Unipol GRUPPO

# 2019

## Solvency and Financial Condition Report

**Graphic design by**
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Unipol GRUPPO

Unipol Group

# Solvency and Financial Condition Report

2019

*Translation from the Italian original solely for the convenience of international readers*

# INDICE

# Introduction

This "Solvency and Financial Condition Report" was prepared in application:

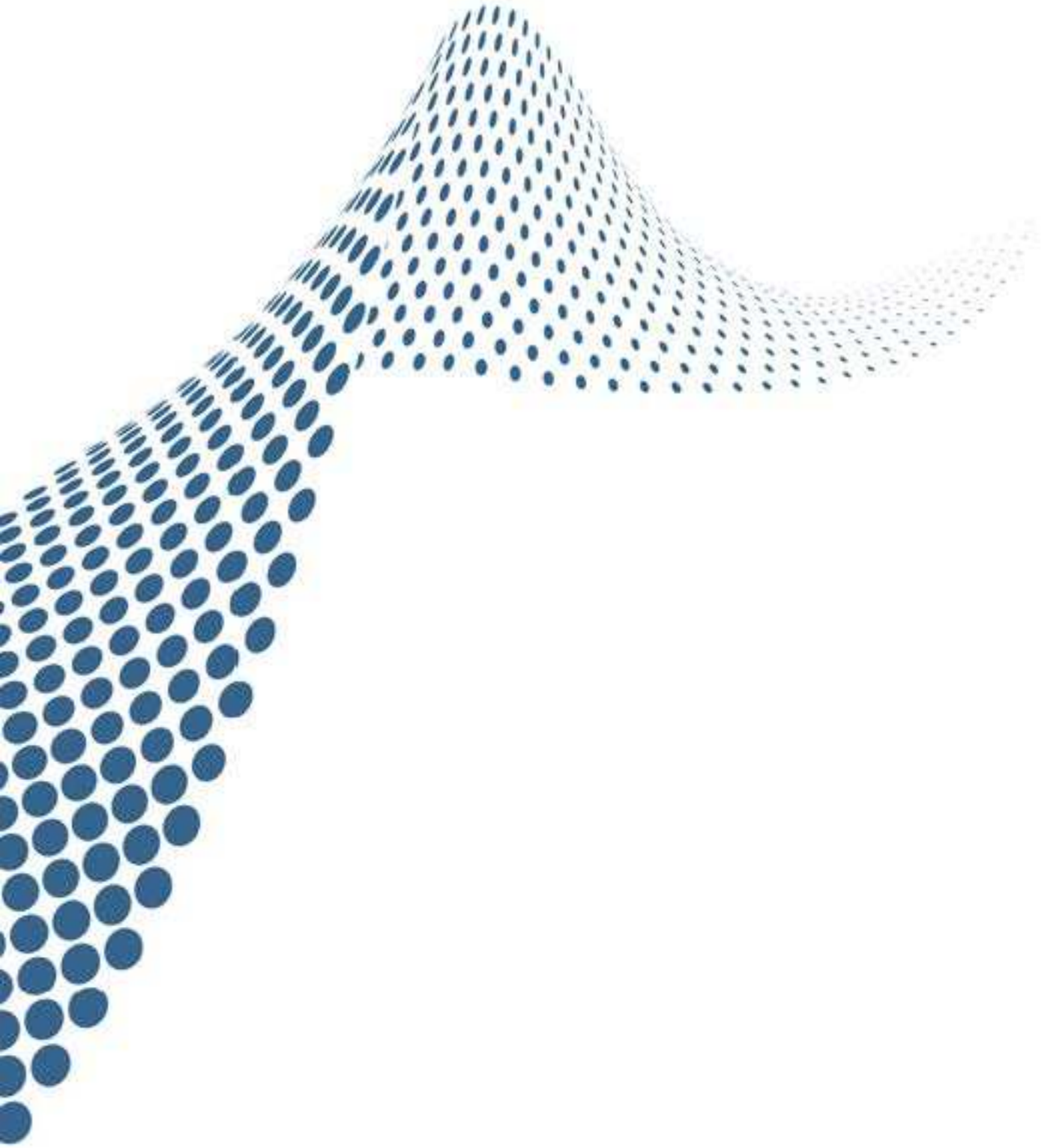
- of the provisions on disclosure to the public set forth in Articles 290-303 of Title I, Ch. XII, and Articles 359-364 of Delegated regulation EU No. 35/2015 ("Regulation"), supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance ("Directive");
- of the implementing Regulation (EU) 2015/2452, 2 December 2015, laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with the Directive;
- of IVASS Regulation No. 33, 6 December 2016, concerning the disclosure to the public and IVASS, carrying provisions integrating the contents of the "Solvency and Financial Condition Report" and the regular report to IVASS ("Regular Supervisory Report"), ("Regulation 33");
- of IVASS Letter to the Market Prot. No. 0093309/18 of 28 March 2018 concerning the "Results of comparative analyses on solvency and financial condition reports (SFCR)".

Unless otherwise specified, data are expressed in thousands of euros.

# Definitions and glossary

The meaning of the main acronyms and expressions used in this document is summarised below.

| Term | Meaning |
|---|---|
| Capital adequacy | Observance by the company/Group of regulatory solvency capital requirements. |
| BEL | "Best estimate of liabilities" deriving from insurance contracts. |
| CAP | Private Insurance Code (Legislative Decree No. 209 of 7 September 2005, as amended). |
| Capital at Risk | Total capital requirement relating to a specific risk that the company/Group deems necessary to cover losses exceeding a given expected level. |
| EIOPA | European supervisory authority for occupational pensions and insurance. |
| Key Functions | The Audit, Risk Management, Compliance and Anti-Money Laundering and Actuarial functions. |
| LOB | Line of Business of insurance activities as defined in annex I of the Regulation. |
| Market Consistent Balance Sheet (or also "MCBS") | MCBS to be drafted on the basis of the appropriate criteria specified by the Solvency II provisions are based on the concept of fair value. |
| MCR | Minimum Capital Requirement as defined by Title I - chapter VII of the Regulation. It corresponds to the amount of eligible own funds below which policyholders and beneficiaries would be exposed to an unacceptable level of risk if the insurance companies were allowed to continue their activities. |
| PIM | Partial Internal Model used to determine the solvency capital requirement. |
| OF | Own Funds as defined by Title I Chapter IV and Title II Chapters I and II of the Regulation. They represent the financial resources steadily acquired by the company/Group and available to it to absorb losses and to overcome risks generated by business activities on a going concern basis. |
| ORSA | Own Risk and Solvency Assessment Report to the Authorities. |
| RAF | Risk Appetite Framework - reference framework which defines - in line with the maximum risk that may be assumed, the business model and the Strategic Plan - the Risk Appetite, any tolerance thresholds, the operational risk limits, specific risk management policies and the reference processes required to define and implement them. |
| Risk Appetite | Level of risk (overall and by type) that the Group and/or the Company intends to assume for the pursuit of its strategic objectives. |
| RM | The Risk Margin, corresponding to the cost of holding an amount of eligible own funds equal to the SCR needed to support insurance and reinsurance obligations assumed throughout their contractual life. |
| SCR | Solvency Capital Requirement as set forth in Title I - chapters V and VI of the Regulation. The amount of that requirement is determined so as to enable insurance companies or groups to be capable, with a likelihood of at least 99.5%, of honouring their obligations to policyholders and beneficiaries in the next twelve months. |
| Market Wide Standard Formula | Methodology for the calculation of the solvency capital requirement which calls for the application of the standard parameters defined by the Regulation. |
| TCM | Temporary insurance in the event of death. |
| Technical Provisions (TP) | Technical provisions determined according to Solvency II criteria, to the extent equal to the amount that an insurance or reinsurance company would have to pay if its contractual rights and obligations were immediately transferred to another company. They correspond to the sum of BEL and RM. |
| USP or GSP | "Undertaking Specific Parameters" or "Group Specific Parameters" – parameters of calculation of the insurance company or group specific solvency capital requirements, to be used as a replacement of those defined by the Standard Market Wide Formula. The use of specific parameters is subject to authorisation by the Supervisory Authority. |
| VA | Volatility Adjustment corresponding to an optional adjustment to the risk-free interest rate curve (published by EIOPA) to be applied to determine the BELs. |



# SUMMARY

# Summary

## Introduction

This section summarises the key information and any substantial changes taking place in 2019 in the solvency and financial condition of the Group, with regard to:

A. business and performance
B. system of governance
C. risk profile
D. valuation for solvency purposes
E. capital management.

For more detailed information, we refer to later chapters, which provide the information required by current legal provisions summarised in the Introduction.

## Business and performance

In 2019, the Unipol Group achieved a **consolidated net profit** of €1,087m, including the non-recurring effects deriving from net income (amounting to €421m) due to the initial consolidation with the equity method of the equity investment held in BPER Banca SpA ("BPER") and the extraordinary expense linked to the signing of agreements with the trade unions for the Solidarity Fund and other forms of early retirement incentive for roughly €66m net of tax effects (€95.5m gross of taxes).
Please recall that in 2018, the Group had a profit of €628m, inclusive of the non-recurring effects of the capital gain of €309m deriving from the sale of the equity investment in Popolare Vita and the negative effects of the approved sale of the equity investment held in Unipol Banca for €338m. Excluding, in the two periods under review, the effects of these non-recurring components and recalculating the consolidated economic results on a like-for-like basis, i.e. excluding for the year 2018 the contribution to the result deriving from Popolare Vita, Unipol Banca and their subsidiaries, the consolidated net profit for 2019 came to €732m, marking significant growth (+19.5%) compared to €613m in the previous year.

In greater detail, for Non-Life business the direct premiums at 31 December 2019 amounted to €8,167m (+2.7% compared to 2018). MV premiums declined by 0.1% compared to 2018, while in the Non-MV segment, an increase of 5.8% was recorded, especially thanks to the significant development of the Healthcare segment. The combined ratio of direct business stood at 93.7%, an improvement compared to 94.4%, while net of reinsurance it was 94.2%, in line with the figure from 2018.

In the Life segment, the Unipol Group posted significant growth in direct premiums on a like-for-like basis, thanks to the attractiveness of the performance provided by insurance products linked to segregated funds and the deposits of around €640m, resulting from the assignment of two new closed pension funds under management. Direct premiums at 31 December 2019 amounted to €5,847m (+33.0% compared to 31/12/2018).

As regards the management of financial investments, 2019 was still characterised by geo-political tensions and, in Italy, by political instability which in August led to a new Government being formed. In September the ECB again dropped the cost of borrowing by 10 basis points and launched a package of measures that included the relaunch, until further notice, of securities purchases on the market. All of this led in the second part of the year to keeping the interest rates and spreads on Italian government bonds low and an upward trend in the share markets. In this context, the gross profitability of the Group's insurance financial investments portfolio continued to reach significant levels, with returns on the assets invested of 3.65% (3.79% in 2018), of which 3.29% relating to the coupon and dividend component.

Real estate management continued to focus on the renovation of some properties, particularly in high-end areas of Milan, in order to help them generate income, seek out opportunities to increase value or for their business use. In December, a preliminary agreement was signed for the sale of the building named Torre Velasca (MI) for a total sale price of €160m (the notary deed is expected to be signed by the end of 2020).

In the other sectors where the Group operates there was positive performance by the hotel sector, enabling the UNA Group to close the year with a profit of €4m. UnipolReC also had positive performance, with a significant net profit amounting to roughly €12m.

The relevant transactions concluded during the year are repoorted in the following.

On **7 February 2019**, the Boards of Directors of Unipol Gruppo and UnipolSai approved, insofar as they are each responsible, an extraordinary transaction regarding the banking sector, to be carried out in a single context through the

a) transfer to BPER Banca SpA of the entire investment held by Unipol, also through UnipolSai, in **Unipol Banca SpA**, equal to the entire share capital of the latter, for a cash consideration of €220m;
b) **UnipolReC**'s purchase of two separate portfolios composed of bad and doubtful loans, one owned by BPER Banca and one by Banco di Sardegna, for a gross total of €1.3bn, for a consideration of €130m.

Again on **7 February 2019**, UnipolSai's Board of Directors resolved to exercise the put option relating to 27.49% of the share capital of Unipol Banca and UnipolReC, held by Unipol based on the option contract signed on 31 December 2013 between Unipol and former Fondiaria-Sai.
In addition, as part of the exercise of the aforementioned put option, UnipolSai's Board of Directors resolved to grant a 5-year loan of €300m to Unipol, also repayable early, at an interest rate of the 3-month Euribor plus a spread of 260 basis points. For Unipol, the aforementioned loan is targeted at maintaining a high level of financial flexibility with an important available liquidity buffer. The loan was disbursed on **1 March 2019**.
On **31 July 2019** - with all conditions precedent set forth in the contract being met and, in particular, with the necessary authorisations having been received from the competent Supervisory Authorities - the transaction relating to the group's banking sector was completed in execution of the agreements entered into on 7 February 2019 between Unipol Gruppo SpA and UnipolSai Assicurazioni SpA, on one hand, and BPER Banca SpA, along with the subsidiary Banco di Sardegna SpA, on the other.

In June **2019** the Boards of Directors of UnipolSai and the subsidiaries concerned, insofar as they were respectively responsible, approved the following mergers and spin-offs involving UnipolSai and its wholly-owned subsidiaries:

a) project for the merger by incorporation of Pronto Assistance SpA into UnipolSai;
b) project for the full spin-off of Ambra Property S.r.l. in favour of UnipolSai, UNA SpA Group and Midi S.r.l.;
c) project for the partial spin-off of Casa di Cura Villa Donatello SpA in favour of UnipolSai, as well as the full spin-off of Villa Ragionieri S.r.l. in favour of the Company itself and Casa di Cura Villa Donatello SpA.

Again in June **2019**, the Board of Directors of the subsidiaries UniSalute and Unisalute Servizi approved, within their areas of respective competence, the proportional partial spin-off of Unisalute Servizi, with transfer to a new company of the business consisting in the provision of specialist medical-healthcare services. The proportional partial spin-off was completed on 1 October 2019, with the simultaneous setup of "Centri Medici Dyadea".

On **18 July 2019** a trade union agreement was signed regarding voluntary pre-retirement arrangements for employees meeting pension requirements by the end of 2023.

On **24 July 2019**, in application of the contractual repayment plan, UnipolSai arranged repayment of the first of five annual instalments in equal amounts of €80m of the Restricted Tier 1 subordinated loan disbursed on 24 July 2003 by Mediobanca - Banca di Credito Finanziario SpA for a total nominal amount of €400m, maturing on 24 July 2023.

On **1 August 2019**, UnipolSai finalised the acquisition of 100% of the share capital of Car Server SpA, one of the main operators active in the Italian long-term company fleet rental market, for a price of €96m. With this transaction, the Group has laid the groundwork for implementation of the 2019-2021 Strategic Plan as regards the *mobility* ecosystem.

With regard to operating performance **subsequent to the end of 2019**, the first part of 2020 was characterised by negative repercussions on growth of the global economy generated for the most part by the worldwide extension of the COVID-19 (Coronavirus) epidemic. The infection from Coronavirus, recently qualified as a pandemic by the World Health Organisation, indeed led to precautionary measures being adopted in China, which were then extended to many other countries, including Italy, to combat the spread of the epidemic. The size of the pandemic, in terms of temporal duration and extension, is currently difficult to estimate, and it is likewise difficult to reliably quantify the negative repercussions that it will have on the global economic cycle. As regards our country, GDP figures below expectations were recorded in the fourth quarter of 2019, confirming the vulnerability of Italy's economy in a context of weak growth in the international economy, and the spread as of the end of February of the health emergency situation led many observers to a considerable downwards review of the 2020 growth forecasts, previously expected to be around +0.5% and now expected to have negative growth.

The financial markets have been strongly volatile due to worries that the measures launched in many countries, including Italy, with the aim of combating the spread of the pandemic, will halt the global economy. Indeed, this public

health emergency is unleashing highly negative trends in the stock indexes at the end of February 2020, along with an increase in the spread between Italian government bonds and the German Bund. All this may reflect on the Group's financial investments and on the financial management, which continues to be aimed at the consistency of assets and liabilities, with a view to maintaining a proper risk return profile of the portfolio and pursuing selectively an adequate diversification of the risks. With regard to the trends of the insurance business, starting from the last week of February, due to the increasingly stringent government provisions on the movement of people, there has been a reduction in the signing of new contracts and, with reference to the Non-Life classes, a reduction in claims as well.

Excluding currently unforeseeable events and lasting and significant impacts of the ongoing health emergency on the economic cycle as well as the financial markets, the Group expects to close 2020 with a positive result, in line with the objectives defined in the Business Plan, and with an adequate solvency situation.

With reference in particular to the solvency situation, please note that the Board of Directors of Unipol Gruppo, which met on **19 March 2019**, approved the proposal to the Shareholders' Meeting to distribute a dividend (the "Proposed Dividend") from the profit for the year 2019, in the amount of €0.28 per entitled ordinary share. The Solvency Ratio of the Unipol Group, subject to disclosure in the separate and consolidated financial statements, calculated taking into account the Proposed Dividend, was 182% (with a capital excess of roughly €3.5bn).
The Proposed Dividend and the resulting level of the consolidated Solvency Ratio were also announced to the market in a press release dated 20 March 2020.
Subsequently, **on 30 March 2020**, IVASS issued a communication concerning the closure of the accounts for the year 2019 (the "IVASS Communication"), in which the Supervisory Authority, considering the emergency situation linked to the Covid-19 epidemic, asked all Italian insurance companies and groups to adopt "*... extreme prudence in the distribution of dividends and other capital elements as well as in paying the variable component of remuneration to corporate officers*", specifying that respect for such instructions will be closely monitored by the Authority, "*which reserves the right, in light of developments in the situation, to take any other initiative to protect the solidity of the insurance system and protect policyholders and those entitled to insurance benefits*".
The Board of Directors of Unipol Gruppo, meeting on 2 April 2020, acknowledged the content of the IVASS Communication and, although it noted that at that date, like at 19 March 2020, all prerequisites continued to be met, including the capital strength ratios, to proceed with the distribution of the Proposed Dividend, it decided to strictly follow the requests of IVASS and thus removed the proposal for the distribution of that dividend from the agenda of the Shareholders' Meeting called for 30 April 2020 and, as a result, proposed to the shareholders' meeting the assignment of the profit for the year 2019 to the reserves. That proposal was approved by the Shareholders' Meeting on 30 April 2020.
As a result of the modified allocation of the profit from 2019, the consolidated Solvency Ratio at 31 December 2019 was 187% (with a capital excess, compared to the Solvency capital requirement, of roughly €3.7bn).
In any event, the Board of Directors has reserved the right - as soon as the conditions are in place, once the current emergency situation that is impacting the entire country has passed - to call a Shareholders' Meeting to distribute the profit reserves by the end of 2020, in order to enable the Shareholders to benefit from the value created by the Unipol Group.

The values relating to own funds determined on the basis of the information available to date, taking into account the suspension of the proposal to distribute a dividend from the profit for the year 2019 of the parent company, will be shown below and in the subsequent chapters.
Please also note that on the basis of the periodic monitoring performed internally, also close to the date of approval of this report, the Group continues to satisfy the capital adequacy requirements set forth by regulations, even in the case of the distribution of the Proposed Dividend.

## System of governance

Unipol Gruppo SpA, as the Italian ultimate parent company, has adopted a "reinforced" type corporate governance system, pursuant to IVASS Regulation no. 38 of 3 July 2018, deemed most suited for the sound and prudent management of the Company.
The governance structure of the Company is based on a traditional management and control model, where the main bodies are the Shareholders' Meeting, the Board of Directors (which operates with the support of board committees) and the Board of Statutory Auditors. The Company has created an Audit Function, a Risk Management Function, a Compliance Function and an Actuarial Function (jointly "Key Functions").

The Board of Directors assesses the position of each of its members and the members of the Board of Statutory Auditors, establishing whether these meet the requirements set by legal and regulatory provisions in force at the time on honourableness, professionalism and independence, as well as on the absence of impediments, suspensions and incompatibilities pursuant to interlocking provisions. The Board of Directors also establishes whether the requirements of suitability to the office are met by the Managers of the Key Functions and the Anti-Money Laundering Function, pursuant to company policies in force.

The Company has acquired an articulated and efficient Internal Control and Risk Management System, to ensure that the most significant risks arising from its activity are correctly identified, measured, managed and controlled, as well as being compatible with a sound and correct management. The Company also ensures that this System is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of group supervision and their mutual interdependencies. The Board of Directors is responsible for said System and regularly verifies its suitability and actual operation.

Within the Internal Control and Risk Management System, Audit is responsible for assessing and monitoring the effectiveness, efficiency and adequacy of the internal control system and the additional corporate governance components, as well as any need for updating, also through support and advisory activities provided to other company departments. This Report also describes the control tasks of the Actuarial Function with reference to Solvency II Technical Provisions.

There were no substantial changes in the system of governance during the reference period.

## Risk profile

As the Group has received the necessary authorisations from the Supervisory Authority, it calculates its Solvency Capital Requirement using the Partial Internal Model ("PIM"), which can provide a better assessment of its actual risk profile than the standard formula.

To provide a more complete representation of the risk profile, the Group has adopted risk classification criteria somewhat different from those proposed by the Standard Formula, which is the method used to calculate the Solvency Capital Requirement ("SCR") for companies that have not developed an internal model. In particular, with regard to market risk, as part of the PIM, the Group also considers the risks relating to the volatility of share prices and interest rates.

For the risk modules not included within the PIM, the Standard Formula is used, with the application of parameters specific to the Group ("Group Specific Parameters" or "GSP") to calculate the Premium and Reserve Risk for the following Lines of Business ("LoB") (i) MV TPL (ii) General Liability and (iii) Fire and other damage to property, while the Market Wide Standard Formula is used for the other risk modules.

The Solvency Capital Requirement (SCR) total for the Group at the end of the reference period was €4,251,165k, up by €358,444k compared to the SCR relating to 31 December 2018.
The primary changes observed in the components of the SCR compared to the previous year are summarised below:

- Non-Life and Health Underwriting Risks: there was a reduction in the Non-Life and Health SCR primarily due to the decline in the capital requirement of the Non-Life Premium and Reserve sub-module; this change in the requirement is explained by the decrease in volumes with respect to 2018 and the update in GSP parameters;
- Life Underwriting Risks: there was an increase in the Life SCR caused primarily by the change in longevity risk and expense risk;
- Market Risks: an increase in Market SCR was registered, primarily due to the increase in the equity and interest rate module, partly mitigated by the reduction in spread risk. The increase in equity risk was due to i) the reduction in mitigation deriving from strategies in derivatives and ii) the increase in assets subject to equity risk, while the increase in interest rate risk was caused by i) the change in the contribution to the risk of Future Discretionary Benefits (FDB) of the Life technical provisions and ii) an increase in the volatility of the interest rate risk factor and as a result in the shocks applied.
- Credit Risk: there was an increase in the Credit SCR primarily as a result of the higher volume of exposures to banks and reinsurance counterparties;

- Loss-absorbing capacity of technical provisions in the case of losses deriving from unfavourable events regarding market risk factors (ALAC TP): there was an increase in the benefit deriving from the ALAC TPs due to the change in the reference financial context, which generated higher capital losses transferrable to policyholders through extraordinary management actions;
- Financial Sector Capital Requirement: an increase was recorded, due to the combined effects of:
  i. The acquisition of an interest with significant influence in BPER Banca, with consequent pro-quota consolidation of the capital requirements envisaged by the prudential provisions applicable to it;
  ii. The aforementioned extraordinary transactions regarding the banking sector, such as:
    - the transfer of the entire investment held in Unipol Banca, which entailed the loss, as from 2019, of the related capital requirements provided for by the prudential legislation applicable to it;
    - The purchase of bad and doubtful loans by the subsidiary UnipolRec, which also became a financial intermediary registered pursuant to Art. 106 of the Consolidated Law on Banking, contributing consequently to the calculation of the risks of the financial sector for 2019.

The foreign subsidiaries are excluded from the scope of application as they are out of scope of the Group's Partial Internal Model and, therefore, the relative capital requirement is calculated using the Standard Formula and added to the Basic Solvency Capital Requirement (BSCR) (see the "out of scope undertakings' SCR" item in the SCR - Partial Internal Model table below).

## SCR - Partial Internal Model

| *Amounts in €k* | 2019 | 2018 | Change on 2018 |
|---|---|---|---|
| Non-life and health underwriting risk | 1,936,564 | 1,980,508 | (43,943) |
| Life underwriting risk | 290,423 | 276,802 | 13,621 |
| Market risks | 2,383,989 | 2,108,469 | 275,520 |
| Credit risk | 323,554 | 270,319 | 53,235 |
| Diversification | (1,080,412) | (1,061,509) | (18,903) |
| **Basic Solvency Capital Requirement (BSCR)** | **3,854,117** | **3,574,588** | **279,529** |
| Operational risk | 559,769 | 551,089 | 8,680 |
| ALAC TP | (576,988) | (434,667) | (142,321) |
| ALAC DT | (875,856) | (840,390) | (35,466) |
| SCR OT | 116,455 | 91,910 | 24,545 |
| Out of scope undertakings's SCR | 300,091 | 254,287 | 45,804 |
| **Conservative margin** | **60,182** | **58,247** | **1,935** |
| **Solvency Capital Requirement - Insurance sector** | **3,437,770** | **3,255,064** | **182,706** |
| **Solvency Capital Requirement - Credit and financial sector** | **813,395** | **637,656** | **175,738** |
| **Totale Solvency Capital Requirement (SCR)** | **4,251,165** | **3,892,721** | **358,444** |

Note that the risk assessments are carried out applying as long-term measure the Volatility Adjustment (VA).

## Valuation for solvency purposes

To calculate the own funds eligible for the coverage of the Solvency Capital Requirement, the Group must prepare a "Market Consistent Balance Sheet" ("MCBS"), enclosed to this Report, on the basis of specific valuation criteria and with methods of consolidation of the investee companies, defined by the Directive and the Regulation, which are different from those used for the consolidated financial statements.
Please note in particular that the methods of consolidation laid out in Solvency II result in a more restricted line-by-line consolidation scope than that applicable in the IFRS consolidated financial statements. In particular, we note that:

a) the entities that carry out financial and credit activities (UnipolSai Investimenti Sgr, UnipolRec, BPER Banca and their subsidiaries) were consolidated synthetically based on the proportional share of own funds of such entities determined on the basis of the pertinent sector rules ("Basel III");
b) the other subsidiaries whose activities are not insurance activities or instrumental to the insurance business were subject to synthetic consolidation (and not line-by-line as set forth in IFRS 10 for the purpose of preparing the consolidated financial statements) on the basis of dedicated financial positions drawn up in accordance with Solvency II criteria.

In addition, the measurement criteria specified by the Solvency II provisions are based on the concept of fair value and, therefore:

- assets are valued at the amount at which they could be exchanged between knowledgeable and willing parties in an arm's length transaction;
- liabilities are valued at the amount at which they could be sold or settled between knowledgeable and willing parties in an arm's length transaction.

In the valuation of liabilities, any changes in the creditworthiness of the individual companies belonging to the Group subsequent to the issue are not taken into consideration.

There were no substantial changes in the valuation criteria adopted compared to the previous year.

The nature of the main differences between the shareholders' equity resulting from the consolidated financial statements and that resulting from the MCBS at 31 December 2019 and at the end of the previous year is summarised below.

| *Amounts in €k* | | 2019 | 2018 |
|---|---|---|---|
| A | **Shareholders' equity (Financial Statement)*** | **8,307,944** | **6,332,798** |
| B | Adjustments for different consolidation methods | (25,704) | (29,248) |
| C | Adjustments by assets/liabilities type | (1,310,699) | (1,089,916) |
| | *Intangible assets* | *(2,097,004)* | *(2,036,910)* |
| | *Properties and tangible assets for investment and for own use* | *381,851* | *289,089* |
| | *Other financial investments* | *418,474* | *300,326* |
| | *Technical provisions* | *114,577* | *461,246* |
| | *Deferred taxes* | *71,589* | *66,351* |
| | *Other assets and liabilities* | *(200,186)* | *(170,018)* |
| D=A+B+C | **Shareholders' equity (MCBS)** | **6,971,540** | **5,213,635** |

* Note that the difference with respect to the total shareholders' equity in Balance Sheet Liabilities item 1 in the Group's consolidated financial statements (equal to € 8.304.580 k at 31/12/2019) is due to the recognition in that accounting document of own shares (amounting to €3,363 k) as an adjustment to shareholders' equity.

## Capital management

The Group has own funds eligible to cover the capital requirements equal to 1.87 times the SCR (1.63 at 31/12/2018) and 3.54 times the Minimum Capital Requirement ("MCR"), 2.77 at 31 December 2018.

The following tables show:

- the reconciliation between the amount of shareholders' equity from the MCBS and the amount of own funds eligible to cover capital requirements;
- the amount of own funds eligible to cover capital requirements, with a breakdown by individual tiering level;
- the capital requirements (SCR and MCR);
- the coverage ratios of the capital requirements.

### *Reconciliation from MCBS to eligible own funds*

| *Amounts in €k* | 2019 | 2018 | Change on 2018 |
|---|---|---|---|
| **Shareholders' equity (MCBS)** | **6,971,540** | **5,213,635** | **1,757,905** |
| Subordinated and hybrids liabilities computable in own funds such as Tier 1 restricted and Tier 2 instruments | 2,269,531 | 2,344,962 | (75,431) |
| Expected dividends | (111,526) | (220,214) | 108,689 |
| Own shares held directly or indirectly | (4,874) | (7,048) | 2,174 |
| Adjustments related to the transferability of subsidiaries own funds or the computability of minority interests | (1,094,935) | (981,220) | (113,715) |
| Other deductions required by the Regulations or by specific provisions of the Supervisory Authority | (80,684) | (4,308) | (76,376) |
| **Total eligible own funds to meet the SCR** | **7,949,053** | **6,345,808** | **1,603,245** |
| Non eligible own funds to meet the MCR | (2,122,495) | (2,076,489) | (46,007) |
| **Total eligible own funds to meet the MCR** | **5,826,558** | **4,269,320** | **1,557,239** |

### *Eligible amount of own funds*

| *Amounts in €k* | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|
| Total eligible own funds to meet the SCR (A) | 7,949,053 | 5,928,237 | 1,016,765 | 986,227 | 17,824 |
| Total eligible own funds to meet the MCR (B) | 5,826,558 | 4,480,735 | 1,016,765 | 329,058 | |

### *SCR, MCR and Capital Requirement coverage ratios*

| *Amounts in €k* | 2019 | 2018 | Change on 2018 |
|---|---|---|---|
| Solvency Capital Requirement (SCR) _ (C) | 4,251,165 | 3,892,721 | 358,444 |
| Minimum Capital Requirement (MCR) _ (D) | 1,645,288 | 1,539,448 | 105,841 |
| Ratio of Eligible own funds to SCR (A / C) | 1.87 | 1.63 | 0.24 |
| Ratio of Eligible own funds to MCR (B / D) | 3.54 | 2.77 | 0.77 |

The SCR coverage ratio without the application of the volatility adjustment is 1.83 (1.48 at 31/12/2018).

We provide below the results of the sensitivity analyses carried out by the Group. The analyses refer to the year in question and take, as base scenario, the capital adequacy and the solvency capital requirement calculated according to the regulatory model adopted by the Group.

## Sensitivities

| Description | Impact with respect to central scenario | Impact on Solvency II Ratio |
|---|---|---|
| Shift upward of the interest yield curve | interest rate: +50 bps | -1 p.p. |
| Shift downward of the interest yield curve | interest rate: -10 bps | 2 p.p. |
| Shock on credit spread – corporate bonds | industrial and financial credit spreads: +100 bps | 2 p.p. |
| Shock on equity market | equity market value: -20% | -5 p.p. |
| Shock on property market | real estate market value: -15% | -8 p.p. |
| Sensitivity on Italian Government spread | Italian Government spread: +100 bps | -26 p.p. |

During the year the Group always maintained adequate coverage of its SCR as well as its MCR.

# A

# BUSINESS AND PERFORMANCE

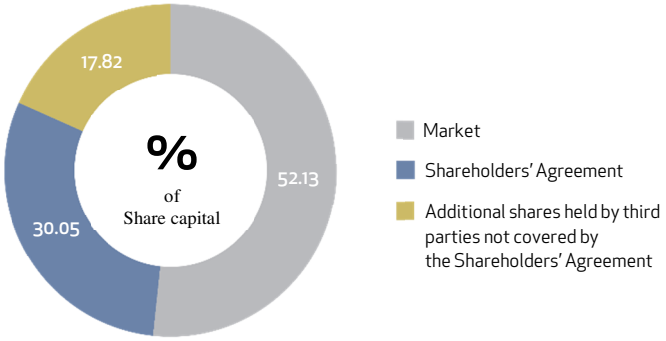
# A Business and Performance

## A.1. Business

### Company information

Unipol Gruppo SpA (also Unipol SpA) is the holding company at the top of the Unipol Insurance Group, a leading Italian insurance group, the first in terms of Non-Life premiums. It is listed on the Milan Stock Exchange, is in the FTSE MIB and manages and coordinates all the subsidiaries. The Group operates in the insurance, real estate, hospitality and other businesses sectors.

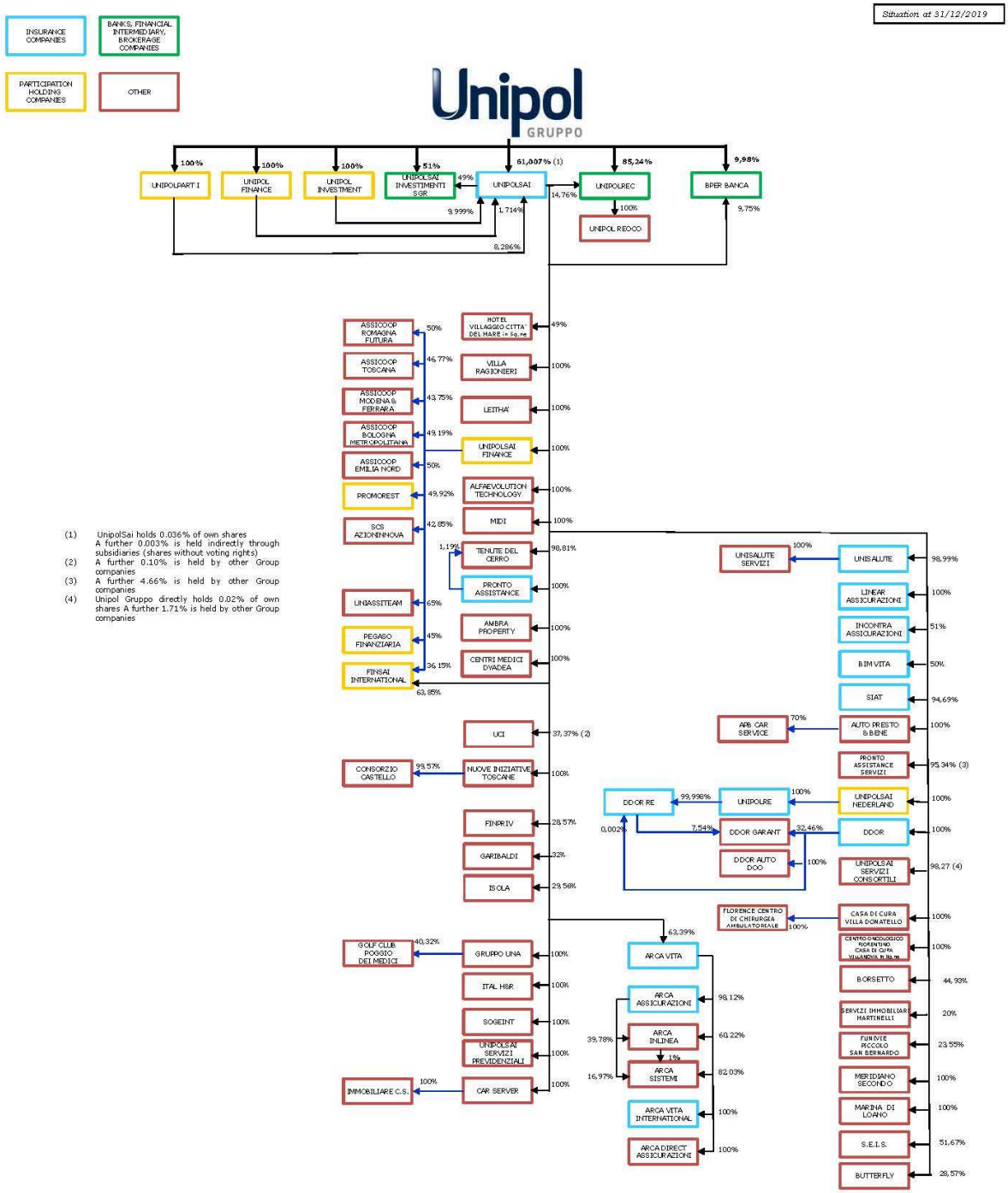
The shareholding structure is shown in the chart below:




The Group is subject to supervision, as an insurance group, by the Istituto per la Vigilanza sulle Assicurazioni (IVASS).

The independent audit firm appointed by the Group is PricewaterhouseCoopers SpA.

The structure of the Unipol Group at 31 December 2019 is shown below.




(1) UnipolSai holds 0.036% of own shares
A further 0.003% is held indirectly through subsidiaries (shares without voting rights)

(2) A further 0.10% is held by other Group companies

(3) A further 4.66% is held by other Group companies

(4) Unipol Gruppo directly holds 0.02% of own shares A further 1.71% is held by other Group companies

We also provide a list of subsidiaries and associates at 31 December 2019. Please note that at that date, there were no companies subject to unified management.

## List of subsidiaries and associates

| Name | Legal form | Registered office | % voting rights |
|---|---|---|---|
| Alfaevolution Technology Spa | Joint-stock company | Italy | 100.00% |
| Ambra Property Srl | Limited liabilities company | Italy | 100.00% |
| Apb Car Service Srl | Limited liabilities company | Italy | 70.00% |
| Arca Assicurazioni Spa | Joint-stock company | Italy | 98.12% |
| Arca Direct Assicurazioni Srl | Limited liabilities company | Italy | 100.00% |
| Arca Inlinea Scarl | Limited liabilities consortium | Italy | 100.00% |
| Arca Sistemi Scarl | Limited liabilities consortium | Italy | 100.00% |
| Arca Vita International Dac | Designated activity Company | Ireland | 100.00% |
| Arca Vita Spa | Joint-stock company | Italy | 63.39% |
| Assicoop Bologna Metropolitana Spa | Joint-stock company | Italy | 49.19% |
| Assicoop Emilia Nord Srl | Limited liabilities company | Italy | 50.00% |
| Assicoop Modena & Ferrara Spa | Joint-stock company | Italy | 43.75% |
| Assicoop Romagna Futura Srl | Limited liabilities company | Italy | 50.00% |
| Assicoop Toscana Spa | Joint-stock company | Italy | 46.77% |
| Athens R.E. Fund | Collective Investments Undertakings | Italy | 89.59% |
| Auto Presto & Bene Spa | Joint-stock company | Italy | 100.00% |
| Bim Vita Spa | Joint-stock company | Italy | 50.00% |
| Borsetto Srl | Limited liabilities company | Italy | 44.93% |
| Bper Banca Spa | Joint-stock company | Italy | 19.74% |
| Butterfly Am Sa'Rl | Limited liabilities company | Luxembourg | 28.57% |
| Car Server Spa | Joint-stock company | Italy | 100.00% |
| Casa Di Cura Villa Donatello - Spa | Joint-stock company | Italy | 100.00% |
| Centri Medici Dyadea Srl | Limited liabilities company | Italy | 100.00% |
| Centro Oncologico Fiorentino Casa Di Cura Villanova Srl In Liquidazione | Limited liabilities company | Italy | 100.00% |
| Compagnia Assicuratrice Linear Spa | Joint-stock company | Italy | 100.00% |
| Consorzio Castello | Limited liabilities consortium | Italy | 99.57% |
| Ddor Auto - Limited Liability Company | Drustvo Sa Ogranienom Odgovornou-D.O.O. | Serbia | 100.00% |
| Ddor Garant | Akcionarsko Drustvo-A.D. | Serbia | 40.00% |
| Ddor Novi Sad | Akcionarsko Drustvo-A.D.O. | Serbia | 100.00% |
| Ddor Re | Akcionarsko Drustvo-A.D.O. | Serbia | 100.00% |
| Fin.Priv. Srl | Limited liabilities company | Italy | 28.57% |
| Finsai International Sa | Societe' Anonyme | Luxembourg | 100.00% |
| Florence Centro Di Chirurgia Ambulatoriale Srl | Limited liabilities company | Italy | 100.00% |
| Fondazione Unipolis | Foundation | Italy | 100.00% |
| Fondo Landev | Collective Investments Undertakings | Italy | 100.00% |
| Fondo Opportunity | Collective Investments Undertakings | Italy | 100.00% |
| Funivie Del Piccolo San Bernardo Spa | Joint-stock company | Italy | 23.55% |
| Garibaldi Sca | Societè en Accomandite par Actions | Luxembourg | 32.00% |

| Name | Legal form | Registered office | % voting rights |
|---|---|---|---|
| Golf Club Poggio Dei Medici Spa Societa' Dilettantistica Sportiva | Limited liabilities company | Italy | 40.32% |
| Gruppo Una Spa | Joint-stock company | Italy | 100.00% |
| Hotel Villaggio Citta' Del Mare Spa In Liquidazione | Joint-stock company | Italy | 49.00% |
| Immobiliare C.S. Srl | Limited liabilities company | Italy | 100.00% |
| Incontra Assicurazioni Spa | Joint-stock company | Italy | 51.00% |
| Isola Sca | Societè en Accomandite par Actions | Luxembourg | 29.56% |
| Ital H&R Srl | Limited liabilities company | Italy | 100.00% |
| Leithà Srl | Limited liabilities company | Italy | 100.00% |
| Marina Di Loano Spa | Joint-stock company | Italy | 100.00% |
| Meridiano Secondo Srl | Limited liabilities company | Italy | 100.00% |
| Midi Srl | Limited liabilities company | Italy | 100.00% |
| Nuove Iniziative Toscane - Societa' A Responsabilita' Limitata | Limited liabilities company | Italy | 100.00% |
| Pegaso Finanziaria Spa | Joint-stock company | Italy | 45.00% |
| Promorest Srl | Limited liabilities company | Italy | 49.92% |
| Pronto Assistance Servizi Scarl | Limited liabilities consortium | Italy | 100.00% |
| Pronto Assistance Spa | Joint-stock company | Italy | 100.00% |
| Scs Azioninnova Spa | Joint-stock company | Italy | 42.85% |
| Servizi Immobiliari Martinelli Spa | Joint-stock company | Italy | 20.00% |
| Siat-Societa' Italiana Assicurazioni E Riassicurazioni - Per Azioni | Joint-stock company | Italy | 94.69% |
| Societa' Edilizia Immobiliare Sarda - S.E.I.S. Societa' Per Azioni | Joint-stock company | Italy | 51.67% |
| Sogeint Societa' A Responsabilita' Limitata | Limited liabilities company | Italy | 100.00% |
| Tenute Del Cerro Spa - Societa' Agricola | Joint-stock company | Italy | 100.00% |
| Tikal R.E. Fund | Collective Investments Undertakings | Italy | 95.00% |
| Uci - Ufficio Centrale Italiano | Limited liabilities consortium | Italy | 37.47% |
| Uniassiteam Srl | Limited liabilities company | Italy | 65.00% |
| Unipol Finance Srl | Limited liabilities company | Italy | 100.00% |
| Unipol Gruppo Spa | Joint-stock company | Italy | 100.00% |
| Unipol Investment Spa | Joint-stock company | Italy | 100.00% |
| Unipol Reoco Spa | Joint-stock company | Italy | 100.00% |
| Unipolpart I Spa | Joint-stock company | Italy | 100.00% |
| Unipolre Dac | Designated activity Company | Ireland | 100.00% |
| Unipolrec Spa | Joint-stock company | Italy | 100.00% |
| Unipolsai Assicurazioni Spa | Joint-stock company | Italy | 81.04% |
| Unipolsai Finance Spa | Joint-stock company | Italy | 100.00% |
| Unipolsai Investimenti Sgr Spa | Joint-stock company | Italy | 100.00% |
| Unipolsai Nederland Bv | Besloten Vennootschap | The Netherlands | 100.00% |
| Unipolsai Servizi Consortili Societa' Consortile A Responsabilita' Limitata | Limited liabilities consortium | Italy | 100.00% |
| Unipolsai Servizi Previdenziali Srl | Limited liabilities company | Italy | 100.00% |
| Unisalute Servizi Srl | Limited liabilities company | Italy | 100.00% |
| Unisalute Spa | Joint-stock company | Italy | 98.99% |
| Villa Ragionieri Srl | Limited liabilities company | Italy | 100.00% |

## Change in the scope of consolidation

On 1 August 2019, UnipolSai acquired the entire share capital of Car Server, with subsequent acquisition of indirect control of its 100% subsidiaries, Immobiliare C.S. Srl and Gieffe Srl Gestione Flotte. The latter was later merged into the parent Car Server with effect from 13 December 2019.

