen years (June 1996 - June 2011) cereal futures on the Chicago stock exchange in the hands of speculators rose from 12% to 61% and in five years, from 2006 to 2011, their assets doubled, from \$65bn to \$126bn.

5 - 'Land grabbing by pension funds and other financial institutions must be stopped' Civil society statement on the finance of land grab, June 2012. Submitted by 65 NGOs (including Friends of the Earth, Oxfam, ActionAid, Grain etc.) at the Agriculture Investment Summit held 26-29 June 2012 in London; 'Letter to Barroso from 100+ organisations on biofuels' April 2012. Letter written by 104 NGOs to the chairman of the European Commission, José Barroso, to ask that ILUC (Indirect Land Use Change) be taken into account in the forthcoming decisions on European policies on biofuels.

6 - 'International Scientists' and Economists' Statement on Biofuels and Land Use' December 2011. Letter to the European Commission signed by the World Bank's technical manager for renewable energy, Daniel Kammen, the Nobel prize-winner Kenneth Arrow and more than 200 scientists and economists who are experts in climate and energy.

7 - [www.eutransportghg2050.eu](http://www.eutransportghg2050.eu) "EU Transport GHG: Routes to 2050? Cost effectiveness of policies and options for decarbonising transport" 2011.

At the same time as attention was being paid to the ESG criteria, various investments were made in 2012 in businesses that support projects in Italy and abroad that had the aim of reconciling profitability and risk-management in the areas of social and environmental sustainability. The Unipol Group retained investments in the Green Economy, placing its faith in several companies in the renewable-energy sector, and confirmed its social commitment by investing in a fund in the social-housing sector: at the end of 2012 this type of investment amounted to approximately €23m.

As for **ethical investments**, Unipol Assicurazioni's range of pension products, both occupational pension funds and open-ended pension funds, included specific subfunds managed in accordance with socially responsible investment criteria. €1.3bn of occupational funds, where total assets amounted to approximately €3.5bn, had a specific ethical dimension, whilst more than €53m of assets in open-ended pension funds were managed according to socially responsible criteria.

In drawing up its investment policy Unipol is conscious not only of the domestic dimension but also of broad social themes of world-wide interest. One of the most controversial and worrying topics that has emerged in the years since the economic crisis began is speculation in the **agricultural commodities** market (soft commodities). In fact over the past few years the increase in prices of basic foodstuffs has had devastating effects in many of the poorest countries in the world: in 2011 the World Bank calculated that there had been a net increase in extreme poverty affecting approximately 44 million people as a consequence of the increase in food prices<sup>3</sup>. Surveys following the increase in food prices in 2007-2008 showed that the volatility of these prices had increased, in frequency and intensity, because of the enormous increase in financial speculation, especially on the futures market, originally used by commercial operators to protect themselves from the unreliability of future harvests but subsequently principally used by investment groups in order to make a profit<sup>4</sup>.

In view of the seriousness of the role played by speculation in recurrent food crises, which have contributed to the starvation of the world's poorest people, Unipol is duty-bound to declare that the Group has neither speculated nor invested direct or indirectly in the agricultural commodities market. **The Group has not operated in these markets either on its own behalf or on behalf of customers.**

To this must be added that when investing in property the Group has never in its entire history taken any type of coercive action nor has it acquired land in any developing country. The Group can therefore affirm that it has never carried out any **land grabbing**, in other words large-scale coercive expropriation of land in developing countries. The Group has decided to adopt a precautionary approach to protect the rights of those who are not in such a strong position, conscious of the fact that this is a controversial matter that has given rise to a lot of debate and tension since the global crisis in food prices in 2008, as confirmed by the growing concern expressed by representatives of civil society<sup>5</sup>, academics<sup>6</sup> and agencies of the European Commission<sup>7</sup>.

Finally, Unipol pays a lot of attention to **being proactive in its rôle of shareholder** in order to foster within the companies in which it invests the values of sustainability and social responsibility that form part of the Group's mission. As a member of Euresactiv, the European network of mutual societies and insurance companies, which enables its members to share their non-financial analyses and recommendations for voting in the general meetings of shareholders of listed companies, Unipol indicated how others should vote in the general meetings of shareholders of Italian listed companies.

The rules of engagement are a constant even when acting on behalf of third parties. In order to guarantee maximum transparency and a full understanding of the features of the investment Unipol Gruppo Finanziario organizes meetings and discussions with companies, unions, members and potential members on themes such as strategies for managing and compiling portfolios, structure, distinguishing features, services and costs of products, legislation and tax, updates on changes in pensions legislation and advisory services for individual members/customers.

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## Employees

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In the Unipol Group employee management focuses on the individual and is based on equal opportunities, professional development and recognition of expertise. The organization has created a **system of training** that permeates employees' entire professional careers, developed **a range of supplementary welfare benefits** that responds to the new requirements and guaranteed to improve wellbeing at work in terms of **safety, preventing ill-health and safeguarding good health**.

### Staffing trends

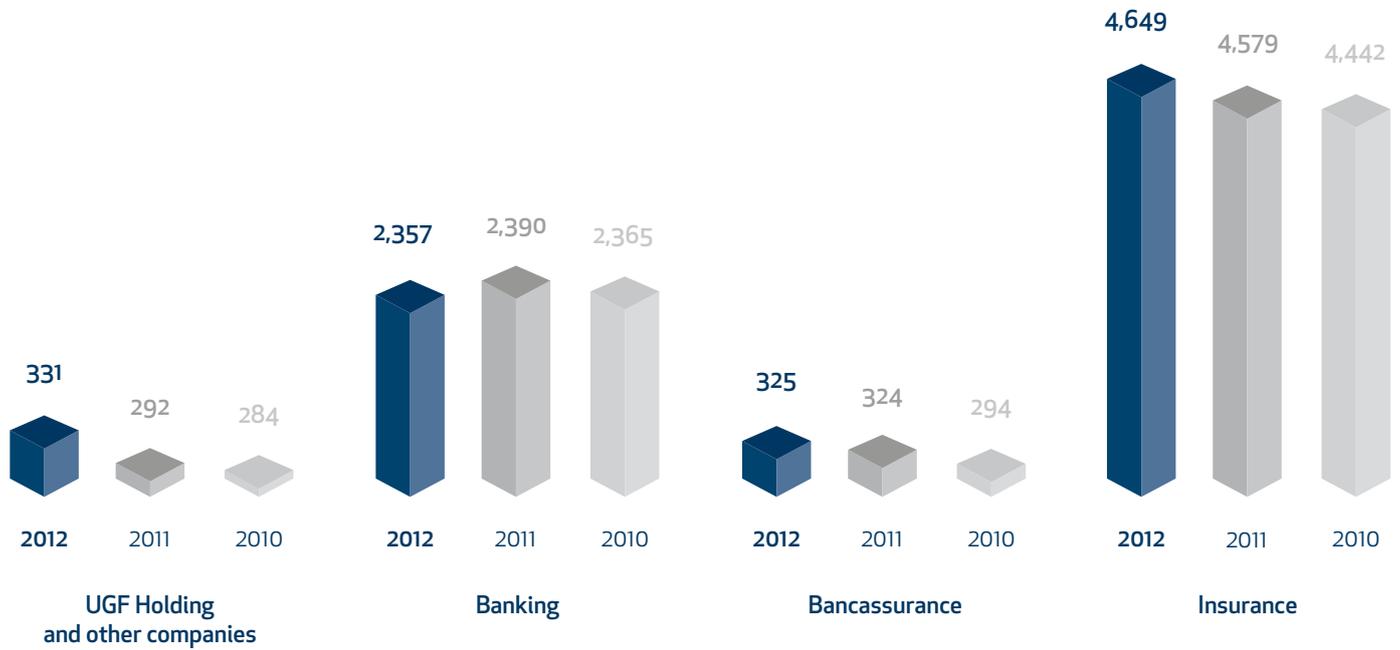
The companies in the Group had 7,662 employees on 31 December 2012, 4,649 in Insurance business, 325 in Bancassurance and 2,357 in Banking. With 52.75% of all employees, women continued to be in majority in the Group.

The Group continued to invest in **new jobs** (an increase of 1%), particular attention being paid to the younger generations, with 131 young people being taken on following placements during 2012.