On 1 October 2019, the partial spin-off became effective of Unisalute Servizi Srl to the beneficiary newco Centri Medici Dyadea Srl, originally a subsidiary of Unisalute SpA, then sold by the latter to UnipolSai on 20 December 2019.

The tables in this chapter provide data relating to the years 2019 and 2018 relating to the actual scopes of consolidation. As regards the analysis of changes on a like-for-like basis, or excluding the contribution from Popolare Vita, Unipol Banca and their subsidiaries for the year 2018, and at normalised values, or excluding the effects of non-recurring components in the two periods in question, please refer to the information published in the management report to the Integrated Consolidated Financial Statements for the Unipol Group at 31 December 2019.

### Main differences between the scope of consolidation considered in the consolidated financial statements prepared pursuant to Art. 95 of the Private Insurance Code ("CAP") and the scope of consolidation considered for the calculation of group solvency pursuant to Art. 216-ter of the CAP

The Unipol Group MCBS was determined in accordance with method 1 (method based on the consolidated financial statements described in Art. 335 of the Regulation). To that end, a Group MCBS expressed at market value was prepared on the basis of the criteria defined in the Regulation.
The Group scope for the preparation of the MCBS includes 79 companies, of which:

- 41 companies consolidated on a line-by-line basis in application of Art. 335 paragraph 1 (a) of the Regulation (insurance or reinsurance companies, non-EU insurance or reinsurance companies, insurance holding companies, mixed financial holding companies and instrumental companies which are subsidiaries of the parent company);
- 4 companies for which the proportional share of own funds of the company calculated in accordance with the pertinent sector rules pursuant to Art. 2, point 7 of Directive 2002/87/EC was consolidated in application of Art. 335 paragraph 1 (e) of the Regulation (investee companies that are credit institutions, investment firms and financial institutions, UCITS management companies);
- 34 companies measured in compliance with Art. 13 of the Regulation (other subsidiaries, associates, included in the definition of equity investments other than the previous ones), consolidated with the Solvency II equity method in application of Art. 335 paragraph 1 (f) of the Regulation.

There are no companies pursuant to paragraph 1, letters b), c) and d) of Art. 335 of the Regulation (line-by-line consolidation of vehicle companies as defined in Art. 13 of the Directive, proportionate consolidation or consolidation with the equity method of equity investments in insurance or reinsurance companies, non-EU insurance or reinsurance companies, insurance holding companies, mixed financial holding companies and instrumental companies which are not subsidiaries of the parent company).
The main differences in the scope of consolidation of the MCBS with respect to the scope of consolidation used for the preparation of the Unipol consolidated financial statements derive from the lack of line-by-line consolidation of the subsidiaries belonging to the financial sector and the subsidiary entities that are not instrumental companies within the scope of the Unipol Insurance Group, with the exception of several subsidiary entities whose activities were deemed similar to those of the instrumental companies, such as the controlled property funds and the companies Unipol Finance, Unipol Investment and UnipolPart I, which hold an investment in UnipolSai.
For further details regarding the scope of consolidation and the methods of calculation applied to the individual entities, please refer to QRT S.32.01.22 in the QRT Models section.

## Relations with Group companies

**Unipol Gruppo** provides the following services:
- Governance (services supporting internal control, risk management and compliance);
- Anti-money laundering and Anti-terrorism.

**UnipolSai Assicurazioni** provides the following services:

- Governance (services supporting internal control, risk management and compliance);
- Finance;
- Innovation;
- Communications and Media Relations;
- Anti-money laundering and Anti-terrorism;
- 231 support;
- Institutional Relations;
- Assessment of investments;
- Human resources and industrial relations (external selection, development and remuneration systems, welfare initiatives, personnel management, trade union relations and disputes, employee welfare, safety, personnel administration);
- Organisation;
- Training;
- Claims settlement;
- Insurance (distribution network regulations, MV portfolio management, reinsurance, product marketing, MV tariff setting, development and maintenance of MV products, general class tariff setting, development and maintenance of general class products, technical actuarial coordination, Life bancassurance);
- Legal and corporate (corporate affairs, group legal register management, anti-fraud, institutional response, legal insurance consulting, privacy consulting and support, general legal and disputes, corporate legal, complaints and specialised customer support, management of investments);
- IT services;
- Validation and calculation actuarial function;
- Administration (accounting, tax, administrative and financial statements services, economic management control, purchases and general services);
- Real estate (coordination of urban planning processes, strategic real estate asset management, operational management of property sales and purchases, property leasing services, project management, tenders and contracts, logistics and real estate services, facility management, tax and duty property management, real estate appraisals and property management).

**UniSalute** provides the following services to the other companies of the Group:

- managing addressing services, providing medical advice and assistance by telephone, making bookings, managing and settling claims relating to specific guarantees/products on behalf of UnipolSai;
- policyholder record updating and administrative services associated with the payment of health policy claims for UnipolSai.

The services provided by **UniSalute** to its subsidiary Unisalute Servizi mainly concern the following areas:

- Administration and budget;
- Planning and management control;
- Marketing;
- IT services;
- Suppliers;
- Human resource monitoring;
- Training process support;
- Commercial and welfare development.

**SIAT** performs the following services in favour of UnipolSai:

- technical assistance in the negotiation and stipulation of transport and aviation contracts;
- portfolio services for agreements in the transport sector;
- administrative support in the relationships with insurance counterparties.

**Auto Presto & Bene and APB Car Service** perform car repair services in favour of a number of Group companies.

**UnipolSai Servizi Previdenziali** performs administrative management of open pension funds on behalf of a number of Group companies.

**UnipolRe** carries out for UnipolSai administrative and accounting services for inwards and outwards reinsurance with reference to treaties in run-off.

**UnipolSai Investimenti SGR** administers on behalf of UnipolSai the units of property funds set up by third party asset managers, owned by UnipolSai.

**UnipolReC**, in its capacity as agent, performed debt management and out-of-court collection activities for the UNA Group in relation to trade receivables in 2019, such as analysis of the receivables assigned, sending payment reminders by letter and/or telephone, monitoring the responses received, verifying payments and their reconciliation, searching for parties that cannot be located and other activities necessary or connected to such services.

**Alfaevolution Technology** provides services for several Group companies relating to the provision and management of:

- black boxes linked to vehicle and motorcycle policies, in addition to an offer dedicated to fleets as well, confirming the Unipol Group as global market leader. For these devices, AlfaEvolution provides a telematic service including data analysis and crash reconstruction;
- telematic kits linked to insurance policies to protect homes, stores and businesses;
- telematic devices linked to insurance policies to protect pets;
- Qshino, the product that offers an anti-abandonment service for children's car seats as set forth by law no. 117 of 1 October 2018, which requires its use.

It has also supported UnipolSai in the development of mobile payment solutions to offer customers an integrated model of distinctive services complementary to the insurance business: the first services available on the UnipolSai App therefore offer the possibility to pay for parking, fines and vehicle taxes.

**Leithà** provides, in favour of several Group companies, innovative services with high technological value and study and analysis of data to support the development of new products and processes and business evolution, including the necessary preparatory and instrumental activities for the realisation of commissioned research projects, and, possibly the development of operating system software, operating systems and applications and database management pertaining and functional to such projects.

**Pronto Assistance Servizi (PAS)** provides the following services for the Companies of the consortium (and to a minimal extent also to third parties in the market):

- organisation, provision and 24/7 management of services provided by the assistance insurance coverage, by taking the action requested and managing relations with professionals and independent suppliers to which the material execution of the action is assigned, also including settlement of the related remuneration. As part of the Tourism claims management only for consortium members, in addition to the provision of normal Assistance services, at the request of an individual consortium member PAS can advance medical expense payments on behalf of that member.
- contact centre activities for customers, specialists and agencies of the Group, whose services consist of:
  - providing front office services to existing or potential customers at all stages of relations with the consortium members and their respective sales networks, or to any intermediaries acting on their behalf (brokers, banks);
  - providing after-sales services on policy statuses or on any transactions that can be made on existing policies;
  - providing customer satisfaction services;
  - providing support services to the agency network in relations with customers and consortium members;
  - providing contact centre services dedicated to opening claims and related information requests.

The consortium **UnipolSai Servizi Consortili** manages a few supply and service agreements relating to the Unipol Group's communications, image and brand.

**Ambra Property** provides reception and booking services for Ital H&R.

**Arca Vita** provides human resource management and development, training, organisation, corporate affairs, purchasing, legal services and complaints, secretariat and general services, security and privacy, administration, management control for Arca Inlinea, Arca Sistemi and Arca Direct Assicurazioni.
There is also an agreement in place with Arca Vita International for the "Arca Vita International" trademark user licence owned by Arca Vita.

**Arca Inlinea** provides sales support services to Arca Assicurazioni, Arca Vita and Arca Vita International.

**Arca Sistemi** provides the following services:
- design, development and management of IT systems for Arca Vita, Arca Assicurazioni, Arca Inlinea and Arca Direct Assicurazioni;
- design, development and management of alternative storage for Arca Vita and Arca Assicurazioni;
- services as IT architecture provider for Arca Vita International.

**Arca Direct Assicurazioni** has insurance brokerage agreements in place with Arca Vita, Arca Assicurazioni and UnipolSai.

Please also note that the Group companies carry out with each other:
- normal insurance and reinsurance transactions;
- leasing of property;
- agency mandates;
- secondment of personnel;
- medium and long term vehicle rental.

No atypical or unusual transactions were carried out in the execution of these services.

Fees are mainly calculated on the basis of the external costs incurred, for example the costs of products and services acquired from suppliers, and the costs resulting from activities carried out directly, i.e. generated by their own staff, and taking account of:
- performance objectives set for the provision of the service to the company;
- strategic investments required to ensure the agreed levels of service.

The following elements are specifically taken into consideration:
- personnel costs;
- operating costs (logistics, etc.);
- general costs (IT, consultancy, etc.).

As regards services rendered by Leithà and Ambra Property, the consideration was determined to the extent equal to costs, as previously defined, to which a 5% mark-up was applied, which is the operating margin for the service rendered.

The costs for financing activities are calculated by applying a fee on managed volumes. The services provided by UniSalute (except operating services provided to Unisalute Servizi for which the costs are split), Auto Presto & Bene, UnipolSai Investimenti SGR and UnipolRe involve fixed prices.

Both the Parent Company Unipol and its subsidiaries, including UnipolSai, Arca Vita and Arca Assicurazioni, second their staff to other Group companies to optimise the synergies within the Group.

It should be noted that, in accordance with Art. 2497 et seq. of the Italian Civil Code, none of the shareholders of the Parent Company Unipol carries out management and coordination activities.

## Tax regime for taxation of group income (so-called "tax consolidation")

The Parent Company Unipol exercised the Group tax consolidation option governed by Title II, Chapter II, Section II of Italian Presidential Decree 917/86 (the Consolidated Income Tax Act, Articles 117 et seq.) as consolidating entity, jointly with the companies belonging to the Unipol Group meeting the requirements set forth over time. The option has a three-year duration and is renewed automatically unless cancelled.

## Exercise of the option for the establishment of the Unipol VAT Group

On 14 November 2018, Unipol Gruppo and the subsidiaries for which the economic, financial and organisational restrictions set forth by regulations in force are met exercised the joint option for the establishment of the Unipol VAT Group for the 2019-2021 three-year period, with tacit renewal until revocation, pursuant to Arts. 70-bis et seq. of Italian Presidential Decree no. 633/1972 and Ministerial Decree of 6 April 2018.

The table below reports the relevant quantitative information, at Solvency II values, regarding the significant transactions carried out by the insurance and reinsurance companies or by the parent company with intra-group counterparties as defined in Art. 5 of IVASS Regulation No. 30 of 26 October 2016 concerning provisions on the supervision of intra-group transactions and on risk concentration.

## Transactions relating to equity instruments, debt instruments and asset transfers

*Amounts in €k*

| Name of investor/purchaser | Name of issuer/seller | Transaction description | Maturity | Annual interest rate | Nominal - contractual value of the transaction (1) | Intra-group balance sheet balance as at 31/12/2019 (2) | Intra-group income statement balance as at 31/12/2019 (3) |
|---|---|---|---|---|---|---|---|
| ARCA ASSICURAZIONI SPA | BPER BANCA SPA | Current account | Indefinite | | 18,752 | 6,352 | |
| ARCA ASSICURAZIONI SPA | UNIPOL BANCA SPA | Current account | 25/11/2019 | | 13,165 | | |
| ARCA ASSICURAZIONI SPA | ARCA SISTEMI SCARL | Equity investment in affiliate | Indefinite | | 773 | 773 | |
| ARCA VITA SPA | ARCA ASSICURAZIONI SPA | Dividend disbursed to investor | 31/05/2019 | | 21,573 | | 21,573 |
| ARCA VITA SPA | BANCA POPOLARE DI SONDRIO SCPA | Current account | Indefinite | | 5,935 | 500 | |
| ARCA VITA SPA | BPER BANCA SPA | Current account | Indefinite | | 260,606 | 82,390 | |
| ARCA VITA SPA | UNIPOL BANCA SPA | Current account | 25/11/2019 | | 182,582 | | |
| ARCA VITA SPA | UNIPOL GRUPPO SPA | Bond | 05/03/2021 | 4.38% | 6,490 | 7,051 | |
| ARCA VITA SPA | ARCA ASSICURAZIONI SPA | Equity investment in subsidiary | Indefinite | | 140,684 | 154,539 | 21,573 |
| ARCA VITA SPA | ARCA VITA INTERNATIONAL DAC | Equity investment in subsidiary | Indefinite | | 29,551 | 31,355 | |
| BANCA INTERMOBILIARE | BIM VITA SPA | Dividend disbursed to investor | 30/04/2019 | | 633 | | 633 |
| BANCA POPOLARE DI SONDRIO SCPA | ARCA VITA SPA | Dividend disbursed to investor | 31/05/2019 | | 4,429 | | 4,429 |
| BIM VITA SPA | BANCA INTERMOBILIARE | Current account | Indefinite | | 16,649 | 4,724 | |
| BIM VITA SPA | BPER BANCA SPA | Current account | Indefinite | | 1,220 | 1,049 | |
| BIM VITA SPA | UNIPOL BANCA SPA | Current account | 25/11/2019 | | 3,069 | | |
| BPER BANCA SPA | ARCA VITA SPA | Dividend disbursed to investor | 31/05/2019 | | 5,873 | | 5,873 |
| COMPAGNIA ASSICURATRICE LINEAR | UNIPOL BANCA SPA | Current account | 25/11/2019 | | 38,687 | | |
| COMPAGNIA ASSICURATRICE LINEAR | UNIPOL BANCA SPA | Time deposit | 04/02/2019 | | 5,000 | | |
| COMPAGNIA ASSICURATRICE LINEAR | BPER BANCA SPA | Current account | Indefinite | | 7,069 | 4,243 | |
| COOP ALLEANZA 3.0 SOCIETA' COOPERATIVA | UNIPOL GRUPPO SPA | Dividend disbursed to investor | 22/05/2019 | | 28,603 | | 28,603 |
| INCONTRA ASSICURAZIONI SPA | BPER BANCA SPA | Current account | Indefinite | | 15,934 | 2,067 | |
| INCONTRA ASSICURAZIONI SPA | UNICREDIT GROUP | Current account | Indefinite | | 11,252 | 1,110 | |
| INCONTRA ASSICURAZIONI SPA | UNIPOL BANCA SPA | Current account | 25/11/2019 | | 13,320 | | |
| INCONTRA ASSICURAZIONI SPA | UNIPOL BANCA SPA | Time deposit | 18/02/2019 | | 5,000 | | |
| INCONTRA ASSICURAZIONI SPA | UNIPOL BANCA SPA | Time deposit | 06/03/2019 | | 2,000 | | |
| INCONTRA ASSICURAZIONI SPA | UNIPOL BANCA SPA | Time deposit | 13/03/2019 | | 2,500 | | |
| INCONTRA ASSICURAZIONI SPA | UNIPOL BANCA SPA | Time deposit | 20/03/2019 | | 2,500 | | |
| INCONTRA ASSICURAZIONI SPA | UNIPOL BANCA SPA | Time deposit | 27/03/2019 | | 2,000 | | |
| INCONTRA ASSICURAZIONI SPA | UNIPOL BANCA SPA | Time deposit | 29/03/2019 | | 2,500 | | |
| INCONTRA ASSICURAZIONI SPA | UNIPOL BANCA SPA | Time deposit | 10/04/2019 | | 2,500 | | |
| INCONTRA ASSICURAZIONI SPA | UNIPOL BANCA SPA | Time deposit | 24/04/2019 | | 2,000 | | |
| MERIDIANO SECONDO SRL | UNIPOLSAI ASSICURAZIONI SPA | Contribution of property | Indefinite | | 102,700 | | |
| PRONTO ASSISTANCE SPA | BPER BANCA SPA | Current account | Indefinite | | 1,687 | 1,142 | |
| PRONTO ASSISTANCE SPA | UNIPOL BANCA SPA | Current account | 25/11/2019 | | 4,132 | | |
| PRONTO ASSISTANCE SPA | TENUTE DEL CERRO SPA - SOCIETÀ AGRICOLA | Equity investment in affiliate | Indefinite | | 897 | 897 | |
| PRONTO ASSISTANCE SPA | UNIPOLSAI ASSICURAZIONI SPA | Equity investment in holding company | Indefinite | | 681 | | 50 |

## Transactions relating to equity instruments, debt instruments and asset transfers

*Amounts in €k*

| Name of investor/purchaser | Name of issuer/seller | Transaction description | Maturity | Annual interest rate | Nominal - contractual value of the transaction (1) | Intra-group balance sheet balance as at 31/12/2019 (2) | Intra-group income statement balance as at 31/12/2019 (3) |
|---|---|---|---|---|---|---|---|
| PRONTO ASSISTANCE SPA | UNIPOLSAI SERVIZI CONSORTILI SCRL | Equity investment in affiliate | Indefinite | | 326 | 288 | |
| SIAT SPA | BPER BANCA SPA | Current account | Indefinite | | 5,063 | 614 | |
| SIAT SPA | UNIPOL BANCA SPA | Current account | 25/11/2019 | | 15,977 | | |
| UNICREDIT GROUP | INCONTRA ASSICURAZIONI SPA | Dividend disbursed to investor | 10/05/2019 | | 1,325 | | 1,325 |
| UNIPOL BANCA SPA | UNIPOL GRUPPO SPA | Extinguishment of payable as a result of early termination of the credit indemnity agreement | 31/07/2019 | | 455,187 | | 7,188 |
| UNIPOL FINANCE SRL | UNIPOLSAI ASSICURAZIONI SPA | Dividend disbursed to investor | 22/05/2019 | | 40,998 | | 40,998 |
| UNIPOL FINANCE SRL | UNIPOL GRUPPO SPA | Cash Pooling | Indefinite | | 648,204 | 188,644 | |
| UNIPOL GRUPPO SPA | UNIPOLSAI ASSICURAZIONI SPA | Dividend disbursed to investor | 22/05/2019 | | 209,320 | | 209,320 |
| UNIPOL GRUPPO SPA | BPER BANCA SPA | Equity investment in associated company | Indefinite | | 174,134 | 232,826 | |
| UNIPOL GRUPPO SPA | BPER BANCA SPA | Multiple purchases of shares | Indefinite | | 104,256 | | |
| UNIPOL GRUPPO SPA | UNIPOL FINANCE SRL | Equity investment in subsidiary | Indefinite | | 565,032 | 626,933 | 70,571 |
| UNIPOL GRUPPO SPA | UNIPOL INVESTMENT SPA | Equity investment in subsidiary | Indefinite | | 597,001 | 758,698 | 52,305 |
| UNIPOL GRUPPO SPA | UNIPOLSAI ASSICURAZIONI SPA | Equity investment in subsidiary | Indefinite | | 2,853,894 | 4,471,196 | 209,320 |
| UNIPOL GRUPPO SPA | UNIPOLPART I SPA | Equity investment in subsidiary | Indefinite | | 464,247 | 631,603 | 10,000 |
| UNIPOL GRUPPO SPA | UNIPOLREC SPA | Equity investment in subsidiary | Indefinite | | 184,271 | 368,919 | |
| UNIPOL GRUPPO SPA | UNIPOLSAI ASSICURAZIONI SPA | Transfer of equity investment within the Group (Exercise of put option on UnipolRec SpA shares) | 01/03/2019 | | 207,856 | | |
| UNIPOL GRUPPO SPA | UNIPOLREC SPA | Equity investment in subsidiary (increase in equity investment) | Indefinite | | 207,856 | | |
| UNIPOL GRUPPO SPA | UNIPOLREC SPA | Contribution to share capital increase of subsidiary | Indefinite | | 86,958 | | |
| UNIPOL GRUPPO SPA | UNIPOL FINANCE SPA | Transfer of shares of UnipolSai Assicurazioni SpA within the Group | 27/05/2019 | | 641,553 | | |
| UNIPOL GRUPPO SPA | UNIPOLSAI ASSICURAZIONI SPA | Transfer of shares of UnipolSai Assicurazioni SpA within the Group - Increase in equity investment | Indefinite | | 641,553 | | |
| UNIPOL GRUPPO SPA | UNIPOL BANCA SPA | Current account | 25/11/20019 | | 1,399,934 | | |
| UNIPOL GRUPPO SPA | BPER BANCA SPA | Current account | Indefinite | | 720,840 | 258,129 | |
| UNIPOL GRUPPO SPA | UNIPOLREC SPA | Loan | 16/01/2028 | 3.25% | 145,241 | 91,988 | 4,222 |
| UNIPOL GRUPPO SPA | CAR SERVER SPA | Loan | 08/11/2023 | 2.22% | 150,000 | 41,319 | |
| UNIPOL GRUPPO SPA | UNIPOLSAI ASSICURAZIONI SPA | Transfer of equity investment within the Group (Exercise of put option on Unipol Banca SpA shares) | 01/03/2019 | | 371,217 | | |
| UNIPOL GRUPPO SPA | UNIPOL BANCA SPA | Equity investment in subsidiary (increase in equity investment) | Indefinite | | 371,217 | | |
| UNIPOL GRUPPO SPA | UNIPOL BANCA SPA | Equity investment in subsidiary | 31/07/2019 | | 187,534 | | |
| UNIPOL INVESTMENT SPA | UNIPOLSAI ASSICURAZIONI SPA | Dividend disbursed to investor | 22/05/2019 | | 41,026 | | 41,026 |

## Transactions relating to equity instruments, debt instruments and asset transfers

*Amounts in €k*

| Name of investor/purchaser | Name of issuer/seller | Transaction description | Maturity | Annual interest rate | Nominal - contractual value of the transaction (1) | Intra-group balance sheet balance as at 31/12/2019 (2) | Intra-group income statement balance as at 31/12/2019 (3) |
|---|---|---|---|---|---|---|---|
| UNIPOL INVESTMENT SPA | UNIPOL GRUPPO SPA | Cash Pooling | Indefinite | | 36,426 | 26,404 | |
| UNIPOL PART I | UNIPOLSAI ASSICURAZIONI SPA | Dividend disbursed to investor | 22/05/2019 | | 33,999 | | 33,999 |
| UNIPOLPART I SPA | UNIPOL GRUPPO SPA | Cash Pooling | Indefinite | | 34,765 | 24,735 | |
| UNIPOLREC SPA | UNIPOL GRUPPO SPA | Cash Pooling | Indefinite | | 69,016 | 30,290 | |
| UNIPOLSAI ASSICURAZIONI SPA | INCONTRA ASSICURAZIONI SPA | Dividend disbursed to investor | 10/05/2019 | | 1,379 | | 1,379 |
| UNIPOLSAI ASSICURAZIONI SPA | ARCA VITA SPA | Dividend disbursed to investor | 31/05/2019 | | 18,925 | | 18,925 |
| UNIPOLSAI ASSICURAZIONI SPA | BIM VITA SPA | Dividend disbursed to investor | 30/04/2019 | | 633 | | 633 |
| UNIPOLSAI ASSICURAZIONI SPA | COMPAGNIA ASSICURATRICE LINEAR | Dividend disbursed to investor | 31/05/2019 | | 5,597 | | 5,597 |
| UNIPOLSAI ASSICURAZIONI SPA | PRONTO ASSISTANCE SPA | Dividend disbursed to investor | 10/05/2019 | | 2,750 | | 2,750 |
| UNIPOLSAI ASSICURAZIONI SPA | UNISALUTE SPA | Dividend disbursed to investor | 21/05/2019 | | 28,580 | | 28,580 |
| UNIPOLSAI ASSICURAZIONI SPA | UNISALUTE SPA | Purchase of equity investment in Centri | 20/12/2019 | | 5,142 | | |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOL BANCA SPA | Current account | 25/11/2019 | | 2,181,984 | | |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOL GRUPPO SPA | Loan | 28/07/2023 | 0.60% | 228,785 | 228,822 | 1,521 |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOL GRUPPO SPA | Loan | 15/06/2021 | 0.61% | 39,000 | 39,008 | 261 |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOL BANCA SPA | Time deposit | 17/06/2019 | | 100,000 | | |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOL BANCA SPA | Time deposit | 19/06/2019 | | 100,000 | | |
| UNIPOLSAI ASSICURAZIONI SPA | MERIDIANO SECONDO SRL | Loan | Indefinite | | 33,099 | 36,813 | |
| UNIPOLSAI ASSICURAZIONI SPA | VILLA RAGIONIERI SRL | Equity investment in subsidiary | Indefinite | | 52,598 | 50,401 | |
| UNIPOLSAI ASSICURAZIONI SPA | NUOVE INIZIATIVE TOSCANE SRL | Equity investment in subsidiary | Indefinite | | 82,309 | 73,249 | |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOLSAI SERVIZI CONSORTILI SCRL | Equity investment in subsidiary | Indefinite | | 35,524 | 31,507 | |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOLSAI SERVIZI CONSORTILI SCRL | Purchase of Consortium shares | Indefinite | | 16 | | |
| UNIPOLSAI ASSICURAZIONI SPA | ALFAEVOLUTION TECHNOLOGY SPA | Equity investment in subsidiary | Indefinite | | 76,944 | 77,225 | |
| UNIPOLSAI ASSICURAZIONI SPA | SIAT SPA | Equity investment in subsidiary | Indefinite | | 58,038 | 60,183 | |
| UNIPOLSAI ASSICURAZIONI SPA | FIN.PRIV. SRL | Equity investment in associated company | Indefinite | | 30,474 | 40,273 | 1,914 |
| UNIPOLSAI ASSICURAZIONI SPA | TENUTE DEL CERRO SPA - SOCIETÀ AGRICOLA | Equity investment in subsidiary | Indefinite | | 112,533 | 105,883 | |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOL BANCA SPA | Equity investment in associated company | 01/03/2019 | | 403,683 | | |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOL BANCA SPA | Equity investment in associated company | 31/07/2019 | | 32,466 | | |
| UNIPOLSAI ASSICURAZIONI SPA | PRONTO ASSISTANCE SPA | Equity investment in subsidiary | Indefinite | | 42,958 | 41,780 | 2,750 |
| UNIPOLSAI ASSICURAZIONI SPA | INCONTRA ASSICURAZIONI SPA | Equity investment in subsidiary | Indefinite | | 31,631 | 47,683 | 1,379 |
| UNIPOLSAI ASSICURAZIONI SPA | MARINA DI LOANO SPA | Equity investment in subsidiary | Indefinite | | 84,287 | 83,772 | |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOLSAI NEDERLAND BV | Equity investment in subsidiary | Indefinite | | 459,285 | 460,605 | |
| UNIPOLSAI ASSICURAZIONI SPA | DDOR NOVI SAD | Equity investment in subsidiary | Indefinite | | 47,967 | 58,558 | |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOLSAI FINANCE SPA | Equity investment in subsidiary | Indefinite | | 218,151 | 247,164 | 7,241 |
| UNIPOLSAI ASSICURAZIONI SPA | MIDI SRL | Equity investment in subsidiary | Indefinite | | 131,639 | 133,555 | |

## Transactions relating to equity instruments, debt instruments and asset transfers

*Amounts in €k*

| Name of investor/purchaser | Name of issuer/seller | Transaction description | Maturity | Annual interest rate | Nominal - contractual value of the transaction (1) | Intra-group balance sheet balance as at 31/12/2019 (2) | Intra-group income statement balance as at 31/12/2019 (3) |
|---|---|---|---|---|---|---|---|
| UNIPOLSAI ASSICURAZIONI SPA | UNISALUTE SPA | Equity investment in subsidiary | Indefinite | | 178,920 | 188,589 | 28,580 |
| UNIPOLSAI ASSICURAZIONI SPA | COMPAGNIA ASSICURATRICE LINEAR SPA | Equity investment in subsidiary | Indefinite | | 111,211 | 123,806 | 5,597 |
| UNIPOLSAI ASSICURAZIONI SPA | AMBRA PROPERTY SRL | Equity investment in subsidiary | Indefinite | | 55,449 | 53,787 | |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOLREC SPA | Loan | 16/01/2028 | 3.25% | 106,259 | 67,299 | 3,088 |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOLREC SPA | Equity investment in associated company | Indefinite | | 254,940 | 63,861 | |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOLREC SPA | Share capital increase in associated company | Indefinite | | 15,053 | | |
| UNIPOLSAI ASSICURAZIONI SPA | ARCA VITA SPA | Equity investment in subsidiary | Indefinite | | 315,858 | 409,969 | 18,925 |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOL GRUPPO SPA | Loan | 01/03/2024 | 2.20% | 300,000 | 300,551 | 5,702 |
| UNIPOLSAI ASSICURAZIONI SPA | CAR SERVER SPA | Loan | 01/08/2020 | 2.24% | 223,882 | 223,965 | 204 |
| UNIPOLSAI ASSICURAZIONI SPA | CAR SERVER SPA | Equity investment in subsidiary | Indefinite | | | 61,132 | |
| UNIPOLSAI ASSICURAZIONI SPA | MERIDIANO SECONDO SRL | Equity investment in subsidiary | Indefinite | | 20,624 | 228,685 | |
| UNIPOLSAI ASSICURAZIONI SPA | MERIDIANO SECONDO SRL | Share capital increase in subsidiary | Indefinite | | 102,700 | | |
| UNIPOLSAI ASSICURAZIONI SPA | MERIDIANO SECONDO SRL | Share capital increase in subsidiary | Indefinite | | 53,408 | | |
| UNIPOLSAI ASSICURAZIONI SPA | MERIDIANO SECONDO SRL | Share capital increase in subsidiary | Indefinite | | 4,270 | | |
| UNIPOLSAI ASSICURAZIONI SPA | MERIDIANO SECONDO SRL | Share capital increase in subsidiary | Indefinite | | 4,500 | | |
| UNIPOLSAI ASSICURAZIONI SPA | BPER BANCA SPA | Equity investment in "other investee" | Indefinite | | 159,790 | 227,556 | |
| UNIPOLSAI ASSICURAZIONI SPA | BPER BANCA SPA | Multiple purchases of shares | Indefinite | | 11,158 | | |
| UNIPOLSAI ASSICURAZIONI SPA | BPER BANCA SPA | Current account | Indefinite | | 794,475 | 348,369 | |
| UNIPOLSAI FINANCE SPA | UNIPOL GRUPPO SPA | Cash Pooling | Indefinite | | 137,362 | 124,471 | |
| UNISALUTE SPA | UNIPOL BANCA SPA | Current account | 25/11/2019 | | 71,524 | | |
| UNISALUTE SPA | BPER BANCA SPA | Current account | 31/12/2019 | | 38,187 | 2,065 | |
| UNISALUTE SPA | UNISALUTE SERVIZI SRL | Equity investment in subsidiary | 31/12/2019 | | 2,821 | 1,518 | |
| UNISALUTE SPA | CENTRI MEDICI DYADEA SRL | Equity investment in subsidiary (founding of Centri Medici Dyadea S.r.l., from the spin-off of Unisalute Servizi) | 24/09/2019 | | 1,530 | 1,530 | |
| UNISALUTE SPA | CENTRI MEDICI DYADEA SRL | Sale to UnipolSai Assicurazioni SpA of the equity investment in Centri Medici Dyadea Srl, and related capital gain | 20/12/2019 | | 1,530 | | 3,612 |

(1) "Nominal - contractual value of the transaction" refers to:
i) In the case of current accounts: the maximum amount for the year;
ii) In the case of loans, time deposits and similar: the contractual (nominal) amount;
iii) In the case of equity investments: its SII value at the start of the year;
iv) In the case of dividends disbursed by the Company to investor entities, their amount.
v) In case of share capital increase: the amount of such increase.

(2) The balance sheet balance represents the SII balance sheet value (e.g., value of the equity investment or residual debt or current account balance) at the date of year-end close.

(3) The income statement balance represents the impact in the Income Statement for the year of the intra-group transaction.

## Reinsurance transactions

*Amounts in €k*

| Name of ceding company | Name of reinsurer | Type of agreement | Intra-group balance sheet balance - receivable/(payable) for the ceding Company as at 31/12/2019 (1) | Intra-group income statement balance - income/(expenses) for the ceding Company as at 31/12/2019 (2) |
|---|---|---|---|---|
| ARCA ASSICURAZIONI SPA | UNISALUTE SPA | QUOTA SHARE | 1,185 | (796) |
| ARCA ASSICURAZIONI SPA | UNIPOLSAI ASSICURAZIONI SPA | EXCESS OF LOSS [PER EVENT AND PER RISK] | 182 | 56 |
| ARCA ASSICURAZIONI SPA | UNIPOLSAI ASSICURAZIONI SPA | EXCESS OF LOSS [PER EVENT] | 183 | 193 |
| ARCA ASSICURAZIONI SPA | UNIPOLSAI ASSICURAZIONI SPA | EXCESS OF LOSS [PER RISK] | | (5) |
| ARCA ASSICURAZIONI SPA | UNIPOLSAI ASSICURAZIONI SPA | QUOTA SHARE | 386 | (48) |
| ARCA ASSICURAZIONI SPA | UNIPOLSAI ASSICURAZIONI SPA | UNLIMITED EXCESS OF LOSS | (12) | (67) |
| BIM VITA SPA | UNIPOLSAI ASSICURAZIONI SPA | EXCESS OF LOSS [PER EVENT AND PER RISK] | 1 | |
| BIM VITA SPA | UNIPOLSAI ASSICURAZIONI SPA | SURPLUS | (2) | (2) |
| COMPAGNIA ASSICURATRICE LINEAR SPA | PRONTO ASSISTANCE SPA | QUOTA SHARE | (35) | (35) |
| COMPAGNIA ASSICURATRICE LINEAR SPA | UNIPOLSAI ASSICURAZIONI SPA | EXCESS OF LOSS [PER EVENT AND PER RISK] | 1,492 | 975 |
| DDOR RE | UNIPOLSAI ASSICURAZIONI SPA | EXCESS OF LOSS [PER EVENT] | | (409) |
| DDOR RE | UNIPOLSAI ASSICURAZIONI SPA | EXCESS OF LOSS [PER RISK] | (26) | (154) |
| DDOR RE | UNIPOLSAI ASSICURAZIONI SPA | FACULTATIVE PROPORTIONAL | | (44) |
| DDOR RE | UNIPOLSAI ASSICURAZIONI SPA | QUOTA SHARE | 272 | (88) |
| INCONTRA ASSICURAZIONI SPA | PRONTO ASSISTANCE SPA | QUOTA SHARE | | |
| INCONTRA ASSICURAZIONI SPA | UNIPOLSAI ASSICURAZIONI SPA | EXCESS OF LOSS [PER EVENT AND PER RISK] | | (5) |
| INCONTRA ASSICURAZIONI SPA | UNIPOLSAI ASSICURAZIONI SPA | EXCESS OF LOSS [PER EVENT] | | (41) |
| INCONTRA ASSICURAZIONI SPA | UNIPOLSAI ASSICURAZIONI SPA | EXCESS OF LOSS [PER RISK] | | (150) |
| INCONTRA ASSICURAZIONI SPA | UNIPOLSAI ASSICURAZIONI SPA | FACULTATIVE PROPORTIONAL | | (1) |
| INCONTRA ASSICURAZIONI SPA | UNIPOLSAI ASSICURAZIONI SPA | QUOTA SHARE | 816 | (919) |
| INCONTRA ASSICURAZIONI SPA | UNISALUTE SPA | QUOTA SHARE | 3,827 | (10,907) |
| SIAT - SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI - PER AZIONI | PRONTO ASSISTANCE SPA | QUOTA SHARE | 3 | (4) |
| SIAT - SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI - PER AZIONI | UNIPOLRE DESIGNATED ACTIVITY COMPANY | QUOTA SHARE | | (1) |
| SIAT - SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI - PER AZIONI | UNIPOLSAI ASSICURAZIONI SPA | QUOTA SHARE | 25 | 27 |
| UNIPOLSAI ASSICURAZIONI SPA | PRONTO ASSISTANCE SPA | QUOTA SHARE | (802) | (802) |
| UNIPOLSAI ASSICURAZIONI SPA | SIAT - SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI - PER AZIONI | EXCESS OF LOSS [PER EVENT] | | (4) |
| UNIPOLSAI ASSICURAZIONI SPA | SIAT - SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI - PER AZIONI | FACULTATIVE PROPORTIONAL | 1,011 | (365) |

## Reinsurance transactions

*Amounts in €k*

| Name of ceding company | Name of reinsurer | Type of agreement | Intra-group balance sheet balance - receivable/(payable) for the ceding Company as at 31/12/2019 (1) | Intra-group income statement balance - income/(expenses) for the ceding Company as at 31/12/2019 (2) |
|---|---|---|---|---|
| UNIPOLSAI ASSICURAZIONI SPA | SIAT - SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI - PER AZIONI | QUOTA SHARE | 19,221 | (6,683) |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOLRE DESIGNATED ACTIVITY COMPANY | EXCESS OF LOSS [PER EVENT AND PER RISK] | 8,137 | 1,334 |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOLRE DESIGNATED ACTIVITY COMPANY | EXCESS OF LOSS [PER EVENT] | 766 | (396) |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOLRE DESIGNATED ACTIVITY COMPANY | EXCESS OF LOSS [PER RISK] | 989 | 65 |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOLRE DESIGNATED ACTIVITY COMPANY | FACULTATIVE PROPORTIONAL | 359 | (346) |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOLRE DESIGNATED ACTIVITY COMPANY | QUOTA SHARE | 63,831 | (2,934) |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOLRE DESIGNATED ACTIVITY COMPANY | SURPLUS | 1,672 | (136) |
| UNISALUTE SPA | UNIPOLSAI ASSICURAZIONI SPA | EXCESS OF LOSS [PER EVENT] | | (100) |
| UNISALUTE SPA | UNIPOLSAI ASSICURAZIONI SPA | EXCESS OF LOSS [PER RISK] | 399 | (73) |
| UNISALUTE SPA | UNIPOLSAI ASSICURAZIONI SPA | FACULTATIVE PROPORTIONAL | 5 | |
| UNISALUTE SPA | UNIPOLSAI ASSICURAZIONI SPA | QUOTA SHARE | 2 | |

(1) The balance sheet balance represents the sum of net reinsurance receivables and the reinsurers' share of provisions.

(2) The income statement balance represents the net performance of reinsurance.

## Breakdown of costs, contingent liabilities, off-balance sheet elements and other elements

*Amounts in €k*

| Name of investor/purchaser/beneficiary | Name of issuer/seller/supplier | Transaction description | Maturity | Transaction amount (1) |
|---|---|---|---|---|
| ALFAEVOLUTION TECHNOLOGY SPA | UNIPOLSAI ASSICURAZIONI SPA | Agreement regarding a commitment to finance the counterparty | 31/12/2021 | 32,000 |
| ARCA ASSICURAZIONI SPA | ARCA INLINEA SCARL | Costs/revenue for intra-group services | 31/12/2019 | 1,891 |
| ARCA ASSICURAZIONI SPA | ARCA SISTEMI SCARL | Costs/revenue for intra-group services | 31/12/2019 | 5,591 |
| ARCA ASSICURAZIONI SPA | UNIPOLSAI ASSICURAZIONI SPA | Costs/revenue for intra-group services | 31/12/2019 | 731 |
| ARCA ASSICURAZIONI SPA | ARCA VITA SPA | Costs/revenue for intra-group services | 31/12/2019 | 2,247 |
| ARCA ASSICURAZIONI SPA | BPER BANCA SPA | Commissions and management fees | 31/12/2019 | 11,678 |
| ARCA ASSICURAZIONI SPA | ARCA VITA SPA | Costs/revenue for intra-group services | 31/12/2019 | 808 |
| ARCA ASSICURAZIONI SPA | ARCA VITA SPA | Intra-group rent | 31/08/2025 | 732 |
| ARCA ASSICURAZIONI SPA | ARCA VITA SPA | Costs/revenue for intra-group services | 31/12/2019 | 2,247 |
| ARCA VITA SPA | ARCA ASSICURAZIONI SPA | Costs/revenue for intra-group services | 31/12/2019 | 1,617 |
| ARCA VITA SPA | ARCA SISTEMI SCARL | Costs/revenue for intra-group services | 31/12/2019 | 7,487 |
| ARCA VITA SPA | UNIPOLSAI ASSICURAZIONI SPA | Costs/revenue for intra-group services | 31/12/2019 | 6,668 |
| ARCA VITA SPA | BANCA POPOLARE DI SONDRIO SCPA | Commissions and management fees | 31/12/2019 | 11,402 |
| ARCA VITA SPA | BPER BANCA SPA | Commissions and management fees | 31/12/2019 | 38,991 |
| BANCA INTERMOBILIARE | BIM VITA SPA | Payable/Receivable for placement commissions | 31/12/2019 | 653 |
| BIM VITA SPA | UNIPOLSAI ASSICURAZIONI SPA | Costs/revenue for intra-group services | 31/12/2019 | 1,002 |
| BIM VITA SPA | BANCA INTERMOBILIARE | Placement commissions | 31/12/2019 | 1,989 |
| CAR SERVER SPA | UNIPOLSAI ASSICURAZIONI SPA | Agreement regarding a joint and several commitment to return the VAT reimbursement to the Tax Authorities | 03/12/2022 | 30,430 |
| CAR SERVER SPA | UNIPOL GRUPPO SPA | Loan agreement for a maximum of €150,000,000 | 08/11/2023 | 150,000 |
| COMPAGNIA ASSICURATRICE LINEAR SPA | UNIPOLSAI ASSICURAZIONI SPA | Costs/revenue for personnel secondments | 31/12/2019 | 1,485 |
| COMPAGNIA ASSICURATRICE LINEAR SPA | UNIPOLSAI ASSICURAZIONI SPA | Costs/revenue for intra-group services | 31/12/2019 | 2,384 |
| COMPAGNIA ASSICURATRICE LINEAR SPA | UNIPOL GRUPPO SPA | Items from participation in the tax consolidation | 31/12/2020 | 2,004 |
| COMPAGNIA ASSICURATRICE LINEAR SPA | UNIPOLSAI ASSICURAZIONI SPA | Costs/revenue for rental agreements | 31/12/2019 | 3,344 |
| INCONTRA ASSICURAZIONI SPA | UNIPOLSAI ASSICURAZIONI SPA | Chargebacks for secondments of personnel | 31/12/2019 | 1,172 |

## Breakdown of costs, contingent liabilities, off-balance sheet elements and other elements

*Amounts in €k*

| Name of investor/purchaser/beneficiary | Name of issuer/seller/supplier | Transaction description | Maturity | Transaction amount (1) |
|---|---|---|---|---|
| INCONTRA ASSICURAZIONI SPA | UNIPOLSAI ASSICURAZIONI SPA | Costs/revenue for intra-group services | 31/12/2019 | 1,156 |
| INCONTRA ASSICURAZIONI SPA | UNICREDIT GROUP | Expenses/income for commissions | 31/12/2019 | 70,077 |
| INCONTRA ASSICURAZIONI SPA | UNIPOLSAI ASSICURAZIONI SPA | Rent | 24/03/2026 | 394 |
| PRONTO ASSISTANCE SPA | UNIPOLSAI ASSICURAZIONI SPA | Costs/revenue for intra-group services | 31/12/2019 | 383 |
| SIAT SPA | UNIPOLSAI ASSICURAZIONI SPA | Secondment of personnel | 31/12/2019 | 2,408 |
| SIAT SPA | UNIPOLSAI ASSICURAZIONI SPA | Payable/receivable for intra-group services provided to the Company | 31/12/2019 | 911 |
| UNICREDIT GROUP | INCONTRA ASSICURAZIONI SPA | Commission payable/receivable | 31/12/2019 | 10,088 |
| UNICREDIT GROUP | INCONTRA ASSICURAZIONI SPA | Costs/revenue for intra-group services | 31/12/2019 | 328 |
| UNICREDIT GROUP | INCONTRA ASSICURAZIONI SPA | Payable/receivable for intra-group services provided to the Company | 31/12/2019 | 44 |
| UNIPOL BANCA SPA | UNIPOL GRUPPO SPA | Items from participation in the tax consolidation agreement | 31/07/2019 | 210,543 |
| UNIPOL GRUPPO SPA | UNISALUTE SPA | Items from participation in the tax consolidation | 31/12/2019 | 1,746 |
| UNIPOL GRUPPO SPA | PRONTO ASSISTANCE SPA | Items from participation in the tax consolidation | 31/12/2019 | 520 |
| UNIPOL GRUPPO SPA | UNIPOLSAI ASSICURAZIONI SPA | Cost/revenue for secondment of personnel | 31/12/2019 | 12,611 |
| UNIPOL GRUPPO SPA | ARCA ASSICURAZIONI SPA | Items from participation in the tax consolidation agreement | 31/12/2019 | 867 |
| UNIPOL GRUPPO SPA | ARCA VITA SPA | Items from participation in the tax consolidation agreement | 31/12/2019 | 12,547 |
| UNIPOLSAI ASSICURAZIONI SPA | UNISALUTE SPA | Trade receivables/payables | 31/12/2019 | 13,321 |
| UNIPOLSAI ASSICURAZIONI SPA | UNISALUTE SPA | Costs/revenue for intra-group services | 31/12/2019 | 13,282 |
| UNIPOLSAI ASSICURAZIONI SPA | BIM VITA SPA | Payable/receivable for intra-group services provided to the Company | 31/12/2019 | 886 |
| UNIPOLSAI ASSICURAZIONI SPA | INCONTRA ASSICURAZIONI SPA | Payable/receivable for intra-group services provided to the Company | 31/12/2019 | 3,194 |
| UNIPOLSAI ASSICURAZIONI SPA | COMPAGNIA ASSICURATRICE LINEAR SPA | Balance of receivables/payables for invoices issued/received and to be received | 31/12/2019 | 1,427 |
| UNIPOLSAI ASSICURAZIONI SPA | PRONTO ASSISTANCE SPA | Payable/receivable for intra-group services provided to the Company | 31/12/2019 | 482 |
| UNIPOLSAI ASSICURAZIONI SPA | SIAT SPA | Secondment of personnel | 31/12/2019 | 1,330 |
| UNIPOLSAI ASSICURAZIONI SPA | SIAT SPA | Costs/revenue for intra-group services | 31/12/2019 | 1,859 |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOLRE DAC | Costs/revenue for intra-group services | 31/12/2019 | 925 |

## Breakdown of costs, contingent liabilities, off-balance sheet elements and other elements

*Amounts in €k*

| Name of investor/purchaser/beneficiary | Name of issuer/seller/supplier | Transaction description | Maturity | Transaction amount (1) |
|---|---|---|---|---|
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOL GRUPPO SPA | Guarantee issued in the interest of UnipolSai | 28/07/2023 | 300,000 |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOL GRUPPO SPA | Guarantee issued in the interest of UnipolSai | 15/06/2021 | 261,689 |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOL GRUPPO SPA | Equivalent value of put/call agreement on 27.49% of the share capital of Unipol Banca S.p.A. and UnipolReC (Closing) | 01/03/2019 | 579,073 |
| UNIPOLSAI ASSICURAZIONI SPA | FINITALIA SPA | Costs/revenue for intra-group services | 03/04/2023 | 60,959 |
| UNIPOLSAI ASSICURAZIONI SPA | UNIPOL GRUPPO SPA | Items from participation in the tax consolidation agreement | 31/12/2019 | 71,346 |
| UNIPOLSAI ASSICURAZIONI SPA | AUTO PRESTO & BENE SPA | Costs/revenue for vehicle repair services | 31/12/2019 | 146,950 |
| UNIPOLSAI ASSICURAZIONI SPA | ALFAEVOLUTION TECHNOLOGY | Costs/revenue for intra-group services | 28/02/2021 | 47,390 |
| UNISALUTE SPA | UNIPOLSAI ASSICURAZIONI SPA | Trade payables/receivables | 31/12/2019 | 2,969 |
| UNISALUTE SPA | UNIPOLSAI ASSICURAZIONI SPA | Secondment of personnel | 31/12/2019 | 1,313 |
| UNISALUTE SPA | UNIPOLSAI ASSICURAZIONI SPA | Rent | 31/12/2019 | 2,530 |
| UNISALUTE SPA | UNIPOLSAI ASSICURAZIONI SPA | Costs/revenue for intra-group services | 31/12/2019 | 1,227 |
| UNISALUTE SPA | INCONTRA ASSICURAZIONI SPA | Trade payables/receivables | 31/12/2019 | 453 |

(1) Transaction amount refers to:
i) In the case of the internal division of costs, the annual amount due for the service provided;
ii) In the case of guarantees, the contractual amount of the guarantee provided/received;
iii) In the case of other transactions, the maximum amount of the intra-group exposure;
iv) In the case of costs for securities custody fees, the total annual cost per counterparty;
v) In the case of lending services provided by companies intra-group on behalf of the company, the total cost of the consideration on the loan agreed and borne by the company is reported;
vi) In the case of transactions relating to participation in the tax consolidation agreement, the amount of the transaction includes the payable/receivable existing at the closure date.

## Lines of Business

The Group operates primarily in the insurance sector. The activities are carried out primarily through UnipolSai Assicurazioni ("UnipolSai"), a company also listed on the Milan Stock Exchange which carries out insurance and reinsurance activity in all Non-Life and Life segments. Aside from UnipolSai, the Unipol Group operates in the sector through specialised companies:

- Linear, a company specialised in direct sales, online and through a call centre, of MV products;
- SIAT, a company operating in the Transport class, with Corporate customers that are reached primarily through brokers;
- UniSalute, the top health insurance company in Italy by number of customers managed, specialised in the Healthcare segment (Health and Assistance).

Outside Italy, UnipolSai operates in Serbia through the subsidiary DDOR Novi Sad.

Unipol distributes its products primarily through the agency network. The Group also presides over the bancassurance channel through the joint ventures with leading Italian banks. Also in the course of 2019, UnipolSai placed Life products through the bank branches of Unipol Banca, which has now merged into BPER Banca.
The companies Arca Assicurazioni and Arca Vita distribute their products through the branches of banks with which dedicated agreements have been entered into, including primarily BPER and Banca Popolare di Sondrio; BIM Vita through agreements with Banca Intermobiliare, Banca Consulia and, as regards after-sales only, with Cassa di Risparmio di Fermo; Incontra Assicurazioni based on agreements with Unicredit Group.

The companies specialised in reinsurance are UnipolRe, a company that offers reinsurance services to small and medium sized companies, and Ddor Re, the Serbian reinsurance company.

The Group also includes service companies instrumental to the insurance business that characterise the insurance offerings of Unipol and make them distinctive, through the direct and integrated management of service processes:

- Auto Presto&Bene, network of repair shops present throughout the country to offer MV policyholders certified repairs with no cash advance;
- APB Car Service (MyGlass), for repair and glass replacement services;
- Car Server for the management of company fleets and long-term vehicle rental;
- Pronto Assistance Servizi – PAS, for assistance services dedicated to customers, professionals and agencies of the Group, concerning the release of technical and sales information, marketing activities, and collection of the notifications of inefficiencies or complaints;
- AlfaEvolutionTechnology, the telematics provider of UnipolSai and other Group companies.

The Unipol Group manages real estate assets of €3.8bn, in line with last year, held primarily by real estate companies for €1.4bn and by UnipolSai for €2.1bn.

The Group operates in the Italian hospitality sector through the subsidiary UNA Group, with 38 hotels (hotels, residences and resorts), of which 32 managed directly or under management and 6 affiliates with franchising agreements in some of the major cities and most renowned tourist destinations in Italy.
It is active in the agricultural sector with the company Tenute del Cerro, which owns roughly 5,000 hectares of land in central Italy for the production of high quality wine.
In the healthcare segment, the Group works through Casa di Cura Villa Donatello (Florence) and the Dyadea multi-specialist centres.
Leithà is the company specifically devoted to innovation.
Unipolis is the business foundation of the Unipol Group, constituting one of the most important tools for implementing CSR initiatives as part of the overall sustainability strategy.
Through UnipolSai Investimenti, the Unipol Group manages real estate investment funds.
UnipolReC is the company specialised in the management of non-performing loans.

## Significant events in 2019

**Exercise of the put option on Unipol Banca and UnipolReC**

On 7 February 2019, the Board of Directors of UnipolSai Assicurazioni SpA ("UnipolSai") resolved to exercise the put option relating to 27.49% of the share capital of Unipol Banca SpA ("Unipol Banca") and UnipolReC SpA ("UnipolReC"), held by UnipolSai with respect to the parent company Unipol Gruppo SpA ("Unipol") based on the option contract signed on 31 December 2013 between Unipol and the former Fondiaria-Sai SpA. On 14 February 2019, UnipolSai notified Unipol of its exercise of the option right; the transfer of the shares was completed on 1 March 2019 against payment by Unipol of a total consideration of €579.1m, calculated on the basis of the option contract. After the exercise of the put option, the direct investment held by Unipol in Unipol Banca and in UnipolReC stood at 85.24% of the respective share capital. UnipolSai retained ownership of the remaining shares of that company (14.76% of the respective share capital).
UnipolSai also granted to Unipol, within the scope of the afore-mentioned put option, a 5-year loan of €300m, also repayable early, at an interest rate of the 3-month Euribor plus a spread of 260 basis points. For Unipol, the aforementioned loan is targeted at maintaining a high level of financial flexibility with an important available liquidity buffer.

**Sale of Unipol Banca to BPER Banca and acquisition of NPL portfolios**

On 31 July 2019 - with all conditions precedent set forth in the contract being met and, in particular, with the necessary authorisations having been received from the competent Supervisory Authorities - the transaction, in execution of the agreements entered into by the parties, was completed.

In particular:

- Unipol and UnipolSai sold their holdings to BPER, representing the entire share capital of Unipol Banca, respectively 85.24% and 14.76% of the capital, at the total price of €220m, divided pro rata between the two sellers for approximately €187.5m and €32.5m, respectively;
- UnipolReC in turn acquired two separate non-performing loan portfolios, one owned by BPER and the other by Banco di Sardegna, for a gross carrying amount of around €1.2bn, against a final price of €102m which takes into account the effects of credit management activities from the assessment reference date up to 31 July 2019.

With this transaction, the Unipol Group completed the process of requalification of its strategy in the banking sector, by exiting from the direct business of a medium sized bank, in order to take on the role of major investor of one of the main Italian banking groups.

It also increased the scale of operations of UnipolReC, which became a financial intermediary registered pursuant to Art. 106 of the Consolidated Law on Banking, enhancing its expertise in credit recovery.

On 25 September 2019, following the authorisation granted by the competent Supervisory Authority, BPER filed and entered in the Register of Companies the project for the merger of Unipol Banca into BPER. The deed of merger, signed on 15 November 2019, entered into effect on 25 November 2019, with continuity as part of BPER of all Unipol Banca accounts existing prior to the merger.

**MISSION EVOLVE – Always one step ahead and the new 2019-2021 strategic plan**

On 9 May 2019, the Board of Directors of Unipol approved the 2019-2021 Strategic Plan "MISSION EVOLVE – Always one step ahead". The Strategic Plan aims to reinforce the leadership of the Unipol Group over the next three years, laying the foundations to confirm its primacy even beyond the horizon of the Plan.

In this context, UnipolSai intends to strengthen its leadership in Italy:

- within Non-Life insurance, in terms of the customer portfolio, market share, distribution network and number of black boxes installed (leader in Europe);
- by extending its leadership to the Mobility, Welfare and Property ecosystems.

By leveraging its distinctive assets, the Strategic Plan is broken down across five strategic areas:

- "Evolution of technical excellence", to guarantee business profitability by continuously seeking increasingly advanced levels of excellence, by exploiting technical and technological leadership in pricing, risk selection and settlement capacity.

- "Evolution of distribution excellence", by leveraging the UnipolSai brand as a service leader, increasing the frequency and effectiveness of contact with Customers, maximising the commercial effectiveness of the top Italian insurance network with new professional figures, the integrated support of remote channels and bancassurance and partnership development.
- "Beyond insurance", with the goal of becoming the point of reference, not only in the insurance realm, for private mobility, welfare and property needs, offering customers an integrated ecosystem of skills and assets at Group level.
- "People and technology", with investments to boost the speed of the evolution of the operating model oriented towards simplification and efficiency.
- "Shared value and sustainable development" to create shared value for the Group and its stakeholders by reducing underinsurance and developing products and services that drive the security, resilience and sustainability of people, businesses, cities and regions.

**Fitch raised UnipolSai's rating to "BBB+"**

On 29 May 2019, the Fitch Ratings agency announced that it had upgraded the Insurer Financial Strength (IFS) rating of UnipolSai Assicurazioni to "BBB+" with a negative outlook, from "BBB", and confirmed the Long-Term Issuer Default Rating (IDR) assigned to Unipol Gruppo and UnipolSai Assicurazioni of "BBB", with a negative outlook. Also the ratings of the debt securities issued by the Unipol Group were confirmed: the Unipol Gruppo senior loans were confirmed at "BBB-", the subordinated loans with maturity of UnipolSai Assicurazioni were confirmed at "BBB-" and the perpetual bond loan of UnipolSai Assicurazioni was confirmed at "BB+".

**Unica obtains ISO 9001:2015 Quality Certification**

On 2 July 2019, UnipolSai obtained ISO 9001:2015 Certification for its Unica (Unipol Corporate Academy) training processes, with definition of the Unica Quality Management System and training of Academy personnel.

**Mergers and spin-offs within the Group**

In June 2019 the Boards of Directors of UnipolSai and the subsidiaries concerned, insofar as they were respectively responsible, approved the following mergers and spin-offs (the "Transactions") involving UnipolSai and its wholly-owned subsidiaries:

- project for the merger by incorporation of Pronto Assistance SpA into UnipolSai;
- project for the full spin-off of Ambra Property S.r.l. in favour of UnipolSai, UNA S.p.A. Group and MIDI S.r.l.;
- project for the partial spin-off of Casa di Cura Villa Donatello SpA in favour of UnipolSai, as well as the full spin-off of Villa Ragionieri S.r.l. in favour of the Company itself and Casa di Cura Villa Donatello SpA.

The Transactions are part of a project for streamlining and simplifying the structure of the Group which aims to:

- simplify and further boost the efficiency of the industrial management and administrative, capital and financial organisation of the companies within the Group, eliminating duplications of structures and skills, today placed in companies or company complexes for which the prerequisites for autonomous management and/or income generating capacity have progressively stopped being met;
- concentrate into UnipolSai, or under its direct control, assets or corporate structures functional to the pursuit of the strategic objectives set forth in the 2019-2021 Business Plan.

By communication dated 16 October 2019, pursuant to Art. 201 et seq., Italian Legislative Decree no. 209 of 7 September 2005 and Art. 23 et seq. of ISVAP Regulation no. 14/2008, IVASS granted authorisation to UnipolSai Assicurazioni for the merger by incorporation of Pronto Assistance SpA into UnipolSai Assicurazioni and for the spin-offs, with partial transfer of the company complex to UnipolSai Assicurazioni, of Ambra Property, Villa Ragionieri and Casa di Cura Villa Donatello.

On 21 January 2020, after concluding the required corporate procedures, the deed of merger and the deeds relating to the spin-offs were signed. Following their registration in the respective Registers of Companies, these transactions became legally effective from 1 February 2020. They became effective for accounting and tax purposes as of 1 January 2020 as regards the merger and total spin-offs of Ambra Property and Villa Ragionieri, and as of 1 February 2020 as regards the partial spin-off of Villa Donatello.

Again in June 2019, the Boards of Directors of the subsidiaries UniSalute S.p.A. and UniSalute Servizi S.r.l. approved, within their areas of competence, the proportional partial spin-off of UniSalute Servizi, with transfer to a NewCo of the business consisting in the provision of specialist medical-healthcare services. The proportional partial spin-off was

completed on 1 October 2019, with the simultaneous setup of "Centri Medici Dyadea". On 20 December 2019, UnipolSai acquired 100% of the share capital of Centri Medici Dyadea from UniSalute at the price of €5.1m.
Following the spin-off, UniSalute Servizi focuses its activities on the marketing, promotion and management of social and healthcare assistance services, whilst Centri Medici Dyadea is a network of clinics that guarantees quality healthcare in the area of Bologna.

**Acquisition of Car Server**

On 1 August 2019, UnipolSai finalised the acquisition of 100% of the share capital of Car Server SpA ("Car Server") at the price of €96m, approved by the Company's Board of Directors on 14 March 2019.
Car Server is one of the leading operators on the Italian market for long-term company fleet rental and business mobility management in general. With this transaction, the Group has laid the groundwork for implementation of the 2019-2021 Strategic Plan as regards the mobility ecosystem.

**Trade Union agreement regarding Personnel**

As part of the implementation of the 2019-2021 Business Plan, on 18 July 2019 a trade union agreement was signed regarding voluntary pre-retirement arrangements for UnipolSai Assicurazioni employees meeting pension requirements by the end of 2023.

The agreement of 18 July 2019 envisaged early retirement for a maximum of 760 individuals, but as over 800 subscribed to the option, on 20 November 2019 a further trade union agreement was signed that will allow all employees subscribing to access the arrangements envisaged in the previous agreement.
In February 2020, the agreement was also extended to the Group's other insurance companies, for which the number of potential applications is not expected to exceed 20.

## A.2. Underwriting performance

### Lines of Business

The Group carries out insurance and re-insurance activities in both the Non-Life sector and the Life sector.

The tables below show the amounts recorded for premiums written, premiums earned, claims incurred, changes in other technical provisions and expenses, broken down by Group line of business, to match the quantitative model ("Quantitative Reporting Template" or "QRT") S.05.01.01 "Premiums claims and expenses by LoB", which can be found among the annexes of this report.

To provide a better understanding of the "Underwriting performance" object of this disclosure with respect to data reported in the consolidated financial statements, we note the following:

- all items, reported below, are shown net of the amount ceded under re-insurance agreements;
- "premiums written" include the premiums written in the reference period, net of the reversals and profit participation, as well as reversals of premiums issued during the year;
- "premiums earned" include, in addition to premiums written, the change in pro rata premium provision and the provision for unexpired risks. For the Life business, the change in the provision for premiums brought forward is included;
- "claims incurred" includes all charges related to claims paid out and the change in the provision for direct reimbursements and expenses, while, in compliance with the specific directions provided by legal and regulatory provisions, this item does not include the settlement expenses and the corresponding change in the provision for settlement expenses. This item also includes contributions of a technical nature, such as, for example, the fund for victims of road accidents, the legal defence costs, the amounts recovered or to be recovered from third parties for deductibles and/or reimbursements and some specific technical charges that by nature may be treated as claim expenses (for example the contribution to the management of MV claims);
- the "changes in other technical provisions" includes all other provisions not included in the previous item. For the Life business, the change in the mathematical provisions and the Class D provisions were also allocated to this item;
- the "expenses incurred" include all expenses of the period directly related to the specific activity such as the commissions and any other acquisition charge, collection commissions, administrative expenses, investment

management charges, some technical charges that for their nature may be treated as expenses, for example convention costs, the CARD contributions and management rights, as well as the settlement expenses and the change in the corresponding provision for expenses as required by reference provisions;
- in the case of net gains (losses) and/or other income statement items (e.g. changes in provisions) that can take values both positive and negative, the negative figures represent a cost for the Group.

If it is believed to be useful for a clearer description, as required by Art. 307 of the Regulation, in the rest of the paragraph we will comment on the underwriting performance of the main LoBs, bringing their perimeters back to those identified on the basis of activity classes ("Classes") identified in the Insurance Code, Legislative Decree 7 September 2005, No. 209, Art. 2.

## Non-Life insurance business

For Non-Life business the direct premiums as at 31 December 2019 amounted to €8,167m (+2.7% compared to €7,953m in 2018). The MV business amounted to €4,178m (-0.1%) while in the Non-MV business, the premiums reached €3,989m, +5.8%, thanks mostly to a significant development in the Health business (+11.2%).

In terms of the Non-Life loss ratio trend, in the MV TPL segment the technical performance continued to be characterised by compression in the average premium due to market competition, counteracted by positive performances as concerns the frequency as well as the average cost of claims, due in particular to the benefits of digital (40% of vehicles insured by UnipolSai are fitted with the black box) and the cost savings permitted by the network of authorised repair shops, managed by the subsidiary Auto Presto&Bene, to which a growing number of claims are routed.
After a 2018 affected by damage caused by storm "Vaia", 2019 was also characterised by a significant loss ratio due to weather-related events of considerable impact not only on the Fire and Other damage to property business, but also on Land Vehicle Hulls deriving from hail storms that hit numerous towns and cities in Italy.
The number of claims reported, without considering the MV TPL class, reported a 12.0% increase, due in particular to the Health class (+14.7%).

The direct business "*combined ratio*" (including the *oti ratio*), which also includes operating expenses, came to 93.7% of premiums for the year, against 94.4% at 31 December 2018.

We describe below the qualitative and quantitative results of the underwriting activities of the Group, both at the aggregate level, and by line of business / geographic area in which the activities were carried out during the reference period.

## Non-life underwriting performance

| *Amounts in €k* | Line of business | Premiums written (a) | Premiums earned (b) | Claims incurred (c) | Changes in other techcnical provisions (d) | Expenses incurred (e) | Other expenses (f) | Underwriting performance (g)=(b)-(c)+(d)-(e)-(f) |
|---|---|---|---|---|---|---|---|---|
| Insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | 1- Medical expense insurance | 737,771 | 682,777 | 418,344 | 8,423 | 198,740 | | 74,115 |
| | 2-Income protection insurance | 645,695 | 628,757 | 308,755 | 1,560 | 263,292 | | 58,269 |
| | 3-Workers' compensation insurance | | | | | | | |
| | 4-Motor vehicle liability insurance | 3,482,361 | 3,475,176 | 2,289,536 | | 1,091,727 | | 93,913 |
| | 5- Other motor insurance | 769,381 | 734,715 | 474,156 | (484) | 253,334 | | 6,741 |
| | 6-Marine, aviation and transport insurance | 57,947 | 57,708 | 35,821 | (11) | 32,706 | | (10,830) |
| | 7-Fire and other damage to property insurance | 1,151,073 | 1,126,053 | 607,916 | (119) | 525,507 | | (7,489) |
| | 8-General liability insurance | 701,090 | 687,253 | 200,127 | (79) | 303,112 | | 183,934 |
| | 9-Credit and suretyship insurance | 28,930 | 24,684 | (1,511) | 4,846 | 34,849 | | (3,809) |
| | 10-Legal expenses insurance | 19,022 | 16,765 | 2,527 | | (7,094) | | 21,332 |
| | 11-Assistance | 201,136 | 192,899 | 69,547 | 84 | 107,632 | | 15,805 |
| | 12-Miscellaneous financial loss | 92,175 | 80,296 | 31,185 | (8) | 36,781 | | 12,321 |
| Accepted non-proportional reinsurance | 13- Health | 370 | 384 | 800 | | 48 | | (464) |
| | 14-Casualty | 69,282 | 64,293 | 78,491 | | 8,658 | | (22,856) |
| | 15-Marine, aviation and transport | 5 | 5 | 158 | | 20 | | (173) |
| | 16-Property | 28,591 | 27,848 | 15,290 | | 4,086 | | 8,473 |
| | Total | 7,984,829 | 7,799,614 | 4,531,143 | 14,211 | 2,853,400 | | 429,283 |

## Non-life underwriting performance 2019 and 2018

| *Amounts in €k* | Line of business | Underwriting performance 2019 | Underwriting performance 2018 | Change on 2018 |
|---|---|---|---|---|
| Insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | 1- Medical expense insurance | 74,115 | 49,943 | 24,172 |
| | 2-Income protection insurance | 58,269 | 97,346 | (39,077) |
| | 3-Workers' compensation insurance | | | |
| | 4-Motor vehicle liability insurance | 93,913 | 91,765 | 2,148 |
| | 5- Other motor insurance | 6,741 | 49,207 | (42,466) |
| | 6-Marine, aviation and transport insurance | (10,830) | (14,829) | 3,998 |
| | 7-Fire and other damage to property insurance | (7,489) | (36,375) | 28,886 |
| | 8-General liability insurance | 183,934 | 116,501 | 67,434 |
| | 9-Credit and suretyship insurance | (3,809) | 676 | (4,484) |
| | 10-Legal expenses insurance | 21,332 | 23,511 | (2,179) |
| | 11-Assistance | 15,805 | 3,279 | 12,526 |
| | 12-Miscellaneous financial loss | 12,321 | 16,026 | (3,705) |
| Accepted non-proportional reinsurance | 13- Health | (464) | 180 | (643) |
| | 14-Casualty | (22,856) | (4,028) | (18,828) |
| | 15-Marine, aviation and transport | (173) | (237) | 64 |
| | 16-Property | 8,473 | 6,604 | 1,869 |
| | **Total** | **429,283** | **399,568** | **29,714** |

Premiums written, equal to €7,984,829k (€7,723,652k at 31/12/2018), correspond to the amount of premiums related to proportional direct and indirect business (€7,886,582k compared to €7,655,323k at 31/12/2018) and non-proportional indirect business (€98,248k compared to €68,330k at 31/12/2018).

Premiums earned, equal to €7,799,614k (€7,561,094k at 31/12/2018), correspond to the amount of premiums related to proportional direct and indirect business (€7,707,083k compared to €7,504,635k at 31/12/2018) and non-proportional indirect business (€92,531k compared to €56,459k at 31/12/2018).

Claims incurred were €4,531,143k (€4,447,964k at 31/12/2018), with €4,436,404k related to proportional direct and indirect business (€4,402,875k at 31/12/2018) and €94,739k related to proportional indirect business (€45,089k at 31/12/2018). There were no significant variances in the change in the component of other technical provisions.

The expenses incurred were €2,853,400k (€2,737,557k at 31/12/2018) and included:
- administrative expenses for €370,378k (€359,357k at 31/12/2018);
- expenses for the management of investments for €28,270k (€27,131k at 31/12/2018);
- expenses for the management of claims for €492,925k (€485,073k at 31/12/2018);
- acquisition costs were €1,410,427k (€1,350,202k at 31/12/2018), of which €167,213k relating to indirect business, net of the reinsurers' share equal to €247,004k (€141,393k at 31/12/2018);
- overheads for €551,400k (€515,795k at 31/12/2018).

Overall, the Non-Life business had positive underwriting performance of €429,283k (€399,568k at 31/12/2018), the breakdown by LoB of which is shown in the previous tables.
We provide below some brief comments on the underwriting performance of the main LoBs.

The positive performance in LoB 1 and LoB 2 reflected, although with a different segmentation, the favourable performance of the Accident Class and the Health Class. In particular, in the retail segment the Accident Class benefitted from higher portfolio retention and the effects of a number of initiatives and commercial campaigns successfully activated on the most distributed products in the catalogue. In the segment of collective risk cover, several contracts of significant amounts were renewed. Other unprofitable policies were not renewed and were offset by new higher margin acquisitions.
The growth in the number of claims and the overall cost of claims was due to the presence of specific collective cover characterised by high frequency, primarily in the area of sports risks, and a higher level of insurance cover provided by more recently introduced individual products.
The Health class closed the year with premiums down slightly compared to the previous year. In the Households and Small and Medium Enterprises sectors, both premiums and policyholders were on the rise.
The Households and Small and Medium Enterprises sectors, which were particularly profitable, benefitted from commercial initiatives aiming to maintain contracts in the portfolio and acquire new customers.
On the claims front, the trend under way in previous years was confirmed, in the presence of claims reported referring to high-frequency guarantees of limited average amounts, resulting in a significant reduction in the amount of total expenses, contributing to the improvement in the result for this class.
The technical balance for this class was largely positive.

The positive underwriting performance of €93,913k (€91,765k in 2018) for LoB 4 (Motor vehicle liability insurance), corresponding to Class 10 (TPL land vehicles), was up slightly compared to the previous year due on one hand to a decline in premiums, like what is happening at market level, and on the other an improvement in the claims frequency and cost.

The consistent decline in the positive result obtained in LoB 5 (Other motor insurance), corresponding to Class 3, of €42,466k, can be attributed to the significant increase in the number of claims and the relative cost. In large part this increase is due to strong hail in the summer months and, to a lesser extent, to the development recorded by the class.

For LoB 7 (Fire and other damage to property), corresponding to Class 8 (Fire) and Class 9 (Other damage to property), the negative underwriting performance was primarily due:

- as regards the Fire component, there was a slight increase in premiums, due to cover for the Individuals line, while in the Corporate segment premiums were down slightly due to continuing tariff competition in the market. Only for larger risks, an upward trend is beginning to be seen in premiums. As regards claims, there was a consistent deterioration both in the number of claims reported as well as the total cost, owing mainly to weather events that struck a significant portion of the country with increasing frequency and intensity;
- in Other damage to property premiums there was a good general increase despite the reduction in the Hail class due to a specific decision made by the Group to reduce its overall exposure. The decline in claims reported can be attributed primarily to the Hail and Property sectors, while those reported in the homes segment remained stable. The amount paid out was also basically stable.

LoB 8 premiums, corresponding to Class 13 (General Liability), recorded a small increase, with basically similar trends amongst the various sectors.
The careful risk selection policy during the underwriting phase and the activities undertaken on the portfolio, intending to improve the claims/premiums ratio led to a further decline in the number of claims reported and a significant reduction in costs, confirming the improvement already observed in the prior year and a significant improvement in this class's technical result for 2019.

LoB 11 Assistance, corresponding to the analogous Class 18, posted a significant increase in premiums caused by growth in the number of guarantees given linked to road traffic as well as the increase in the average premium. Both claims reported and overall costs reported a limited increase. The intense programme launched in 2018 with a view to gradually bringing class margins into line with the best market performance, through tariff-related, regulatory, organisational and cost limitation initiatives, already triggered a satisfactory improvement in the technical result of the class in 2019.

## Life insurance business

In 2019, the Unipol Group recorded direct premiums of €5,847m (+33% compared to €4,396m in 2018).

The individual policy sector recorded 16.6% growth compared to 31 December 2018. The increase was positively influenced by the rise in class I single premiums, confirming the appeal of the UnipolSai Investimento Garantito product, as well as the growth in class V premiums. In the course of 2019, due to a not very favourable market situation, class III business was down (-45.0%). Among the Multi-segment products, the excellent performance of the Pip UnipolSai Previdenza Futura continued.

Again in the individual sector, class IV premiums continued to increase (+51.8%) which, albeit not significant in absolute terms, shows a growing interest in products that guarantee coverage for risks other than death, such as those with long-term care coverage and coverage against the onset of serious illnesses, an additional cover that can be combined with the term life product.

Premiums on collective policies showed a significant increase compared with the same period of the previous year (+53.9%), due to the extraordinary growth of class VI (+96.6%). In the bancassurance channel, the Arca Group (Arca Vita and Arca Vita International) achieved premiums of €1,676m (+55.6%). The volume of total investments reached the amount of €11,123.8m (€8,921.5m at 31/12/2018). The profit of Arca Vita, net of dividends collected from subsidiaries, was €31.4m (+4.2%), while Arca Vita International posted a profit of €0.7m (-60.1%).

### Life underwriting performance

| *Amounts in €k* | Line of business | Premiums written (a) | Premiums earned (b) | Claims incurred (c) | Changes in other techcnical provisions (d) | Expenses incurred (e) | Other expenses (f) | Underwriting performance (g)=(b)-(c)+(d)-(e)-(f) |
|---|---|---|---|---|---|---|---|---|
| Life insurance obligations | 1-Health insurance | | | | | | | |
| | 2-Insurance with profit participation | 4,037,884 | 4,045,155 | 3,754,358 | (1,040,430) | 274,066 | | (1,023,698) |
| | 3-Index-linked and unit-linked insurance | 1,642,909 | 1,642,909 | 782,368 | (1,253,663) | 40,153 | | (433,275) |
| | 4-Other life insurance | 150,528 | 143,990 | 37,347 | (11,454) | 17,607 | | 77,582 |
| | 5-Annuities stemming from non-life insurance contracts and relating to health insurance obligations | | | | | | | |
| | 6-Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | | | | | | | |
| Life reinsurance obligations | 7-Health reinsurance | | | | | | | |
| | 8-Life reinsurance | 343 | 277 | 1,084 | 460 | 126 | | (472) |
| | Total | 5,831,664 | 5,832,331 | 4,575,156 | (2,305,086) | 331,951 | | (1,379,862) |

## Life underwriting performance 2019 and 2018

| *Amounts in €k* | Line of business | Underwriting performance 2019 | Underwriting performance 2018 | Change on 2018 |
|---|---|---|---|---|
| Life insurance obligations | 1-Health insurance | | | |
| | 2-Insurance with profit participation | (1,023,698) | (1,067,207) | 43,509 |
| | 3-Index-linked and unit-linked insurance | (433,275) | 55,060 | (488,335) |
| | 4-Other life insurance | 77,582 | 70,011 | 7,571 |
| | 5-Annuities stemming from non-life insurance contracts and relating to health insurance obligations | | | |
| | 6-Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | | | |
| Life reinsurance obligations | 7-Health reinsurance | | | |
| | 8-Life reinsurance | (472) | (4) | (468) |
| | **Total** | **(1,379,862)** | **(942,141)** | **(437,722)** |

Premiums written, equal to €5,831,664k (€4,380,190k at 31/12/2018), correspond to the amount of premiums related to direct business (€5,831,321k compared to €4,397,966k at 31/12/2018) and indirect business (€343k compared to €224k at 31/12/2018).
Premiums earned, equal to €5,832,331k (€4,386,714k at 31/12/2018), correspond to the amount of premiums related to direct business (€5,832,054k compared to €4,386,535k at 31/12/2018) and, for the residual portion, indirect business (€277k compared to €180k at 31/12/2018).

Claims incurred were €4,575,156k (€3,974,509k at 31/12/2018), with €4,574,073k related to direct business (€3,973,316k at 31/12/2018) and €1,084k related to indirect business (€1,193k at 31/12/2018).

The decrease in other provisions totalled -€2,305,086k (-€1,030,455k at 31/12/2018).

The "expenses incurred" were €331,951k (€323,891k at 31/12/2018) and included:
- administrative expenses for €96,161k (€93,119k at 31/12/2018);
- expenses for the management of investments for €84,121k (€83,946k at 31/12/2018);
- expenses for the management of claims for €4,598k (€4,203k at 31/12/2018);
- acquisition costs for €47,585k (€43,475k at 31/12/2018), net of the reinsurers' share equal to €3,470k (€3,877k at 31/12/2018);
- overheads for €99,487k (€99,148k at 31/12/2018).

On the whole, the Life business recorded a net loss of €1,379,862k (negative €942,141k at 31/12/2018), determined by a negative underwriting performance equal to €1,023,698k for the LoB "Insurance with profit participation" (Class I and Class V), a negative €433,275k of the LoB "Index-linked and unit-linked insurance" (Class III and VI) and a positive result of €77,582k from the LoB "Other life insurance" (Class IV). Lastly, the result of indirect business, completely marginal in the Life segment, was negative for €472k.

We note that, as required by legal and regulatory provisions, the positive and negative income items that produce the net underwriting performance of the Life business do not include the income of the financial assets to which the revaluation of the services provided to policyholders is linked; this is instead discussed in Par. A.3 Investment performance.

The policies in the LoB Insurance with profit participation, which record premiums written equal to €4,037,884k (€3,067,774k at 31/12/2018), have the most significant impact on total premiums of the Life business, showing the preference of customers for products offering financial protection such as the revaluable products.
The LoB Index-linked and unit-linked insurance, with premiums written for €1,642,909k (€1,174,915k at 31/12/2018), includes the activity for the management of mutual funds created for the provision of services in the case of death, in the case of life or in the case of discontinuance or curtailment of work activity and the insurance on the length of human life, whose main benefits are directly linked to the value of units of a UCITS, or the value of the assets in an internal fund or else to an index or other reference values.

The LoB Other life insurance also includes the premiums, claims, provisions and expense components deriving from "temporary insurance in the event of death", as required by regulations.

### Geographic areas

As regards direct business, for all lines of business specified in Annex I to the Delegated Regulation (EU) 2015/35, information must be broken down by the country in which the contract was concluded, which is understood to be:

a) the country in which the insurance company (country of origin) is located, if the contract was not sold through a branch or under the freedom to provide services;
b) the country in which the secondary office (host country) is located, if the contract was sold through a branch;
c) the country in which the freedom to provide services (host country) was notified, if the contract was sold under the freedom to provide services.