**Turnover**, i.e. the ratio between the sum of the number of people taken on and those leaving and the total number of employees, was 7%. To this must be added the 19 employees transferred between various companies in the Group, which represented an opportunity for professional development and for expertise to be recognised and mainly involved Call-Centre staff.

Staffing trend

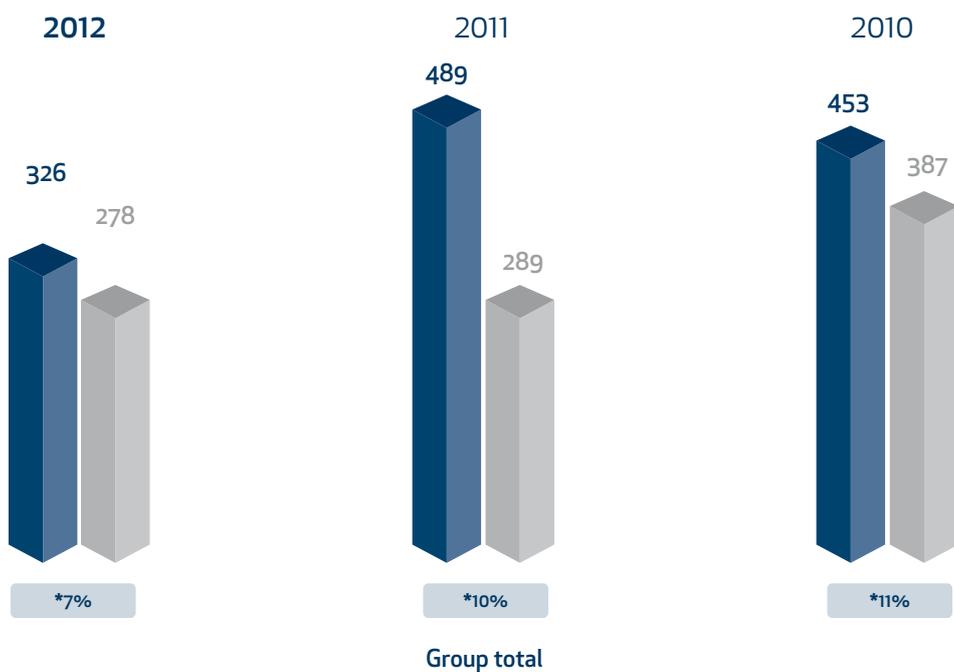
Source: Human Resources and Organisation Department



Turnover

Source: Human Resources and Organisation Department

■ Recruits  
■ Leavers



\* Turnover ratio: ratio between recruits + leavers and total employees

## Employee health and safety

In order to ensure the health and safety of employees, in addition to routine tasks such as monitoring the working environment and arranging health checks and those related to compliance with legislation, other initiatives were developed such as including work-related stress in risk assessment and setting up a certified model for dealing with safety.

Linked to the specific initiatives to safeguard the health of employees were prevention campaigns, which made full use of the infrastructure (sick-rooms at work, approved centres and network of services provided by UniSalute) to reach all employees in the head offices and local offices. These initiatives, by means of which the Group confirmed its commitment to promoting the culture of safety in accordance with the guidelines laid down in the Unipol Supplementary Labour Agreement, were supplemented by numerous classroom-based and distance-learning training courses on safety for all employees.

As regards **monitoring health and safety**, a lot of work was done in 2012 on property in order to make offices more pleasant places in which to work, check emergency-exit procedures, simulate emergencies, check and service air-conditioning and safety equipment and improve buildings and facilities.

The **structured programme of training courses on safety** continued in 2012, covered all employees, whatever their job, and dealt with current legislation on preventive health and safety at work. 8,372 Group employees benefited from 3,049 days of classroom-based and e-learning sessions.

Unipol also promoted 1,909 initiatives for preventing the ill-health and safeguarding the good health of employees during 2012, with campaigns targeted at employees and their family members at no cost to them.

### Health protection initiatives (number of participants)

Source: Human Resources and Organisation Department

	Group total		
	2012	2011	2010
Flu jabs	480	715	572
Metabolic syndrome	0	0	1,346
Blood donation	321	228	209
Help to give up smoking	0	0	53
Melanoma	749	1,643	0
Cervical smears	91	89	98
Cardiovascular prevention	268	192	91
<b>Total</b>	<b>1,909</b>	<b>2,867</b>	<b>2,369</b>

## Corporate welfare

The Company implemented the new Unipol Supplementary Labour Agreement for Insurance employees, which had been signed in October 2011, in full as from 1 January 2012.

The **Unipol Supplementary Labour Agreement** is unique in Italian insurance, being a single effective and comprehensive labour agreement for businesses of different origin. The cornerstone of the agreement is the standardization of the way employees of the various companies are treated, with the Group guaranteeing the same cover and safeguards for all employees by improving the conditions of those on lower salaries, in lower posts and with fewer years of service.

The new contract also lays down various **corporate welfare** initiatives, some already in place in several companies in the Group but now formalized and expanded to improve corporate wellbeing and employees' life/work balance. One of the key elements was the extension of flexi-time by standardizing the way employees are treated in the various company offices; an intercompany kindergarten was provided for employees in the Bologna offices; the type of family

member entitled to use the health services was extended and both the range and levels of payments were improved. The employer contribution to pensions was increased (to 4.25% of gross annual remuneration) and employees may now transfer their leaving entitlement for previous years accrued on 31 December 2006 and still in the company to their pension fund. All Group employees, whether or not in a managerial grade, are encouraged **to join both the Pension Fund and the Welfare Fund.**

In Insurance and Bancassurance, on 31 December 2012 the Pension Fund for employees of the companies and the Open-End Pension Fund had 5,054 members and a total of approximately €29m in employer and employee contributions. However the Welfare Funds for both Insurance and Bancassurance employees had 5,146 members and a total of approximately €9m in contributions, almost €1m of it paid by employees.

Similarly, in Banking business, the Pension Fund for the Employees of Unipol Banca had 2,150 members on 31 December 2012. Total contributions paid for 2012 – by the company and employees and as employees' leaving entitlement – amounted to more than €9.67m.

Unipol Banca's supplementary health assistance scheme is based on membership of the Cassa di Assistenza Interaziendale Assicassa (Assicassa Intercompany Welfare Fund), which had 2,274 members in 2012 and total contributions of €2.98m.

### Personal recognition and internal growth

Amongst the HR policies implemented by the Group aimed at sustainability were initiatives that recognised the value of individuals, and women in particular, in various ways.

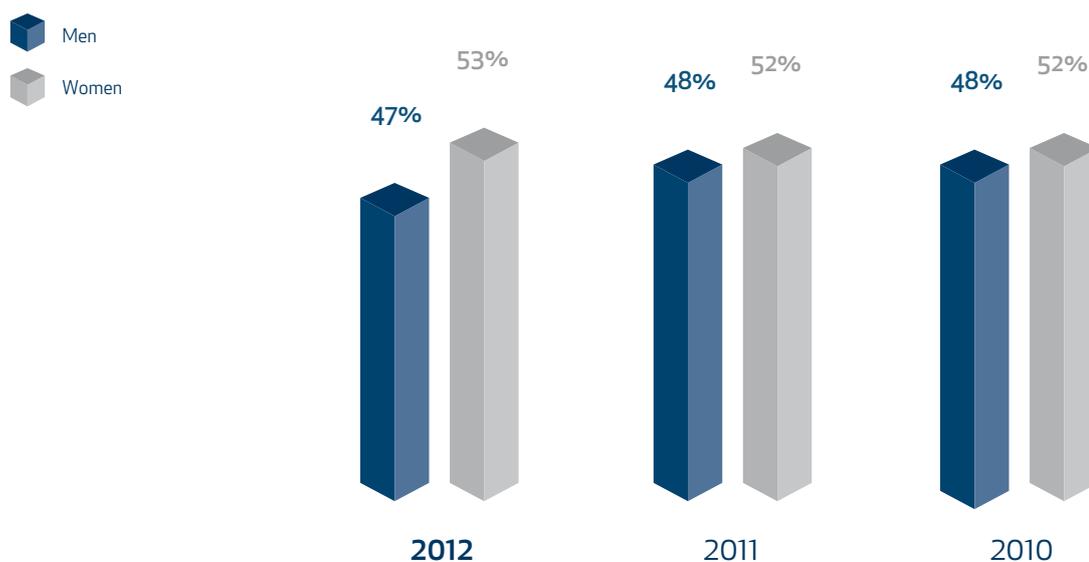
Continuing the trend of the previous three years, the **number of women employees** grew to 4,042 in 2012, 53% of the total compared with 52% in 2011. In Insurance business this figure reached 58%.

The proportion of senior executives who were women remained at 12% but the proportion of executives who were women rose by 1% to 24.4%.

The number of employees who benefited from working part-time rose in 2012 (1,330, compared with 1,238 in 2011 and 1,196 in 2010). 89% of these were women, a slightly lower percentage than the 90% of 2011. The number of those who elected to work part-time rose by 6.3% for women and 17.3% for men, the latter from 127 to 149.

### Female presence in the Group

Source: Human Resources and Organisation Department



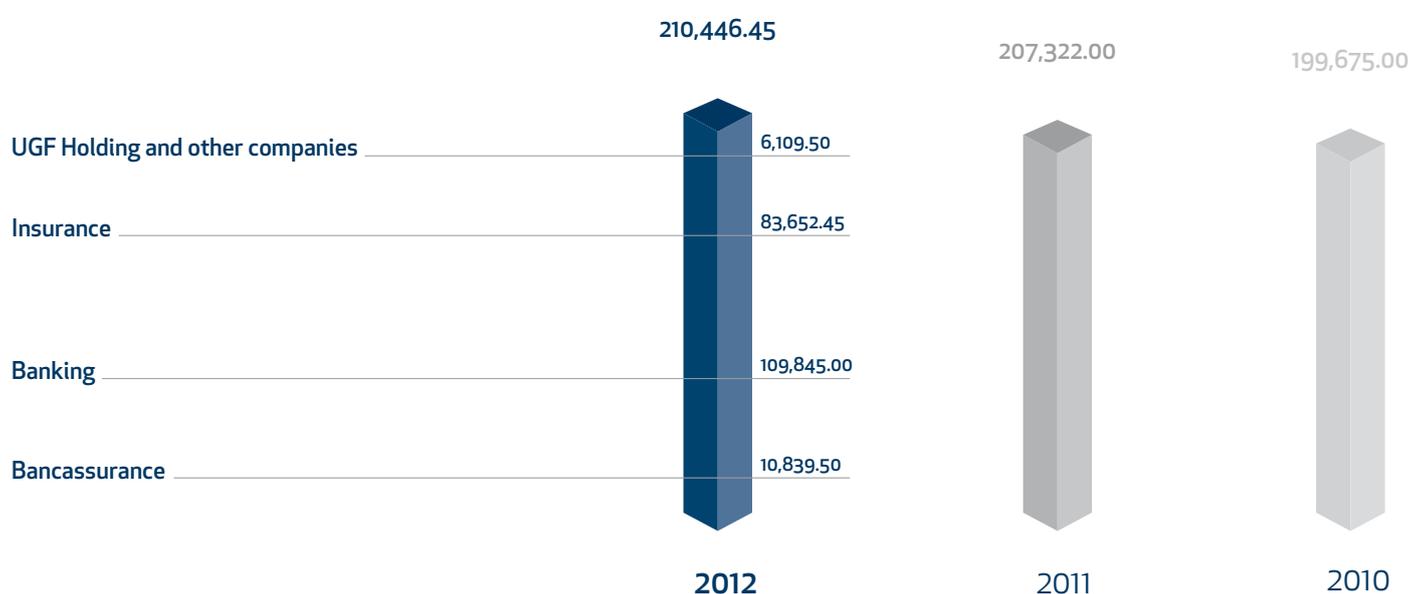
Business activities also continued to recognise the value of human capital by developing professional skills and consolidating bonus schemes intended to improve individual and Group performance.

## Social performance

The Group invested €2.5m in **training** in 2012, involving 27,005 participant days or 210,446 hours. This significant commitment to training, considered to be the key to both improving business performance and personal growth and recognition, was shown by the fact that each Group employee (including those working in the Call Centres) received an average of approximately 27 hours of training.

Training - Total number of hours in the period 2010-2012

Source: Human Resources and Organisation Department



Another feature of 2012 was the introduction of **remuneration policies** intended to constitute fair ways of paying variable remuneration, based on measurable targets linked to medium- to long-term indicators, taking account of the Company's risk profiles and its financial position.

This system, which has been used within the Group for some time, was implemented in order to comply with the regulations introduced by both the Banca d'Italia and ISVAP (now known as IVASS), which require that targets not linked exclusively to short-term financial indicators be set and that a significant amount of variable remuneration for staff in the higher brackets be paid after some time has elapsed and in the form of financial instruments.

Bonus schemes based on specific targets, for staff throughout the Group other than Senior Executives, affected approximately 4,007 individuals in 2012.

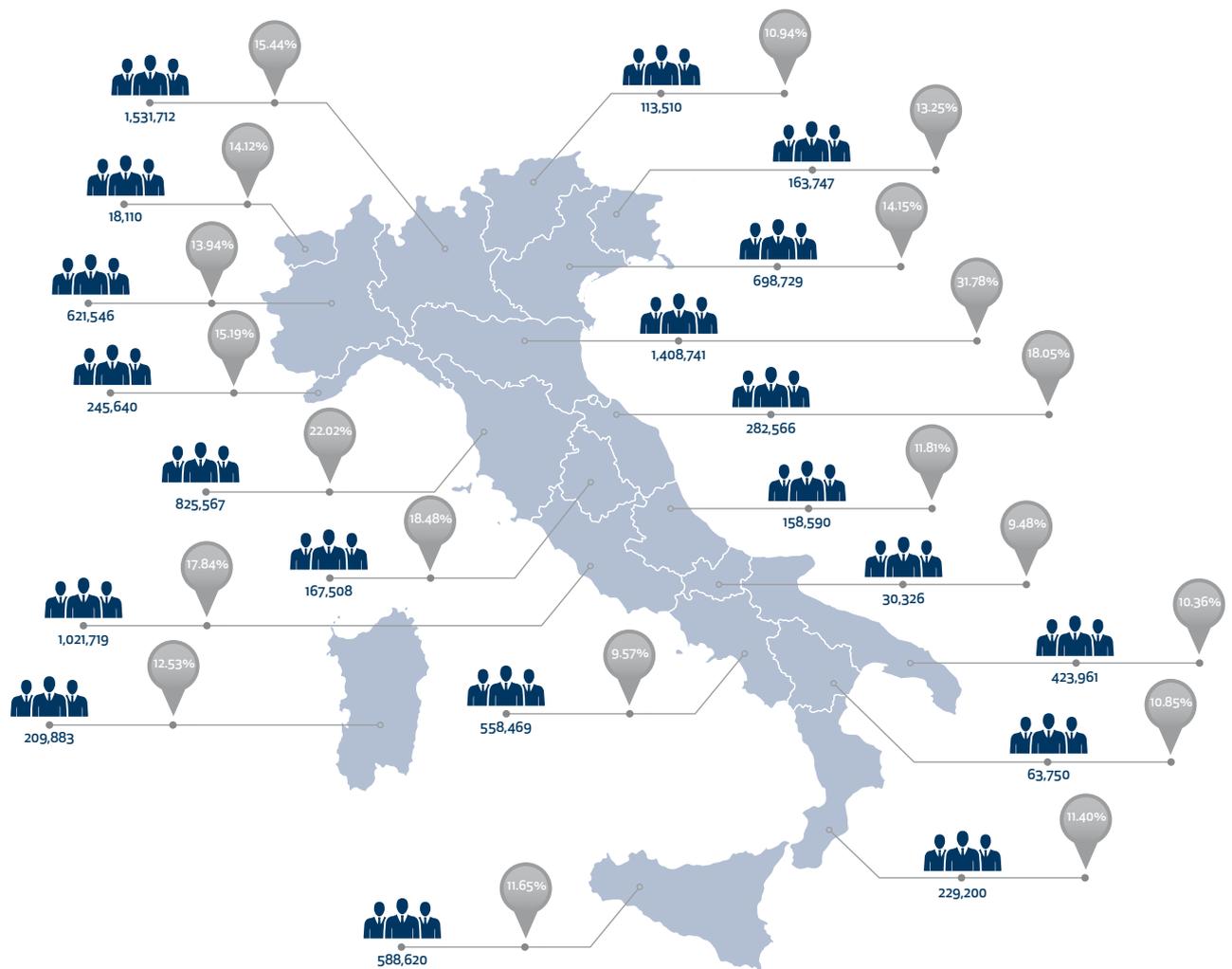
## Customers

### Customer relations

The Unipol Group deems service to customers, individuals, families and companies to be a central element around which to design an ever-more attractive and innovative range of insurance and banking products in order to respond to the requirements, both traditional and new, of a population that is transforming at an ever-faster rate. In its relations with its customers the Group worked to improve the information it provides for customers in order to keep them better informed and offer more personalized products and also to improve cost-effectiveness by making the portfolio more selective and investing in improving the claims-handling performance.