Unlike what is specified above, direct insurance activity for LoB 1 Medical expense (Classes 1 and 2), LoB 2 Income protection (Classes 1 and 2), LoB 7 Fire and other damage to property (Classes 8 and 9) and LoB 9 Credit and suretyship (Classes 14 and 15), is reported by the country in which the risk is located.

For proportional and non-proportional re-insurance, the information is provided according to the country in which the transferring company is located.

We note, in this regard, that the Group carries out its insurance activity almost exclusively in Italy.

## A.3. Investment performance

### Investment performance in 2019

As regards the **management of financial investments**, 2019 was still characterised by geo-political tensions and, in Italy, by political instability which in August led to a new Government being formed. In September the ECB again dropped the cost of borrowing by 10 basis points and launched a package of measures that included the relaunch, until further notice, of securities purchases on the market. All of this led in the second part of the year to keeping the interest rates and spreads on Italian government bonds low and an upward trend in the share markets. In this context, the gross profitability of the Group's insurance financial investments portfolio continued to reach significant levels, with returns on the assets invested equal to 3.65% (3.79% in 2018).

In 2019, in line with previous years, investment policies were inspired by the general criteria of prudence and of preserving asset quality over the medium/long-term.
In this regard, operations were geared towards reaching profitability targets consistent with the asset return profile and with the trend in liabilities over the long-term, as well as the maintenance of a high-quality portfolio through a process of selecting issuers on the basis of their diversification and strength, placing particular attention on the liquidity profile.

The **bond segment** was the main focus of operations, mainly affecting Italian government bonds and non-government bonds, applying a medium/long-term investment approach.
During the year, exposure to securities of government issuers increased by €782m: in relation to the portfolio of the Parent Company, the core Government securities and the securities issued by supranational European entities, with medium-long term maturity, were entirely liquidated following the purchase of Italian Government securities; the maturities of the purchased securities are consistent with the maturities of the liabilities of Unipol Gruppo.

As regards insurance portfolios, to be noted is the increase in the exposure to Italian government securities following the sale of Government securities, primarily Spanish, an activity carried out in the first quarter of the year.
The non-governmental component of bonds remained basically unchanged on the whole, although there was some differentiation between the sectors: the Life segment recorded an increase of €495m; on the other hand, the Non-Life segment recorded a reduction of €493m which concerned primarily financial issuers.
Asset portfolio simplification activities continued during 2019. There was a €158m overall reduction in exposure to Level 2 and 3 structured bonds.
The fixed rate and floating rate components of the bond portfolio amounted respectively to 87.9% and 12.1%. The government component accounted for approximately 71.2% of the bond portfolio whilst the corporate component accounted for the remaining 28.8%, split into 21.7% financial and 7.1% industrial credit.
90.3% of the bond portfolio was invested in securities with ratings above BBB-. 3.4% of the total is positioned in classes AAA to AA-, while 12.9% of securities had an A rating. The exposure to securities in the BBB rating class was 74% and includes Italian government bonds, which make up 57.3% of the total bond portfolio.

**Share exposure** increased during 2019 by around €546m. The increase in exposure regarded European securities belonging to the Eurostoxx 50 index or to European sector indices. For the residual part, transactions were performed on ETFs (Exchange Traded Funds) representative of share sector indices. Almost all equity instruments belong to the main European share indexes. The put options on the Eurostoxx50 index were also revalued, by maturity and exercise value, on the equity portfolio in order to mitigate volatility and preserve the value of the portfolio.

The exposure to **alternative funds**, a category which encompasses private equity funds, hedge funds and investments in real assets, came to €777m, recording a net decline of €117m, primarily due to the sale of the majority of the exposure to hedge funds.

**Currency transactions** were carried out mainly to hedge the currency risk of outstanding equity and bond positions.

**Real estate management** continued to focus on the renovation of some properties, particularly in high-end areas of Milan, in order to help them generate income, seek out opportunities to increase value or for their business use. In December, a preliminary agreement was signed for the sale of the building named Torre Velasca (MI) for a total sale price of €160m (the notary deed is expected to be signed by the end of 2020).
The breakdown of current gains (losses) on investments and financial income (charges) and gains and losses on trading are shown in the tables below.

Amongst the net realised gains for the year, the effects of the initial consolidation with the equity method of the interests with significant influence in BPER Banca made a positive contribution of €421m.

## Realised income and charges

| | *Amounts in €k* | Interests | Other income | Other charges | Reaised gains | Realised losses | Total realised gains and losses (1) 2019 | Total realised gains and losses (1) 2018 | Var.% |
|---|---|---|---|---|---|---|---|---|---|
| | **Balance on investments** | **1,556,834** | **870,309** | **(214,350)** | **781,998** | **(501,468)** | **2,493,323** | **2,328,055** | **7.1** |
| a | Arising from investment property | | 58,686 | (26,333) | 6,584 | (1,223) | 37,714 | 53,459 | (29.5) |
| b | Arising from investments in subsidiaries, associates and interests in joint ventures | | 540,052 | (327) | | | 539,724 | 314,307 | 71.7 |
| c | Arising from held-to-maturity investments | 18,685 | | | | | 18,685 | 20,972 | (10.9) |
| d | Arising from loans and receivables | 99,446 | | | 8,967 | (4,423) | 103,990 | 138,233 | (24.8) |
| e | Arising from financial assets at amortised cost | 20,582 | | | 54,615 | (7,762) | 67,435 | 28,211 | 139.0 |
| f | Arising from available-for-sale financial assets | 1,334,737 | 153,904 | (3,425) | 531,872 | (166,536) | 1,850,552 | 1,749,851 | 5.8 |
| g | Arising from financial assets at fair value through OCI | 9,261 | 6,022 | | 53,107 | (6) | 68,384 | 5,645 | 1,111.3 |
| h | Arising from held-for-trading financial assets | 5,116 | 95,728 | (104,956) | 9,386 | (313,663) | (308,389) | (24,347) | (1,166.6) |
| i | Arising from financial assets at fair value through profit or loss | 68,654 | 15,474 | (79,285) | 116,893 | (7,855) | 113,881 | 40,800 | 179.1 |
| l | Arising from financial assets mandatorily at fair value | 353 | 444 | (24) | 573 | | 1,347 | 925 | 45.6 |
| | **Balance on cash and cash equivalents** | **1,041** | | **(1)** | | | **1,040** | **835** | **24.6** |
| | **Total** | **1,557,875** | **870,309** | **(214,350)** | **781,998** | **(501,468)** | **2,494,363** | **2,328,891** | **7.1** |

## Unrealised income and charges

| | | Unrealised gains | | Unrealised losses | | Total unrealised gains and losses (2) | Total unrealised gains and losses (2) | |
|---|---|---|---|---|---|---|---|---|
| | *Amounts in €k* | Unrealised Capital gains | Write-backs | Unrealised capital losses | Impairment | 2019 | 2018 | Var.% |
| | **Balance on investments** | **516,969** | **35,009** | **(224,750)** | **(102,653)** | **224,576** | **(424,888)** | **152.9** |
| a | Arising from investment property | | 29,312 | (32,093) | (47,436) | (50,218) | (91,474) | **45.1** |
| b | Arising from investments in subsidiaries, associates and interests in joint ventures | | 5,697 | | | 5,697 | (389) | **1,562.8** |
| c | Arising from held-to-maturity investments | | | | | | | |
| d | Arising from loans and receivables | | | (39) | | (39) | 3 | **(1,631.1)** |
| e | Arising from financial assets at amortised cost | | | | (34,397) | (34,397) | 4,342 | **(892.3)** |
| f | Arising from available-for-sale financial assets | 36,676 | | (61,796) | (20,624) | (45,743) | (27,338) | **(67.3)** |
| g | Arising from financial assets at fair value through OCI | 127 | | | (197) | (70) | (861) | **91.9** |
| h | Arising from held-for-trading financial assets | 115,759 | | (96,872) | | 18,887 | (24,150) | **178.2** |
| i | Arising from financial assets at fair value through profit or loss | 358,904 | | (33,590) | | 325,314 | (283,625) | **214.7** |
| l | Arising from financial assets mandatorily at fair value | 5,503 | | (358) | | 5,144 | (1,394) | **469.1** |
| | **Balance on cash and cash equivalents** | | | | | | | |
| | **Total** | **516,969** | **35,009** | **(224,750)** | **(102,653)** | **224,576** | **(424,888)** | **152.9** |

## Total gains and losses

| Amounts in €k | | Total gains and losses (3)=(1)+(2) 2019 | Total gains and losses (3)=(1)+(2) 2018 | Var.% |
|---|---|---|---|---|
| **Balance on investments** | | **2,717,899** | **1,903,168** | **42.8** |
| a | Arising from investment property | (12,504) | (38,016) | **67.1** |
| b | Arising from investments in subsidiaries, associates and interests in joint ventures | 545,422 | 313,917 | **73.7** |
| c | Arising from held-to-maturity investments | 18,685 | 20,972 | **(10.9)** |
| d | Arising from loans and receivables | 103,951 | 138,235 | **(24.8)** |
| e | Arising from financial assets at amortised cost | 33,038 | 32,553 | **1.5** |
| f | Arising from available-for-sale financial assets | 1,804,808 | 1,722,512 | **4.8** |
| g | Arising from financial assets at fair value through OCI | 68,314 | 4,784 | **1,327.9** |
| h | Arising from held-for-trading financial assets | (289,502) | (48,497) | **(497.0)** |
| i | Arising from financial assets at fair value through profit or loss | 439,195 | (242,825) | **280.9** |
| l | Arising from financial assets mandatorily at fair value | 6,491 | (469) | **1,484.7** |
| **Balance on cash and cash equivalents** | | **1,040** | **835** | **24.6** |
| **Total** | | **2,718,939** | **1,904,003** | **42.8** |

## Expenses and income recognized directly in shareholders' equity

| Amounts in €k | 2019 (4) | 2018 (4) | Var.% |
|---|---|---|---|
| Gains/losses on available-for-sale financial assets | 1,090,506 | (883,561) | **223.4** |
| Gains or losses on financial assets (other than equity instruments) at fair value through OCI | (522) | 627 | **(183.4)** |
| Gains/losses on cash flows hedges | 9,924 | 10,066 | **(1.4)** |
| Change in the shareholders' equity of the investees | 2,487 | | |
| **Total** | **1,102,394** | **(872,868)** | **226.3** |
| | | | |
| **Total investment income and charges (3) + (4)** | **3,821,333** | **1,031,135** | **270.6** |

## Investment in securitisations

We provide below the amount of the investments in securitisations, divided by rating, recognised in the consolidated financial statements at 31 December 2019[1].

### Rating on investments in securitisations

| *Amounts in €k* | 2019 | 2018 | Change on 2018 |
|---|---|---|---|
| AA | 1,060 | 1,467 | (407) |
| A | | 1,551 | (1,551) |
| BBB | | | |
| < BBB | | | |
| - | 204 | 376 | (172) |
| **Total investments in securitisations** | **1,263** | **3,394** | **(2,131)** |

The following table provides details on the financial income and charges recognised in the consolidated financial statements at 31 December 2019 with regard to securitisation transactions:

### Income and charges on investments in securitisations

| *Amounts in €k* | 2019 | 2018 | Change on 2018 |
|---|---|---|---|
| Financial income | 14 | 2,364 | (2,351) |
| (Financial charges) | | | |
| **Financial income (charges)** | **14** | **2,364** | **(2,351)** |

As shown by the tables above, investments in securitisation represent an insignificant portion of the total portfolio of financial assets of the Group.

# A.4. Performance of other activities

We provide below a breakdown of other significant income and charges, which were not already included in Par. A.2 and A.3. above.

### Other income

| | FY | FY | Variation 2019/2018 | |
|---|---|---|---|---|
| *Amounts in €k* | 2019 | 2018 | amount | % Var. |
| Commission income | 34,611 | 39,383 | *(4,772)* | *(12.1)* |
| Other technical income | 72,575 | 100,523 | *(27,948)* | *(27.8)* |
| Other income | 744,484 | 674,900 | *69,584* | *10.3* |
| **Total other income** | **851,670** | **814,806** | ***36,864*** | *4.5* |

At 31 December 2019, the item "Total other income" was equal to €851,670k (€814,806k at 31/12/2018).

The item "Commission income" consisted in particular of commissions on investment contracts (deferred fees) of €28,281k (€30,637k as at 31/12/2018).
Other technical income for €72,575k (€100,523k at 31/12/2018) consisted of €13,792k (€32,810k at 31/12/2018) for commissions on premiums of previous years cancelled, €47,984k (€55,568k at 31/12/2018) for other technical income from direct business and €10,799k from the reinsurance business (€12,145k at 31/12/2018).

The item "Other income" included in particular the typical revenue of the Group's non-insurance companies.

[1] The value reported is the carrying amount inclusive of the accrued coupon rate.

### Other charges

| Amounts in €k | FY 2019 | FY 2018 | Variation 2019/2018 amount | % Var. |
|---|---|---|---|---|
| Commission expenses | 21,413 | 22,923 | (1,510) | (6.6) |
| Impairment losses on receivables | 38,939 | 13,306 | 25,632 | 192.6 |
| Interest expense | 169,095 | 170,425 | (1,329) | (0.8) |
| Other technical charges | 248,832 | 262,368 | (13,535) | (5.2) |
| Sundry charges | 854,400 | 521,970 | 332,429 | 63.7 |
| Profit (Loss) of discontinued operations | | 304,631 | (304,631) | (100.0) |
| **Total other charges (different from taxes)** | **1,332,679** | **1,295,622** | **37,057** | **2.9** |
| Taxes | 200,730 | 252,379 | (51,649) | (20.5) |
| **Total other charges** | **1,533,409** | **1,548,001** | **(14,592)** | (0.9) |

The item "Commission expense" consisted in particular of €13,481k relating to deferred acquisition costs on investment contracts (€14,399k as at 31/12/2018).

Interest expense included in particular €147,593k regarding interest on subordinated and non-subordinated loans (€149,529k at 31/12/2018).

Other technical charges for €248,832k (€262,368k at 31/12/2018), consisted of €89,125k (€89,242k at 31/12/2018) for write-downs on premiums of previous years, €152,045k (€160,401k at 31/12/2018) for other technical charges from direct business and €7,662k (€12,724k at 31/12/2018) from the reinsurance business.
The item "Sundry charges" included in particular the typical charges of the Group's non-insurance companies, as well as extraordinary charges including charges for sentences, orders and settlements. In particular, it included costs for operating expenses in the holding and other businesses sector of €191,047k (€132,438k at 31/12/2018) and the real estate sector equal to €22,070k (€22,051k at 31/12/2018).

The balance of taxes included current tax charges of €264,023k (€109,732k at 31/12/2018), relating to IRES and IRAP for the year, in addition to the negative net balance of deferred taxation, equal to €63,293k (€142,647k at 31/12/2018).

## A.5. Any other information

With regard to operating performance subsequent to the end of 2019, the first part of 2020 was characterised by negative repercussions on growth of the global economy generated for the most part by the worldwide extension of the COVID-19 (Coronavirus) epidemic. The infection from Coronavirus, recently qualified as a pandemic by the World Health Organisation, indeed led to precautionary measures being adopted in China, which were then extended to many other countries, including Italy, to combat the spread of the epidemic. The size of the pandemic, in terms of temporal duration and extension, is currently difficult to estimate, and it is likewise difficult to reliably quantify the negative repercussions that it will have on the global economic cycle. As regards our country, GDP figures below expectations were recorded in the fourth quarter of 2019, confirming the vulnerability of Italy's economy in a context of weak growth in the international economy, and the spread as of the end of February of the health emergency situation led many observers to a considerable downwards review of the 2020 growth forecasts, previously expected to be around +0.5% and now expected to have negative growth.

The financial markets have been strongly volatile due to worries that the measures launched in many countries, including Italy, with the aim of combating the spread of the pandemic, will halt the global economy. Indeed, this public health emergency is unleashing highly negative trends in the stock indexes at the end of February 2020, along with an increase in the spread between Italian government bonds and the German Bund. All this may reflect on the Group's financial investments and on the financial management, which continues to be aimed at the consistency of assets and liabilities, with a view to maintaining a proper risk return profile of the portfolio and pursuing selectively an adequate diversification of the risks. With regard to the trends of the insurance business, starting from the last week of February, due to the increasingly stringent government provisions on the movement of people, there has been a reduction in the signing of new contracts and, with reference to the Non-Life classes, a reduction in claims as well.

Excluding currently unforeseeable events and lasting and significant impacts of the ongoing health emergency on the economic cycle as well as the financial markets, the Group expects to close 2020 with a positive result, in line with the objectives defined in the Business Plan, and with an adequate solvency situation.

With reference in particular to the solvency situation, please note that the Board of Directors of Unipol Gruppo, which met on **19 March 2020**, approved **to propose** to the Shareholders' Meeting to distribute a dividend (the "Proposed Dividend") from the profit for the year 2019, in the amount of €0.28 per entitled ordinary share. The Solvency Ratio of the Unipol Group, subject to disclosure in the separate and consolidated financial statements, calculated taking into account the Proposed Dividend, was 182% (with a capital excess of roughly €3.5bn).
The Proposed Dividend and the resulting level of the consolidated Solvency Ratio were also announced to the market in a press release dated 20 March 2020.
Subsequently, on 30 March 2020, IVASS issued a communication concerning the closure of the accounts for the year 2019 (the "IVASS Communication"), in which the Supervisory Authority, considering the emergency situation linked to the Covid-19 epidemic, asked all Italian insurance companies and groups to adopt "*... extreme prudence in the distribution of dividends and other capital elements as well as in paying the variable component of remuneration to corporate officers*", specifying that respect for such instructions will be closely monitored by the Authority, "*which reserves the right, in light of developments in the situation, to take any other initiative to protect the solidity of the insurance system and protect policyholders and those entitled to insurance benefits*".
The Board of Directors of Unipol Gruppo, meeting on 2 April 2020, acknowledged the content of the IVASS Communication and, although it noted that at that date, like at 19 March 2020, all prerequisites continued to be met, including the capital strength ratios, to proceed with the distribution of the Proposed Dividend, it decided to strictly follow the requests of IVASS and thus removed the proposal for the distribution of that dividend from the agenda of the Shareholders' Meeting called for 30 April 2020 and, as a result, proposed to the shareholders' meeting the assignment of the profit for the year 2019 to the reserves. That proposal was approved by the Shareholders' Meeting on 30 April 2020.

As a result of the modified allocation of the profit from 2019, the consolidated Solvency Ratio at 31 December 2019 was 187% (with a capital excess, compared to the Solvency capital requirement, of roughly €3.7bn).
In any event, the Board of Directors has reserved the right - as soon as the conditions are in place, once the current emergency situation that is impacting the entire country has passed - to call a Shareholders' Meeting to distribute the profit reserves by the end of 2020, in order to enable the Shareholders to benefit from the value created by the Unipol Group.

In Chapter C. Risk profile and Chapter E. Capital management the values relating to Own Funds and the Solvency Capital Requirement determined on the basis of information available as of today's date are shown, taking into account the suspension of the distribution of the dividend from the profit for the year 2019.

Please also note that on the basis of the periodic monitoring performed internally, also close to the date of approval of this report, the Group continues to satisfy the capital adequacy requirements set forth by regulations, even in the case of the distribution of the Proposed Dividend.

# B

SYSTEM
OF GOVERNANCE

# B System of Governance

## B.1. General information on the system of of governance

### B.1.1. Tasks and responsibilities of Board of Directors

In compliance with IVASS Regulation no. 38 of 3 July 2018 ("Regulation 38"), Unipol Gruppo, also as the Italian ultimate parent company of the Unipol Group, on the basis of the self-assessment process pursuant to the IVASS Letter to the Market of 5 July 2018, has adopted a "reinforced" type corporate governance system, deemed most suited for the sound and prudent management of the Company.

Note that the Company had already adopted the corporate governance mechanisms contained in the Governance Code of listed companies promoted by Borsa Italiana S.p.A. ("Corporate Governance Code") and inspired more generally by international best practices, already compliant with the requirements of the above-mentioned regulation for companies with a "reinforced" type corporate governance system.

The governance structure of Unipol is based on a traditional model, with a Board of Directors (which operates with the support of board committees, with power to provide opinions and make proposals) and the Board of Statutory Auditors, with functions of administration control, both appointed by the shareholders' meeting. The regulatory audit is entrusted to an auditing firm registered in the appropriate register, appointed by the Shareholders' Meeting following a reasoned proposal by the Board of Statutory Auditors.

Shareholders' Meeting
The Shareholders' Meeting is the body that expresses the will of the company; the resolutions taken in compliance with the law and the By-Laws are binding for all Shareholders, even if absent or dissenting.
Aside from the duties and responsibilities set forth in the By-Laws and regulatory provisions, the Ordinary Shareholders' Meeting also establishes the compensation due to members of the bodies it has appointed and approves, inter alia, the remuneration policies, including of the Group.

Board of Directors
The By-Laws give the management of the Company to a Board of Directors, with no less than 15 and no more than 25 members, appointed by the Shareholders' Meeting, which sets their number. They must meet the legal and regulatory requirements set by applicable legal and regulatory provisions.
Directors are in office for three years, or for the shorter period set by the Shareholders' Meeting at the time of their appointment, and may be re-elected.
The ordinary Shareholders' Meeting of 18 April 2019 has appointed the Company's Board of Directors, consisting of 19 members, giving them a mandate of three years and, therefore, until the Shareholders' Meeting called to approve the 2021 financial statements.
The Board of Directors is vested with the broadest powers for the ordinary and extraordinary management of the Company. Therefore, it can carry out all deeds, including disposals, that it deems appropriate to achieve the corporate purpose, excluding only those that the law expressly places under the responsibility of the Shareholders' Meeting.
In line with the principle of centrality of the Board, Art. 13 of the By-Laws attributes responsibility to the Board of Directors to resolve on, inter alia:

i. mergers and spin-offs with subsidiaries in the cases permitted by law;
ii. share capital reductions in the case of withdrawal of a Shareholder;
iii. the amendments to the By-Laws to bring them in line with legal provisions;
iv. the issue of non-convertible bonds.

Pursuant to the law, the By-Laws and the internal policies in force, the Board of Directors, among other things:

a. reviews and approves the strategic, financial and business plans of the Company and the Group, taking into account the long-term financial interests and solvency of the Group itself, regularly monitoring their implementation;
b. defines the system of corporate governance, the corporate structure and the governance models and guidelines of the Group, reviewing them at least once per year and guaranteeing their overall consistency.
   In this regard, it defines:
   i. the tasks, responsibilities and functioning methods of the corporate bodies, the board committees and the Key Functions (the Audit, Risk Management, Compliance and Actuarial Functions);

ii. the information flows - including timing - and the nature and frequency of reporting between the Key Functions and the various Group functions, the board committees and between them and the corporate bodies of Unipol;
iii. the co-ordination and co-operation activities, in the case of potential overlapping of the areas or to realise synergies;
iv. the methods of liaising and collaborating with the corporate bodies and the Key Functions of the Insurance Companies belonging to the Group and of cooperating with the corporate bodies and the functions of the other Group companies;
v. the nature and the level of risk compatible with the strategic objectives of the Group, including in its assessments all risks that may be relevant in terms of the medium-long term sustainability of the activities of the Company and the Group;

c. defines the business model, with the awareness of the risks to which that model exposes the Company and an understanding of the methods whereby the risks are detected and assessed, ensuring that the Company structure is consistent with the activity carried out and with the business model adopted, avoiding the creation of complex structures not justified by operating requirements;
d. approves the organisational, administrative and accounting structure of the Parent Company and evaluates the adequacy of the Group structure, particularly with regard to the internal control and risk management system;
e. defines and reviews the Group's policies, ensuring the appropriate involvement of the administrative body of the subsidiaries and handling the relative transmission within the Group, all while guaranteeing that they are implemented by the insurance companies and consistently applied by the other companies;
f. appoints one or more Directors responsible for the internal control and risk management system;
g. also in exercising its management and coordination activities with regard to the subsidiaries:
   - approves, after review by the Group's Risks Committee and the Parent Company's Sustainability Committee, the Sustainability Policy, taking into account the activities, risks and stakeholders of each subsidiary;
   - guarantees consistency between the Sustainability Policy and the Specific risk management policies;
   - approves, after review by the Parent Company's Sustainability Committee, insofar as it is responsible, the Integrated Report and the Non-Financial Statement it contains;
h. after hearing the opinion of the Control and Risk Committee:
   i. sets the guidelines of the internal control and risk management system, so that the main risks to which the Company and the Group are exposed are correctly identified and appropriately measured, managed and monitored, also checking the compatibility of these risks with a management of the company in line with the strategic objectives, including of the Group, identified;
   ii. assesses, at least once a year, the current and future adequacy of the internal control and risk management system with respect to the features of the Parent Company and the Group and to the risk appetite defined, as well as its effectiveness and its ability to grasp the evolution of corporate risks, including of the Group, and the interaction between them;
   iii. approves, at least once a year, after consulting the Board of Statutory Auditors and the Director in charge of the internal control system (as defined and identified below), the working plans prepared by the Managers of the Key Functions;
   iv. at least once a year, approves the scheduled activity plan and the report of the Manager of the Anti-Money Laundering Function on the activities carried out;
   v. after consulting the Board of Statutory Auditors, reviews the comments made by the audit firm in its letter of suggestions and in the report on the key questions identified during the audit;
i. checks that the corporate governance system is consistent with the strategic objectives, risk appetite and risk tolerance limits of the Group and is capable of capturing the evolution of company risks of the insurance companies and their interactions, as well as the risks deriving from being part of the Group;
j. orders periodic assessments on the effectiveness and adequacy of the Group's corporate governance system and requests timely information on the most significant issues and gives timely instructions for the adoption of corrective measures, of which later it assesses the effectiveness;
k. sets the Group risk targets system defining, also on the basis of an internal assessment of risk and solvency, (i) the risk appetite of the Group in line with its overall solvency requirements, (ii) the types of risk it believes it can assume and (iii) the risk tolerance levels, which are revised at least once a year, to ensure their effectiveness over time;
l. appoints, replaces and revokes, on proposal of the Director in charge of the internal control system - after receiving the favourable opinion of the Control and Risk Committee, as well as after consulting the Board of Statutory Auditors - the managers of the Key Functions, in observance of the requirements of suitability for

office established by the Policy on eligibility for office (the "Fit&Proper Policy"), guaranteeing that they have adequate resources to fulfil their responsibilities, and sets their remuneration in line with the remuneration policies adopted by the Company;

m. appoints, replaces and removes the Manager of the Anti-Money Laundering Function;

n. establishes internal committees to make suggestions and provide advice, as required by legislation and regulations in force over time, as well as those appropriate or necessary to the good operation and growth of the Company and the Group and, when established in the Group companies, defines their guidelines, ensuring that there is a suitable and constant interaction between them, the Top Management and the Key Functions;

o. on an annual basis, defines and reviews the remuneration policies, including of the Group, submitting them to the Ordinary Shareholders' Meeting for approval, and is responsible for their proper application;

p. attributes and removes powers of the Chief Executive Officer and Group CEO, defining their limits and methods of exercise; also establishes the frequency, in any event no greater than quarterly, with which the delegated bodies are required to report to the Board of Directors about activities carried out during the exercise of the powers attributed;

q. determines, after reviewing the proposals of the Remuneration Committee and consulting with the Board of Statutory Auditors, the remuneration of the Chief Executive Officer and Group CEO and Key Directors - including those on Board Committees - as well as the breakdown of any global remuneration due to the members of the Board of Directors approved by the Shareholders' Meeting, if the Meeting itself has not decided on that breakdown;

r. appoints and revokes the members of the Supervisory Board (Organismo di Vigilanza) pursuant to Legislative Decree 231/2001 (defined herein); sets, with the assistance of the Remuneration Committee, the remuneration of said members; approves, once a year and on proposal of the Supervisory Board, the budget of expenses, ordinary and extraordinary, needed to carry out the supervision and control provided for by the Organisational, Management and Control Model, as well as the final figures of the expenses of the previous year;

s. assesses the general management of the business, taking into account, in particular, the information received from the delegated bodies, as well as comparing, regularly, the results achieved with those planned;

t. carries out, at least once a year, with the assistance of the Appointments and Corporate Governance Committee, an evaluation on the size, composition and effective operation of the Board of Directors and its Committees, as well as on their size and composition, also taking into account elements such as professional characteristics, experience, also of management, and gender of its members, as well as their seniority in office;

u. keeping into account the results of the evaluation described in the previous point, before the appointment of a new Board, gives to the Shareholders directions on the professional roles the presence of which is believed to be appropriate on the Board;

v. approves, monitoring its suitability over time, the system of delegations and powers and responsibilities of the Group, taking care to avoid an excessive concentration of powers in a single body and implementing controls on the exercise of the delegated powers, with the power of defining appropriate emergency plans ("contingency arrangements") if the board itself decides to take upon itself the delegated powers;

w. resolves with respect to transactions of the Parent Company and/or the subsidiaries when such transactions have significant strategic, economic, capital or financial relevance for the Unipol itself, paying particular attention to situations in which one or more Directors have an interest on their own behalf or on behalf of third parties. To that end, it establishes general criteria to identify transactions of significant relevance and adopts suitable measures to ensure that the subsidiaries submit transactions that are relevant to the Parent Company's Board of Directors for prior review;

x. passes resolutions on transactions with intra-group counterparties as well as - with the assistance, when required, of the Related Party Transactions Committee[2] - with regard to transactions with related parties, in compliance with the reference regulations adopted respectively by IVASS and Consob and internal regulations in force over time.

Additional powers are reserved to the Board of Directors pursuant to (i) the policies adopted by the Company on, among other things, insurance underwriting and provisioning, investments and divestments in financial, real estate and equity assets, management of funding and credit sources and (ii) the system of the delegations of powers granted to

[2] Until 31 July 2019, the date of completion of the sale of the equity investment held in Unipol Banca SpA and the resulting elimination of the Unipol Banking Group, the Board of Directors also decided - with the assistance, when required, of the Related Party Transactions Committee engaged for that purpose - on transactions with Associated Parties carried out by the Parent Company and/or the Subsidiaries belonging to the Unipol Banking Group.

the Chief Executive Officer and Group CEO. These internal provisions aim at ensuring that the Board of Directors reviews and resolves on the transactions with a significant strategic relevance and significant amount.

Consistently with the recommendations of the Corporate Governance Code - and in particular with Art. 7 of this Code, which provides for the Board of Directors to carry out "*a role of direction and evaluation of the suitability of the system*" and to "*identify among its members one or more directors, to set up and manage an effective internal control and risk management system*" - the Board of Directors, most recently in the Board meeting held on 18 April 2019, has appointed as Director in charge of the internal control system - because of his in-depth knowledge of the corporate processes and the internal control and risk management system within the Unipol Group – its Chief Executive Officer and Group CEO, Mr Carlo Cimbri.

Pursuant to Art. 12 of the By-Laws, the Board of Directors meets at least once a quarter and every time the Chairman, or his substitute, believes it to be appropriate, or when a request in this sense is made by at least one-third of the Directors in office. The Board of Directors may also be called, after notification to the Chairman, by the Board of Statutory Auditors or at least one of its members.

The validity of resolutions of the Board of Directors is governed by Art. 2388 of the Italian Civil Code. In voting by open ballot, the vote of the Chairman shall break any tie votes.

Board Committees

To increase the efficiency and the effectiveness of its activity, the Board of Directors has set up among its members specific Committees, with the power to provide opinions and make proposals, specifying their tasks also taking into account the criteria set in the Corporate Governance Code.

In particular, on 18 May 2019, the Board of Directors approved the establishment of the following board committees, which play a role in the corporate governance system and perform their duties in compliance with the provisions of the Corporate Governance Code and applicable supervisory provisions:

- Chairman's Committee;
- Appointments and Corporate Governance Committee;
- Remuneration Committee;
- Control and Risk Committee;
- Related Party Transactions Committee;
- Sustainability Committee;
- Ethics Committee.

These Committees, with the exception of the Chairman's Committee, are composed at least of a majority of Independent Directors, as specified in the following paragraphs. The Committees are dissolved when the entire Board of Directors reaches the end of its mandate; if one or more members become unavailable, for any reason, the Board shall find a replacement.

In this regard:

- the Chairman's Committee consists of the Chairman of the Board of Directors and the Deputy Chairman, the Chief Executive Officer and the Group CEO and the other Directors appointed by the Board of Directors. During 2019 this Committee met 6 times. The Chairman's Committee is given functions of advice and co-operation for the definition of the development policies and the guidelines of the strategic and operating plans of the Company, to be submitted to the Board of Directors, limited, in particular, to the following issues:
  - dividend policies and/or capital remuneration policies;
  - extraordinary transactions pertaining to the Shareholders' Meeting, in particular capital increases and convertible bond issues, mergers, spin-offs, distribution of reserves, purchase of own shares and amendments to the by-laws;
  - extraordinary transactions of significant strategic interest, or in any case bound to have a significant effect on the value and/or composition of the equity capital or on the share price of the company, such as purchase or sale of significant equity investments, combinations or alliances with other groups, significant changes in the structure or composition of the Group;
  - multi-year strategic plans and annual budgets of the Company and the Group;
- the Appointments and Corporate Governance Committee consists of three Directors, all non-executive and the majority of whom are independent. During 2019 this Committee met 3 times. The Appointments and Corporate Governance Committee has a role of proposal and advice in the identification of the optimal composition of the Board of Directors and in the definition of the corporate system of governance; in this regard, said Committee has been given the following functions:

- to propose to the Board of Directors the candidates to the office of Director in the cases of co-optation, if it is necessary to replace independent Directors;
- to define schedules and procedures for the execution of the Board Performance Evaluation;
- to inform the Board of Directors on regulatory developments and on the best corporate governance practices;
- to express opinions to the Board of Directors, on:
  - the appointment of the members of the Board Committees of the Company;
  - the appointment of the General Manager and the Deputy General Manager of the Company;
  - the names of individuals to be indicated for the roles of Director and Statutory Auditor, as well as Chairman, Deputy Chairman, Chief Executive Officer and/or General Manager of the relevant companies (be they Subsidiaries with strategic relevance or investees). To that end, the Chairman is responsible for submitting such candidacies to the Appointments and Corporate Governance Committee, in agreement with the Company's Chief Executive Officer and Group CEO;
  - the implementation of the corporate governance system, the model and the governance guidelines of the Group;
  - the size and composition of the Board of Directors, making recommendations on the professional qualifications the presence of which within the Board of Directors is believed to be appropriate, as well as on the maximum number of offices and derogations from no-competition rules;

- the Remuneration Committee consists of three Directors, all non-executive and independent, pursuant to Art. 147-ter of the Consolidated Law on Finance and the majority of whom are independent pursuant to the Corporate Governance Code. During 2019 this Committee met 3 times. The Remuneration Committee is assigned an investigative, propositional and advisory role regarding remuneration. In particular:
  - it provides advice and proposals in the definition of remuneration policies, also of the Group, for the corporate bodies, managers and significant personnel, as identified in compliance with applicable sector regulations ("Significant Personnel"), including compensation plans based on financial instruments;
  - it makes proposals to the Board of Directors for the remuneration of the Chief Executive Officer and the other Directors holding special offices, as well as for the performance targets to be set for the variable component of this remuneration, in line with the Remuneration Policies adopted by the Board of Directors;
  - it verifies the consistency of the overall pay scheme, as well as the proportionality of the remuneration of the Chief Executive Officer with respect to Significant Personnel;
  - it periodically submits remuneration policies for review so as to guarantee their adequacy, overall consistency and concrete application by the Company and by the Group companies, relying, in this last regard, on the information provided by the corporate bodies of the Group companies;
  - it identifies potential conflicts of interest and the measures adopted to manage them;
  - it ascertains the fulfilment of conditions for the payment of incentives to Significant Personnel;
  - it provides adequate disclosure to the Board of Directors on the effective functioning of the Remuneration Policies;
  - it expresses opinions to the Board of Directors on the remuneration of the members of the Supervisory Board of the Company pursuant to Legislative Decree 231/2001.

- the Control and Risk Committee is composed, pursuant to the Corporate Governance Code in force, exclusively of independent, non-executive Directors, one of whom with adequate expertise in accounting, financial or risk management matters, as assessed by the Board of Directors at the time of his/her appointment. During 2019 this Committee met 9 times. The Control and Risk Committee plays a propositional, advisory, investigative and support role in relation to the Board's assessments and decisions mainly concerning the internal control and risk management system as well as the approval of periodic financial reports.

  With regard to the performance of these functions, pursuant to the Committee Regulation as well as policies in force, the Control and Risk Committee provides its prior opinion to the Board of Directors:
  - on the definition of the guidelines of the internal control and risk management system, so that the main risks for the Company and the Group (including Environmental, Social and Governance - "ESG" risks and, primarily, those linked to the climate) may be correctly identified, as well as appropriately measured, managed and monitored, assessing also the compatibility of these risks with a management of the company in line with the strategic objectives identified;

- on the assessment - at least on an annual basis - of the adequacy and functioning of the system for internal control and the management of existing and future risks with respect to the features of the Company and the Group, to the risk appetite and risk tolerance limits set, as well as the effectiveness of such system and its ability to grasp the evolution of corporate risks and the interaction between them.

Particularly with regard to the internal control system, the Control and Risk Committee performs, for example but not limited to, the following duties:

- assists the Board of Directors in carrying out the duties attributed to it by legislative and regulatory provisions and by the Corporate Governance Code with regard to the internal control system;
- assesses, together with the Manager in charge of financial reporting, after consulting the audit firm and the Board of Statutory Auditors, the correct use of the accounting principles and, with reference to the drafting of the consolidated financial statements and the consolidated half-year report, their homogeneity at the Group level;
- reviews the processes for the formation of periodic accounting documents prepared by the Group companies in order to draw up the separate and consolidated financial statements;
- after consulting the Board of Statutory Auditors, reviews the comments made by the audit firm in its letter of suggestions and in the report on the key questions identified during the audit;
- supports the Board of Directors in defining and evaluating the adequacy of the Company's and the Group's organisational structure, also with regard to the outsourcing of essential or important functions or activities and receives the relative reporting.

Specifically with regard to risk management, the Committee performs, for example but not limited to, the following duties:

- assists the Board of Directors in carrying out the duties attributed to it by legislative and regulatory provisions and by the Corporate Governance Code with regard to the risk management system;
- provides its opinion to the Board of Directors on proposals regarding the appointment and/or removal of Managers of the Key Functions, on the adequacy of the resources assigned to such functions for the performance of the respective duties, as well as on the consistency of the remuneration assigned to the above-mentioned Managers with applicable company policies; such opinion is binding for proposals relating to the Audit Function;
- assists the Board of Directors and provides its opinion on the determination of the risk appetite and the establishment of risk tolerance limits, as defined in the Risk Appetite Framework;
- assists the Board of Directors and expresses an opinion on the current and forward-looking risk assessment, taking into account the criteria used for the assessment of the main company risks, as well as on specific aspects concerning their identification with reference to the Company and the Unipol Group;
- asks the Audit Function, if applicable, to carry out assessments on specific operational areas, giving contextual notification to the Chairman of the Board of Directors, the Chief Executive Officer and Group CEO, also as the Director in charge of the internal control system, and the Chairman of the Board of Statutory Auditors;
- supports, with appropriate investigation activity, the assessments and the decisions of the Board of Directors on the management of risks arising from detrimental events of which the Board of Directors has become aware.

In relation to topics shared across the internal control and risk management system, the Control and Risk Committee, for example but not limited to:

- at least once a year, expresses an opinion on the action plan prepared by the Managers of the Key Functions relating to the Company and the Group;
- reviews the regular reports on the evaluation of the internal control and risk management system of the Company and the Group and those of special relevance prepared by the Key Functions;
- monitors the independence, suitability, effectiveness and efficiency of the Key Functions;
- expresses an opinion on the adoption and revision of company and Group policies as required by the Solvency II regulation and/or in any event relating to the internal control and risk management system;
- expresses its opinion on the description, in the annual report on corporate governance, of the main characteristics of the internal control and risk management system and the procedures of co-ordination between the parties involved, as well as the assessment of its suitability.

The Control and Risk Committee is also identified as the body competent to examine the information – prepared by the Risk Management Function and subject to the approval of the Board of Directors – concerning intercompany transactions performed by Unipol and the insurance companies controlled by them,

which cause the operating limits set in the Policy on intercompany transactions adopted pursuant to IVASS Regulation no. 30 of 26 October 2016 to be exceeded.
The Control and Risk Committee enacts the appropriate functional links with the Board of Statutory Auditors - also in consideration of the responsibilities that Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016, attributes to that body in its role as internal control and audit committee - in order to ensure the establishment of a flow of information to the control body for the timely exchange of significant information for the performance of their respective duties and the coordination of activities in areas of shared responsibility. To this end, and to contain the cost of controls, in 2019 the Board of Statutory Auditors attended the meetings of the Committee.

- the Related Party Transactions Committee consists of four Directors, all non-executive and independent. During 2019 this Committee met 6 times. The Related Party Transactions Committee has functions of advice, dialogue, and proposal towards the Board of Directors and the units of Unipol and the subsidiaries with reference to this type of transaction (the "Transactions") in compliance with the provisions of the Regulation issued by CONSOB with Resolution No. 17221 of 12 March 2010 and subsequent amendments and the internal procedure for the execution of the Transactions in question ("Related Party Procedure").
  In particular, the Committee:
  - expresses to the Board of Directors of the Company an opinion on the procedures to create and maintain the register in which Related Parties are recorded ("Register of Related Parties");
  - takes part in the investigation and any negotiation concerning the "Transactions of Greater Relevance" (as specified in the Related Party Procedure);
  - expresses a reasoned opinion to the decision-making body, on the basis of timely and complete information provided by the company's units during the investigation and, if appropriate, the negotiation, on the interest of the Company to the execution of such Transactions of Greater Relevance, as well as on the convenience and substantial fairness of the corresponding terms;
  - expresses to the decision-making body a reasoned non-binding opinion on the interest of the Company to the execution of the "Transactions of Lesser Relevance" (as specified in the Related Party Procedure), as well as on the convenience and fairness of the corresponding terms;
  - expresses to the Chief Executive Officer and Group CEO of Unipol a reasoned non-binding opinion on the interest of the subsidiaries and the Unipol Group in the execution of Transactions with Related Parties carried out through the subsidiaries, either of Greater or Lesser Relevance, as well as on the convenience and substantial fairness of the corresponding terms;
  - expresses to the Board of Directors an opinion on the updates of the Related Party Procedure.