% customers (individuals) on total population, by region and company

Source: Sales Department



no. customers (individuals)

Total: **9,361,894**



% customers (individuals) on total population

Total: **15.44%**

Population source: 2011 ISTAT census, inhabitants by region

The number of customers of the companies in the Group (on a like-for-like basis and therefore excluding the companies in the Fondiaria-Sai Group) continued to grow in 2012 to close to 10 million, 8 million of them being individuals (68% aged between 35 and 64) and accounting for 15.4% of the population of Italy. The greatest increase was in Banking and in UniSalute, 11% and 4% respectively. In absolute terms there were 445,383 Life assurance policies and 7,725,460 Non-Life policies, 65% of them MV policies.

At Group level the number of customers who had two or more policies was slightly up, confirming the effectiveness of the Group's policy of marketing itself as a single partner offering a range of products covering all customers' requirements. The most important figure in terms of cross-selling related to UniSalute, 13% of the customers of which had more than one health policy.

**Unipol Assicurazioni** had 4,658,878 very loyal customers, both individuals and businesses: more than 40% of its customers had been with the company for more than 10 years and a quarter for more than 15 years; 36% had two or more policies.

The main way in which the Group develops relations with the world of work is through agreements with membership organizations (CGIL, CISL, UIL, CNA, Confesercenti, CIA and Legacoop). The new National Agreements were signed in 2012 and form a specific marketing model based on aggregating the requirements of these organizations and their members. There were also agreements with other organizations and workplace agreements.

The total number of members of these agreements rose above a million and premiums reached €1,126m, €811m from National Agreements with membership organizations (10.5% more than in 2011). The MV class remained the largest with €995m in premiums (+7.9% on 2011).

### The range

The Companies in the Group continued to develop an innovative range of high quality.

For instance in its Non-Life business **Unipol Assicurazioni** expressed its principle of personalizing products and focusing on people on low incomes by offering the possibility of adding **SalvaPremio** to MV TPL policies. This additional benefit provides compensation equal to the last gross annual premium paid if the policyholder becomes unemployed and has difficulty in paying the premiums. The same principle was used for house-insurance policies, where the **SalvaBenessere benefit** guarantees compensation in order to meet household expenses if the policyholder becomes unemployed, even temporarily. In the case of natural disasters, it was also decided to add **earthquake benefit** to all new Non-Life policies.

In its Life business, in line with its policy of marketing products with a greater insurance content, Unipol Assicurazioni issued three new products that, provided certain conditions apply, reimburse premiums on which no benefit has been paid. In this way customers or their beneficiaries are guaranteed to receive something whatever happens. New products providing particular benefits for unmarried couples were also developed.

Continuing its strategy based on highly personalized tariffs and attention to the quality of service, in collaboration with UniSalute **Linear** began to market **Kasko Salute** (own health) alongside its MV TPL policies. This product guarantees to cover the medical expenses of the driver (examinations by specialists, diagnostic tests and treatment) needed as a result of a road accident caused while driving the insured vehicle.

**UniSalute** continued to introduce innovations to products and services by marketing the new **Dentist policy**, which enables all policyholders to have access to quality services from more than 3,800 approved dentists at a reduced price, with an average saving of 36% compared with normal market rates.

A feature of 2012 in **Bancassurance** was the work done to revamp the product range in order to protect the savings of individuals and employees. This protective and antispesulative approach led to the launch of the new insurance investment product known as **Arca Vita Sinergika**, which combines a guaranteed capital sum, based on the financial strength of the segregated account, with prospects for growth linked to the world-wide economic upturn, based on the investment funds in Class III.

In supporting the target customers (individuals, SMEs and cooperatives), by marketing the products of the insurance companies in the Group (and 32% of current accounts originate from insurance agencies) the **Banking sector** developed a series of products that go under the name of **Common Value** and guarantee favourable terms and adherence to a system of 'common values', which focuses on individuals and protects their peace of mind and security. Two current accounts that include fringe benefits provide holders of a Non-Life or Life policy with Unipol Assicurazioni with free or low-cost access to discounts on MV TPL, housing, accident or business policies.

In the corporate sector the **Cooperative Division** was set up during 2012 in order to expand relations with cooperatives. In December lending to customers totalled €1,081m, €446m of it demand loans, which were more than 60% up on the previous year. Total deposits in the Cooperative Division were €977m in 2012.

Products and services (MV insurance, accident policies, current accounts and mortgage loans) reserved for members and employees of consumer cooperatives continued to be offered.

Thanks to Unipol Assicurazioni the Group continued to be a leader in **occupational pension funds** according to both number of mandates (25) and funds managed, which at the end of December amounted to €3,495.1m, €2,098.7m with guaranteed capital sum.

In **open-ended pension funds**, assets under management amounted to €325.7m.

**Personal pension plans** had 25,476 members, 61% more than in 2011, and total funds of €176m, more than twice as much as in the previous year.

## Claims handling

The trend noted in the previous three years of a fall in the total number of claims reported continued in 2012. In fact in 2012 the insurance companies in the Group dealt with a total of 1,168,831 claims for all years, compared with 1,481,536 in 2011 (down 21%), and 738,961 claims were settled (an increase of 25%), of which 358,556 related to MV TPL.

The settlement rate in Insurance Business for the current year fell 1.7 points, to 76.1%.

Arca Assicurazioni dealt with 67,113 claims for the current year, 30,992 of which were reported. 18,762 claims for the current year were settled during 2012, a settlement rate of 70.4%.

Some of the **Claims-handling performance** was due to synergies with approved representatives (loss adjusters, doctors, claims handlers) with whom Unipol decided to enter into local agreements. The network of approved representatives consisted of 925 loss adjusters, 331 forensic doctors, 623 registered legal professionals and 3,200 approved vehicle-repairers. The new contract with 1,718 vehicle-repairers was formalized during the year and the operation will be completed in 2013.

## Non-Life claims settlement figures

Source: Claims Department, Claims Management - for Arca: Technical and Actuarial Analyses

	2012			
	Bancassurance	Var. 12/11	Insurance	Var. 12/11
<b>Current year's claims</b>				
Claims reported	30,992	-47.65%	761,432	-12.20%
Claims settled	18,762	-48.46%	532,413	-14.20%
Settlement rate	70.37%	2.42 p.p.	76.10%	-1.7 p.p.
<b>Previous years' claims</b>				
Claims outstanding at 1/1 and claims reopened	36,121	-7.51%	407,399	-19.40%
Claims settled	15,770	-21.00%	206,548	-24.30 %
Settlement rate	48.52%	-7.56 p.p.	60.40%	-3.8 p.p.

### Anti-fraud measures

The Group strengthened its commitment to pursue fraud and other criminal behaviour by preventing and combating fraud in order to protect the interests not only of the Company and the insurance market but also of the customer and consequently of society as a whole.

According to the figures for 2012, despite the drop in reports compared with the previous year there was an increase in the presentation of false or counterfeit documents when insurance policies were taken out.

The offices concerned carried out 1,916 checks in order to obtain further information at both the underwriting and the claims-handling stages.

Insurance Business recorded a drop of 5% in the total number of **complaints** received in writing by the companies in the Group. This decrease can be put down to the fall in the number of complaints received by Unipol Assicurazioni, which accounted for the highest number, whilst UniSalute (+21%) and Linear Assicurazioni (+5%) recorded increases. In Bancassurance there was a considerable fall in the number of Non-Life complaints. On the other hand there was an increase in the number of Life complaints received, though the total number was still low.

In Banking a total of 387 complaints were received (+3.2% compared with the previous year), 366 of which were ordinary complaints (relating to banking operations and services) and 21 about investment services ('CONSOB complaints'), more than 40% fewer than in 2011.

Comparison with the previous year showed a decrease in the number of times the Supervisory Authority, **ISVAP** (now known as IVASS), had taken action against Unipol Assicurazioni (-6%) and the Arca Group (-40%) but an increase for Linear Assicurazioni (+23%) and UniSalute (+90%).

The number of penalties already paid by the Group fell 7% but the amount was up (+28%). This was due to a higher number of penalties falling into the average bracket, between €10,000 and €40,000 (+78%), rather than the lower bracket (-26%).

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## Agents and Agencies

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### Local presence

The network consisted of 1,507 agencies (including the 8 Company Agencies, i.e. the Assicopps) on 31 December 2012, with 2,418 agents and 3,599 subagencies. Work on reorganizing the network of agencies continued in 2012, the aim being to rebalance the local presence by adapting to market trends. This work has two principal objectives: on the one hand to continue the work of restructuring the portfolio in order to eliminate particularly negative items to improve the ratio of claims to premiums and on the other hand to expand agencies' turnover in order to allocate resources more efficiently. Therefore work is being carried out on getting the whole agency network to adopt a codified operational and management model that in the final analysis has an impact on in the number of local Agencies.

The current geographical distribution of the agency network confirms the Group's commitment to maintaining a presence in areas such as southern Italy, unlike other leading insurance companies. The Unipol Agencies in the southern regions of the country represented 28% of the total in 2012.

### Network support services

In order to steer the network towards a range of products that would ensure both that the agencies were competitive on price and that the Company made a profit, Unipol continued with **Marketing Planning for Agencies using Modelling** during 2012. Models are classified in four clusters in which the Agencies are placed according to their target market and the composition of their portfolio. An optimum-performance benchmark that would promote a balanced portfolio mix according to category of customer and type of policy was identified for each model.

The 69 Agency Plans launched in 2011 were monitored during 2012 and the 2012 Agency Plans for the period 2013-2015 were implemented in another 99 agencies. The 69 agencies that already had a Plan in 2011 performed better despite the difficult economic situation. On 31 December 2012 the 168 agencies involved in Modelling Planning belonged to all four Models identified.

In order to encourage participation and joint responsibility various working groups made up of agents and company staff were set up during 2012 with the task of coming up with ways of streamlining agency procedures and achieving a technical balance in the portfolio with all rapidity. Of these mention should be made of monitoring the **new MV TPL Remuneration Scheme**, which fixes the commissions on MV TPL premiums to be applied to all the contracts in the current portfolio and consists of a fixed element and a variable element. A Solidarity Fund was set up with an annual ceiling of €3m to help agencies that, as a result of risk selection and hence technical performance being outside the agent's control, do not fulfil the requirements for benefiting from the variable rate of commission.

One of the changes to the remuneration scheme was the reformulation of remuneration for basic classes (material damage such as fire and theft), for which the Company pays additional commission or an incentive if certain targets for profitability and improved results in core business are achieved, a decision that places even more emphasis on the agent's professionalism.

Finally, the work done by the **Committee for Supporting Sensitive Locations** did valuable work in 2012 in drawing up rules for taking action to support agencies in 'at-risk' locations. One of the solutions planned for monitoring portfolio profitability identified instruments for monitoring underwriting and sales; reform of existing agreements for basic classes and training in dealing with claims and sales techniques.

### Training the network

The Company provided training for the entire sales network during 2012, partly to fulfil its duty to do so but mainly to develop the expertise of its intermediaries. The number of courses provided for the network of agencies in 2012 increased to 36 classroom-based courses with 7,861 participant days (+47% compared with the previous year) and 79 distance-learning courses with 5,694 participant days (the same as last year). 49 classroom-based courses were provided in 2012 for the network of subagencies, with 23,422 participant days, the same as in 2011. 85 distance-learning courses were run, with a 10% increase in the number of participant days.

The main reasons for the expansion of training in 2012 were the provision of managerial courses for the agencies that had launched the 'Agency Models' project, new initiatives relating to the qualitative management of claims and other projects such as CRM, Agents responsible for Life Assurance, Agreements with membership organizations and the Agent-Training Team. Alongside the training carried out by the Company's own trainers or by third parties, this last package is intended to provide the agents themselves with new training instruments in order to improve the quality of their lessons, the way they interact with participants and their ability to listen.

### Unipol Assicurazioni's Company Agencies

More Assicoops were merged during 2012 in order to improve geographical coverage and make marketing more effective.

There are currently eight Assicoops; the Reggio Emilia and Parma Assicoops were merged (forming the new Emilia Nord Assicoop), as were the Romagna and Ravenna Assicoops (forming the new Romagna Futura Assicoop), thus reducing the number of Assicoops in Emilia-Romagna to five, with another three in Tuscany. The Assicoops served more than 430,000 customers in 2012, 41,600 of whom were also customers of Unipol Banca. Thanks to the strong synergy with the Group's Bank, achieved by using joint and local branches, they had 48,000 corporate customers, the same as in 2011.

### The Bancassurance network

In Bancassurance, Arca Vita and Arca Assicurazioni operate through the 2387 branches of approved banks under the mandate with the head-office agency.

One of the instruments used by Arca Assicurazioni to enable the Company and the Bank to achieve common

## Social performance

targets for growth is the Re-Evolution project. The objective is to improve the Bank's results and profitability by identifying the Bank staff who deal specifically with the insurance side of the basic classes.

Arca Vita and Arca Assicurazioni also offer the network of member and distributing banks additional help in the form of the annual schedule of training, which provided a total of 557 training days to the approximately 8,700 employees of the banking network throughout Italy in 2012.

## Suppliers

### Register of suppliers

The Group recognises that suppliers play a very important rôle in generating value for the Company and thus works in long-term partnership with them. The principal instrument for relations with suppliers is the **web-based Supplier Portal**, which enables suppliers to be assessed and monitored regularly and accurately and a structured and transparent selection and assessment process to be carried out using SAP and MaNeM (Manufacturing Network Manager) software packages. As well as requiring suppliers to sign up to our Charter of Core Values and Code of Ethics, as from the last quarter of 2012 access to the Portal and listing in the Register of Group Suppliers has also required that they complete an on-line questionnaire focusing on social and environmental responsibility.

The **non-profit-making Suppliers section** has been operative since 1 January 2013, with questionnaires on competence and assessment designed specifically to relate to their particular type of activity and service.

Distribution according to category shows a net predominance of service-providers, with a particularly large number of 'miscellaneous services', which include such heterogeneous services as training, telephone and Internet services, delivery and archiving, followed by marketing, advertising, sponsorship and consultancy and services, which together account for approximately 35% of the total.

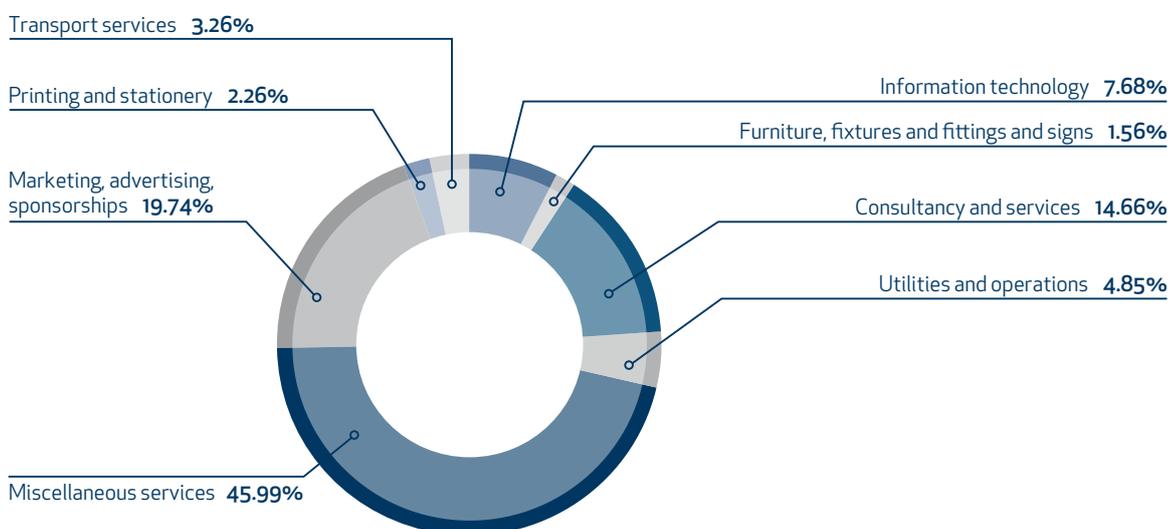
### Participation and collaboration

The total amount transferred from the companies in the three business sectors in which the Group operates to the **459 registered suppliers** (134 of which are social enterprises such as cooperatives, associations, foundations and other organizations offering socially useful goods or services) was approximately **€266m**.