  In addition, until 31 July 2019 - the date of completion of the sale of the equity investment held in Unipol Banca SpA and the resulting elimination of the Unipol Banking Group - the Related Party Transactions Committee was assigned the duties and functions that the provisions pursuant to Bank of Italy Circular no. 263/2006 (the "Circular") on "Risk activities and conflict of interest towards related parties" assign to the independent directors. Therefore, until that date, the Committee carried out the functions of advice, discussion and proposition with respect to the Board of Directors, the corporate structures of Unipol and the other companies of the Banking Group controlled by the latter, on transactions with Associated Parties, in compliance with the provisions of this circular.
- the Sustainability Committee consists of three Directors, all non-executive and the majority of whom are independent. During 2019 this Committee met 4 times. The Sustainability Committee exercises investigation, proposal and advisory functions, in particular carrying out the following duties:
  - it provides support to the Board of Directors in defining the model for identifying, assessing and managing the main ESG risks, including in particular those linked to the climate, their impacts on the business strategy and active policies for achieving the objectives of the COP21 climate change agreement, as well as in defining commitments and monitoring indicators, including those established for the reporting of climate-related information;
  - reviews the guidelines and the methodology followed to prepare and monitor the sustainability strategies integrated within the Business Plan;
  - reviews the sustainability issues identified during the Company's and the Group's interactions with stakeholders, proposing actions for improvement;
  - assesses the methodological approach adopted for the development of the materiality matrix, referred to previously, and views the material issues thus identified for the development of the Non-Financial Statement ("NFS"), contained in the Integrated Report;
  - evaluates periodic updates on the main preliminary activities directed to ensure that the Group Sustainability targets are fully met;

  - periodically monitors alignment between the sustainability indicators of the Business Plan and the activities of the subsidiaries and the business of the Group;
  - reviews the Group's Integrated Report and the NFS it contains, as well as the UnipolSai Sustainability Report.
- the Ethics Committee consists of three Directors, all non-executive and independent. During 2019 this Committee met 3 times. The Ethics Committee has been assigned the duties of:
  - promoting consistency between the principles of the Code of Ethics and the company policies, also interacting with the Supervisory Board, the Control and Risk Committee and the Company Departments concerned;
  - contributing to defining initiatives targeted at promoting knowledge and understanding of the Code of Ethics;
  - defining the set-up of the ethics communication, knowledge and awareness-raising plan, in collaboration with the Ethics Officer and the Company Departments concerned;
  - supervising compliance with the Code of Ethics. To that end, through the Ethics Officer, it may conduct checks on compliance with the Code of Ethics by the addressees, acquiring all of the necessary information and documentation;
  - expressing opinions on more complex reports received by the Ethics Officer concerning alleged violations of the Code of Ethics;
  - submitting for the attention of the competent bodies of the Unipol Group companies the situations in which violations of the main content of the Code of Ethics have been confirmed so that, in full compliance with regulatory provisions and internal procedures in force over time, such bodies may evaluate whether to initiate any penalty procedures against those responsible for such violations;
  - receiving and evaluating the Ethics Report prepared by the Ethics Officer, taking responsibility for its publication.

Chief Executive Officer and Group CEO and General Manager

The Chief Executive Officer is appointed by the Board of Directors from amongst its members for three financial years or for the shorter term of office of the Board.

At its meeting on 18 April 2019, the Unipol Board of Directors confirmed Mr Carlo Cimbri as Chief Executive Officer of the Company, also assigning him the role of Group CEO, as the main party responsible for the promotion of the Unipol Group's management policies and guidelines, in Italy and abroad, as well as for the coordination and oversight of its operations management, attributing to him all of the functions listed below, to be exercised in line with the general programmatic and strategic policies defined by the Board of Directors:

- to ensure the execution of the resolutions of the Board of Directors and the Shareholders' Meeting of the Company;
- to ensure the ordinary management of the business of the Company, as well as the governance, supervision and co-ordination of all activities of the Unipol Group;
- to promote the corporate policies of the company and the Unipol Group;
- to make the proposals on the multi-year plans and annual budget of the Company and the Unipol Group, to be submitted to the review and approval of the Board of Directors;
- to ensure the adequacy of the organisational, administrative and accounting structure of the Company and the Unipol Group;
- to give directions for the preparation of the financial statements of the Company; to prepare the proposals on the draft financial statements and consolidated financial statements, as well as on the interim financial reports, to be submitted to the Board of Directors.

The Chief Executive Officer and Group CEO - in his role as Executive Director of the Company - fulfils the following duties:

- together with the Chairman:
  - identifies the strategies regarding the general policies of the Company and the Unipol Group to be submitted to the Board of Directors;
  - reviews on a preliminary basis transactions with significant economic, capital and financial relevance, in accordance with the criteria defined by the Board of Directors, particularly with reference to Transactions with related parties of "greater relevance", to be proposed on a case by case basis to the Board of Directors;
  - ensures that the Directors are able to carry out their role in an informed and effective manner;

- guarantees the pursuit of the objectives defined by the Board of Directors, issuing the resulting management directives; handles the execution of resolutions of the Board of Directors and the operational management of corporate affairs, relying on the Company's Top Management;
- defines the Group's policies and guidelines overall by overseeing the proper functioning of top-level relationships between the Company and the various Group entities;
- if applicable, makes proposals to supplement the annual audit plan and may request specific audits not set forth in the plan;
- in agreement with the Chairman, identifies individuals for the roles of General Manager and Deputy General Manager of the Company, so that the Chairman may submit them to the Appointments and Corporate Governance Committee and propose them to the Board of Directors;
- in agreement with the Chairman, identifies individuals for the roles of Director and Statutory Auditor of the relevant companies (be they subsidiaries with strategic relevance or investees), so that the Chairman may submit them to the Appointments and Corporate Governance Committee and propose them to the Board of Directors;
- supervises the management of the process of appointing "Group key resources" to cover the main management positions within the various Group entities;

The Chief Executive Officer, in agreement with the Chairman, is assigned additional duties relating to remuneration, as set forth in the Remuneration Report prepared pursuant to Art. 123-ter of the Consolidated Law on Finance and listed below:

- provides the Remuneration Committee with instructions for the formulation of proposals to be submitted to the Board of Directors with respect to the Remuneration Policies of the Key Managers of the Company;
- formulates proposals to the Board of Directors in line with the guidelines identified in the remuneration policies approved by that Board, concerning the remuneration of the Company's General Manager, as well as the determination of the relative pay package, establishing the performance targets correlated with the variable remuneration component;
- defines the pay package of the Key Managers of the Company, establishing the performance targets correlated with the variable remuneration component, in line with the guidelines identified in the remuneration policies by the Board of Directors and without prejudice to the responsibilities of the Unipol Control and Risk Committee with reference to the Managers of the Key Functions.

If the Chief Executive Officer and Group CEO is in a situation of potential conflict of interests in exercising the functions listed above, they are exercised, in his stead, by the Deputy Chairman;

The Board of Directors has also granted to the Chief Executive Officer and Group CEO special executive powers, defining procedures and quantitative limits for their exercise.

The Chief Executive Officer participates - as he is a member - in meetings of the Chairman's Committee; he participates ex officio with advisory functions in the meetings of the Appointments and Corporate Governance Committee, the Sustainability Committee, the Ethics Committee and the Remuneration Committee, and is invited to the meetings of the Control and Risk Committee.

Mr Cimbri is also the General Manager, in accordance with the resolution passed by the Board of Directors pursuant to Art. 15 of the By-Laws, in that role carrying out the function of overseeing general business operations, consistent with the strategic planning guidelines defined by the board.

Board of Statutory Auditors

The Shareholders' Meeting of 23 April 2018 appointed the Board of Statutory Auditors currently in office, consisting of three Statutory auditors and three Alternate Auditors, giving them a mandate of three years and, therefore, up to the Meeting called to approve the 2020 financial statements.

Pursuant to Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016, on the audit of the annual and consolidated financial statements, the Board of Statutory Auditors of the Company, as well as monitoring the compliance with the law and the By-Laws and with the principles of proper management, is in charge, also in the execution of its functions as internal control and audit committee, of:

- informing the Board of Directors of the Company of the result of the audit;
- monitoring the process of financial reporting and submitting recommendations or proposals aimed at ensuring its integrity;
- monitoring the effectiveness of the systems of internal control of the quality and risk management of the company and the internal audit, with regard to the financial reporting of the Company;

- monitoring the audit of the accounts;
- verifying and monitoring the independence of the audit company, in particular reviewing the services other than regulatory audit services provided to the Company by this audit company and the entities that belong to its network;
- making proposals on the audit appointment to be submitted to the Shareholders' Meeting, at the end of the selection procedure of the audit company. The Board of Statutory Auditors is also responsible for the fairness of this procedure.

Supervisory Board

Legislative Decree no. 231 of 8 June 2001, "Discipline of the administrative responsibility of legal persons, companies and associations even without legal personality" ("Decree 231/2001") - which introduced the administrative liability of entities as a result of certain offences committed in the interest or for the advantage of the entity by directors, managers, employees and company representatives - establishes in Art. 6 an exemption from above-mentioned liability for entities that demonstrate: (i) that before the offence was committed, they adopted and effectively implemented organisation, management and control models suitable to prevent the occurrence of the offences considered therein; (ii) that they have established an internal control body with the task of supervising the functioning and observance of the model (the "Body" or the "SB") as well as its actual effectiveness and adequacy and, when necessary, managing any updates of the model; (iii) that the offence was committed by fraudulently circumventing the model, and (iv) that the above-mentioned Body did not fail to supervise or enact insufficient supervision.

In compliance with the above regulations, the Company adopted the Organisation, Management and Control Model (the "MOG" or the "Model") and established and appointed the SB pursuant to Art. 6, letter b) of Decree 231/2001.

The Body is assigned the task of supervising:

i) the effective observance of the Model by its addressees: employees, corporate bodies and, within the limits laid out therein, agents, associates and suppliers;

ii) the actual effectiveness and adequacy of the Model with respect to the structure of the company and its real capacity for preventing the commission of the offences pursuant to Decree 231/2001;

iii) the possibility of updating the Model, when it is found that it needs to be adjusted in light of changed company and/or regulatory conditions, contacting the competent bodies for this purpose.

The SB is also given the right to conduct targeted verifications, even without providing prior notice, on specific transactions or deeds entered into by the Company, especially as regards sensitive activities, the results of which need to be summarised in reporting to the competent corporate bodies.

These powers are to be exercised within the limits of what is strictly functional to the mission of the SB, which has no management powers whatsoever.

Company committees

In the context of the governance and the internal control and risk management system, a few internal committees have been established by the Board of Directors, or by the Chief Executive Officer and Group CEO, consisting of managers of the Company and the Group, with functions of support to the Chief Executive Officer and Group CEO in the implementation and supervision of the policies of direction, coordination and operational strategy specified by the Board of Directors.

## B.1.2. Transactions with related parties

In the allocation of the profit for the year 2018, Unipol Gruppo disbursed dividends of €28.6m to the shareholder Coop Alleanza 3.0 Società Cooperativa.

The relations with the members of the administrative or supervision body refer to the remuneration paid in compliance with the resolutions of the Shareholders and/or the Board, in compliance with current Group policies.

## B.1.3. Tasks and responsibilities of Key Functions

The following Key Functions have been established at the Parent Company:

- Audit, which is responsible for assessing and monitoring the effectiveness, efficiency and adequacy of the internal control system and the additional corporate governance components, as well as any need for updating, also through support and advisory activities provided to other company departments;
- The Risk Management Function, which is in charge of identifying, measuring, assessing and monitoring the current and prospective risks at the individual and aggregated level to which the Company is or may be exposed and their correlation;
- The Compliance Function, which is responsible for evaluating the suitability of procedures, processes, policies and internal organisation according to a risk-based approach; its objective is to prevent compliance risk, considered as the risk of judicial or administrative sanctions, incurring losses or reputational damages as a result of failure to observe laws, regulations and directly applicable European regulations or measures of the Supervisory Authority or internal regulations such as by-laws, codes of conduct or corporate governance codes; risk deriving from unfavourable amendments in the regulatory framework or case law decisions;
- The Actuarial Function[3], whose main task is to coordinate the calculation of the technical provisions, assess the adequacy of the methodologies, models and assumptions forming the basis of said calculation and evaluate the quality of the data used. It expresses a judgment on the global policy for the underwriting of risks and the adequacy of reinsurance agreements; it also provides a contribution to the risk management system, also with reference to the modelling underlying the calculation of the capital requirement[4].

Within the Internal Control and Risk Management System, it is essential to ensure the dialogue between the Key Functions, and regular reporting between these functions and the Corporate Bodies.
The Board of Statutory Auditors, the audit firm, the Key Functions, the Supervisory Board pursuant to Legislative Decree 231/2001 and any other body and function that has been given specific control tasks exchange all information useful for the execution of the tasks assigned. To this purpose, appropriate reporting is required on the activities carried out and the extent of risks, both to the corporate bodies and the Top Management, and within the board and corporate committees, ensuring the involvement and the dialogue of all functions.
Within this system, the Compliance, Risk Management and Audit functions work together, albeit with their own autonomy, using a joint methodology and a shared IT system, which make it possible to share the information produced and adopt a uniform approach in the description of processes, the assessment of operational risks and the evaluation of the internal control and risk management system. In particular, reciprocal information flows between the different Key Functions are already in place through:

- participation in the meetings of the Control and Risk Committee and the SB;
- information and discussion on the annual plans of the activities of the Functions themselves;
- joint working groups for the maintenance and continuous updating of a shared methodology for presenting the results of the activities performed to the top management and the corporate bodies;
- reporting activities with exchange of the documentation produced by the individual functions (as for example the results of the assessment activities carried out, the cases of non-compliance, the regular claim reports, etc.).

Once a year, the Key Functions present to the Board of Directors their action plan and every six months they report to the Board of Directors on the activities carried out and the main issues observed, as well as on any initiative proposed. Moreover, in the execution of their power to provide opinions and make proposals on the Internal Control and Risk Management System, the aforementioned functions provide the Control and Risk Committee and the Board of Statutory Auditors with the action plan and regular reports on their activities.

To execute the activities within its area of competence, the personnel of the Key Functions has unlimited access to company data and relevant information.
On the basis of the Group's organisational model, the Key Functions perform the activities under their responsibility for Unipol, as well as at Group level.

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[3] The Actuarial Function is exercised by an actuary listed in the professional register set up by Law No. 194, 9 February 1942, or by parties with knowledge of actuarial and financial mathematics appropriate to the nature, magnitude and complexity of the risks intrinsic to the business activities of the company and with proven professional experience in the issues relevant to the execution of the task.

[4] The Actuarial Function, at the organisational level located within the Administration, Management Control and Operations Department, directly reports to the Board of Directors and has been given the necessary independence and separation in the performance of its tasks to avoid conflicts of interest with the Group divisions in charge of the technical and operational management. Any potential conflict of interest is addressed by an appropriate diversification and separation of the tasks within the Actuarial Function itself.

## B.1.4. Remuneration policies

The primary objective of the remuneration policies is to guarantee a fair remuneration, according to the position, responsibilities, professionalism level and individual skillset. In compliance with legal and regulatory provisions, the remuneration policies of the Company ensure the consistency between remuneration and the need to guarantee sustainable performance, in compliance with a sound and prudent risk management policy, in line with the long-term strategic objectives, profitability and balance of the Company and the Group. The Company does not adopt remuneration policies based exclusively or prevalently on short-term results, such so as to incentivise an assumption of risks that exceeds the risk tolerance limits established by the Board of Directors.
On the basis of these principles, the fixed remuneration component rewards the expertise, skills and, above all, responsibilities related to the position, with a fixed financial basis, in compliance with the provisions of collective bargaining agreements.
The variable remuneration component instead rewards performance both in the short and in the medium/long-term, not only in terms of revenue, but also in terms of focus on risk.

Considering the foregoing, in 2019, in continuity with previous years, the remuneration of those subject to the Remuneration Policies was aligned with the following principles:

- appropriate balance between fixed and variable component, with the latter linked to pre-set, objective and measurable efficiency criteria, to strengthen the link between performance and remuneration;
- the establishment, as regards the variable component of remuneration, of an adequate balance between monetary disbursements and disbursements in financial instruments;
- limits specified for the variable component;
- sustainability, with balance between short and long-term efficiency criteria, to which the remuneration is subordinated, both by ensuring the deferred and diversified payment of the variable component, and by reserving the right not to pay or ask for the repayment of this component in the presence of some elements;
- the establishment of a year-long period of unavailability with reference to the amounts disbursed in financial instruments;
- the prohibition against relying on hedging strategies or specific insurance against the risk of a downward correction of remuneration, which could alter or invalidate the chance effects connected to the provision of deferred bonuses in the form of financial instruments;
- different impact on the risk profiles of the Company and of the Group depending on the position held and the responsibilities assigned.

The variable component of the remuneration is awarded to management personnel through the activation of an incentive system. This includes:

- a short-term component (STI Bonus), 50% of which is provided in monetary form, and the other 50% of which is provided in Unipol and UnipolSai Shares;
- a long-term component (LTI Bonus), 50% of which is provided in monetary form, and the other 50% of which is provided in Unipol and UnipolSai Shares.

The assignment of the Shares relating to the LTI Bonus due is postponed over a multi-year time period.
The incentive system links:

- the annual results of the Group and of the Company, expressed in terms of achievement of gross profit and solvency capital targets;
- the individual performance, measured in terms of both qualitative and quantitative targets, related to the specific organisational area of the recipient;
- the results measured over a three-year time period of the Group, expressed in terms of achievement of gross profit and solvency capital targets, as well as growth in the value of the Unipol Share and the Reputational Profile of the Unipol Group.

As regards the remuneration of the Board of Directors, annual Director compensation is fixed; they also receive reimbursements for expenses incurred to carry out their official duties and attendance fees for participation in each Board meeting, the Shareholders' Meeting and the meetings of any Committees of which they are members.

The Company of which they are Directors also covers the cost of insurance covering the risks connected to third-party liability deriving from legal and contractual obligations inherent in the office of Director and the related legal protection.

After consulting with the Board of Statutory Auditors, the Board of Directors provides additional fixed remuneration to Directors vested with specific duties; such Directors may also be provided supplementary benefits relating to lodging and/or the use of company vehicles.
Non-executive Directors are not provided with any variable remuneration component; on the other hand, after consulting with the Board of Statutory Auditors, Executive Directors may be recognised a short and/or long-term variable remuneration component, subject to the criteria set forth in the incentive system of the Company of which they are Directors.

There are no supplementary pension schemes for the members of the Board, while all employees, whether in an executive position or not, may join specific corporate Pension Funds, divided into Employees' Pension Funds and Executives' Pension Funds. These Funds are based on voluntary contributions made by the recipient and the company and envisage supplementary pension provisions on termination of the employment relation due to retirement.

## B.2. Fit and proper requirements

At its meeting held on 14 March 2019, the Board of Directors adopted, pursuant to the industry regulatory provisions in force, the Fit&Proper Policy, which describes, inter alia, the procedures to assess the requirements of suitability for office – in terms of integrity, professionalism and independence, as well as of absence of causes of impediment, suspension and incompatibility – of the members of the administrative and control body, as well as the Managers of the Audit, Compliance and Anti-Money Laundering[5], Risk Management and Actuarial Functions.

The Board of Directors assesses whether each of its members meet the requirements set by legal and regulatory provisions in force at the time in terms of honourableness, professionalism and independence, as well as assessing the absence of causes of impediment, suspension and incompatibility pursuant to legal and regulatory provisions on interlocking directorships.

With regard to the requirements of independence of its members, the Board carries out its assessments also considering the cases specified by application criterion 3.C.4. of the Corporate Governance Code and with reference to the cases specified by application criterion 3.C.1. of the Code.
With particular reference to the evaluation of the independence requirement pursuant to the Corporate Governance Code and the Fit&Proper Policy mentioned above, we note that:

- in line with international best practice, special attention is paid to the requirement of the "substantial" independence of the non-executive directors, to ensure the composition of the interest of all Shareholders, both majority and minority; without prejudice to what is laid out by the Corporate Governance Code with respect to the number of independent directors for companies in the FTSE-MIB, the Company adopts a restrictive interpretation of the principles expressed by the Code, not counting as independent Directors - irrespective of whether they are found in one or more of the conditions pursuant to application criterion 3.C.1. of the Corporate Governance Code - the Directors who hold offices in the corporate bodies of any entities participating in shareholder's agreements for the control of the Company or nevertheless containing clauses regarding the composition of the Board of Directors of the Company, or of companies controlled by the same in accordance with Art. 2359, Paragraph 1, of the Italian Civil Code (this case, moreover, did not apply in the previous financial year, nor does it currently apply);
- for the purposes of the evaluation of the independence requirement of a Director, attention is also paid to the annual consideration for any professional services provided to the company and/or subsidiary, if this represents more than 5% of the annual sales of the Company or the Entity of which the Director has the control or a significant position, or the Professional Practice or consulting company of which he is a partner or shareholder or, in any case, if it exceeds €200,000.

With regard to the suitability requirements described above, the Board of Directors carries out its evaluation:

- for the entire Board of Directors, after this is appointed by the Shareholders' Meeting and, afterwards, at least once a year;
- for individual Directors, at the time of co-optation of one or more new Directors by the Board and after the appointment by Shareholders' Meeting, as well as in later board meetings when it is assessed whether all Directors continue to meet the requirements specified.

[5] The requirements of suitability for office of the Manager of the Anti-Money Laundering Function are established in the Money laundering and terrorist financing risk management policy, adopted by the UnipolSai Board of Directors on 21 June 2019.

The Board carries out the evaluation reviewing the information provided by the individuals involved on the basis of their curricula vitae and the statements in lieu of certification provided by these, taking also into account the assessments carried out by the competent functions of the company and the Group. This documentation is made available for review during the Board meeting and is put to the record.
The Board of Directors takes its resolutions with the abstention, each time, of the individual Director being assessed.
The Board of Directors, during its meeting on 9 May 2019, fulfilled its obligations pursuant to current legal provisions with regard to the assessment of the possession by its members of the legal and regulatory requirements – in terms of integrity, professionalism and independence, as well as of absence of causes of impediment, suspension and incompatibility. This assessment was carried out in compliance with the Fit&Proper Policy.
Lastly, to assess whether Directors are able to carry out effectively their functions, the Board of Directors carries out – after its appointment and, later, once a year – an assessment of the compliance with the provisions on overlapping offices, as indicated in a specific regulation adopted by the Board as guideline for the maximum number of offices as director or statutory auditor that may be considered compatible with an effective execution of the tasks of Director, according to the provisions of the application criteria 1.C.2. and 1.C.3. of the Corporate Governance Code. This Regulation (which is available in the Corporate Governance Section of the Unipol website) sets some general criteria, which take into account the actual role that the Director has in other companies as well as the nature and size of these companies, introducing differentiated limits, respectively, for the position of Chairman and of executive, non-executive or independent Director, also considering the prohibitions on interlocking directorships set by legal and regulatory provisions.
In line with the best international practice and with the provisions of the Corporate Governance Code as well as with the supervisory provisions in force from time to time, the Board of Directors carries out an annual assessment on the size, composition and operation of the said administrative body and the Board Committees, also taking into account elements such as the professional characteristics, experience, including managerial, and the gender of its members, as well as their length of office (Board Performance Evaluation). The evaluation concerns also the possession, by the Board as a whole, of the technical expertise needed to the execution of the tasks assigned by current legal provisions, in compliance with the principle that, in the choice of the Directors, it is necessary to keep into account the size of the Group as well as the complexity and specificity of the sectors in which this operates, to ensure that the Board as a whole has the appropriate technical expertise in insurance and financial markets, systems of governance, financial and actuarial analysis, regulatory framework, sales strategies and business models.
The Managers of the Audit, Risk Management, Compliance and Anti-Money Laundering and Actuarial Functions are appointed by the Board of Directors from amongst parties meeting the same requirements of integrity as those set forth by regulations in force for the Directors and Statutory Auditors and of adequate professionalism pursuant to company policies in force on the matter.
Moreover, the Managers of the Audit, Risk Management, Compliance and Anti-Money Laundering and Actuarial Functions must meet the independence requirements envisaged for each of them by the supervisory provisions in force from time to time. The Board of Directors verifies that these requirements are met by all Managers at the time of their appointment and, later, at least once a year, during the regular assessment of the requirements of all Directors and Statutory Auditors. The evaluation is carried out through the review of the information provided by the individuals involved in their curricula vitae and the statements in lieu of certification provided by these, taking also into account the assessments carried out by the competent units of the company and the Group. This documentation is made available for review during the Board meeting and is put to the record.
The Board of Directors of Unipol, in its meeting on 9 May 2019[6], carried out, among other things, the regular assessment of the requirements of the Managers of the Audit, Risk Management, Compliance and Anti-Money Laundering and Actuarial Functions.

[6] The Board of Directors proceeded with the verification of the fulfilment of the requirements for eligibility for office of the above-mentioned Manager of the Audit Function at the time of his appointment on 3 October 2019.

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

### B.3.1 Risk management system

The risk management system is the set of processes and tools used to support the risk management strategy of the Unipol Group; it provides an appropriate understanding of the nature and the significance of the risks to which the Group and the individual companies are exposed. The risk management system makes it possible to have a single point of view and a holistic approach to risk management, and it is an integral part of the management of the business. The risk management system specifies the risk management process, which is articulated as follows:

- identification of the risks, which consists of the identification of the risks believed to be significant, or those risks the consequences of which may jeopardise the solvency or the reputation of the Group and the individual Group companies or represent a serious obstacle to the achievement of the strategic objectives;
- current and forward-looking assessment of the risk exposure; the current evaluation of the risks identified is carried out by using the methodologies specified by regulations and best practice with regard to the risks for which the measurement is not regulated or is specified with high-level principles. With regard to the forward-looking evaluation, we note that the internal assessment of risk and solvency (the "Own Risk and Solvency Assessment" or "ORSA") is used to support the strategic decisions of the Group and the Companies;
- monitoring of the risk exposure and reporting, a system implemented – on the basis of the principles of completeness, timeliness and effectiveness of the disclosure – to ensure a timely and constant monitoring of the evolution of the Risk Profile and the compliance with the specified Risk Appetite. This system ensures that the quality and quantity of the information provided are proportional to the requirements of the different recipients and the complexity of the business managed, so that this may be used as a strategic and operational tool for the evaluation of the potential impact of the decisions on the risk profile and the solvency of the Group and the individual Companies;
- risk mitigation, which consists of the identification and proposal of actions and initiatives necessary and/or useful to mitigate current or future risk levels, when these are not in line with the risk objectives specified.

The identification, evaluation and monitoring of the risks are carried out on ongoing basis to take into account the changes occurred both in the nature and size of the business and in the market context, and whether new risks arise or the existing ones change.

The risk management system follows an Enterprise Risk Management ("ERM") approach, that is, is based on the assessment of all current and forward-looking risks to which the Group is exposed, assessing the impact that these risks may have on the achievement of the strategic objectives.

To pursue these high-level objectives, the approach adopted takes into account the need to reconcile multiple requirements expressed by the main stakeholders. In particular, the Risk Management System must meet:

- the requirement of safeguarding the assets and the reputation of the company;
- the requirements of safety and solvency;
- the target rating;
- the need to diversify the risks and ensure sufficient liquidity.

#### *B.3.1.1. Risk management and monitoring system: Risk Appetite*

Based on the principles outlined above and to pursue the objectives assigned, the risk management system relies on a key element: the Risk Appetite.

The Risk Appetite may be set as a single measure (target) or as an interval of possible values (range) and is articulated in quantitative and qualitative terms.

The calculation of the Risk Appetite is structured, in quantitative terms, according to the following elements:

- capital at risk;
- capital adequacy;
- Liquidity/ALM (Asset Liability Management) ratios.

Quality objectives are defined in reference to compliance, emerging, strategic, reputational, ESG and operational risks.

The Risk Appetite is formalised in the Risk Appetite Statement, which indicates the risks that the Group and the Companies intend to take or avoid, and sets the quantitative limits and the qualitative criteria to be taken into account for the management of unquantified risks.

The Risk Appetite is part of a reference framework - the Risk Appetite Framework (RAF). The RAF is defined in strict compliance and prompt reconciliation with the business model, the strategic plan, ORSA process, the budget, company organisation and the internal control system. The RAF defines the Risk Appetite and other components ensuring its management, both in normal and stress conditions. These components are:

- the Risk Capacity;
- the Risk Tolerance;
- the Risk Limit (or Operational Risk limits);
- the Risk Profile.

The activity to define the RAF components is dynamic, and reflects the risk management objectives associated with the objectives of the Strategic Plan. Verification is performed annually as part of the process of assigning Budget objectives. Further analyses for ex ante control of the Risk Appetite, and capital adequacy in particular, are performed when considering extraordinary transactions (mergers, acquisitions, disposals, etc.).

The RAF is broken down into several analysis macro areas with the aim of guaranteeing continuous monitoring of risk trends and capital adequacy. The main analysis macro areas are: individual risk type, overall risk, individual company and group.

The risk management system is formalised by the risk management policy, adopted by the Board of Directors of the Parent Company and subject to regular updates, which sets, in reference to the perimeter of competence, suitable guidelines for the identification, evaluation, monitoring and mitigation of the risks and the operational limits in line with the Risk Appetite specified. The Parent Company ensures that the risk management policy is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of group supervision and their mutual interdependencies, with reference to the provisions laid out in Articles 210 and 210-ter, paragraphs 2 and 3 of the Private Insurance Code.

The principles and processes of the Risk Management System as a whole are governed by the following Group policies: "Internal current and forward-looking risk and solvency assessment policy", "Operational Risk Management Policy", "Group-level Risk Concentration Policy". The Risk Management System also includes policies setting the principles and guidelines for: (i) management of specific risk factors (e.g. Investment Policy for Market Risk and Credit Policy for Credit Risk, etc.), (ii) risk management as part of a specific process, (iii) risk mitigation and (iv) risk measurement model management.

### *B.3.1.2. Objectives and Core principles of Risk Management*

Within the Risk Management System, the Risk Management Function is in charge of continuously identifying, measuring, assessing and monitoring the current and prospective risks at the individual and aggregated level that the Group is or may be exposed to and their correlations. In the exercise of its role, the Risk Management Function is responsible for designing, implementing and maintaining the risk measurement and control systems. Among these, particular relevance is given to the definition and the use of tools aimed at assessing the capital needed against the risks identified and, in particular, the Internal Model.

In this regard, we note that IVASS authorised[7] Unipol to use the Partial Internal Model (or the "PIM") to calculate the Group Solvency Capital Requirement with effect from the annual supervisory reporting relating to 31 December 2017.

Within the Group, the responsibility for the design and implementation of the PIM is separated from the responsibility for its validation.

The Risk Management Function also contributes to the dissemination of a risk culture throughout the Group.

## B.3.2. Own risk and solvency assessment (ORSA)

The process for the execution of the internal current and forward-looking risk assessment is described - at the Group level - in the Internal Current and Forward-looking Risk and Solvency Assessment Policy, adopted by the Board of Directors of the Parent Company and subject to regular updates, which moreover defines the tasks, roles and responsibilities of the Corporate Bodies and the units involved, the frequency of the quantitative analysis and the corresponding rationale and the quality standards for the data used in the analysis, as well as the cases when a new evaluation of the risks is required.

Through the own risk and solvency assessment, the Group pursues the following objectives:

- to highlight the link between the business strategy, the capital allocation process and the risk profile;

[7] See Measure No. 0113852/18 of 24 April 2018.

- to obtain an overall view of all risks to which the Group and the Companies are exposed, or could be exposed in the future, and the current and forward-looking solvency;
- to provide to the Board of Directors and Top Management an evaluation on the design and the effectiveness of the risk management system, highlighting at the same time any deficiency and suggesting remedial actions.

In particular, with reference to the current evaluation, these objectives are achieved by:

- the measurement of the capital required according to current legal and regulatory provisions, making use of the Internal Model;
- the evaluation of the capital adequacy of the Group and the Companies, on the basis of the results obtained under the previous point.

With reference instead to the forward-looking evaluation, the objectives are pursued through ORSA, which allows for the analysis of the risk profile of the Group based on strategy, market scenarios and business trends.
In designing ORSA, the Group has followed the following principles:

- the evaluation of the risks at the Insurance Group level includes the risks from all companies included in the group supervision area and takes into account their correlations. For the purposes of the group ORSA, the ultimate Italian parent company defines a process for the assessment of risks at group level, which also includes those deriving from companies with registered office in third countries, from companies not subject to sector regulations and from other companies subject to specific sector regulations;
- ORSA, as well as being a legal requirement, represents an internal assessment element to support operational and strategic decisions; ORSA and strategic planning processes are strictly related;
- the estimates taken as reference for the development of the Strategic Plan are the basis for ORSA in a forward-looking approach;
- ORSA is used in support of the drafting and review of the Strategic Plan;
- ORSA takes into account all risks that may cause a significant decrease in Own Funds at the Group level and for each individual Company, or that have an impact on the ability to meet the commitments towards the policyholders, in line with the risk management policy. For the risks not included in the calculation of the capital requirements set by Pillar I of the Solvency II Directive, the Group carries out a qualitative assessment. Therefore, the assessment on these risks is basically aimed, rather than to quantify the potential loss, to verify the effectiveness of the controls implemented and the good operation of the management and monitoring processes;
- ORSA is carried out in compliance with the data quality standards set by the Data Governance Policy in force.

The execution of ORSA and the drafting of the corresponding report are started after the end of the reference year and follow a schedule consistent with the deadlines set by supervisory regulations.
Before the meeting called to approve the ORSA Report, the administrative bodies of Unipol, UnipolSai and the other Companies approve the criteria and the methodologies – including the types of stress test and reverse stress tests - to be used for the drafting of the ORSA Report. The administrative bodies of UnipolSai and the other Companies later approve, within their respective areas of competence, the sections of the ORSA Report that concerns them, before this is submitted to the Board of Directors of Unipol to be approved as a whole. In compliance with legal and regulatory provisions in force, the Group sends the ORSA Report to IVASS within the terms set forth by regulations.

### *B.3.2.1 Solvency needs*

The internal current and forward-looking assessment is an integral part of the risk management system and the decision-making process of the Insurance Group and the Companies and presents therefore points of contact with other corporate processes, such as:

- strategic planning and capital allocation;
- definition of the Risk Appetite;
- monitoring and mitigation of risks;
- the preparation of the Group's Pre-emptive recovery plan.

As concerns the current assessment, please note that the indicators specified in the Risk Appetite Statement are monitored on an at least quarterly basis.
The forward-looking assessment, instead, is developed in line with the schedule and the elements of the Strategic Plan and the annual budget, through which the economic capital is allocated to each Company and risk category. The capital allocation process provides for each year of the Strategic Plan a projection of the Own Funds and an estimate, through Internal Model, of the capital required according to the strategic plan scenarios. This analysis is in line with the Risk Appetite Framework, as specified within the risk management policy.

As specified in the ORSA Report relating to the year 2019, transmitted to the Authority in accordance with the timing set forth in IVASS Regulation no. 32/2016, the current and forward-looking risk assessment analyses were conducted using the following methodologies:

- PIM for capital at risk and capital adequacy, for the Unipol Group;
- PIM for capital at risk and capital adequacy, for UnipolSai;
- PIM for capital at risk and capital adequacy, for Arca Vita;
- Market Wide Standard Formula for capital at risk and capital adequacy, for the other Companies.

Unipol relied on the right pursuant to Art. 215-ter, paragraph 3 of the CAP to transmit a report on the single internal assessment of the risk profile for all Group companies. The reasons for this decision - which is moreover compliant with the normal practice exercised with reference to the ORSA analyses conducted in previous years - lie in the presence within the Group of processes characterised by a high level of consistency among the companies and therefore in the desire to consider all companies which are subject to the prudential supervisory system introduced by Directive 2009/138/EC on a unitary basis and using the same methodology.

## B.3.3. Internal model governance

Unipol was authorised by IVASS to use a PIM to calculate the group Solvency Capital Requirement with reference to the following risk elements, as well as in the aggregation process:

- Non-Life and Health Underwriting Risks for the earthquake disaster component;
- Life Underwriting Risks;
- Market Risks;
- Credit Risk.

The PIM is also used in the risk management system and in the decision-making processes as a tool to support the decisions of strategic relevance of the Company and the business activities. This model is in fact used for the definition and quarterly monitoring of the Risk Appetite, in line to which operational limits are specified for each risk factor, reviewed at least once a year to ensure their effectiveness over time and reported within the Group corporate Policies. The governance, update and validation of the PIM are regulated, respectively, by the Internal Model Governance Policy, the Internal Model Update Policy and the Internal Model Validation Policy, adopted by the Board of Directors of Unipol and subject to regular updates.

### *B.3.3.1. Board of Directors*

The Board of Directors has the final responsibility for ensuring that the PIM is appropriate in terms of design and functionality, that it continues to reflect the risk profile of the Group and that the resources involved in the development, monitoring and maintenance of the Model are appropriate in terms of number, experience and areas of competence with respect to the objectives of these activities. The Board of Directors has a clear understanding of the Internal Model, with particular reference to its structure and the ways in which this reflects the business and is integrated in the risk management system, of the context of application and its limitations, of the methodologies and the diversification effects considered.

### *B.3.3.2. Role of the Committees*

In support of the Board of Directors, the Control and Risk Committee provides non-binding opinions on the validation of the PIM and any risk mitigation initiative related to PIM deficiencies identified during validation.

### *B.3.3.3. The Risk Management Function*

The Chief Risk Officer ("CRO"), who reports hierarchically to the Chief Executive Officer and Group CEO, is responsible for the Risk Management Function. The Risk Management Models Validation Function reports to the CRO.
The Risk Management Function supports the Board of Directors, the Director in charge of the internal control system and Top Management in the evaluation of the structure and effectiveness of the Risk Management System, highlighting any deficiencies and suggesting ways of resolving them, as well as the methodologies and methods used, in particular in the internal risk and solvency assessment, for the management of such risks. With reference to the governance of the PIM, the Risk Management Function is responsible for designing and implementing said Model.

Lastly, it should be noted that the Risk Management Models Validation Function enjoys the necessary independence and separation in the performance of its tasks to avoid conflicts of interest with the function responsible for designing and implementing the Internal Model. The resources of the Risk Management Models Validation Function indeed are separate and independent from those which, in the Risk Management Function, are responsible for the design and development of the Internal Model.

### *B.3.3.4. Description of the validation processes used to continuously monitor the results and adequacy of the internal model*

The validation process includes all elements of the PIM, the monitoring of its good operation, the ongoing monitoring of the suitability of its specifications and the cross-check of its results against historical data.
The perimeter of the validation extends to all operational units of the Parent Company and of the Companies that have obtained authorisation from IVASS to use the PIM and to all risks included in the perimeter of the PIM.
Besides the validation on first adoption, before authorisation by the supervisory authorities to use the PIM to calculate the SCR, the PIM is subject to:

- regular validation, with annual frequency;
- occasional validation, in addition to the regular validation cycle, in the cases indicated in the Internal Model Update Policy.

The stages of the validation process are:

- analysis of the risk modules and sub-modules that constitute the Internal Model for each area set out in the Regulation;
- preparation of the tests to be performed to conduct the necessary checks to confirm the conclusions of the preliminary analysis and subsequent in-depth analyses;
- presentation of the analyses, tests and in-depth analyses carried out in a single document, organised by risk modules and sub-modules, areas analysed and tools used for the checks conducted.

In addition, although preserving the independence required by the Regulation in the execution of validation activities, the Risk Management Models Validation Function makes recommendations to the developers of the PIM, with the objective of constantly improving its functioning.

## B.3.4. Procedures that ensure consistency within the Group of the internal control and risk management systems and reporting

Unipol has provided the Group with an Internal Control and Risk Management System - the definition and purposes of which are described in this paragraph as well as in paragraph B.4 - which is suitable to conduct effective controls on the strategic decisions of the Group as a whole and on the operational balance of its individual members, also establishing the relative guidelines. This System provides the Group with a global and unitary approach to risk management.
The Internal Control and Risk Management System is implemented using methods that guarantee an integrated approach at Group level. The Parent Company ensures that this Internal Control and Risk Management System is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of group supervision and their mutual interdependencies. The principle of proportionality continues to apply, based on the nature, extent and complexity of the risks inherent in company activities carried out by the various Group companies.
In order to guarantee that procedures for reporting to the Supervisory Authority and the public are carried out consistently within all Group companies, Unipol has adopted (i) the Policy on information to be provided to the Supervisory Authority, (ii) the Policy on public disclosure, (iii) the Policy of statistical information, as well as (iv) the Reporting Policy, whereby the Parent Company, in exercising its management and coordination activities, defines guidelines for the preparation, revision and approval of reporting to the Supervisory Authority and the general public. These Policies are adopted, as applicable, by the individual Group companies in compliance with their respective business models.
The consistency of internal reporting is ensured using various methods. First of all, the Group's corporate policies govern the main information flows within the individual companies and to the Parent Company, inherent in the topic subject to the policy, by identifying their function/sending body, addressees and frequency. Particularly with regard to the internal control system, the Key Function Policies describe, inter alia, the information flows exchanged within the Group between those Functions and the bodies/other parties involved in that System. The policies and procedures applicable to the Group companies included within the group's supervisory scope require information flows from them to the Parent Company, which are part of the internal reporting system in place within the Insurance Group (e.g.,

information flows relating to transactions within the group and with related parties, the outsourcing of functions and activities, etc.).
Furthermore, an internal group directive has been issued by Unipol in order to achieve greater coordination in the relative activities of drawing up and issuing corporate communications documents which establishes, inter alia, that documents such as Internal Provisions, Operating Rules and Circulars must be subject to prior review by the Parent Company's Audit, Risk Management and Compliance Functions if they regard matters dealt with in Group policies or guidelines, topics transversal to multiple sectors or if they envisage the direct or indirect involvement of Parent Company functions.
Lastly, in order to allow for strategic, operational and technical controls meant to evaluate the various risk profiles contributed to the Group by the individual Group companies, as mentioned in par. B.1.1, the Parent Company has established several company committees[8] including, insofar as concerns us here:

- The Management Committee (supporting the Chief Executive Officer in supervising the activities carried out by Group companies);
- The Group Investments Committee (governance of Group investments);
- The Group Risks Committee (advisory and proposal functions in the governance of risk for the Group in terms of policies, assumption and management);
- The Group Credit Risk Committee (monitoring of Group credit risk exposure);
- The ALM Operational Management Committee (monitoring of the Group's overall liquidity situation);
- The Declaration Team (declaration of the state of crisis following a disastrous event for the continuity of normal business operations);
- The Committee for the assessment of irregular situations (evaluation of situations of irregularity which require significant disciplinary measures and analysis of exposure to risks and the correlated impacts that the Group may face following seriously irregular acts);
- The Group Communications Committee (coordination of communications initiatives external and internal to the Group in order to create the "Group Communications Plan" and overseeing its updating in the course of the year on a half-yearly basis);
- The Bancassurance Committee (supervision and monitoring of the performance of the Bancassurance Companies).