97.5% of this total goes to Italian businesses, with 42.64% of the amount from the insurance companies being concentrated in Emilia-Romagna and 35.40% in the North-West, confirming the Group's strong regional roots.

### Breakdown of suppliers by type (%)

Source: Administration and Operations Department



The Group's commitment to involve its suppliers in the 'Sustainability Partners' project continued in 2012. This is the community of suppliers that uses the possibility for participation and collaboration offered by Internet 2.0 to arrange meetings of suppliers, Unipol and experts in order to join forces to carry out eco-efficiency initiatives combining competitiveness and sustainability. At the end of December 2012 the portal <http://partnerdellastostenibilita.unipolassicurazioni.com/> had more than 100 subscribers belonging to approximately 70 businesses who drew up guidelines for pilot projects to be carried out in partnership in the three areas identified: travel & transport, printing & consumables and facility management.

One of the measures proposed was the launch of the scheme 'Only 30 days for Sustainability', which consists in reducing the deadlines for paying Unipol's suppliers to 30 days provided they can provide documentary evidence that they manage their supply chain properly. In introducing the scheme Unipol is undertaking to improve suppliers' cash flow by paying on time and is also endeavouring to improve internal supply procedures.

## The Community

### Social initiatives

Supporting the Community is important for an insurance company as it helps to create business activity that guarantees efficiency and development. Insurance companies have a social function based on the principle of mutuality, which has significant and positive effects on the Community, protecting it against risks and supplementing welfare provision. For many years, Unipol has helped to improve the private and social life of individuals, working to promote balanced growth which responds to people's actual needs, in order to promote greater well-being, social cohesion and security.

In 2012, the total financial resources invested in the Community by the Group increased by 35% compared to 2011, climbing to almost €8m, including sponsorships, donations and contributions to the Unipolis Foundation. Added to these were the membership fees paid to economic, social and cultural research organisations with which the Unipol Group was actively involved, which amounted to over €300,000 in 2012.

### Breakdown of contributions to the community by type

Source: Group Cost Control

Amounts in €

Type of activity	Description	2012	2011	2010
Donations	Contributions and donations of money or in kind to non-profit-making organisations for short-term projects or initiatives	612,512	424,259	980,962
Sponsorships	Initiatives selected to promote the Company brand (with a commercial value) in favour of member organisations, to support cultural, sporting and local events (local sponsorships provided by bank branches/agencies)	6,136,595	4,244,888	3,045,543
Unipolis Foundation	Contribution to the Unipolis Foundation	1,200,000	1,200,000	1,238,000
<b>Total</b>		<b>7,949,107</b>	<b>5,869,147</b>	<b>5,264,505</b>

The Group has adopted common guidelines for its local policies, on the basis of which the individual companies take their own decisions on how to operate. There are four areas of activity:

- **Artistic and cultural heritage** – support for culture is viewed by the Group as a key tool for the social and civil development of the Community and essential for its economic growth. More than €1,535,330 was disbursed in 2012, an increase of 40% on the previous year. A particularly significant initiative this year was the contribution made by the Unipol Group, together with 24 ORE Cultura, to organising the “Picasso. Masterpieces from the National Picasso Museum in Paris” exhibition at the Royal Palace, Milan, which ran for 132 days and was visited by 558,000 people during that time.
- **Environment** – initiatives to protect the environment and raise awareness of matters such as climate change, energy saving, sorted waste collection and pollution. The Group invested around €130,000 in this field in 2012. These resources contributed to maintaining its commitment as an insurance partner in the e-mobility project to popularise the use of electric vehicles; to introducing electric quadricycles in the bike sharing scheme run by the Municipality of Milan to provide alternative forms of transport; to funding the Gaia Project promoted by the Municipality of Bologna to improve air quality and combat climate change resulting from CO<sub>2</sub> emissions by planting new trees.
- **Future generations** – the Group’s focus and commitment to youth, amateur and professional sports, as well as recreational and cultural activities, were renewed in 2012, dedicating resources of €1,143,037, an increase of over 50%. The many initiatives include the three-year partnership with the “Italian Swimming Federation” and with “Briantea84”, an association that promotes the integration of people with disabilities through sport.
- **Commercial and institutional visibility** – this mainly relates to partnerships with Member Organisations regarding various issues that often cut across the three main areas. In terms of resources, around €3m were invested as a contribution to organising initiatives such as sponsorship for the “Stati del Mezzogiorno d’Europa” (States of Southern Europe) economic development initiative, the “May 1st Concert” in Rome and the “Generations Festival” organised by the CISL trade union.
- **Solidarity** – grants to various non-profit-making organisations for projects to improve all aspects of society, particularly those that raise awareness of, for instance, road safety, health and voluntary work. These initiatives also include support for research, particularly medical, scientific and economic, and a commitment to legality, a fundamental and cross-cutting value in many of the Group’s activities. For this kind of project, the Group disbursed over €955,000 in 2012, an increase of 45% on the previous year, as a result of the company’s contribution to the **matched donation initiatives aimed at raising post-earthquake funds**.

Following the earthquake that hit Emilia-Romagna, Veneto and Lombardy, the Unipol Group, employees and agents launched an **internal subscription** that raised more than €500,000, which was doubled with the Group’s contribution to €1,108,000. The funds thus raised were used to rebuild the Casa della Salute (medical care centre) in Finale Emilia.

Initiatives to support customers in the areas hit by the earthquake included the establishment of a **claims management task force** by Unipol for customers insured against earthquake risk, aimed at ensuring a quick assessment of the damage sustained. As a result, 60% of the compensation for the damage reported had been determined and paid out before the end of 2012.

In the motor insurance sector, **prices were frozen**, while customers affected most severely by the earthquake were granted a 10% reduction in their motor insurance premium, both for renewals and new policies.

On the banking front, Unipol Banca earmarked **two credit lines, amounting to €25m in total**, for use in providing low-interest financing for households, businesses and companies affected by the earthquake.

Suppliers who reported that their company was based in one of the municipalities hit by the earthquake benefited from preferential treatment in terms of speedier settlement of their invoices.

In addition to this extraordinary event, the Group confirmed the commitments which have always been part of its cultural heritage, as they are so closely connected with its core business: legality and road safety.

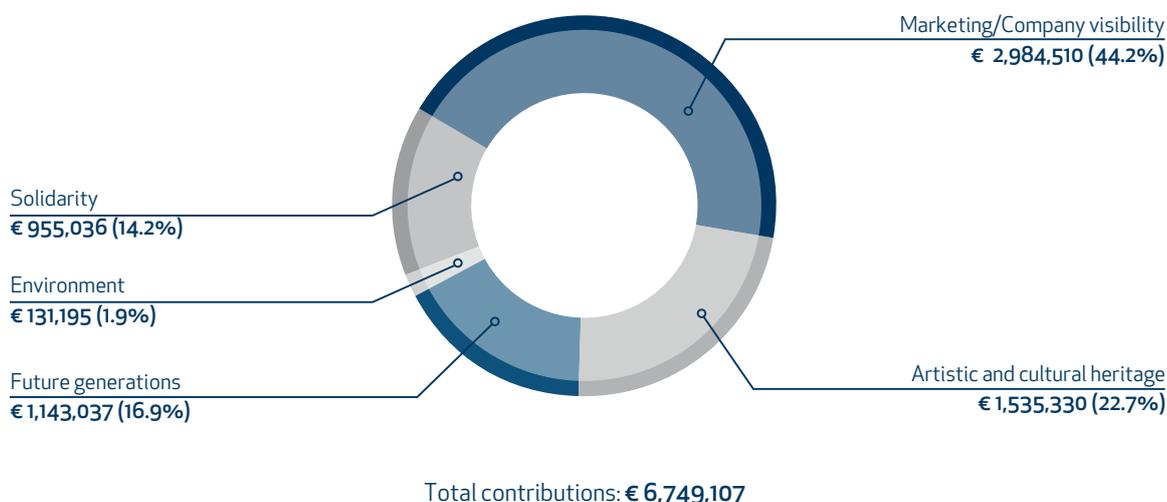
With regard to the first of these, it is worth highlighting the work done with “Libera. Associazioni, nomi e numeri contro le mafie”, an association set up to encourage civil society to fight organised crime and promote legality and justice.

The focus of this relationship is the “One euro per policy and current account” campaign which, over a period of seven years, has provided over €1.1m for the development of new companies in southern Italy which operate within the law, and for respecting the environment and ethics as part of the LiberaTerra project. In 2012, €190,000 were paid to the “Le Terre di Rosario Livatino - Libera Terra” cooperative set up in Naro, province of Agrigento.

The second aspect: safety, was developed through a number of initiatives aimed at promoting a culture and awareness of road safety, with particular reference to the concept of sustainable mobility. The most significant initiatives include the “Sicurstrada” project promoted by the Unipolis Foundation with Unipol, which operates through the <http://www.sicurstrada.it/> website to provide information, news, projects and details of studies carried out by many agencies, organisations and institutions involved in promoting the development of safer and more sustainable cities and in a series of local initiatives known as “Sicurstrada Live”.

#### Contributions to the community by area

Source: Group Cost Control



Finally it is worth noting the collective involvement of the Company and its employees in the “**Giornata Nazionale della Colletta Alimentare**” ( food collection day), which resulted in 3.8 tonnes of food being collected.

Working with the Libera association, employees continued to be involved in the EISate Liberi-Unipol volunteering project in 2012, which involved 15 employees and their families in a work experience project dealing with property confiscated from organised crime and learning about strategies to combat organised crime.

Unipolis, the Unipol Group’s corporate foundation, is one of the most important tools for social, civil and cultural responsibility initiatives and is fully funded by the Group.

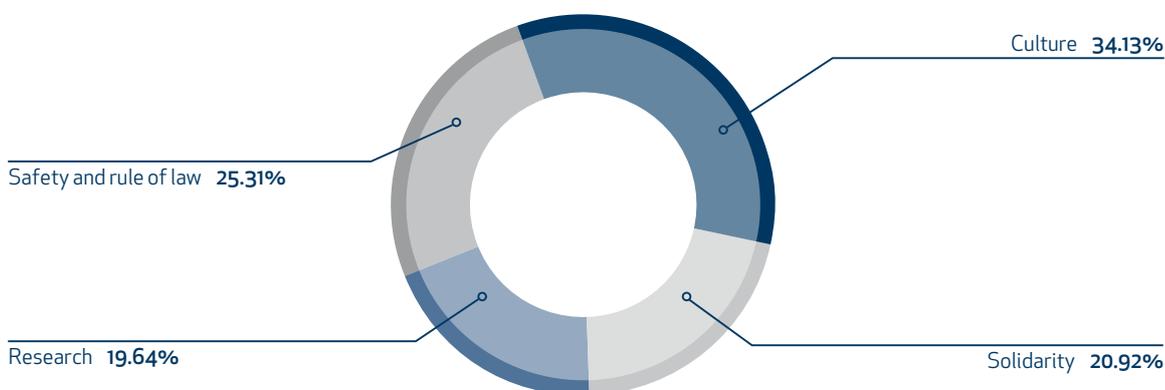
### The Unipolis Foundation

In 2012, the Foundation committed resources of €1,200,000 to promote initiatives in the four areas that make up its mission:

- **Culture** – The Foundation develops and implements projects, both on its own and in partnership, to promote the creation of new opportunities for expression and, above all, to facilitate access to culture, knowledge and education by the weakest members of society or people in difficulty who, for various reasons, are excluded from these opportunities. Of particular note in 2012 was further development of the “**Culturability** – the responsibility of culture for a sustainable society” project, which led to a dedicated tender being launched to support cultural and creative start-ups by young people in the form of cooperatives. Funds amounting to €200,000 were earmarked for this project and a new business support network was set up involving many different partners, particularly cooperatives.
- **Research** – This involves research, studies and analyses in economic, social and cultural areas to identify major transformation processes taking place at all levels, both national and global, including changes in the markets and in society. In 2012, the Foundation continued to fund research with Demos and the Pavia Observatory, which conducted the annual “**Report on Security in Italy and Europe - Perception, representation and reality**” to highlight the most significant changes in people’s social (in)security, considering, among other factors, the role played by information.
- **Safety and rule of law** – Two issues which are central to the activities of the Unipolis Foundation, an intrinsic part of its Mission and of Unipol’s social function. In the field of Safety, the “Sicurstrada” project developed initiatives, both web-based and in the physical world, focusing essentially on protecting weaker users, pedestrians and cyclists and on promoting forms of alternative transport that improve quality of life in urban centres. With regard to rule of law, the Unipolis Foundation supports Libera, providing financial support for numerous awareness-building, education and cultural and civil development activities, particularly for young people. Unipolis has also supported publication of the three-volume publication “Atlante delle mafie” (Atlas of organised crime).
- **Solidarity** – Which the Foundation interprets as an active involvement with organisations operating in civil society for the benefit of the weakest people. 2012 saw the completion of the fourth “Le Chiavi del Sorriso” (the Keys to a Smile) tender, aimed at voluntary organisations and social cooperatives developing social inclusion projects for young people – between 12 and 18 years of age – using cultural initiatives. Over 400 projects were submitted for the 2011-2012 edition. Following a precise and transparent assessment process – specifically set out in the tender notice – twenty-one of these were selected and received a total of €102,500 allocated by the Foundation.