## B.4. Internal control system

The Internal Control and Risk Management System is a fundamental element in the overall corporate system of governance; it consists of the set of rules, procedures and organisational units that aim to ensure:

- effectiveness and efficiency of corporate processes;
- the appropriate mitigation of the current and forward-looking risks;
- the prevention of the risk that the company be involved, even unintentionally, in illegal activities, in particular those related to money laundering, usury and terrorist financing;
- the prevention and correct management of potential conflicts of interest, including those with Related Parties and with Intra-group Counterparties, as identified by legal and regulatory provisions of reference;
- the assessment of the implementation of corporate strategies and policies;
- the safeguard of the value of corporate assets, also in the medium-long term, and the proper management of those held on behalf of customers;
- the reliability and integrity of information provided to Corporate Bodies and the market as well as of IT procedures;
- the suitability and timeliness of the company reporting system;
- the compliance of the business activities of the company and the transactions carried out on behalf of the customers with the laws and regulations, corporate governance codes and internal company provisions.

The Internal Control and Risk Management system is an integral part of the company and must extend to all sectors and units, involving all employees, each for his own level and responsibility, to ensure a constant and effective control of the risk.

[8] The company committees listed here will be revised in line with what is set forth in the Directives (defined below), applicable as of 1 January 2020.

The Internal Control and Risk Management System is defined in the Group Directives on the corporate governance system (the "Directives"), adopted by the Unipol Board of Directors on 21 June 2019 and updated on 19 December 2019[9], which are complemented by the Policies of the Key Functions, approved during the same board meeting in June[10].
The Board of Directors is in charge of the Internal Control and Risk Management System, and regularly verifies its suitability and actual operation, approving the Directives - which, inter alia, are the basis of the Internal Control and Risk Management System - as well as the Internal Current and Forward-looking Risk and Solvency Assessment and Risk Management Policies - and ensuring that the main corporate risks are adequately identified, assessed - also on a forward-looking basis - and controlled, as well as approving an organisational structure able to ensure, through an appropriate and consistent articulation, the separation of the roles in the execution of process activities, the traceability and visibility of the transactions and the transparency of the decision-making processes concerning to the individual operational processes.
The Director in charge of the internal control system, appointed by the Board of Directors, supervises the operation of the internal control and risk management system.
The Top Management (the Chief Executive Officer, the General Manager and the senior management responsible for the top level of the decision-making process and implementing strategies) supports the Director in charge of the internal control system in designing and implementing the Internal Control and Risk Management System, including therein those risks deriving from non-compliance with the regulations, in line with the risk governance directives and policies and with the guidelines defined by the administrative body.

The Internal Control and Risk Management System is designed according to the guidelines described below:
- *separation of tasks and responsibilities*: the areas of competence and the responsibilities are clearly divided among bodies and units, to avoid gaps or overlaps that may affect the operations of the company;
- *formalisation*: the activities of the administrative bodies and delegated parties must always be documented, to ensure the control on the management and the decisions taken;
- *integrity, completeness and fairness of the data stored*: it is necessary to ensure that the data recording system and the corresponding reports have appropriate information on the elements that may affect the risk profile of the company and its solvency;
- *independence of controls*: the independence of the control functions with respect to the operational units must be guaranteed.

The Internal Control and Risk Management System is regularly submitted to evaluation and review, according to the developments of the corporate activity and the reference context.
The Internal Control and Risk Management System is articulated on multiple levels:
- line controls ("first-level controls"), aimed at ensuring the correct execution of the transactions. They are carried out by the operating units (e.g. hierarchical, system and sampling controls), also through different units that report to the managers of the operating units, or carried out as part of back-office activities; as much as possible, they are incorporated in the IT processes. The operating units are the first line of the risk management process and must ensure the compliance with the procedures adopted for the execution of the process and compliance with the risk tolerance level chosen;
- controls on risks and compliance ("second-level controls"), which aim at ensuring, among other things, the correct implementation of the risk management process, the execution of the activities assigned by the risk management process, compliance with the operational limits assigned to the different functions, the compliance of corporate operations with external and internal regulations and the reliability and adequacy of the calculation of Solvency II technical provisions. The functions in charge of these controls are separated from the operational units; they contribute to the definition of the risk governance policies and the risk management process;
- internal audit ("third-level controls"), which aims at assessing the completeness, functionality and suitability of the Internal Control and Risk Management System (including first- and second-level controls) as well as the compliance of corporate operations with this.

In the definition of the organisational structure of the control function, the Unipol Group has adopted, again for 2019, for all companies of the Group with registered office in Italy subject to supervision (jointly, "Operating Companies"), a "centralised" model, with the main objective of ensuring uniformity and consistency at the Group level in the adoption

[9] With the update, the Directives were integrated with the breakdown of the corporate governance systems of the Group companies supervised by the Bank of Italy.
[10] The documents mentioned entered into force from 1 January 2020. In fact, following the entry into force of Regulation 38, the arrangements for corporate governance system documentation were reviewed. In particular, the Directives on the internal control and risk management system, adopted by the Board of Directors already prior to the entry into force of Regulation 38, became an integral part of the broader Directives on the Group's Corporate Governance System, introduced by Regulation 38.

of risk governance policies, procedures and methodologies and controls; it was in fact decided to use the following approach:

- set-up of the Key Functions in the Parent Company, with the task of carrying out the activities within their area of competence for the company, as well as at Group level;
- set-up of the Key Functions at UnipolSai;
- outsourcing of Key Functions to UnipolSai by the Operating Companies that belong to the Insurance Group, on the basis of specific outsourcing agreements in compliance with the minimal requirements specified by applicable supervisory regulations, and the appointment within those functions of Managers meeting the requirements of suitability for the office as set forth in the Fit&Proper Policy, which are assigned overall responsibility for their respective function;
- functional reporting to the Parent Company of all Key Functions created at the Operating Companies; in this case, the Parent Company carries out activities of governance, direction and co-ordination for the latter, also on the basis of a management system based on a functional relation with the decentralised units, pursuing therefore the following objectives:
    - integrated management of risks and controls;
    - common governance, direction and co-ordination approach in line with the objectives of the respective functions of the Parent Company and the strategies specified;
    - unity of action of the different Operating Companies of the Unipol Group.

As noted above, within the Internal Control and Risk Management system, the task of assessing that the internal procedures, processes, policies and organisation of the company are appropriate to prevent compliance risk is assigned to the Compliance Function. The compliance operational process is articulated in the following stages:

- Analysis of legal and regulatory provisions;
- Evaluation of the risk;
- Identification of corrective actions;
- Monitoring;
- Reporting.

The intensity of each stage depends on the "project" or "control" approach adopted by the Compliance Function, according to whether the evaluation: (i) is related to the coming into force of new laws and regulations or to new projects/products/processes, or; (ii) concerns external or internal provisions in force.

The assessments of the first type (ex ante assessments) are mainly aimed at supporting the Top Management in the corrective actions resulting from new projects/products/processes/laws and regulations; those of the second type (ex post assessments) have the purpose of representing the level of compliance of the procedures, processes, policies and internal organisation of the companies of the Group with legal and regulatory provisions applicable to the company, as well as compliance risk.

Ex ante assessments

The ex ante assessments are carried out at the time: i) of external events, e.g. the issue of new laws and regulations applicable to the companies by European or Italian legislators, Supervisory Authorities, etc. or ii) of internal events, e.g. the proposal by the management of new projects/products/processes.

These assessments are usually scheduled within the annual plan of the Compliance Function and the scope is chosen according to a priority system that focuses, mainly, on the relevance and the impact (also reputational) of the newly-issued legal and regulatory provisions (or the innovations of process or product envisaged) with respect to the organisation and business model of the company. The ex ante assessments may also be started after a one-off request by the supervisory authorities, the corporate bodies or the management.

Ex post assessments

The ex post assessments may have as object corporate processes ("process assessment") or external regulations of supervision or of particular relevance (e.g. IVASS Regulations, CONSOB, Laws and Decrees, etc.), as well as internal regulations. These assessments are usually scheduled within the annual plan of the Function, according to a priority system that focuses on:

- the need to "cover" all corporate processes;
- the results of previous assessments, ex ante and ex post;
- the need to "cover" the supervisory regulations, taking also into account the relevance and the complexity of these;
- the evaluation of the risks in regard to laws and regulations that are object of special attention by regulators and supervisory authorities, or that are subject to especially hard sanctions;
- the time passed since the latest analysis carried out by the Compliance Function and the other Key Functions in regard to the relevance of legal and regulatory provisions in question;

- the data related to claims and sanctions received, if available.

The ex post assessments may also be started following a one-off request by the supervisory authorities, the corporate bodies or the management.

## B.5. Internal Audit Function

Audit is responsible for assessing and monitoring the effectiveness, efficiency and adequacy of the internal control system and the additional corporate governance components, as well as any need for updating, also through support and advisory activities provided to other company departments. The procedures of execution of the tasks assigned to the Audit Function are specified and formalised in the "Audit Function Policy".

The Manager has specific expertise and professionalism for the execution of the activities and has the authority needed to ensure its independence. Audit has been provided with personnel and technology resources consistent, for quantity and quality, with the purpose of the controls. Personnel in charge of the activities is given - for the execution of the assessments - access to all units and documents related to the corporate area object of assessment, including all information useful for the assessment of the suitability of the controls carried out on outsourced corporate functions.

Audit activities include in particular:

- the assessments on the fairness of management processes and the effectiveness and efficiency of organisational procedures;
- the assessment of the compliance of the different operational sectors with the limits set by the delegation mechanisms as well as of the full and correct use of the information available in the different activities;
- the assessments on the suitability and reliability of the IT systems so that the quality of the information on which the top management bases its decisions is ensured;
- the assessments to ensure that the administrative-accounting processes meet criteria of fairness and regular keeping of the accounts;
- the assessments on the effectiveness and actual performance of the controls carried out on outsourced activities;
- the assessment of the regularity and functionality of the reporting activities between corporate sectors;
- the Solvency II checks on the elements that make up the internal control system monitoring the correct and effective governance of the models adopted to calculate the solvency capital requirement;
- the support to all units in the preparation of new processes and activities, through specific control and regulatory tasks, so that the necessary levels of security and the points of verification are appropriately specified and constantly monitored;
- the reporting to the Board of Directors, the Director in charge of the internal control system, Top Management, managers of the operating units, the Control and Risk Committee, the Board of Statutory Auditors and the Supervisory Board;
- the co-operation with the Control and Risk Committee, the independent audit company, the Board of Statutory Auditors and the Supervisory Board.

Audit operates in compliance with the regulations, measures and resolutions of the supervisory authorities, the international standard issued by the Institute of Internal Auditors (IIA) and the best industry practice.

For each audit, detailed worksheets are prepared and archived electronically. The report signed by the Audit Manager and the members of the team is stored in the original at the legal office of the Company whose process was audited.

The Audit Reports are prepared on the basis of a standard model consisting of:

- a front page reporting: recipients of the report and date; company of reference of the audit, title and protocol number of the Audit Report, evaluation of the risk of the process audited, evaluation of the corresponding control system, list of the companies to which the audited activity was outsourced;
- an Executive Summary reporting the objective of the audit, the summary of the significant findings made and the relative corrective initiatives of the management;
- a body of the report that includes, in addition to the objective of the audit already reported in the Executive Summary, an introduction (possibly), the indication of any limits of the audit, the description of the activity carried out, the findings identified, the corrective actions proposed (each accompanied by a summary evaluation of the urgency of the situation in graph form), the associated risks, the response of the management, those responsible for the corrections and the deadlines, the period during which the audit was carried out and the personnel involved.

Each audit that identifies findings is object of follow-up activities to verify that the corrective actions proposed by the management were implemented and are effective.

For inspections on the sales networks, the settlement networks and internal fraud, specific reports are prepared with details of the results with regard to compliance of said units with external and internal regulations and any irregularity found.
Audit regularly reports to the corporate bodies on the audit activities carried out, their results and the proposals made. In particular, it reports:

- at the end of each audit, promptly, to the Top Management and the managers of the functions audited, by sending the audit report described above, which, as already said, describes the issues identified, the proposals made to address the issues and the comments of the management;
- every six months to the Board of Directors and the Board of Statutory Auditors of the Company subject to audit, with a report summarising the audits carried out in the reference period;
- on request, to the Board of Statutory Auditors, in the meetings of which Audit takes part when invited.

## B.6. Actuarial function

With reference to Solvency II Technical Provisions, in compliance with Art. 30-sexies of the CAP and with the relative implementing provisions and in line with what was decided at the time of set-up of the Actuarial Function, the Function carries out the following tasks with reference to the Group:

- to coordinate the calculation of the Technical Provisions, as well as the evaluation and the validation of the data to be used in the procedure of evaluation of the adequacy of the provisions;
- to ensure the suitability of the methodologies and the models used, as well as of the assumptions on which the calculation of the Technical Provisions is based, also in terms of proportionality of the methodologies to the nature, magnitude and complexity of the risks underlying the commitments taken;
- to assess the adequacy and quality of the data used in the calculation of the Technical Provisions;
- to compare the best estimates with historical data;
- to inform the Board of Directors about the reliability and suitability of the Technical Provisions' calculation;
- to supervise the calculation of the Technical Provisions in the cases specified by legal and regulatory provisions;
- to express an opinion on the global risk underwriting policy;
- to express an opinion on the suitability of the re-insurance agreements;
- to verify the consistency between the amounts of the technical provisions calculated on the basis of assessment criteria applicable to the financial statements and the calculations resulting from the application of Solvency II criteria, as well as the resulting presentation and justification of any differences. This consistency check is also carried out between the databases and the data quality process adopted, respectively, for prudential and statutory purposes;
- to contribute to apply the risk management system effectively, in particular with reference to the modelling of the risks underlying the calculation of capital requirements, and internal assessment of risk and solvency.

In addition, the contribution of the Actuarial Function may be required also in the definition of the strategic plan as well as for specific business requirements.
Lastly, pursuant to Art. 92, paragraph 1 of Regulation 38, the Group's Actuarial Function formulates, inter alia, an opinion on the management of assets-liabilities and on the solvency of the group, as well as on the company's recognition of a discretionary participation in profit, where appropriate in relation to the contractual forms offered.

## B.7. Outsourcing

The guidelines on outsourcing are specified in the Group Outsourcing Policy, adopted by the Board of Directors of the Parent Company and regularly updated[11], which regulates the decision-making processes, responsibilities, tasks and controls required on the outsourcing of activities and corporate functions within the Unipol Group, as well as to third parties, in this way strengthening the control of the risks deriving from outsourcing.
The Policy in particular specifies:

- the criteria and restrictions to identify the activities to be outsourced;

[11] The latest update to the Outsourcing Policy was approved by the Board of Directors of Unipol on 14 March 2019, with a view to adjustment into line with the new relevant provisions set out in Regulation 38, as well as in Regulation no. 44 of 12 February 2019 relating to organisation, internal procedures and controls for the purposes of preventing the risk of money laundering and customer due diligence.

- the criteria and the process to qualify activities as essential or important and the important operational functions;
- the criteria to select the suppliers;
- the decision-making criteria and process for the outsourcing of corporate functions or activities;
- the minimum content of the outsourcing contracts and the criteria to define the service levels of the outsourced activities required;
- the internal reporting activities to provide the control bodies and entities, as well as the Key Functions, with the full knowledge and governability of the risk factors related to the functions outsourced;
- the guidelines to be followed in case of inadequate execution of the outsourced functions by the service provider, including those related to emergency plans and exit strategies in the case of outsourcing of essential or important functions and activities;
- the reporting obligations towards the supervisory authorities.

In compliance with the relevant supervisory provisions, the Company deems essential or important those functions or activities that meet at least one of the following conditions:

- anomalous execution or failure to execute may seriously jeopardise:
  - the financial performance, the solidity/stability of the Company or the continuity and the quality of the services provided to customers; or,
  - the ability of the Company to continue to meet the conditions for the authorisation to the exercise of the activities or the obligations specified by applicable supervisory regulations;
- concern operational processes of the Key Functions, or have a significant impact on risk management;
- are subject to legal reservation.

The following functions/activities, even if not meeting the conditions laid out above, should also be considered essential or important Functions or Activities:

- those which relate to processes of strategic relevance or processes strictly functional or connected to those of strategic relevance;
- those whose anomalous execution could have a significant impact, in terms of reputational risk.

In compliance with regulations in force in the reference sector, the provisions of the "Outsourcing Policy" and the system of authorisations and powers adopted, the Company may outsource the typical activities and functions of its industry, as well as activities auxiliary and instrumental to running the business.

The Company may conclude outsourcing agreements, provided the nature and the quantity of the activities to be outsourced, as well as the outsourcing procedures, do not result in a transfer of the main activities of the Company. In particular, the Company cannot, by outsourcing:

- delegate its responsibilities, or the responsibilities of its Corporate Bodies. In line with this principle, the outsourcing of activities that are expressly included in the tasks of the latter is not allowed;
- jeopardise the quality of the internal controls and the system of governance of the Company;
- cause an undue increase in operational risk;
- outsource the Key Functions outside the Unipol Group;
- change the relations and the obligations towards the customers;
- jeopardise its ability to meet the obligations specified by supervisory regulations or fail to maintain the reserves provided for by the law;
- hinder the supervision;
- outsource the assumption of risk.

The Company has identified among its personnel a contact person to control the outsourced activities and has formalised the relative tasks and responsibilities.

The outsourcing of essential and important functions or activities, identified according to the above criteria, is subject - as well as to the prior notification to the supervisory authorities, if required, - (i) to the approval procedure specified by the system of mandates and powers in force, if the service providers belong to the Unipol Group and (ii) to the approval of the Chief Executive Officer and Group CEO, in line with the corresponding system of mandates and powers, if the service providers do not belong to the Unipol Group. In particular, the Key Functions, given the relevance taken within the more general Internal Control and Risk Management system, may be outsourced, if allowed by legal and regulatory provisions, and in any case in compliance with the restrictions set by competent Supervisory Authorities, only within the Unipol Group, after resolution of the Board.

The table below provides information on the essential or important functions and activities[12] outsourced and the jurisdiction in which the providers of these functions and activities are located.

| Essential or important outsourced functions or activities | Provider | Provider's registered office |
|---|---|---|
| Operational Services (Chief Academy Officer; Corporate affairs and Investments; Institutional response; DPO Support; General legal and regulatory compliance; Legal disputes: corporate, contractual and real estate; Legal Disputes: insurance; Legal corporate; Control pursuant to Law No. 231; Trade Union Relations; Personnel Disputes; Employee Welfare; Security, Administration and Financial Statements services; Tax Service; Purchasing; General Services; IT Services; Investment Evaluation) | UnipolSai Assicurazioni SpA | Via Stalingrado, 45 - Bologna |
| Management of financial resources | UnipolSai Assicurazioni SpA | Via Stalingrado, 45 - Bologna |

The table below provides information on the relevant intra-group outsourcing agreements.

| Essential or important outsourced functions or activities | Provider | Provider's registered office |
|---|---|---|
| Operational Services (Chief Academy Officer; Corporate affairs and Investments; Institutional response; DPO Support; General legal and regulatory compliance; Legal disputes: corporate, contractual and real estate; Legal disputes: insurance; Legal corporate; Control pursuant to Law No. 231; Trade Union Relations; Personnel Disputes; Employee Welfare; Security, Administration and Financial Statements services; Tax Service; Purchasing; General Services; IT Services; Investment Evaluation) | UnipolSai Assicurazioni SpA | Unipol Gruppo SpA |
| Management of financial resources | UnipolSai Assicurazioni SpA | Unipol Gruppo SpA |
| Call centre in support of intermediaries and policyholders | Arca Inlinea S.c.ar.l. | Arca Assicurazioni SpA |
| Design, implementation and management of computer applications | Arca Sistemi S.c.ar.l. | Arca Assicurazioni SpA |
| Archiving of legally admissible optical documents | Arca Sistemi S.c.ar.l. | Arca Assicurazioni SpA |
| Management of financial resources | UnipolSai Assicurazioni SpA | Arca Assicurazioni SpA |
| Personnel administration services | UnipolSai Assicurazioni SpA | Arca Assicurazioni SpA |
| Anti-terrorism | UnipolSai Assicurazioni SpA | Arca Assicurazioni SpA |
| Key Functions (Audit, Risk Management, Compliance and Actuarial functions) | UnipolSai Assicurazioni SpA | Arca Assicurazioni SpA |
| Management of claims relating to reinsurance health policies | Unisalute SpA | Arca Assicurazioni SpA |
| Call centre in support of intermediaries and policyholders | Arca Inlinea S.c.ar.l. | Arca Vita SpA |
| Design, implementation and management of computer applications | Arca Sistemi S.c.ar.l. | Arca Vita SpA |
| Archiving of legally admissible optical documents | Arca Sistemi S.c.ar.l. | Arca Vita SpA |
| Management of financial resources | UnipolSai Assicurazioni SpA | Arca Vita SpA |
| Personnel administration services | UnipolSai Assicurazioni SpA | Arca Vita SpA |
| Anti-money Laundering and Anti-terrorism | UnipolSai Assicurazioni SpA | Arca Vita SpA |
| Key Functions (Audit, Risk Management, Compliance and Actuarial functions) | UnipolSai Assicurazioni SpA | Arca Vita SpA |

[12] The classification as Essential or Important in this table is originated, for some contracts, by the analysis carried out at the time of the reporting required by the coming into force of the relevant Insurance Regulation or by later activations, in any case before the issue of the Group Outsourcing Policy, and may therefore sometimes depart from the criteria set by this.

| Essential or important outsourced functions or activities | Provider | Provider's registered office |
|---|---|---|
| Risk Management | UnipolSai Assicurazioni SpA | Arca Vita International DAC |
| Audit | UnipolSai Assicurazioni SpA | Arca Vita International DAC |
| Management of financial resources | UnipolSai Assicurazioni SpA | BIM Vita S.p.A |
| Personnel administration | UnipolSai Assicurazioni SpA | BIM Vita S.p.A |
| Operational Services (Chief Academy Officer; Governance Human Resources and Legal: Corporate Affairs and Investments, Institutional Response, Legal Insurance Consulting, DPO Support, General Legal and Regulatory Compliance, Legal Disputes: Insurance, Legal Corporate, Complaints and Customer Service, Anti-Money Laundering and Anti-Terrorism Control, Control pursuant to Law No. 231, External Selection, Personnel Development, HR remuneration systems, Personnel Management, Trade Union Relations, Disputes, Welfare; Administration, Management Control and Operations: Administration and Financial Statements, Tax, Life Corporate Management Control, Purchasing and General Services; IT Services: IT project planning and management, Application software maintenance and development, Mainframe platform, Midrange platform, Connectivity (Data networks), Workstation management; Insurance: Distribution Network Regulations; Organisation; Life Bancassurance Business Unit) | UnipolSai Assicurazioni SpA | BIM Vita S.p.A |
| Key Functions (Audit, Risk Management, Compliance and Actuarial functions) | UnipolSai Assicurazioni SpA | BIM Vita S.p.A |
| Personnel administration | UnipolSai Assicurazioni SpA | Incontra Assicurazioni SpA |
| MV tariff-setting single cars, Fleets, General Classes individuals, businesses | Unipolsai Assicurazioni SpA | Incontra Assicurazioni SpA |
| Services for collection of claims reported, management and claim settlement | UnipolSai Assicurazioni SpA | Incontra Assicurazioni SpA |
| Operational Services (Chief Academy Officer; Corporate Communication and Media Relations: Internal Communication and Welfare Initiatives, Media Relations; Governance Human Resources and Legal: Corporate Affairs and Investments, Group Legal, Anti-Fraud, Institutional Response, Legal Insurance Consulting, DPO Support, General Legal and Regulatory Compliance, Legal disputes: insurance, Legal Corporate, Complaints and Customer Service, Anti-Money Laundering and Anti-Terrorism Control, Control pursuant to Law No. 231, External Selection, Personnel Development, HR remuneration systems, Personnel Management, Trade Union Relations, Disputes, Welfare, Security; Administration, Management Control and Operations: Actuarial Function Calculation, Administration and Financial Statements, Tax, Non-Life Corporate Management Control, Purchasing and General services; IT Services: IT project planning and management, Application software maintenance and development, Website and portal software development and maintenance, Mainframe platform, Midrange platform, Connectivity (Data networks), Telephony and Videoconferencing, Workstation management services; Insurance: Distribution Network Regulations, MV Portfolio Management, Reinsurance; Chief Economist & Innovation Officer; Organisation) | UnipolSai Assicurazioni SpA | Incontra Assicurazioni SpA |

| Essential or important outsourced functions or activities | Provider | Provider's registered office |
|---|---|---|
| Asset Management | Unipolsai Assicurazioni SpA | Incontra Assicurazione SpA |
| Key Functions (Audit, Risk Management, Compliance and Actuarial functions) | UnipolSai Assicurazioni SpA | Incontra Assicurazioni SpA |
| Actuarial Function Calculation | Unipolsai Assicurazioni SpA | Incontra Assicurazioni SpA |
| Car repair | Auto Presto & Bene SpA | Compagnia Assicuratrice Linear S.p.A |
| Operational Services (Chief Academy Officer; Internal Communication and Welfare Initiatives; Media Relations, Corporate Affairs and Investments; Group Legal, Anti-Fraud; Legal Insurance Consulting, DPO Support; General Legal and Regulatory Compliance; Legal Disputes: Insurance; Legal Corporate; Institutional Relations; Anti-Money Laundering and Anti-Terrorism Control; Control pursuant to Law No. 231; External Selection; Personnel Development, HR Remuneration Systems; Personnel Management; Trade Union Relations; Personnel Disputes; Employee Welfare; Security; Administration and Financial Statements; Tax Services; Purchasing; General Services; IT Services; Regulations and Distribution Networks; Reinsurance; Chief Innovation Officer; Organisation) | UnipolSai Assicurazioni SpA | Compagnia Assicuratrice Linear S.p.A |
| Claims settlement | UnipolSai Assicurazioni SpA | Compagnia Assicuratrice Linear S.p.A |
| Finance | UnipolSai Assicurazioni SpA | Compagnia Assicuratrice Linear S.p.A |
| Personnel administration | UnipolSai Assicurazioni SpA | Compagnia Assicuratrice Linear S.p.A |
| Key Functions (Audit, Risk Management, Compliance and Actuarial functions) | UnipolSai Assicurazioni SpA | Compagnia Assicuratrice Linear S.p.A |
| Provision of Contact Centre Services | Pronto Assistance Servizi Scrl | Compagnia Assicuratrice Linear S.p.A |
| Management of financial resources | UnipolSai Assicurazioni SpA | Pronto Assistance SpA |
| Personnel administration | UnipolSai Assicurazioni SpA | Pronto Assistance SpA |
| Operational Services (Chief Academy Officer; Corporate Communication and Media Relations: Internal Communication and Welfare Initiatives, Media Relations; Governance Human Resources and Legal: Corporate Affairs and Investments, Group Legal, Anti-Fraud, Institutional Response, Legal Insurance Consulting, DPO Support, General Legal and Regulatory Compliance, Legal disputes: insurance, Legal Corporate, Complaints and Customer Service, Anti-Money Laundering and Anti-Terrorism Control, Control pursuant to Law No. 231, External Selection, Personnel Development, HR remuneration systems, Personnel Management, Trade Union Relations, Disputes, Welfare, Security; Administration, Management Control and Operations: Actuarial Function Calculation, Administration and Financial Statements, Tax, Non-Life Corporate Management Control, Purchasing and General services; IT Services: IT project planning and management, Application software maintenance and development, Website and portal software development and maintenance, Mainframe platform, Midrange platform, Connectivity (Data networks), Workstation management services; Insurance: Distribution Network Regulations, Tariffs and MV Portfolio Management; Chief Economist & Innovation Officer; Organisation) | UnipolSai Assicurazioni SpA | Pronto Assistance SpA |
| Actuarial Function Calculation | Unipolsai Assicurazioni SpA | Pronto Assistance SpA |

| Essential or important outsourced functions or activities | Provider | Provider's registered office |
|---|---|---|
| Key Functions (Audit, Risk Management, Compliance and Actuarial functions) | UnipolSai Assicurazioni SpA | Pronto Assistance SpA |
| Assistance claims settlement | Pronto Assistance Servizi Scarl | SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A. |
| Personnel administration | UnipolSai Assicurazioni SpA | SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A. |
| Management of financial resources | UnipolSai Assicurazioni SpA | SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A. |
| Services for collection of claims reported, management and claim settlement | UnipolSai Assicurazioni SpA | SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A. |
| Operational Services (Chief Academy Officer; Corporate Communication and Media Relations: Internal Communication and Welfare Initiatives, Media Relations; Governance Human Resources and Legal: Corporate Affairs and Investments, Group Legal, Anti-Fraud, Institutional Response, Legal Insurance Consulting, DPO Support, General Legal and Regulatory Compliance, Legal disputes: insurance, Legal Corporate, Complaints and Customer Service, Anti-Money Laundering and Anti-Terrorism Control, Control pursuant to Law No. 231, External Selection, Personnel Development, HR remuneration systems, Personnel Management, Trade Union Relations, Disputes, Welfare, Security; Administration, Management Control and Operations: Actuarial Function Calculation, Administration and Financial Statements, Tax, Purchasing and General Services; Real estate asset management, IT Services: IT project planning and management, Application software maintenance and development, Website and portal software development and maintenance, Mainframe platform, Midrange platform, Connectivity (Data networks), Telephony and Videoconferencing; Insurance: Distribution Regulations, Tariffs and MV Portfolio Management; Chief Economist & Innovation Officer) | UnipolSai Assicurazioni SpA | SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A. |
| Key Functions (Audit, Risk Management, Compliance and Actuarial functions) | UnipolSai Assicurazioni SpA | SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A. |
| Actuarial Function Calculation | UnipolSai Assicurazioni SpA | SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A. |
| Management of financial resources | UnipolSai Assicurazioni SpA | UnipolRe DAC |
| Operational Services: media communications and relations - personnel development - personnel management - personnel disputes - legal corporate - purchasing - IT services - training - innovation - reinsurance - risk management | UnipolSai Assicurazioni SpA | UnipolRe DAC |
| Car repair | Auto Presto & Bene SpA | Unipolsai Assicurazioni SpA |
| Technical assistance in negotiating and signing contracts - Portfolio management - Goods in Transit administr. management | SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A. | Unipolsai Assicurazioni SpA |
| Reinsurance Risk carrier and service provider | UnipolRe DAC | Unipolsai Assicurazioni SpA |
| Call centre for medical assistance, routing, reservations, claims management and settlement | UniSalute SpA | Unipolsai Assicurazioni SpA |
| Finance | UnipolSai Assicurazioni SpA | UniSalute SpA |
| Personnel administration | UnipolSai Assicurazioni SpA | UniSalute SpA |

| Essential or important outsourced functions or activities | Provider | Provider's registered office |
|---|---|---|
| Operational services: (Chief Academy Officer; Corporate Communication and Media Relations; Corporate Affairs and Investments; Group Legal, Anti-Fraud; Legal Insurance Consulting, DPO Support; General Legal and Regulatory Compliance; Legal Disputes: Insurance; Legal Corporate; Institutional Relations; Anti-Money Laundering and Anti-Terrorism Control; Control pursuant to Law No. 231; External Selection; Personnel Development, HR Remuneration Systems; Personnel Management; Trade Union Relations; Personnel Disputes; Employee Welfare; Security; Administration and Financial Statements; Tax; Purchasing; General Services; IT Services; Distribution Network Regulatory Management; Reinsurance; Chief Innovation Officer; Organisation) | UnipolSai Assicurazioni SpA | UniSalute SpA |
| Actuarial Function Calculation | UnipolSai Assicurazioni SpA | UniSalute SpA |
| Key Functions (Audit, Risk Management, Compliance and Actuarial functions) | UnipolSai Assicurazioni SpA | UniSalute SpA |

## B.8. Any other information

The Board has reviewed the suitability of the organisation, administrative and accounting structure and, in particular, of the Internal Control and Risk Management System of the Company and its main subsidiaries, on the basis of regular reports of the Chief Executive Officer and Group CEO, as well as the Director in charge of the internal control system, the Control and Risk Committee and the Key Functions.

There is no other significant information on the company's system of governance.

# C

# RISK PROFILE

## C.1. Underwriting risk

### Non-Life and Health Underwriting Risk

Non-Life and Health Underwriting Risk is represented, within the PIM, through the following risk sub-modules:

- Premium Risk: risk deriving from fluctuations concerning the timing, frequency and seriousness of insured events related to contracts in force at the date of evaluation or that will be underwritten in the year after the date of evaluation t ("next year"). It is assessed using the Standard Formula, based on the use of volatility parameters defined by the Regulator or specific to the Undertaking and expressed as a percentage of a volume measure. The measure of volume for Premium Risk is represented by an estimate of the premiums that will accrue the year after the valuation date;
- Reserve Risk: risk deriving from fluctuations concerning the timing and amount of future payments for claims already made at the date of evaluation. It is assessed using the Standard Formula, based on the use of volatility parameters defined by the Regulator or specific to the Undertaking and expressed as a percentage of a volume measure. The measure of volume for Reserve Risk is represented by the best estimate of claim provisions;
- Catastrophe Risk: risk of losses or unfavourable changes in the value of the insurance liabilities due to extreme or exceptional events. It is valued with an internal model for Earthquake Risk and with the Standard Formula for the remaining risks;
- Lapse Risk: risk of early extinction – on the initiative of the policyholder – of multi-year contracts. It is valued with the Standard Formula.

For the calculation of the capital requirement for the Premium and Reserve sub-modules using the Standard Formula, the specific parameters of the Group (Group Specific Parameters, or GSP) were used for the segments subject to specific authorisation by the supervisory authorities; the Market Wide parameters were used in all other cases. The authorisation concerns the following segments of the insurance and re-insurance obligations as specified in Annex II of the Delegated Regulation EU 2015/35, 10 October 2014:

- **Segment 1:** Proportional insurance and reinsurance on TPL resulting from the circulation of vehicles (Motor Vehicle Liability Insurance - MVL);
- **Segment 4:** Proportional insurance and reinsurance against fire and other damage to property (Fire and other damage to property insurance - FDP);
- **Segment 5:** Proportional insurance and reinsurance on general TPL (General Liability Insurance - GLI).

With the exception of Earthquake Risk, Catastrophe Risks are assessed with the Scenario Based method of the Standard Formula, as specified by the Delegated Regulation of the Solvency II regulations. The Partial Internal Model for the evaluation of Earthquake Risk consists of three different calculation modules:

- "Hazard": assesses the uncertainty associated with the possibility of an earthquake occurring in a given area (frequency) and the uncertainty relating to its magnitude (intensity).
- "Vulnerability": assesses the seismic vulnerability of different types of insurable assets to a seismic event of a given intensity.
- "Financial": identifies the economic loss to the insurance company (in terms of deductibles, the sum insured, reinsurance cover, etc.).

Surrender risk is assessed using the method specified by the current legal and regulatory provisions, based on a scenario of loss of a part of the multi-year policy portfolio with positive expected profit.

The Partial Internal Model configuration for the Non-Life and Health risk modules of the Unipol Group envisages the production of the probability distribution function (PDF) of the aggregated loss of the two modules based on the results produced by the Standard Formula (GSP if applicable) for the Premium and Reserve, Lapse and Catastrophe sub-modules – all perils with the exception of Earthquake – and by the Internal Model for the Earthquake Catastrophe risk.

The following table provides volume measures for Non-Life and Health Premium and Reserve Risk. The data are reported for each LoB in which the Group operates.

## Volume measure for Non-Life and Health premium and reserve risk

| *Amounts in €k* | Volume measure and premium risk | % on total | Volume measure and reserving risk | % on total |
|---|---|---|---|---|
| Motor vehicle liability insurance | 3,359,606 | 39.1% | 4,953,279 | 53.2% |
| Fire and other damage to property insurance | 1,377,060 | 16.0% | 734,720 | 7.9% |
| General Liability Insurance | 804,144 | 9.4% | 2,395,270 | 25.7% |
| **Total LOB GSP** | **5,540,810** | **64.5%** | **8,083,269** | **86.8%** |
| Other motor insurance | 780,535 | 9.1% | 161,837 | 1.7% |
| Marine, aviation and transport insurance | 56,212 | 0.7% | 104,084 | 1.1% |
| Credit and suretyship insurance | 42,627 | 0.5% | 173,946 | 1.9% |
| Legal expenses insurance | 29,918 | 0.3% | 38,038 | 0.4% |
| Assistance | 212,833 | 2.5% | 31,609 | 0.3% |
| Miscellaneous financial loss | 96,401 | 1.1% | 26,989 | 0.3% |
| Non-proportional property reinsurance accepted | 156 | 0.0% | 5,042 | 0.1% |
| Non-proportional casualty reinsurance accepted | 243 | 0.0% | 7,820 | 0.1% |
| Non-proportional marine, aviation and transport reinsurance | | 0.0% | 451 | 0.0% |
| Income protection insurance | 787,784 | 9.2% | 350,501 | 3.8% |
| Medical expense insurance | 1,048,430 | 12.2% | 325,408 | 3.5% |
| Non-proportional health reinsurance accepted | 10 | 0.0% | 42 | 0.0% |
| **Total** | **8,595,958** | **100.0%** | **9,309,036** | **100.0%** |

The SCR of the Non-Life and Health Underwriting risk module for the Group calculated with the Partial Internal Model, using GSP parameters at 31 December 2019, was equal to €1,936,564k. With respect to the solvency requirement at 31 December 2018, there was a change of -€43,943k. This change was generated:

- by the increase in the risk mitigation effect measured on the CAT sub-module;
- by the reduction in volumes between FY2018 and FY2019 and the update in GSP parameters.

## Non-Life and Health SCR with GSP use

*Amounts in €k*

| Risk sub-module | 2019 | 2018 | Change on 2018 |
|---|---|---|---|
| **Non-Life** | **1,898,234** | **1,947,370** | **(49,136)** |
| *Non-Life premium and reserve* | *1,633,789* | *1,718,966* | *(85,176)* |
| *Non-Life surrender* | *27,727* | *23,447* | *4,280* |
| *Non-Life CAT* | *457,703* | *350,420* | *107,283* |
| **Health** | **429,929** | **419,564** | **10,364** |
| **Total Non-Life and Health SCR** | **1,936,564** | **1,980,508** | **(43,943)** |

Concentration of risks
According to the provisions of Chapter III of IVASS Regulation No. 30 of 26 October 2016, risk concentrations are assessed at the Group level and measured in line with what is set forth within the specific policy approved by the Board of Directors of the Parent Company Unipol Gruppo SpA. This policy envisages that the concentration of Non-Life and Health underwriting risks is measured with respect to:

- insurance liabilities in financial statements:
  - values of provision for individual claim;
- contingent liabilities outside the financial statements:
  - natural catastrophe exposures[13] grouped by risk factor and appropriate territorial clusters;
  - exposures by risk or policy on individual insured party or group of related parties;
  - exposures for the Bond class grouped by sector.

With reference to 31 December 2019, the Group's risk portfolio has significant risk concentrations in relation to the natural disasters of earthquakes, floods and hail, several Bond class sectors and certain exposures for individual insured counterparties. Re-insurance and other risk transfer techniques are the main tools used by the Group to mitigate the exposures or the concentration of exposures that could lead to a divergence of the current risk profile from the one desired.

Risk mitigation techniques
The Group uses outwards reinsurance as a risk mitigation technique.
With regard to the Premium and Reserve risks, the calculation of the capital requirement at 31 December 2019 was carried out by taking into account the outwards reinsurance agreements, both for their effect on the measures of volume and, if appropriate, for their impact on the GSP estimates, as specified by legal and regulatory provisions.

For the calculation of the capital requirement at 31 December 2019 for the Catastrophe Risk sub-module using the Standard Formula, the outwards reinsurance agreements were applied in line with the provisions of IVASS Regulation No. 31, 9 November 2016. For the calculation of the capital requirement for Earthquake Risk using the Internal Model, the outwards reinsurance agreements were applied in line with legal and regulatory provisions and integrated with the other secondary risk sub-modules.

## Life Underwriting Risks

The underwriting risk for Life insurance represents the risk deriving from Life insurance commitments, keeping into account the perils covered and the procedures used in the exercise of the activity.

The Life portfolio of the Unipol Group consists mostly of revaluable products, related to the financial returns of the Segregated Funds (LoB1).
The table below shows the details of the composition of the portfolio in terms of Best Estimate of Life liabilities.

### Life portfolio at 31 December 2019

*Amounts in €k*

| Best Estimate of Liabilities (BEL) | Amount at 31/12/2019 |
|---|---|
| Insurance with profit participation | 38,357,091 |
| Index-linked and unit-linked insurance | 7,415,178 |
| Other life insurance | (97,576) |
| Indirect business | 5,903 |
| **Total** | **45,680,596** |

The table above also includes the Best Estimate Liabilities relating to the foreign subsidiaries, for €490,944k, and the Best Estimates relating to the RFFs, amounting to €948,803k.