Breakdown of resources by area

Source: Mission Report - Unipolis Foundation

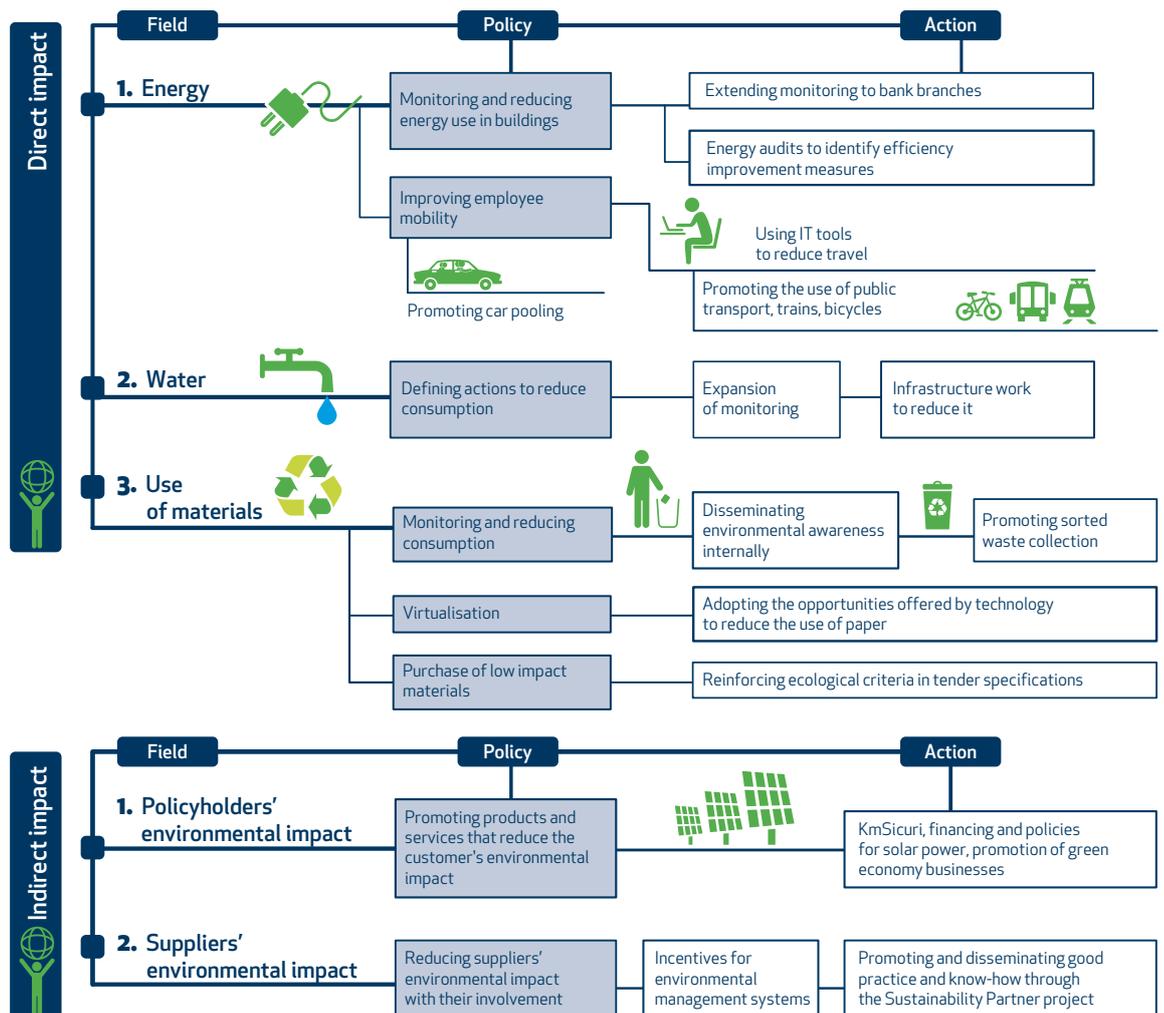


For more detailed information, see the full text of the Unipolis Foundation Mission Report at <http://www.fondazioneunipolis.org>.

## Environmental impacts

For the purposes of the Sustainability Report, the environmental impacts associated with the Group's activities are divided into direct and indirect impacts based on the internationally accepted method. The former relate to activities performed or controlled directly by Group companies, while the latter are the result of activities that are connected with and functional to the core business but are beyond the company's control.

### Direct and indirect impacts



With regard to the monitoring of **energy consumption**, the Unipol Group undertook once again in 2012 to increase the number of constantly monitored buildings and consequently acted to reduce the inefficiencies identified. The increase in the number of monitored buildings highlighted a 1.65% increase in electricity consumption. Based on the same scope as before, however, the Group has reduced its overall consumption by 0.6%. One of the areas in which energy consumption, and therefore greenhouse gas emissions, are the highest, is the use of computer equipment by employees in the Data Processing Centres (DPC), as a result of the energy used to power the equipment and to operate air-conditioning systems in the environments where they are installed. For this reason, particularly following the merger with Fondiaria-Sai, which would have led to a duplication in the number of servers and consequently the use of electricity, work began on designing a new single DPC for the Group as a whole. The project, which will make use of the most advanced systems for reducing energy consumption by machinery and cooling systems, will be implemented by 2013.

## Environmental performance

The gas used for heating purposes also has an impact on total energy consumption. Not all buildings are fitted with boilers because, whenever possible, connections have been installed to district heating systems, which are more efficient in terms of consumption and emissions.

Also with a view to reducing the direct impact on emissions produced by energy consumption, the Group installed photovoltaic panels on the roof of the Porta Europa complex, Bologna, to produce 20 kWp of energy.

2012 also saw the completion of the building complex at Via Larga, Bologna, surrounding the **Unipol Tower**. Since August, the new Linear and UniSalute headquarters has been the highest skyscraper in the city (125 m). Maximum attention paid to reducing consumption, during design and construction, allowed energy consumption to be reduced by approximately 33%. Over 38% of energy needs are covered by electricity from renewable sources, including 3.5% from photovoltaic panels on the roof and façade and the remaining 35% purchased from a renewable energy supplier. Drinking water supplies for internal use were half of what would be expected in normal conditions, as was the use of drinking water for irrigation purposes. Around 30% of the materials used to construct the building are recycled and supplied from within the region, thus contributing to strengthening the local supply chain and reducing the impact from transport.

Recognising its commitment to sustainability and innovation in building, at the end of December the Tower was awarded the **LEED® GOLD** certification, which is the highest award of a voluntary international system that provides a third party environmental sustainability certification for buildings.

### CO<sub>2</sub> emissions

Efforts to reduce CO<sub>2</sub> emissions continued in 2012. As of this year, they are calculated according to EU Directive 86 of 2003 relating to the emission trading scheme and subdivided according to the international classification proposed by the GHG Protocol standard. This decision was taken in order to promote the greater transparency and comparability of environmental data, in respect of competitors as well, and to **promote a culture of environmental disclosure**, which is not particularly widespread in our industry but which the Group believes is important to ensure that its performance and responsibility can be fully assessed.

The subdivision into scopes required by the GHG Protocol reflects the degree of control the organisation has over its emissions. Scope 1 includes all direct greenhouse gas emissions produced by sources owned by the company. In the case of Unipol, these include emissions from gas boilers installed in some of its buildings. Scope 2 are emissions resulting from the purchase of electricity; this includes both the electricity purchased and the energy produced by district heating systems. Scope 3 includes all the emissions that are associated with the company's business but cannot be directly controlled. In particular, it includes emissions generated by the trips made by employees. Since this is the first year in which greenhouse gas emissions have been presented in this way, no comparison can be made with the previous year.

### Emissions of CO<sub>2</sub>

Source: Administration and Operations Department

	2012	
	Total emissions (ton)	Per capita emissions (ton)
Scope1	708	0.15
Scope2	13,130	2.80
Scope3	4,142	0.88
<b>Total</b>	<b>17,980</b>	<b>3.83</b>

## Environmental impact reduction initiatives

Environmental sustainability also involves the proper use of resources in the Group and is implemented by actions which have the dual purpose of reducing impact and spreading a "sustainability culture".

The main action taken to **reduce CO<sub>2</sub> emissions** from the use of electricity and heat was to install a state-of-the-art cooling system in the data centre of the Unipol Tower, which is home to UniSalute and Linear, allowing a 30% reduction to be achieved in the amount of energy used.

With regard to **paper consumption**, initiatives continued throughout all the Group's companies to rationalise and reduce its use by implementing computerised and electronic solutions.

This led to the **digitisation** of the Single Job Book for the whole Group, which has allowed 209,000 pages to be saved, equivalent to around 980 kg of CO<sub>2</sub>, and of the two biggest Insurance Registers, which has allowed over 1 million pages to be saved and almost 5 tonnes of CO<sub>2</sub> emissions.

Unipol Banca continued its activities aimed at encouraging customers to switch from receiving information on paper to electronic communication. This activity was extended in 2012 to all retail customers, allowing a saving of approximately 50% to be made in the amount of paper previously used in the company's branch offices. Similarly, UniSalute made it possible to request refunds and book medical services online, using less paper.

Also with a view to reducing the use of paper, outgoing post is managed by computer using an electronic archiving system, while incoming post is handled by scanners and virtual desks (*mail room*).

In addition to this, FSC (Forest Stewardship Council) certified paper is used for 99% of paper purchased. This paper not only undergoes rigorous checks to verify the sources of supply and the processing methods but is also much lighter and therefore reduces volumes.

With regard to reducing the **impact caused by business travel**, the Group is taking action in two areas: reducing the amount of travel between offices and reducing or optimising the use of cars.

The first of this led to the web-conferencing project being set up in 2011, which continued and was expanded in 2012, generating a reduction in CO<sub>2</sub> emissions and an improvement in the quality of work, allowing employees to improve their work-life balance and to reduce costs. In particular, 22 new video-conferencing systems were installed in 2012 in an equal number of meeting rooms at the company's offices in Bologna, San Donato Milanese, Rome and Padua, thus increasing the number of these systems currently in operation to 117.

Actions to support sustainable travel are focused on encouraging and providing incentives for employees to use public transport and bicycles, instead of private cars, and to share cars (*car pooling*).

An experimental project was implemented in the new Via Larga Tower, Bologna, installing changing rooms with shower cubicles, for people who choose to cycle to work. Outside the building, there are now more covered bicycle parking areas and more car parks equipped with power charging systems for electric cars. These equipped car parks have also been created at the Porta Europa and Via Stalingrado offices, Bologna, where, working with the Emilia-Romagna Region, four bike sharing recharging bays have been created, one of them running on solar power, initially equipped with 20 motorised bicycles. In order to improve the efficiency of travel, as of 2010 a car pooling system has been running, which was extended to suppliers in 2011. Using a computerised system, it allows taxis as well as company, private and hire cars to be shared for business and non-business travel.

**Head**

Walter Dondi

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The Sustainability Report  
can be improved by contributions  
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Anyone wishing to give an opinion  
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