[13] Considered significant on the basis of the analysis of the portfolio risks of the Group.

The portfolio of the Group is exposed to the following risk factors:

- mortality risk: associated with an unfavourable change in demographic bases resulting from experience (higher death rate) compared to those used in determining the tariff;
- longevity risk: associated with an unfavourable change in demographic bases resulting from experience (lower death rate) compared to those used in determining the tariff;
- surrender risk: associated with adverse changes in the level or volatility of the incidence of surrenders, withdrawals, early settlements and terminations in premium payments;
- expense risk: associated with adverse changes in the value of expense linked to policies compared to the values used to determine the tariff;
- catastrophe risk: deriving from an unforeseeable event, the consequence of which is to affect multiple individuals at the same time, generating a number of claims for amounts significantly higher than expected.

With reference to the years ended 31 December 2019 and 31 December 2018, below we provide a breakdown for the individual SCR sub-modules of the Underwriting risk.

## Life SCR partial internal model

*Amounts in €k*

| Risk sub-module | 2019 | 2018 | Change on 2018 |
|---|---|---|---|
| *Mortality/Longevity* | *75,478* | *54,868* | *20,610* |
| *Disability* | | | |
| *Surrender* | *177,223* | *180,380* | *(3,157)* |
| *Life expenses* | *109,016* | *94,317* | *14,699* |
| *Revision* | | | |
| *Life catastrophe* | *36,445* | *35,744* | *701* |
| Life SCR Remaining part | 273,039 | 255,446 | 17,593 |
| SCR Ring Fenced Fund | 17,384 | 21,356 | (3,972) |
| Life SCR | 290,423 | 276,802 | 13,621 |

Please note that the Life Underwriting risk SCR is represented, in line with the attached QRT S.25.02.22, net of the Conservative Margin defined by the Supervisory Authority on the surrender risk sub-module.

The data show that the main sources of risk are represented by surrender and expenses: the SCRs relating to surrender risk and expense risk indeed represent 45% and 27% respectively of the non-diversified Life Underwriting risk.
With respect to the solvency requirement at 31 December 2018, there was an increase in the Life SCR of €13,621k, determined by the increase in longevity risk and expense risk.

Concentration of risks
According to the provisions of Chapter III of IVASS Regulation No. 30, 26 October 2016, risk concentrations are assessed at Group level. The Company contributes to the significant risk concentrations observed at the Group level through its insurance liabilities.
With reference to risk concentrations, special attention is paid to surrender and mortality risks.

In general, the Group aims to mitigate the concentration of its exposure to surrender risk by limiting contracts entered into for significant amounts with the same policyholder. This guideline is followed in general individual and corporate product placement activities, and in particular with reference to capitalisation contracts linked to segregated funds. If the policyholder represents multiple parties (such as a Pension Fund) and even more so if the investment risk is borne by those insured (LoB 2), specific assessments are performed on a case by case basis considering the lower probability of the simultaneous surrender of the entire group of participants and thus the lower impact of surrender risk.

With regard to mortality risk, re-insurance and other risk transfer techniques are the main tools used by the Company to mitigate the exposures or the concentration of exposures that could lead to a divergence of the current risk profile from the one desired.

We note that within the setting of Risk Appetite levels, Life Underwriting Risks are measured in terms of capital at risk. Notably, the capital at Life Underwriting Risk takes into account all risks and all exposures related to the Life portfolio, including those exposures classified as being at risk of concentration.

Risk mitigation techniques

Mitigation actions may be taken through re-insurance, with the transfer of a portion of mortality risk.

## C.2. Market risk

Market risk includes all those risks that result in the deterioration of financial or real estate investments because of the adverse evolution of important market variables.

With the Internal Model it is possible to calculate the value of the capital needed to absorb the maximum potential loss while maintaining the solvency of the Group. Pursuant to Solvency II guidelines, the amount of the potential loss is measured in terms of Value at Risk (VaR), understood as the maximum potential loss that the company may incur over a given time horizon, with a given confidence interval. The internal model takes as time horizon a period equal to one year and a confidence interval equal to 99.5%.

The Market Risk classes identified are the following:

- Interest rate risk: the risk of a potential adverse change in the net asset value due to a change in the term structure of interest rates;
- Interest rates volatility risk: the risk of a potential adverse change in the net asset value due to a change in the volatility of interest rates;
- Equity risk: the risk of a potential adverse change in the net asset value due to changes in stock market prices;
- Equity volatility risk: the risk of a potential adverse change in the net asset value due to changes in the volatility of equities;
- Exchange rate risk: the risk of a potential adverse change in the net asset value due to changes in the value or the volatility of exchange rates;
- Spread risk: the risk of a potential adverse change in the net asset value due to changes in the value of the credit spread with respect to the risk-free curve;
- Yield risk: the risk of a potential adverse change in the net asset value due to joint changes in the value of the credit spread and the risk-free rates;
- Property risk: the risk of a potential adverse change in the net asset value due to changes in the value of the land, buildings and corresponding rights, direct and indirect participations in real estate companies, as well as instrumental property used for insurance activities and investment funds the components of which may be considered equivalent to the categories previously described;
- Concentration risk: the additional risk deriving from a limited diversification of the financial asset portfolio, or a high exposure to the default of a single issuer.

The Unipol Group was authorised to use the Internal Model to calculate the capital requirement for the following risk factors:

- Interest rate risk;
- Interest rates volatility risk;
- Equity risk;
- Equity volatility risk;
- Exchange rate risk;
- Spread risk;
- Yield risk[14];
- Property risk.

[14] The Market internal model generates joint distributions for the returns on financial and industrial securities, the returns on government bonds and the risk free curve. The spread risk is obtained on the basis of a marginal distribution of the spread of financial and corporate securities not significant for the purposes of the calculation of the Market VaR.

Concentration Risk and Market Risk for index linked and unit linked policy portfolios and pension funds are instead assessed with the Standard Formula.

These risk classes make possible an appropriate representation of the measurement of the maximum loss and the trend of the profits and losses on the investment portfolio according to the investment classes specified by the Group Investment Policy.

The Group Investment Policy defines the investment activity on all the assets of the company included in the perimeter, according to the nature, magnitude and complexity of the risks characterising the corporate activities, in line with the principles of prudent management. It takes into account, on one hand, the risk appetite and the possibility to identify, measure, monitor and manage the risks related to each asset type without relying only on the fact that the risks are correctly considered in the capital requirements and, on the other, the characteristics and the nature of the liabilities, the cash flows matching requirements and the control of the investment margins.

The table below shows the Group's financial portfolio composition at 31 December 2019; this representation is consistent with that of the QRT S.02.01.02 attached to this report and indicates the relevant exposures for the purpose of calculating Market Risk.
The financial portfolio at 31 December 2019 consisted for 82.0% of bonds and, in particular, 59.7% of financial assets consisted of government bonds.

## Composition of the financial portfolio

| *Amounts in €k* | Solvency II value 2019 | Exposure % on total PTF |
|---|---|---|
| Property, plant & equipement held for own use | 2,435,746 | 4.0% |
| Property (other than for own use) | 2,327,902 | 3.8% |
| Holdings in related undertakings, including participations | 2,006,116 | 3.3% |
| Equities | 926,193 | 1.5% |
| *Equities - listed* | *755,533* | *1.2%* |
| *Equities - unlisted* | *170,660* | *0.3%* |
| Bonds | 49,771,681 | 82.0% |
| *Government Bonds* | *36,268,731* | *59.7%* |
| *Corporate Bonds* | *12,822,939* | *21.1%* |
| *Structured notes* | *678,748* | *1.1%* |
| *Collateralised securities* | *1,263* | *0.0%* |
| Collective Investments Undertakings | 2,993,107 | 4.9% |
| Derivatives | 153,527 | 0.3% |
| Deposits other than cash and cash equivalents | 95,446 | 0.2% |
| **Total portfolio** | **60,709,717** | **100.0%** |

The table above also includes the assets relating to the foreign subsidiaries for an amount of €821,102k.
The value of the Class D portfolio, consisting of assets relating to Unit-linked and Index-linked policies, came to €6,523,265k at 31 December 2019.
All assets, in particular those set against the minimum capital requirement and the Solvency Capital Requirement, are invested in a way to ensure the safety, quality, liquidity and profitability of the portfolio as a whole.
The strategic investment policy, defined in the Group Investment Policy, identifies the investment activity on all the assets of the company included in the perimeter, according to the nature, magnitude and complexity of the risks characterising the corporate activities, in line with the principles of prudent management. It takes into account, on one hand, the risk appetite and the possibility to identify, measure, monitor and manage the risks related to each asset type without relying only on the fact that the risks are correctly considered in the capital requirements and, on the other, the characteristics and the nature of the liabilities, the cash flows matching requirements and the control of the investment margins. In light of what is laid out above, the strategic investment policy establishes, for each company and as a result for the Group as a whole, the strategic medium/long-term composition of the investment portfolios, defining limits on investments by individual company and specific limits at consolidated level for each source of significant risk for the

Group, providing for an adequate diversification and spreading of assets so as to guarantee the continuous availability of sufficient assets to cover liabilities, as well as the security, quality, liquidity and profitability of the portfolio as a whole, taking into account, for investments concerning the Life business, the reasonable expected returns of policyholders, compatible with the types of policies taken out, with the minimum level of return and with the minimum level of security that the Companies intend to guarantee, as well as what is laid out in contractual regulations.
The strategic investment policy is also adopted taking into account the fact that the assets covering the technical provisions must be adequate in relation to the nature of the risks and obligations assumed and the duration of the liabilities, in the best interest of all policyholders, the insured, the beneficiaries and those entitled to insurance benefits, while observing the supervisory provisions on the coverage of technical provisions. The underlying principles of the strategic investment policy are:

- general principles of security, quality, liquidity, profitability and availability of the entire asset portfolio, taking into account the liabilities held;
- evaluation of risk appetite, risk tolerance levels and the possibility to identify, measure, monitor and manage risks connected to each asset type;
- Strategic Asset Allocation which ensures the achievement of the targets pursued by the integrated asset and liability management and the liquidity and concentration risk management policies as well as return objectives;
- definition of investment selection and management criteria in the best interest of the policyholders and beneficiaries, and those entitled to insurance benefits, including if there is a conflict of interests, taking into account the financial market environment.

Given the composition of the financial portfolio, we provide below the SCR figures calculated with the Internal Model for the year ended 31 December 2019 and a comparison with the capital requirement relating to 31 December 2018.

## Market SCR partial internal model

*Amounts in €k*

| Risk sub-module | Market SCR 2019 | Market SCR 2018 | Change on 2018 |
|---|---|---|---|
| Interest Rate | 748,229 | 684,001 | 64,228 |
| Equity | 1,272,471 | 1,035,025 | 237,446 |
| Property | 593,523 | 628,963 | (35,440) |
| Spread | 1,518,929 | 1,576,081 | (57,153) |
| Exchange | 32,324 | 30,971 | 1,353 |
| Concentration | | | |
| **SCR Market Remaining part** | **2,360,162** | **2,086,305** | **273,857** |
| **SCR Ring Fenced Fund** | **23,827** | **22,164** | **1,663** |
| **Market SCR** | **2,383,989** | **2,108,469** | **275,520** |

With respect to the solvency requirement at 31 December 2018, there was an increase in the Market SCR Remaining part of +€273,857k, primarily due to the rise in the equity and interest rate module, partly mitigated by the reduction in the spread risk.
Equity risk was up due to i) the reduction in mitigation deriving from strategies in derivatives and ii) the increase in assets subject to equity risk.
On the other hand, interest rate risk increased as a result of i) the change in the contribution to the risk of Future Discretionary Benefits (FDB) of the Life technical provisions and ii) an increase in the volatility of the interest rate risk factor and as a result in the shocks applied.
Market Risk mainly depends on Spread risk and Equity risk, which are the sub-modules with the greatest incidence on total Market Risk. The spread risk is obtained on the basis of a marginal distribution of the spreads of financial and corporate securities. This distribution is not significant for the purposes of the calculation of the Market VaR given that the Market Internal Model generates joint distributions of risk-free rates and spreads as regards financial and corporate securities.

Concentration of risks
According to the provisions of Chapter III of IVASS Regulation No. 30, 26 October 2016, risk concentrations are assessed at Group level.
The risk concentration policy of the Group defines a "Limit of concentration on investments and loans" which, as well as loans and receivables, also includes any exposure in equity or debt securities. The concentrations are recognised mainly at the level of counterparty or group of related counterparties, sector, geographic area and currency.

Risk mitigation techniques
To mitigate Market Risk, the Group has set up a series of controls to ensure that the risk mitigation techniques maintain their effectiveness. Specifically, monthly tests are carried out to assess the effectiveness of the derivative hedges taken out by the Company. In order to mitigate current or future risk not in line with the risk objectives specified, financial transactions to mitigate the risks may be carried out. These mitigation transactions are carried out on the derivative markets The objectives of the use of derivatives are:

- to reduce the risk of the investment;
- to achieve an effective portfolio management by improving the level of quality, safety, liquidity or profitability of the portfolio without significant reduction for any of these characteristics.

These transactions do not have speculative purposes; short selling is not allowed.
Moreover, the Investment Policy specifies Market Risk limits and Sensitivity limits.

With regard to Market Risk limits, a warning threshold is specified for the Companies, keeping into account the resolutions taken by the respective Administrative Bodies on Risk Appetite and in particular the economic capital component allocated by the Parent Company and by the individual companies to Market Risk.

This warning threshold is set at 95% of the Risk Appetite specified for Market Risk using the Standard Formula methodology.

With regard to Sensitivity limits, the following limits related to the sensitivity of the financial asset portfolios for different risk factors are specified:

a) for widening of the credit spreads of +100 bps;
b) for change in equity prices of -45%.

## C.3. Credit risk

Credit risk (Counterparty Default Risk) identifies the risk that a borrower or an enforced guarantor may fail to meet, fully or in part, his monetary obligations towards the Group. Credit risk reflects, therefore, the likely loss generated by an unexpected default of the counterparties and the debtors of the insurance and re-insurance companies in the next 12 months.

The Group has been authorised to use the Internal Model for the evaluation of the Credit risk: the methodology adopted to assess the risk of default is CreditRisk+. The model produces a closed analytical formula, which describes the entire loss distribution. This allows to identify the VaR measure at a confidence level and time horizon consistent with the calibration standards agreed for the Internal Model.

The types of exposures relevant to the quantification of Counterparty Default Risk with the internal model are the following:

- Exposures to Banks: this category includes short-term liquidity deposits and the exposures against OTC derivative hedges;
- Exposures to Re-insurers: this category includes receivables resulting from current account balances and the potential receivables represented by the provisions due by the Re-insurers (net of the deposits received);
- Exposures to Insurance Companies: this category includes receivables from insurance companies for co-insurance relations and other receivables from insurance companies;
- Exposures to Intermediaries: this category includes receivables from agencies and brokers and mainly consist of the decadi (payment of premiums collected) to be transferred to the company;

- Exposures to Policyholders: this category includes receivables for premiums not yet collected against contracts underwritten for settlement of premiums to be settled and for late premiums, as well as disputed receivables;
- Exposures to other counterparties duly identified, or exposures for which there is sufficient information to estimate the risk.

The following types of exposure are instead assessed using the Standard Formula:

- Loans: this category includes loans to employees, agencies and loans on Life policies;
- Deductibles: this category includes amounts to be recovered and deductibles from policyholders;
- Other Receivables: this category includes all receivables not already included in the previous categories.

## Credit SCR - Exposure

*Amounts in €k*

| Exposure type | Exposure 2019 | Total PTF % |
|---|---|---|
| Internal Model (IM) | 5,287,666 | 91.6% |
| Standard Formula (STDF) | 484,521 | 8.4% |
| **Total** | **5,772,186** | **100.0%** |

We provide below the value of the Solvency Capital Requirement for Credit Risk for the year ended 31 December 2019 and the comparison with the value for the year ended 31 December 2018, with a breakdown for the types of exposure covered by the Internal Model and those covered by the Standard Formula.

## Credit SCR partial internal model

*Amounts in €k*

| Exposure type | SCR 2019 | SCR 2018 | Change on 2018 |
|---|---|---|---|
| Internal Model (IM) | 245,835 | 202,202 | 43,633 |
| Standard Formula (STDF) | 77,719 | 68,117 | 9,602 |
| **Credit SCR** | **323,554** | **270,319** | **53,235** |

The Internal Model assesses the exposures using risk parameters derived from market information, for listed counterparties, or calibrated on historical data of the Company (exposures to Intermediaries and Policyholders). The exposures valued with the Standard Formula are instead calculated using the weights provided by the Delegated Regulation (EU) 2015/35. The total requirement of the company is calculated by adding the two SCR components calculated separately, making a prudential assumption of full correlation of the risks assessed through the two different procedures.

The higher capital requirement reported at 31 December 2019 is mainly caused by the increase in exposures to banks and to reinsurance counterparties.

Concentration of risks

According to the provisions of Chapter III of IVASS Regulation No. 30, 26 October 2016, risk concentrations are assessed at Group level.

With regard to the management of Credit Risk, the Group has been applying limits based on both operational exposures (deposits and receivables from Insurance and Re-insurance companies), and financial exposures in securities or derivatives to counterparties or groups of counterparties (as well as traditional limits by individual name and risk category). These limits are monitored on an ongoing basis through a process that involves both operating committees and the administrative body.

Moreover the Group Credit Policy, which specifies the Credit Risk assumption practices, sets limits to the assumption of risk towards counterparties with an inadequate credit rating: this credit rating is assessed and constantly monitored, using both external indicators (e.g. market rating or parameters), and indicators specified internally (parameters used also for Partial Internal Model purposes).
With regard to risk concentrations, the individual Companies must comply with the management principles specified in the Risk Concentration Policy.

The Risk Concentration Policy sets a "Concentration limit on investments and receivables", which includes, for each counterparty or group of related parties, in addition to loans and receivables, any exposure to equity or debt securities.

The concentrations are recognised mainly at the level of counterparty or group of related counterparties, sector, geographic area and currency. At 31 December 2019, the Group was mainly exposed to counterparties operating in the financial sector and that exposure consisted primarily of liquidity deposited with banks and exposure to reinsurers.

Risk mitigation techniques
The risk mitigation techniques adopted to mitigate the exposures to Credit Risk are the following:

- *exposures towards re-insurers*: deposits with the Group Companies for the risks ceded and retroceded that are generally moved (placed and repaid) annually or half-yearly. Their duration largely depends on the specific nature of the underlying insurance benefits and on the actual duration of the reinsurance agreements, which are renegotiated at the end of each year. For exposures to reinsurers, the Group also makes use of a limited number of guarantees consisting mainly of letters of credit and securities. The reinsurance agreements may also be subject to downgrade clauses, which specify the obligation to provide additional guarantees if the counterparty fails to meet the minimum credit rating requirements set in the Credit Policy;
- *exposures in derivatives*: derivative contracts are taken out with counterparties subject to ISDA contracts with corresponding Credit Support Annex, which specify the full collateralisation of the Marked to Market exposures;
- *exposures towards intermediaries*: portfolio indemnities are the main form of mitigation for exposures towards agencies. These are in fact amounts due to the terminated agent in the case of termination of the relation with the Group Companies (for the broker category, indemnities are specified exclusively at the level of CONSAP fund). The right of the Companies to offset the indemnity due to the terminated agencies against any debit balance is recognised in Art. 34 of A.N.A. Moreover, paragraph 4 deals with the case of withdrawal for just cause. The indemnity is therefore used as form of mitigation of the risk to reduce exposure.

## C.4. Liquidity risk

Liquidity risk is the risk of not having the cash needed to meet the commitments taken, on and off-balance sheet, without incurring financial losses deriving from forced sale of assets in the case of adverse developments.

In order to assess the liquidity profile of the Group and its ability to meet commitments without incurring significant losses, also under stressed conditions, specific analyses are carried out; these analyses include the calculation of the liquidity gap between the cash outflows and the cash inflows on maturities up to 12 months, of the cumulated liquidity gap and the liquidity buffer, which includes any contingency instrument, both in normal condition and in scenarios of stress of the technical variables.

Expected profits in future premiums
The total amount of the expected profits in future premiums calculated pursuant to Art. 260, paragraph 2 of the Delegated Regulation (EU) 2015/35 was equal to €477,628k for the Life business and €99,537k for the Non-Life business.

## C.5. Operational Risk

Operational Risk is the risk of losses deriving from the inadequacy or malfunctioning of processes, human resources and internal systems, or from external events. Operational Risk includes, from the point of view of the identification and the quantitative evaluation, legal risk, compliance risk (non-compliance with laws and regulations) and IT risk, while it does not include strategic and reputational risk.

The operational risk management system is also applied by the Parent Company using risk-based assessments to the unregulated Subsidiaries included within the scope of additional supervision.

As an integral part of the Internal Control and Risk Management System, the risk management system for Operational Risk contributes to the achievement of the following high-level targets:

- to preserve the assets of the Group and the individual companies in it, ensuring that the exposure to operational risk is consistent with the Risk Appetite specified;
- to improve the overall efficiency of the processes of the Group ensuring that Operational Risk is identified, measured, controlled and managed according to methodologies specified and consistent within the Group.

The Group calculates the capital requirement for Operational Risk by using the Standard Formula specified in Delegated Regulation (EU) 2015/35.

In the period subject to analysis, no substantial changes were made to the measures used to assess risks.

We provide below the capital requirement for Operational Risk calculated by using the Standard Formula for 2019 and the comparison with the SCR relating to 31 December 2018.

## Operational SCR standard formula

*Amounts in €k*

| Risk module | Operational SCR 2019 | Operational SCR 2018 | Change on 2018 |
|---|---|---|---|
| Operatinal SCR Remaining part | 559,699 | 550,996 | 8,702 |
| SCR Ring Fenced Fund | 70 | 92 | (22) |
| **Operational SCR** | **559,769** | **551,089** | **8,680** |

With respect to the solvency requirement at 31 December 2018, there was a €8,702k change in the Operational SCR Remaining part, primarily due to the increase in the value of best estimates.

The identification of Operational Risk is based on the collection of information on potential or historical events from all significant sources of information, consistently classified, to represent and feed on an ongoing basis a global Operational Risk database.

The activity of identification consists in the collection of the largest information set possible on the risk event and its possible cause and effects, to increase the knowledge of the specific exposure of the different corporate areas. This activity has also the objective to assess the suitability of the controls and identify the best management solutions to any issue identified.

The collection of business expert opinions, through the RSA (Risk Self Assessment), takes place through interviews of process managers carried out to identify and assess the potential Operational Risk events that may occur within a process, as well as to obtain an assessment of the suitability of the system of controls and identify the best management solutions to any issue identified.

The information gathered through the RSA includes an estimate of the possible financial impact of the risk event and an estimate of the relative expected frequency of occurrence on an annual basis. This estimate also takes into account any historical Operational Risk event that actually occurred, with the corresponding loss incurred.

The information gathered on the Operational Risk events is classified using the cause - event - effect framework, to provide a truthful description of the chain of events that have produced the financial impact from the risk event.

The stages in which the activities of identification of the Operational Risk may be divided may be summarised as follows:

- analysis of the processes, verification of applicable laws and regulations and collection of the information deriving from previous analyses or analysis carried out by the control functions;
- identification of the possible Operational Risk events, possible causes and controls in place;

- verification of the completeness of the analysis with respect to the Event Type model[15];
- validation of the data gathered and control of the quality of the analysis carried out.

Within Operational Risk, a significant risk is continuity risk, or defined as the risk of a suspension of corporate processes, as a result of disaster.

For this purpose, the Group has acquired an Operating Continuity Policy, which sets guidelines on operating continuity, to reduce to a minimum the impact of disaster events on the significant services, whether resulting from events at sector, corporate, local or global level (Business Continuity Management System).

## C.6. Other material risks

With regard to the other risk categories, the Group identifies as material the following categories of risk:

- Emerging risks, strategic risk and reputational risk With regard to emerging risks, strategic risk and reputational risk, within the dedicated structure present within the Risk Management Function, a dedicated Observatory was created at Group level, called "Reputational & Emerging Risk Observatory", whose key elements are the involvement of an interfunctional Technical Panel and of all the main Business Departments, the use of a consolidated predictive model and methodologies based on futures studies to ensure a forward-looking view of the medium/long-term in order to anticipate the risks and future opportunities, and a holistic approach aimed at grasping and governing the interconnections, both in reading the external context for an integrated vision of the different emerging macro trends (social, technological, political and environmental), and in the internal response for a unified view of the different corporate areas and of the different steps of the value chain.
  The purpose of the Observatory is to assure effective monitoring of emerging risks, strategic risk and reputational risk, verifying the constant alignment between stakeholders' expectations and the Group's responses and anticipating the most significant phenomena to catch new business opportunities and prevent potential emerging risks.
  Strategic risk is controlled at Group level through the monitoring of Strategic Plan drivers to verify any deviation from the defined scenarios, also using scenario analysis with the aim of strengthening the resilience of Group strategy in an external context characterised by accelerating change, with growing levels of complexity and uncertainty.
  With specific reference to the reputational risk, within the frame of the Observatory, a Reputation Management framework was developed at the Group level, which operates in the dual mode of construction and protection of the reputational capital, through two work sites that rely on dedicated corporate competencies and structures in a path of constant mutual alignment, under the joint leadership of the "Corporate Communication and Media Relations" and "Risk Management" functions, with the goal of stably integrating these assets in the strategic planning processes.
  The level of awareness reached within the Group on the growing importance of reputation as leverage for business and distinctive market positioning in 2019 led to the definition of an integrated governance model for Reputation, operational from 2020, which envisages the setup of corporate bodies dedicated to the proactive management of the Group's reputation in terms of both building and protection, such as the Operational Reputation Management Team and the Reputation Network, and the launch of a widespread system for reporting reputational warnings involving all the Group managers.
- Environmental, Social and Governance (ESG) Risks: ESG risks are those risks deriving from ESG factors, linked to environmental, social and governance issues which are material for the Group and its stakeholders. As part of the ERM Framework, the Group identifies and monitors the ESG risk factors at the level of impact on underwriting risks, in association with investment-related risks, with a view to focusing on risks emerging on environmental, social and governance aspects and in terms of potential impact at reputational risk level. ESG risk control is outlined in the individual risk categories, in such a way as to ensure management at all stages of the value creation process and mitigating any reputational risks associated with ESG risks as they arise. These controls, also designed to prevent exposure concentration to areas and/or sectors significantly exposed to ESG risks, are defined in the management policies for each risk category, where material. With regard to ESG risks, there is a special focus on climate change, identified in the dual components of emerging risk and ESG risk managed along the value chain, with particular reference to underwriting and

[15] The Event Type model consists of a classification of risk events based on the banking perimeter model specified by Basel II.

investment activities. In reference to the climate change risks, the Group has undertaken activities to acquire greater awareness of the potential impacts deriving from changes in the frequency and intensity of catastrophe events, with particular regard to weather events and floods, in order to define the most appropriate mitigation methods. Specific activities are also in progress to integrate climate change scenarios over medium-term horizons into the Group framework of stress tests. The Group has mapped the risks and opportunities of climate change, prepared in accordance with the taxonomy defined by the Task Force on Climate-related Financial Disclosure. This map covers the various stages of the value chain and includes both physical and transitional risks.

- Risk of inclusion in a Group: the risk related to the inclusion in a Group, or "contagion" risk, understood as the risk that, because of the relations of the company with the other companies of the Group, difficulties for one of these companies may have negative effects on the solvency of the company itself; it also includes the risk of conflict of interest. This risk is controlled at the Group level through the policies and procedures that regulate the execution of the transactions with "related" parties, pursuant to the current regulations issued by the supervisory authorities of the sector.
- Non Compliance Risk: the risk of judicial or administrative sanctions, losses or reputational damages resulting from a failure to observe external laws and regulations or internal regulations such as by-Laws, codes of conduct or corporate governance codes; also risk of unfavourable developments in the legislative framework or case law decisions. The Compliance Function assesses the suitability of the organisation and the internal procedures for the prevention of this risk and sets its level.

## C.7. Any other information

### C.7.1 Sensitivity analysis

To monitor the sensitivity to risk factors and important events, the Group carried out some sensitivity analyses. Sensitivity analyses on the main economic-financial factors of interest are carried out at least once a year and allow the Group to assess the impact on its Solvency Ratio and Solvency Capital Requirement of changes in the main risk factors to which it is exposed.
We list below the sensitivity analyses carried out, with their description and the results of the analyses in question. The analyses take, as Base Scenario, the capital adequacy and the solvency capital requirement calculated according to the regulatory model adopted by the Group.

#### Sensitivities

| Description | Impact with respect to central scenario | Impact on Solvency II Ratio |
|---|---|---|
| Shift upward of the interest yield curve | interest rate: +50 bps | -1 p.p. |
| Shift downward of the interest yield curve | interest rate: -10 bps | 2 p.p. |
| Shock on credit spread – corporate bonds | industrial and financial credit spreads: +100 bps | 2 p.p. |
| Shock on equity market | equity market value: -20% | -5 p.p. |
| Shock on property market | real estate market value: -15% | -8 p.p. |
| Sensitivity on Italian Government spread | Italian Government spread: +100 bps | -26 p.p. |

Interest rates curve sensitivity analysis
To analyse the impact of a (upward/downward) shock to the yield curve, two sensitivity analyses were carried out on the dynamics of the interest rates curve, more precisely, two single financial factor analyses assessing the impact of an upward and downward parallel shift of the entire yield curve (Euro, Serbia, and rest of the world), a shift respectively equal to +50 bps and -10 bps.

The +50 bps increase in interest rates resulted in a reduction of 1% in the Solvency II ratio. This change was caused by:

- an increase in eligible own funds to meet the SCR of 2.3%;
- an increase in the total capital requirement of 2.6%, primarily as a result of the change in the capital requirement relating to the Market Risks module.

The -10 bps decrease in interest rates resulted in an increase of 2% in the Solvency II ratio. This change was caused by:

- a decrease in own funds eligible to cover the SCR of 0.5%;
- a decrease in the total capital requirement of 1.3%, primarily as a result of the change in the capital requirement relating to the Market Risks module.

Sensitivity on credit spread

To analyse the impact of a shock to the spread, a sensitivity analysis is carried out, by assessing the increase in all industrial and financial credit spreads, for all rating classes, all issuers in the portfolio, and all rankings (senior and sub), equal to +100 bps.
For the purposes of the calculation of the sensitivity in question, we estimated the value of the Volatility Adjustment following the shock to the spreads.

The +100 bps increase in industrial and financial credit spreads resulted in an increase of 2% in the Solvency II ratio. This change was caused by:

- an increase in own funds eligible to cover the SCR of 0.8%;
- a decrease in the total capital requirement of 0.3%, primarily as a result of the decline in the capital requirement relating to the Life Underwriting Risks and Market Risks modules.

Stock market prices sensitivity analysis
To analyse the impact of a shock to equity market prices, a single financial factor sensitivity analysis was carried out, assessing the impact of a downward shock to share prices, equal to -20%.

The decline of -20% in the value of the equity market resulted in a decrease of 5% in the Solvency II ratio.
This change was caused by:

- a decrease in own funds eligible to cover the SCR of 4.1%;
- a decrease in the total capital requirement of 1.3%, primarily as a result of the change in the capital requirement relating to the Market Risks module.

Real estate market prices sensitivity analysis
To analyse the impact of a shock to real estate market valuations, a single financial factor sensitivity analysis was carried out, assessing the impact of a downward shock to the value of real estate and real estate funds, equal to -15%.

The decline of -15% in the value of the real estate market resulted in a reduction of 8% in the Solvency II ratio. This change is primarily determined by the reduction in eligible own funds to cover the SCR of 4.5%; this scenario does not result in significant changes in the total capital requirement (-0.3%).

Sensitivity on Italian Government spread
To analyse the impact of a shock to the Italian Government spread, a sensitivity analysis is carried out, by assessing the increase in the Italian Government credit spread equal to +100 bps. For the purposes of the calculation of the sensitivity in question, we estimated the value of the Volatility Adjustment following the shock to the Italy spread.

The +100 bps increase in the Italian Government spread resulted in a reduction of 26% in the Solvency II ratio. This change was caused by:

- a decrease in eligible own funds to cover the SCR of 14.8%;
- a decrease in the total capital requirement of 1.0%, primarily as a result of the reduction in the capital requirement relating to the Market Risks module, only partially offset by the increase in the requirement relating to the Life Underwriting Risk module.

# D

# VALUATION FOR SOLVENCY PURPOSES

## Statement of financial position (MCBS) - current values

### Assets

| *Amounts in €k* | Solvency II value | Consolidated FS value – Solvency II Scope | Consolidated FS value – IFRS Scope |
|---|---|---|---|
| Goodwill | | 1,625,031 | 1,625,031 |
| Deferred acquisition costs | | 101,231 | 101,231 |
| Intangible assets | | 370,742 | 387,087 |
| Deferred tax assets | 22,703 | 23,728 | 45,388 |
| Pension benefit surplus | | | |
| Property, plant & equipment held for own use | 2,435,746 | 2,301,962 | 2,512,935 |
| Investments (other than assets held for index-linked and unit-linked contracts) | 58,273,971 | 57,607,240 | 56,834,753 |
| Property (other than for own use) | 2,327,902 | 2,079,835 | 2,151,415 |
| Holdings in related undertakings, including participations | 2,006,116 | 1,896,981 | 1,003,413 |
| Equities | 926,193 | 928,436 | 958,869 |
| Bonds | 49,771,681 | 49,459,907 | 49,478,976 |
| Collective Investments Undertakings | 2,993,107 | 2,993,107 | 2,993,107 |
| Derivatives | 153,527 | 153,527 | 153,527 |
| Deposits other than cash equivalents | 95,446 | 95,446 | 95,446 |
| Other investments | | | |
| Assets held for index-linked and unit-linked contracts | 7,465,441 | 7,465,632 | 7,465,632 |
| Loans and mortgages | 597,272 | 597,272 | 938,931 |
| Loans on policies | 19,425 | 19,425 | 19,425 |
| Loans and mortgages to individuals | 400,115 | 400,115 | 396,141 |
| Other loans and mortgages | 177,732 | 177,732 | 523,365 |
| Reinsurance recoverables from: | 787,088 | 989,643 | 989,643 |
| Non-life and health similar to non-life | 773,359 | 949,985 | 949,985 |
| *Non-life excluding health* | *725,628* | *949,985* | *949,985* |
| *Health similar to non-life* | *47,731* | | |
| Life and health similar to life, excluding health, index-linked and unit-linked | 13,728 | 39,658 | 39,658 |
| *Health similar to life* | | | |
| *Life, excluding health, index-linked and unit-linked* | *13,728* | *39,658* | *39,658* |
| Life index-linked and unit-linked | | | |
| Deposits to cedants | 62,914 | 62,914 | 62,914 |
| Insurance and intermediaries receivables | 1,581,398 | 1,581,398 | 1,577,981 |
| Reinsurance receivables | 148,279 | 147,379 | 147,379 |
| Receivables (trade, not insurance) | 191,025 | 191,025 | 212,384 |
| Own shares (held directly) | 4,874 | 3,363 | 3,363 |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | | | |
| Cash and cash equivalents | 961,646 | 961,646 | 1,007,174 |
| Any other assets, not elsewhere shown | 2,358,863 | 2,358,863 | 2,392,937 |
| **Total assets** | **74,891,219** | **76,389,069** | **76,304,761** |

## Liabilities

| *Amounts in €k* | Solvency II value | Consolidated FS value – Solvency II Scope | Consolidated FS value – IFRS Scope |
|---|---|---|---|
| Technical provisions – non-life | 13,910,079 | 15,088,444 | 15,088,444 |
| Technical provisions – non-life (excluding health) | 12,700,238 | 15,088,444 | 15,088,444 |
| *Technical provisions calculated as a whole* | | *15,088,444* | |
| *Best Estimate* | *12,161,722* | | |
| *Risk margin* | *538,517* | | |
| Technical provisions - health (similar to non-life) | 1,209,840 | | |
| *Technical provisions calculated as a whole* | | | |
| *Best Estimate* | *1,146,587* | | |
| *Risk margin* | *63,254* | | |
| Technical provisions - life (excluding index-linked and unit-linked insurance contracts) | 38,577,626 | 37,681,497 | 37,681,497 |
| Technical provisions - health (similar to life) | | | |
| Technical provisions – life (excluding health and index-linked and unit-linked insurance contracts) | 38,577,626 | 37,681,497 | 37,681,497 |
| *Technical provisions calculated as a whole* | | *37,681,497* | |
| *Best Estimate* | *38,264,871* | | |
| *Risk margin* | *312,755* | | |
| Technical provisions – index-linked and unit-linked | 7,444,103 | 7,479,000 | 7,479,000 |
| *Technical provisions calculated as a whole* | | *7,479,000* | |
| *Best Estimate* | *7,415,178* | | |
| *Risk margin* | *28,926* | | |
| Other technical provisions | | | |
| Contingent liabilities | | | |
| Provisions other than technical provisions | 462,810 | 462,810 | 476,924 |
| Pension benefit obligations | 103,451 | 103,451 | 106,259 |
| Deposits from reinsurers | 150,431 | 150,431 | 150,431 |
| Deferred tax liabilities | 235,668 | 308,283 | 308,302 |
| Derivatives | 231,584 | 231,584 | 231,584 |
| Debts owed to credit institutions | 240,506 | 240,506 | 250,000 |
| Financial liabilities other than debts owed to credit institutions | 2,581,758 | 2,481,065 | 2,289,571 |
| Insurance and intermediaries payables | 158,755 | 158,755 | 158,755 |
| Reinsurance payables | 82,399 | 82,399 | 82,399 |
| Payables (trade, not insurance) | 231,084 | 231,084 | 254,287 |
| Subordinated liabilities | 2,269,531 | 2,167,627 | 2,167,627 |
| Subordinated liabilities not included in Basic Own Funds | | | |
| Subordinated liabilities included in Basic Own Funds | 2,269,531 | 2,167,627 | 2,167,627 |
| Any other liabilities, not elsewhere shown | 1,239,894 | 1,239,894 | 1,271,738 |
| **Total liabilities** | **67,919,678** | **68,106,829** | **67,996,818** |
| **Excess of assets over liabilities** | **6,971,541** | **8,282,240** | **8,307,943** |

The solvency capital requirement envisaged in the Directive represent the economic capital that insurance and reinsurance companies must hold to deal with a "default" event does not occur more than once in every 200 cases or, alternatively, to ensure that the companies in question are able to honour their obligations, with a probability of at least 99.5%, to contracting parties and beneficiaries in the next twelve months. The capital is assessed on the basis of a balance sheet prepared according to the "Market Consistent" criteria specifically identified in the Regulation.

These criteria generally follow the fair value measurement as defined in international accounting standards (IFRS 13), to be determined on the basis of the following hierarchy:

- prices listed on active markets for the same assets and liabilities;
- prices listed on active markets for similar assets and liabilities, suitably adjusted to take into account differences compared to the listed assets and liabilities;
- values taken from internal "Mark to Model" valuation models. The data used in such models must as far as possible be taken from information implicit in the market assessments referred to in the previous points.

A consolidated balance sheet is therefore prepared using Solvency II criteria, referred to as the Market Consistent Balance Sheet (MCBS), by following the steps below:

- aggregation of the MCBSs of the entities consolidated line-by-line in accordance with the Solvency II scope of consolidation;
- determination of consolidation adjustments;
- preparation of the Group MCBS.

On the previous pages, the values of the Market Consistent Balance Sheet prepared with reference to 31 December 2019 are reported in the "Solvency II Value" column, accompanied by a comparison with:

I. the values determined for the Consolidated Financial Statements, reclassified on the basis of the MCBS items ("Consolidated Financial Statements Value - IFRS Scope" column);
II. the values determined for the Consolidated Financial Statements, reclassified on the basis of the MCBS items and adjusted to represent a line-by-line consolidation scope uniform with that used to prepare the MCBS ("Consolidated Financial Statements Value - Solvency II Scope" column).

Please recall that, for presentation purposes, non-current assets and liabilities held for sale and discontinued operations were presented in summary form, for the Consolidated Financial Statements, in the items "Non-current assets or assets of a disposal group held for sale" and "Liabilities associated with disposal groups held for sale" in application of IFRS 5. These assets are shown, by nature, in the individual items of the MCBS reported on the previous pages, irrespective of their use before disposal.
The following paragraphs illustrate the main differences in assessments for MCBS purposes and Solvency II scope consolidated financial statement purposes.

Please refer to Chapter A for a description of the Solvency II scope of consolidation and the main differences with the scope of consolidation for the purposes of the Consolidated Financial Statements.

Below, the differences, classified in accordance with the MCBS layout, are described between the values reported in the Consolidated Financial Statements and the values obtained by consolidating, with other international accounting standard criteria remaining the same, the Group companies on the basis of what is set forth in the Regulation for the preparation of the MCBS. This statement makes it possible to identify the effects deriving from the different methods of consolidation of the investee entities of the parent company Unipol adopted to prepare the Consolidated Financial Statements with respect to those used for the preparation of the MCBS. As mentioned previously, such differences derive from the lack of line-by-line consolidation of the subsidiaries belonging to the financial sector and the subsidiary entities that are not ancillary services undertakings within the scope of the Unipol Insurance Group.

The "Consolidated Financial Statements Value - IFRS Scope" column reclassifies the balances based on the scope of consolidation set forth for the Consolidated Financial Statements, reclassified according to the layout required for the MCBS.
The "Consolidated Financial Statements Value - SII Scope" column reclassifies the balances of the Consolidated Financial Statements based on the Solvency II scope of consolidation.

The central column shows the adjustments due to the different consolidation methods.

## Assets

| *Amounts in €k* | Consolidated FS value – IFRS Scope | Adjustments for different consolidation methods | Consolidated FS value – Solvency II Scope |
|---|---|---|---|
| Goodwill | 1,625,031 | | 1,625,031 |
| Deferred acquisition costs | 101,231 | | 101,231 |
| Intangible assets | 387,087 | (16,345) | 370,742 |
| Deferred tax assets | 45,388 | (21,660) | 23,728 |
| Pension benefit surplus | | | |
| Property, plant & equipment held for own use | 2,512,935 | (210,973) | 2,301,962 |
| Investments (other than assets held for index-linked and unit-linked contracts) | 56,834,753 | 772,487 | 57,607,240 |
| Property (other than for own use) | 2,151,415 | (71,580) | 2,079,835 |
| Holdings in related undertakings, including participations | 1,003,413 | 893,568 | 1,896,981 |
| Equities | 958,869 | (30,433) | 928,436 |
| Bonds | 49,478,976 | (19,069) | 49,459,907 |
| Collective Investments Undertakings | 2,993,107 | | 2,993,107 |
| Derivatives | 153,527 | | 153,527 |
| Deposits other than cash equivalents | 95,446 | | 95,446 |
| Other investments | | | |
| Assets held for index-linked and unit-linked contracts | 7,465,632 | | 7,465,632 |
| Loans and mortgages | 938,931 | (341,658) | 597,272 |
| Loans on policies | 19,425 | | 19,425 |
| Loans and mortgages to individuals | 396,141 | 3,974 | 400,115 |
| Other loans and mortgages | 523,365 | (345,633) | 177,732 |
| Reinsurance recoverables from: | 989,643 | | 989,643 |
| Non-life and health similar to non-life | 949,985 | | 949,985 |
| Life and health similar to life, excluding health, index-linked and unit-linked | 39,658 | | 39,658 |
| Life index-linked and unit-linked | | | |
| Deposits to cedants | 62,914 | | 62,914 |
| Insurance and intermediaries receivables | 1,577,981 | 3,417 | 1,581,398 |
| Reinsurance receivables | 147,379 | | 147,379 |
| Receivables (trade, not insurance) | 212,384 | (21,359) | 191,025 |
| Own shares (held directly) | 3,363 | | 3,363 |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | | | |
| Cash and cash equivalents | 1,007,174 | (45,528) | 961,646 |
| Any other assets, not elsewhere shown | 2,392,937 | (34,073) | 2,358,863 |
| **Total assets** | **76,304,761** | **84,307** | **76,389,069** |

## Liabilities

| *Amounts in €k* | Consolidated FS value – IFRS Scope | Adjustments for different consolidation methods | Consolidated FS value – Solvency II Scope |
|---|---|---|---|
| Technical provisions – non-life | 15,088,444 | | 15,088,444 |
| Technical provisions - life (excluding index-linked and unit-linked insurance contracts) | 37,681,497 | | 37,681,497 |
| Technical provisions - health (similar to life) | | | |
| Technical provisions – life (excluding health and index-linked and unit-linked insurance contracts) | 37,681,497 | | 37,681,497 |
| Technical provisions – index-linked and unit-linked | 7,479,000 | | 7,479,000 |
| Other technical provisions | | | |
| Contingent liabilities | | | |
| Provisions other than technical provisions | 476,924 | (14,115) | 462,810 |
| Pension benefit obligations | 106,259 | (2,807) | 103,451 |
| Deposits from reinsurers | 150,431 | | 150,431 |
| Deferred tax liabilities | 308,302 | (19) | 308,283 |
| Derivatives | 231,584 | | 231,584 |
| Debts owed to credit institutions | 250,000 | (9,495) | 240,506 |
| Financial liabilities other than debts owed to credit institutions | 2,289,571 | 191,494 | 2,481,065 |
| Insurance and intermediaries payables | 158,755 | | 158,755 |
| Reinsurance payables | 82,399 | | 82,399 |
| Payables (trade, not insurance) | 254,287 | (23,203) | 231,084 |
| Subordinated liabilities | 2,167,627 | | 2,167,627 |
| Subordinated liabilities not included in Basic Own Funds | | | |
| Subordinated liabilities included in Basic Own Funds | 2,167,627 | | 2,167,627 |
| Any other liabilities, not elsewhere shown | 1,271,738 | (31,844) | 1,239,894 |
| **Total liabilities** | **67,996,818** | **110,011** | **68,106,829** |
| **Excess of assets over liabilities** | **8,307,943** | **(25,704)** | **8,282,240** |

The differences in the balances of the individual asset and liability items are due to the change in the consolidation method from line-by-line to the equity method for certain Group companies (the "Companies with different consolidation methods").

In particular, the different consolidation method entailed:

a) an increase in "Holdings in related undertakings, including participations", in relation to the shareholders' equity pertaining to the group of Companies with different consolidation methods;[16]
b) the decrease in other asset and liability items, due to the individual assets and liabilities included in the balance sheets of the Companies with different consolidation methods;
c) the cancellation of the intra-group receivable/payable elimination entries relating to transactions between entities consolidated line-by-line within the scope of Solvency II and the Companies with different consolidation methods.

[16] Based on the criteria laid out in IAS 28, consolidation with the equity method constitutes a "synthetic method" that represents the effects on shareholders' equity of the investor only in the equity investments item, rather than in all asset and liability items as instead is required in the case of line-by-line consolidation in application of IFRS 10. In general, line-by-line consolidation or consolidation with the equity method should not result in changes with reference to the consolidated shareholders' equity pertaining to the group of the investor company.

With reference to the difference between assets and liabilities (inclusive of the value of own shares[17]), the effect of the different method of consolidation is equal to €25,704k, which corresponds to the share of equity pertaining to non-controlling interests of the Companies with different consolidation methods, consisting predominantly of the share pertaining to non-controlling interests of the shareholders' equity of S.E.I.S, equal to €11,696k and of UnipolRec equal to €12,334k.

The paragraphs below comment on the differences in value deriving from the different valuation of assets and liabilities in the Consolidated Financial Statements and the MCBS with a like-for-like scope of consolidation using method 1 set forth in the Solvency II regulation.

# D.1. Assets

## D.1.1. Valuation criteria

This section illustrates the criteria, methods and models used by the Group to identify and measure assets in the MCBS. Please note that, when not specified otherwise, no changes were made to such criteria, methods and models with respect to those used in the previous year.

### Intangible assets

The valuation criteria defined in the Regulation generally envisage that intangible assets are attributed a zero value. Exceptions are intangible assets that can be sold separately from the rest of the Group's assets and for which a price is available on an active market for similar assets. The Group does not hold any assets of this type.

### Financial assets and liabilities (excluding participations) and properties

Financial assets and liabilities are measured at fair value on the basis of the hierarchy defined in the Regulation.
The table below summarises the methods to calculate the fair value for the different macro categories of financial instruments, receivables and property. These methods are consistent with the criteria defined by IFRS 13.

| | | Mark to Market | Mark to Model and other |
|---|---|---|---|
| Financial Instruments | Bonds | "CBBT" contributor - Bloomberg<br>Other contributor - Bloomberg | Mark to Model<br>Counterparty valuation |
| | Listed shares, ETFs | Reference market | |
| | Unlisted shares | | DCF<br>DDM<br>Multiples |
| | Listed derivatives | Reference market | |
| | OTC derivatives | | Mark to Model |
| | UCITS | Net Asset Value | |
| Receivables | | | Other receivables (Carrying amount) |
| Property | | | Appraisal value |

In compliance with IFRS 13, the market price (Mark to Market) is used to determine the fair value of financial instruments, in the case of instruments traded in an active market.

[17] The total consolidated shareholders' equity (inclusive of the portion attributable to the group and non-controlling interests) resulting from the IFRS consolidated financial statements of the Unipol Group is equal to €8,304.5m, corresponding to the item "Excess of assets over liabilities" net of the amount of own shares. Own shares indeed constitute an identifiable asset in the MCBS but not in the IFRS financial statements.

Active market means:

- the regulated market in which the instrument subject to measurement is traded and regularly listed;
- the multilateral trading facility (MTF) in which the instrument subject to measurement is traded or regularly listed;
- listings and transactions performed on a regular basis, i.e. high-frequency transactions with a low bid/offer spread, by an authorised intermediary (hereinafter "contributor").

In the absence of available prices on an active market, valuation methods are used which maximise the use of observable parameters and minimise the use of non-observable parameters. These methods can be summarised in Mark to Model valuations, valuations by counterparty or valuations at the carrying amount in connection with some non-financial asset categories.

Mark to Market valuations

With reference to listed shares, ETFs and listed derivatives, the Mark to Market valuation corresponds to the official valuation price of the reference market.

In relation to bonds, the sources used for the Mark to Market valuation of financial assets and liabilities are as follows:

a) the primary source is the CBBT price provided by data provider Bloomberg;
b) where the price referred to in the previous point is unavailable, an internal scoring model is used, which makes it possible to select liquid and active contributors on the basis of pre-defined parameters.

For UCITS the Net Asset Value is the source used.

Mark to Model valuations

The Group uses valuation methods (Mark to Model) in line with the methods generally used by the market.

The objective of the models used to calculate the fair value is to obtain a value for the financial instrument consistent with the assumptions that market participants would use to quote a price, assumptions that also concern the risk inherent in a particular valuation technique and/or in the inputs used. To ensure the correct separate Mark to Model valuation of each category of instrument, adequate and consistent valuation models must be defined beforehand as well as reference market parameters.

The list of the main models used for Mark to Model pricing of financial instruments is provided below:

Securities and interest rate derivatives:

- Discounted cash flows;
- Black;
- Black-Derman-Toy;
- Hull & White 1.2 factors;
- Libor Market Model;
- Longstaff & Schwartz;
- Kirk.

Securities and inflation derivatives:

- Discounted cash flows;
- Jarrow-Yildirim.

Securities and share, index and exchange rate derivatives:

- Discounted cash flows;
- Black-Scholes

Securities and credit derivatives:

- Discounted cash flows;
- Hazard rate models.

The main observable market parameters used to perform Mark to Model valuations are as follows:

- interest rate curves for each reference currency;
- interest rate volatility surface for each reference currency;
- CDS spread or Asset Swap spread curves of the issuer;
- inflation curves for each reference currency;

- reference exchange rates;
- exchange rate volatility surface;
- share or index volatility surface;
- share reference prices;
- reference inflation curves.

The main non-observable market parameters used to perform Mark to Model valuations are as follows:

- correlation matrices between exchange rates and risk factors;
- historical volatility;
- benchmark spread curves constructed to assess bonds of issuers for which the prices of the bonds issued or CDS curves are unavailable;
- credit risk parameters such as the recovery rate;
- delinquency or default rates and prepayment curves for ABS-type financial instruments.

Note that, with reference to bonds in those cases when, even on the basis of the results of the Scoring Model, it is not possible to measure an instrument using the Mark to Market method, the fair value is obtained on the basis of Mark to Model type valuations. The different valuation models referred to above are chosen according to the specific instrument characteristics.

For OTC derivative contracts, the models used are consistent with the risk factor underlying the contract. The fair value of OTC interest rate derivatives and OTC inflation-linked derivatives is calculated on the basis of Mark to Model type valuations, acknowledging the rules set in IFRS 13.

As regards OTC derivatives for which there is a collateralisation agreement (Credit Support Annex) between the Group and the authorised market counterparties, the EONIA (Euro OverNight Index Average) discount curve is used.

As regards uncollateralised derivatives, CVA (Credit Valuation Adjustment) and DVA (Debit Valuation Adjustment) adjustments are made. It should be noted that at year end almost all derivative positions represent collateralised contracts for which CSA agreements are in place with the counterparties involved in the trading.

With reference to unlisted shares for which a market price or an appraisal drafted by an independent expert is not available, valuations are performed mainly on the basis of:

- equity methods;
- methods based on the discounting of future profit or cash flows, i.e. Discounted Cash Flow (DCF) or Dividend Discount Model (DDM), the so-called "excess capital" version;
- if applicable, methods based on market multiples.

As regards unlisted UCITS, Private Equity Funds and Hedge Funds, the fair value is calculated as the Net Asset Value at the recognition date provided directly by the fund administrators.

With reference to properties, the fair value is measured on the basis of the appraisal value provided by independent experts, in compliance with current legal provisions.
For financial assets and liabilities which do not fall into the categories of instruments valued on a Mark to Market basis and for which there are no consistent and validated valuation models available for the purposes of measuring fair value, the valuations provided by the counterparties that could be contacted to liquidate the position are used.

<u>Fair value measurement for structured bonds and structured SPV bonds</u>
The measurement of structured bonds makes use of models consistent with the breakdown into elementary components (host contract and embedded derivatives) and with the risk factor underlying said contract.

For structured bonds, the valuation of elementary components follows the criteria defined above for the calculation of fair value, which makes provision for use of Mark to Market valuation if available, or Mark to Model approach or counterparty price in the case in which the Mark to Market-type price is not available.
Bonds issued by a Special Purpose Vehicle secured by collateral and whose flows paid are generated by an interest rate swap contract in place between the vehicle and the swap counterparty (usually the arranger of the transaction) are considered structured SPV bonds. The measurement of SPV structured bonds requires separate valuation of the following elements:

- collateral issue of the vehicle;
- interest rate swap agreement between the vehicle and arranger;
- any other optional components or CDS agreements included in the vehicle.

For SPV structured bonds the valuation of collateral follows the criteria defined previously for the calculation of the fair value, which make provision for the use of the Mark to Market approach if available, or the Mark to Model approach or the counterparty price in the case in which the Mark to Market type price is not available.
The valuation of the interest rate swap agreement provides for the discounting of future cash flows on the basis of the different discount curves, based on the existence or not of a collateralisation agreement (Credit Support Annex) between the vehicle and swap counterparty. In particular, if the derivative contract is collateralised using available securities included in the SPV's assets, the future cash flows of the interest rate swap agreement are discounted using the EONIA discount curve; while if there is no collateralisation agreement, use is made of CVA (Credit Valuation Adjustment), DVA (Debit Valuation Adjustment) and FVA (Funding Valuation Adjustment), as appropriate.

As regards the valuation of other (non-technical) financial liabilities, the fair value is measured on each reference date by taking into account the credit rating of the company "at inception", without considering any subsequent changes.

## Participations

The recognition value of participations[18] in the MCBS is determined on the basis of the following hierarchy:

- prices listed on active markets for the same assets and liabilities;
- percentage interest in the investee's equity determined on the basis of MCBS valuation criteria;
- percentage interest in the investee's equity determined on the basis of international accounting standards, taking into account the Solvency II measurement criteria for intangible assets;
- internal valuation models.

In particular, pursuant to the Regulation:

- participations in subsidiaries are measured on the basis of the investor's percentage interest in the equity, determined according to the MCBS preparation criteria adopted by the subsidiary concerned;
- participations in companies such as credit institutions, investment firms and financial institutions, UCITS management companies are measured based on the proportional share of own funds of the company calculated pursuant to the pertinent sector regulations;
- participations in associates are measured on the basis of the investor's percentage interest in the equity, determined according to IFRS (less any intangible assets of the investee).

Based on the criteria for preparing the Consolidated Financial Statements, the participations held are measured based on the share of equity, determined on the basis of the same criteria as those used to prepare the Consolidated Financial Statements.

## Deferred tax assets and liabilities

The deferred tax calculation recognised in the MCBS was performed by applying the criteria identified in international accounting standards (IAS 12), suitably supplemented with the provisions of Articles 20-22 of IVASS Regulation no. 34 of 7 February 2017.

Please note that deferred tax assets the recovery of which does not depend on future profitability have been classified as "Any other assets, not elsewhere shown" as of 2019.

[18] The participations are identified by the Regulation and the Directive as investments in associates or subsidiaries or for which the Group holds at least 20% of the voting rights or capital.

This classification was deemed more appropriate than the classification in Deferred tax assets adopted until the previous year, as those assets were considered similar to tax receivables due to the specific tax regulations applicable to them.[19]

## Other assets

For all other assets not included in the categories of previous paragraphs, taking into account the related characteristics, the recognition value in the MCBS is consistent with their value determined for the consolidated financial statements and consequently applying IAS/IFRS and any relative updates in such standards to be applied in the current year.
In this regard, note that as of 2019 IFRS 16 entered into force, replacing IAS 17 with reference to the recognition of lease agreements. The main new aspect introduced refers to the accounting method for leases payable, which are no longer divided into finance (contracts whereby the lessee substantially assumes all risks and rewards of ownership of the leased asset) and operating (lease agreements other than finance leases) leases, but are instead subject, with the exception of specific contractual types (e.g., "*short term*" and "*low value*" contracts), to a single accounting model similar to that envisaged in IAS 17 for finance leases. For lessee/user companies, this different accounting representation (the "financial method") results in an increase in tangible assets recognised in the MCBS (right-of-use assets, connected to the leased assets) and an increase in liabilities (the financial debt on the leased assets).

## D.1.2. Quantitative information on asset valuation

## Intangible assets

In line with the regulatory provisions of the Directive, for solvency purposes the Group does not assign a value to goodwill, or to other intangible assets, as a listing of similar assets on an active market is not available.

### Intangible assets

| *Amounts in €k* | Solvency II value | Consolidated FS value – Solvency II Scope | Difference |
|---|---|---|---|
| Goodwill | | 1,625,031 | 1,625,031 |
| Deferred acquisition costs | | 101,231 | 101,231 |
| Intangible assets | | 370,742 | 370,742 |
| **Total** | | **2,097,004** | **2,097,004** |

Following the necessary adjustments to the three items indicated above in the MCBS, the Group recorded a decrease in shareholders' equity in the Solvency II scope consolidated financial statements for €2,097,004k, gross of related tax effects.

## Land, buildings and other tangible fixed assets

Land and buildings were recognised in the MCBS at fair value, determined on the basis of expert independent appraisal reports. The value recognised in the Consolidated Financial Statements corresponds to the purchase cost systematically amortised over the life of the asset, adjusted if necessary for any impairment losses.

[19] The regulation provides for a mechanism for conversion into tax receivables:
- of DTAs relating to value adjustments on receivables and misalignments between the carrying amount and tax value of goodwill and other intangible assets, in the case of a statutory loss; and
- of DTAs recognised on tax losses, to the extent to which they originated from decreases connected to value adjustments on receivables and the amortisation of goodwill and other intangible assets.

The regulations are also applicable in the case of the liquidation of companies. The receivable deriving from the transformation of the above-mentioned DTAs may be used to offset with no quantitative or temporal limits, transferred at nominal value to parties belonging to the same group and a refund may be requested for the residual part after offsetting.

### Tangible assets

| *Amounts in €k* | Solvency II value | Consolidated FS value – Solvency II Scope | Difference |
|---|---|---|---|
| Property, plant & equipment held for own use | 2,435,746 | 2,301,962 | 133,784 |
| Property (other than for own use) | 2,327,902 | 2,079,835 | 248,067 |
| **Total** | **4,763,648** | **4,381,797** | **381,851** |

Note that in reference to other owned tangible assets other than property (e.g. equipment, plant, machinery, vehicles, etc.) and the rights of use on tangible assets deriving from the application of IFRS 16, the recognition value in the MCBS is consistent with the recognition value in the Consolidated Financial Statements which, given the nature and significance of such assets, was considered an adequate representation of the fair value.

Following the fair value measurement of the owned property, the Group recorded an increase in assets by €381,851k in the MCBS compared to the Consolidated Financial Statements, gross of the related tax effect.

## Financial assets for which investment risk is borne by policyholders

The MCBS item "*Assets held for index-linked and unit-linked contracts*" includes all the financial assets for which investment risk is borne by the policyholders (unit-linked, index-linked and pension funds).

### Financial assets when the investment risk is borne by policyholders

| *Amounts in €k* | Solvency II value | Consolidated FS value – Solvency II Scope | Difference |
|---|---|---|---|
| **Assets held for index-linked and unit-linked contracts** | **7,465,441** | **7,465,632** | **(190)** |

These assets were also measured at *fair value* in the Consolidated Financial Statements. The difference recognised is due to the fact that, in the Consolidated Financial Statements, the fair value measurement method used for financial instruments classed as unit-linked, was consistent with the valuation of liabilities payable to the policyholders and the NAV for unit-linked products. This fair value measurement method for financial assets differs slightly to that used for the purpose of MCBS preparation. Also considering that for preparation of the MCBS the valuation of financial assets classed as unit-linked is in any event fully consistent with the measurement criteria for the corresponding liabilities to the policyholders, the slight differences in fair value measurement methods have no appreciable impact on the total difference between assets and liabilities in the MCBS and in the Consolidated Financial Statements.

## Other investments (excluding participations)

As a general principle, all investments are measured at fair value as required by the SII Directive. The value recognised in the Consolidated Financial Statements instead depends on the category in which the financial instruments are classified pursuant to IAS 39 and IFRS 9, the latter of which entered into force on 1 January 2018 and is applied by several of the Group companies:

Items IAS 39

- held-to-maturity investments (recognised at amortised cost, written down if necessary for any impairment losses);
- loans and receivables (recognised at amortised cost, written down if necessary for any impairment losses);
- available-for-sale financial assets (measured at fair value);
- financial assets at fair value through profit or loss (measured at fair value).

Items IFRS 9

- financial assets measured at amortised cost (written down if necessary for any impairment losses);
- financial assets measured at fair value through OCI;
- financial assets mandatorily measured at fair value through profit or loss.

With reference to investments formed by deposits with financial institutions ("Deposits other than cash equivalents") and by "Loans and mortgages", the recognition value in the MCBS is consistent with the recognition value in the Consolidated Financial Statements which, given the nature and significance of such assets, was considered an adequate representation of the fair value.

### Other financial investments

| *Amounts in €k* | Solvency II value | Consolidated FS value – Solvency II Scope | Difference |
|---|---|---|---|
| Equities | 926,193 | 928,436 | (2,244) |
| Bonds | 49,771,681 | 49,459,907 | 311,773 |
| Collective Investments Undertakings | 2,993,107 | 2,993,107 | |
| Derivatives | 153,527 | 153,527 | |
| Deposits other than cash equivalents | 95,446 | 95,446 | |
| Loans and mortgages | 597,272 | 597,272 | |
| **Total** | **54,537,225** | **54,227,696** | **309,529** |

The fair value measurement resulted in a decrease in MCBS assets compared to the Consolidated Financial Statements by €309,529k, gross of the related tax effect.

## Participations

### Participations

| *Amounts in €k* | Solvency II value | Consolidated FS value – Solvency II Scope | Difference |
|---|---|---|---|
| **Holdings in related undertakings, including participations** | **2,006,116** | **1,896,981** | **109,135** |

The different criteria for calculating the value of Participations led to an increase in assets by €109,135k in the MCBS compared to the Consolidated Financial Statements, gross of the related tax effect. This increase is attributable primarily to the method of consolidation laid out by the Solvency II regulation of the companies in the financial sector, which requires an assessment of participations in credit institutions based on the proportional share of own funds of the investee companies calculated pursuant to pertinent sector rules (Basel III).

## Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amount of assets and liabilities in the MCBS and their value recognised for tax purposes.

### Deferred tax assets and liabilities

| *Amounts in €k* | Solvency II value | Consolidated FS value – Solvency II Scope | Difference |
|---|---|---|---|
| Deferred tax assets | 22,703 | 23,728 | (1,026) |
| Deferred tax liabilities | (235,668) | (308,283) | 72,614 |
| **Net total** | **(212,966)** | **(284,554)** | **71,589** |

The differences compared to the Consolidated Financial Statements are associated with the deferred tax effect of temporary differences deriving from adjustments to the asset and liability valuations commented on in paragraphs D.1, D.2 and D.3.

The main differences are due:

- to intangible assets represented by goodwill implicit in the carrying amount of the equity investments, the reversal of which is expected in 10 years as of 2020;
- to financial investments, consisting primarily of bonds. The temporary differences relating to such securities will be cancelled out progressively as maturity approaches or when the securities are disposed of. Please note that the average duration of the Unipol Group's financial investments portfolio is 6.56 years;
- to Life and Non-Life technical provisions. Please note that the duration of the Best Estimates of the Unipol Group is 6.70 years.

At the reporting date there are no tax losses eligible to be carried forward or unused tax credits and consequently the corresponding deferred tax assets have not been recognised.

## Other assets

The differences recognised between other assets in the MCBS and their corresponding valuations in the Consolidated Financial Statements are provided below.

### Other assets

| *Amounts in €k* | Solvency II value | Consolidated FS value – Solvency II Scope | Difference |
|---|---|---|---|
| Deposits to cedants | 62,914 | 62,914 | |
| Insurance and intermediaries receivables | 1,581,398 | 1,581,398 | |
| Reinsurance receivables | 148,279 | 147,379 | 900 |
| Receivables (trade, not insurance) | 191,025 | 191,025 | |
| Own shares (held directly) | 4,874 | 3,363 | 1,510 |
| Cash and cash equivalents | 961,646 | 961,646 | |
| Any other assets, not elsewhere shown | 2,358,863 | 2,358,863 | |
| **Total** | **5,308,998** | **5,306,587** | **2,410** |

The difference in the value of own shares is attributable to the valuation of the Parent Company's own shares at listed price, while the higher value of reinsurance receivables is due to the elimination of certain prudential provisions required by local regulations with reference to a foreign company.

In reference to the other assets in the above table, the recognition value in the MCBS is consistent with the recognition value in the Consolidated Financial Statements which, given the nature and significance of such assets, was considered an adequate representation of the fair value.

## Leasing and rental agreements - assets

Please note that at 31 December 2019, the Group does not act as lessor in any finance lease agreements. Some of the Group companies instead act as lessors with reference to operating leases connected to ordinary activity linked to real estate asset management and the operations of certain special purpose companies (e.g., Car Server).

# D.2. Technical provisions

Please first of all note that, when not specified otherwise, no changes were made to the valuation criteria, methods and models with respect to those used in the previous year.
The valuations for solvency purposes of the group's technical provisions were all analogous with those carried out for the same purpose by each individual company. The consolidated values were obtained from the corresponding "solo" values, also making the appropriate adjustments to deduct components relating to intra-group transactions.

## D.2.1. Valuation criteria

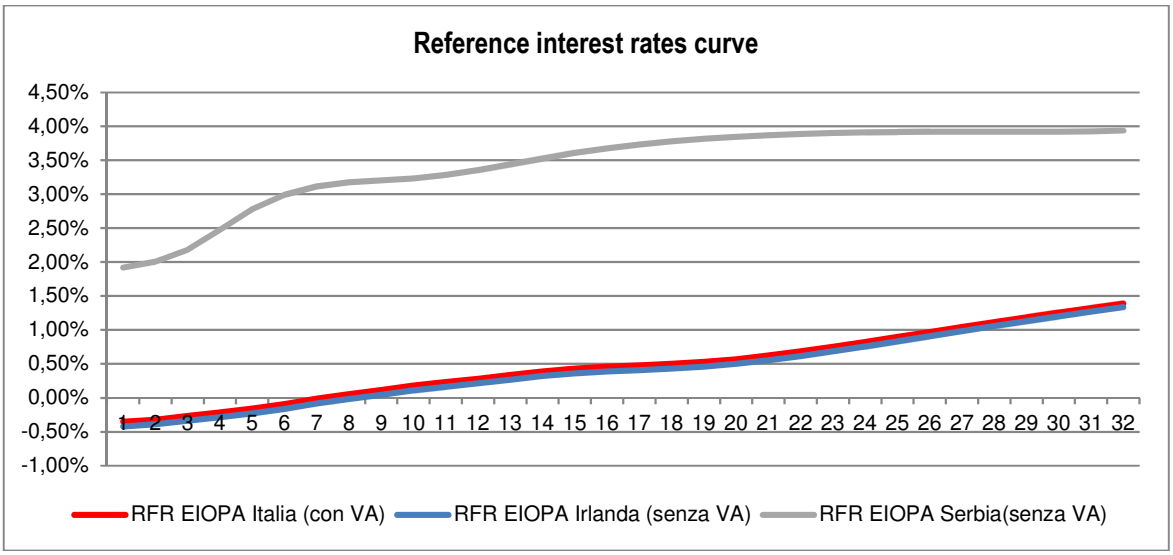
In accordance with the Directive, the Solvency II technical provisions (Life and Non-Life) are calculated for each company within the scope as the sum of the Best Estimate of Liabilities (BEL) and a Risk Margin.

The main difference compared to the current applicable regulations for preparation of the financial statements (e.g. ISVAP Regulation no. 22 of 4 March 2008, subsequently amended and supplemented), which establish that the valuation must comply with the principle of prudence, is represented by the adoption of a "market" value. The value of the technical provisions, in fact, must correspond with "*the amount that an insurance or reinsurance company would have to pay if its contractual rights and obligations were immediately transferred to another company*".

In this sense, the risk margin assumes the meaning of risk premium or, in actuarial terms, safety loading, whereas the prudence is included in the retention of an adequate level of capital.
These principles are satisfied in the adoption of a Discounted Cash Flow (DCF) method for the BEL valuation, eliminating all forms of prudence (e.g. final cost valuation for claims provisions, inclusion of provisions for unexpired risks and supplementary provisions for the premium provision) and including - in the valuation - all variables that could affect the amount of future cash flows.

The BEL corresponds to the present estimated value of future cash flows calculated on the basis of the relevant due dates structure of risk-free interest rates, taking into account the volatility adjustment referred to in Art. 77-quinquies of the Directive, when applied.

The structures by maturity of the risk-free interest rates used in calculating the BEL are differentiated based on the country in which each Group company is located.
The volatility adjustment is adopted only for the Italian Companies and is determined on the basis of EIOPA specifications with reference to a benchmark portfolio representing the assets covering the technical provisions in which the insurance and reinsurance companies invest.
The figures below show the rate curves adopted for the assessment of the BELs at 31 December 2019 for each reference country.



## Best Estimate Liability Non-Life

The Best Estimate Liability, equal to the sum of the claims BEL and premiums BEL, was calculated in accordance with the principles stated in the regulation, by applying suitable statistical/actuarial models and net of amounts recovered from the policyholders and from third parties for the portion not already recognised as assets in the balance sheet.

The value of the group's Claims BEL is obtained based on the calculation of the individual Claims BELs for each Company.
Details on their calculation and on the methodologies and models used are described in the reports prepared for the individual companies. For the companies DDOR and DDOR-Re, simplified approaches based on financial statement values are adopted.

The amount of the Claims Best Estimates for the Group is based on the sum of the "solo" values adjusted for intra-group transactions:

$$BE^{Group} = \sum_{i=1}^{N} BE_i^{(No\ Infr)} = \sum_{i=1}^{N} \frac{BE_i}{RS_i} RS_i^{(No\ Infr)}$$

The adjusted BEs ($BE_i^{(No\ Infr)}$) are determined based on the claims provisions net of intra-group movements ($RS_i^{(No\ Infr)}$ ) calculated for the purpose of the Consolidated Financial Statements. Indeed, the incidence of the Claims BEs on the Claims Provision in the financial statements for each stand-alone company is applied to this amount.

The premiums BEL was calculated in a manner fully analogous with the calculation made at individual company level, based on the cash flows obtained from the projection of each company's historic ratios (loss ratio and expense ratio, estimated by considering an average for the last three/four years, or in certain cases the growth trend), applied to the existing portfolio values at the time of valuation, separately for each business line, but net of intra-group transactions. The cost of claims is attributed to the settlement period based on the pattern of claims experience estimated for current business to obtain the correct projected cash flow. The total cash flows, the present value of which constitutes the Premiums BE, take into account all the items, incoming and outgoing, generated by the combination of future premiums, claims not yet received, allocated and unallocated settlement expenses, commissions and administrative expenses deriving from existing contracts.

Analogous with the calculation made by individual company, the total liabilities recognised in the consolidated financial statements against the provisions for profit-sharing and ageing were considered a reasonable estimate of the corresponding liabilities for recognition in the Market Consistent Balance Sheet (MCBS). These provisions were also recorded in the premiums BEL.

The comparison between Non-Life technical provisions measured for the Market Consistent Balance Sheet and those calculated for the Consolidated Financial Statements shows different approaches relating to the assumptions adopted for the calculation and the underlying risks. The main differences between the two regulatory regimes are summarised below:

| | Solvency II | Consolidated Financial Statements |
|---|---|---|
| Valuation approach | Matching adjustment concept + Risk Margin Disclosure | Prudent assumption concept |
| Time value of money | Discounted cost | Final cost |
| Handling of recoveries | Net recoveries | Gross recoveries |

As the Best Estimate Liability is a present value of estimated future cash flows, it is by definition an estimate subject to uncertainty in the final cost projection and in the assumed due dates structure for interest rates. In order to assess the main sources of uncertainty in the BEL calculation, a number of sensitivity analyses were carried out. The following, for example, shows the change in BEL as the interest rate structure changes.

### BEL (Net of reins.) Discount curve sensitivity analysis

| *Amounts in €k* | Claims BEL | Premiums BEL | TOTAL |
|---|---|---|---|
| Curve - 2018 - without VA | (0.79%) | (0.88%) | (0.81%) |
| Curve - 2018 - basic | (1.43%) | (1.54%) | (1.46%) |
| Curve - 2019 - without VA | 0.20% | 0.20% | 0.20% |
| Curve - 2019 - basic | 9,667,631 | 2,867,318 | 12,534,949 |
| Curve - 2019 - basic + 1% | (2.68%) | (2.79%) | (2.71%) |

Compared to the curve used, the application of the same structure without a volatility adjustment would lead to an upward change in BELs of around 0.20%. Instead, using the curve with an increase of one basis point, there would be a reduction of 2.71%. If the curve remained stable at 31 December 2018, the BEL would be roughly 1.46% lower.

## Best Estimate Liability Life

The value of the group's Life BEL is obtained based on the calculation of the individual BELs for each Company. Details on their calculation and on the methodologies and models used are described in the reports prepared for the individual companies. For the companies UnipolRe and DDOR, simplified approaches based on financial statement values are adopted.

The Life BEL valuation method uses an ALM-type stochastic approach which allows an integrated "fair value" measurement of assets and liabilities.

The most significant product category within the portfolio of Group Companies, particularly those based in Italy, consists of revaluable products linked to returns of the Segregated Funds. In this case, the typical quantities for the calculation of the Life BELs are projected at "point" level deriving from the non-destructive aggregation of information on individual policies that have the same characteristics, including the individual Company's technical and actuarial assumptions and also making use of standard stochastic simulation approaches for the financial variables.

ALM logic simulates the actions performed by each individual Company based on the future growth of amounts representing the policies portfolio (liabilities) and the underlying portfolio of financial securities (assets). In the specific case of products with performances that can be revalued in terms of returns of Segregated Funds, ALM logic envisages a circuitry that can be summarised in the following logical steps, repeated for every instant on the reference time horizon (monthly or annual):

- calculation of the returns for every Segregated Fund, according to the rules envisaged in the Segregated Funds regulations;
- revaluation of the benefits provided to the policyholders based on the returns calculated in the previous step;
- calculation of the net balance of liability items: tariff premiums collected - benefits - operating expenses for the period on the securities portfolio.

If the balance is negative, the model draws upon the liquidity in the assets portfolio, and if this is still not sufficient to cover commitments to the policyholders, the sale of financial securities in the portfolio is arranged, with subsequent gains/losses realised with an impact on returns of Segregated Funds for the next instant and therefore on subsequent indexed benefits.

In the projection, the model also makes use of information related to "management actions", which translates into suitable conditioning factors for the simulation process, the strategic guidelines for financial portfolio management used by each Company.

The process of determining the BELs connected to Segregated Funds takes place through Montecarlo simulation models, i.e. simulating the returns of funds underlying the insurance contract. For this purpose an Economic Scenario Generator (ESG) is used, which makes use of specific projection models for sources of market risk and which is also adopted to measure the Life Underwriting risks. This approach allows the inclusion in technical provisions of a valuation of the cost of financial guarantees and options, if any.

In relation to linked type products, including pension funds belonging to Class VI, for which the value of the Group Companies' commitments to the policyholders is linked to the market value of the underlying financial portfolios, the characteristic amounts are projected for each policy based on the development of the assets present in the portfolio. As for revaluable products, also for the assessment of class III and VI policies technical and actuarial assumptions are used for each individual Company and standard techniques are used for the stochastic simulation of the financial variables.
For each portfolio segment, the BEL calculations are also based, aside from on the economic assumptions described above, on a series of operating assumptions relating mainly to:

- Development of biometric risk factors;
- Operating expenses;
- Exercise frequency of options granted to the customer.

These assumptions are determined as the best possible estimate at the valuation date on the basis of the historic experience of the individual Group Companies, if available, or of appropriate market benchmarks.

For many reasons, associated for example with the unavailability of all the necessary detailed and/or series of information which proves inefficient for tariffs with immaterial portfolio volumes, a part of the Group's Life portfolio is not accurately modelled in the actuarial platform adopted for the projection of cash flows. However, it is included in the overall estimation of the BEL, albeit approximately, through assimilation with products in the same sub-portfolio of reference, accurately assessed by the actuarial platform. The percentage of the portfolio not accurately modelled, subject to simplified valuation, is overall less than 1%.

In order to assess the main sources of uncertainty in the BEL calculation, a number of sensitivity analyses were carried out on the main scenarios affecting the financial and non-financial value. Each valuation was performed by keeping all other scenarios unchanged, including the management actions.

It should be emphasised that the scenarios subject to sensitivity analysis are often correlated, and therefore it is unlikely that the impact of two events occurring simultaneously would be the sum of the impacts of the two respective sensitivities.

The following table illustrates the sensitivity analyses of the Life BEL, recorded in the MCBS at 31 December 2019 of the Group's Italian Companies. The BEL considered amounted to €45,189,602k and constituted around 98.9% of the Group portfolio; the percentage changes with respect to the base calculation are reported below.

| Sensitivity | Sensitivity description | |
|---|---|---|
| IR -20bps | Downward shift of 20 basis points of the risk-free curve | 1.61% |
| IR +20bps | Upward shift of 20 basis points of the risk-free curve | (1.58%) |
| EQ -20% | 20% decrease of equity market value | (1.16%) |
| EQ +20% | 20% increase of equity market value | 1.18% |
| Spread +50bp | Increase of 50 basis points of the spread | (1.19%) |
| Spread -50bp | Decrease of 50 basis points of the spread | 1.69% |
| Surrenders -50% | 50% decrease of redemption rates (multiplier factor, ie 50% of the best estimate redemption assumption) | 0.59% |
| Surrenders +50% | 50% increase of redemption rates (multiplier factor, ie 150% of the best estimate redemption assumption) | (0.53%) |
| Mortality +15% | 15% increase in mortality (multiplication factor, i.e 115% of death probabilities is considered) | (0.13%) |
| Mortality -20% | 20% drecrease of mortality (multiplier factor, i.e. 80% of death probabilities is considered) | 0.19% |
| Expenses +10% | 10% increase of management costs and 1% increase of the expected inflation rate | 0.25% |
| No volatility adjustment | Reduction of the reference rate curve equal to the amount of volatility adjustment | 0.36% |
| No FS restrictions | Cancellation of the budget constraint | (0.09%) |
| No yield target | The management rule for targeting a performance for each projection year is deactivated | 0.17% |

The sensitivity with the greatest impact on total BEL is that relating to changes in the interest rates of the reference curve, which has a significant impact on the technical provisions of the main portfolio segment (LoB 1 - revaluable). In particular, the 20 bps decrease in the reference curve entails an increase of 1.6% in the total BEL. The sensitivity with the greatest impact on LoB 2 is instead that linked to changes in the market values of investments in the equity segment. The impact of an increase in mortality is, as expected, particularly significant in the portfolio of pure risk policies (LoB 3). As regards surrenders, the revaluable portfolio (LoB 1) is still exposed to the risk of a decline in surrenders, although on the basis of current economic assumptions, a change of -50% in the surrender assumption has a limited impact. The elimination of the over-coverage assumption on LoB 1 has an almost negligible impact, while the deactivation of the return targets and the cancellation of the financial statement restriction (or the realignment between assets and liabilities) have a greater, but in any event quite limited, effect.

## Technical Provisions - Reinsurers' share

LIFE

As regards the calculation of the reinsurers' share of provisions for the Life business, note that in view of the reduced ceding through the reinsurance channel, for the majority of the Group's portfolios it was not necessary to develop a specific BEL valuation of the reinsurers' share, which was therefore approximated with the amount of the reinsurers' share of provisions indicated in the consolidated financial statements, adjusted to take into account expected losses deriving from reinsurer default. Again in consideration of the very limited volumes, the same approach, with the exception of the default adjustment, is applied to calculate the BEL for indirect business.

For the Company Arca Vita, the provision set forth in the consolidated financial statements was considered a good approximation of the BEL of the reinsurers' share, with the exception of the portfolio of tariffs in the event of death, non-negligible in size, for which the modelling of flows deriving from reinsurance continued in the course of the year using the methodology analogous to the gross BEL methodology.

NON-LIFE

Calculation of the reinsurers' share of provisions for the Non-Life and Health businesses was performed, like the calculation carried out at individual company level, by applying - on direct and indirect business volumes ceded (net of any intra-group components) - the results obtained for the gross direct business, and then estimating expected losses due to reinsurance counterparty default calculated on the basis of the volumes of provisions divided into reinsurer rating classes using the probability of default (PD) and the estimated loss given defaults (LGD).

In particular, for each individual company:

- the claims BEL for premiums ceded was calculated by applying to the corresponding financial statements aggregate the ratios between the BEL and financial statements provisions and the breakdown of provisions patterns estimated - for each business segment - on the gross premiums figures;
- the premiums BEL for premiums ceded was calculated using the loss ratios (net of indirect settlement expenses), withdrawal rates and the time allocation percentages estimated on gross premiums figures.

## Methodology of valuation of the Risk Margin

The Risk Margin represents the cost of holding an amount of eligible own funds equal to the Solvency Capital Requirement (SCR) needed to support insurance and reinsurance obligations assumed throughout their contractual life.

The method adopted involves calculating the Risk Margin of each group company separately for Non-Life and Life business, so as to take into account the specific features of the two businesses, and calculating the total Risk Margin as the sum of the figures indicated previously.

The Group's overall Risk Margin is determined as the algebraic sum of the Risk Margins calculated separately for each Company on the basis of the solvency capital requirement of the reference company, determined in accordance with the Standard Formula or the Partial Internal Model when applicable.

The Risk Margin is calculated for each company on the basis of the following input data:

- SCR related to operational risk;
- SCR related to credit risk;

- SCR related to Non-Life and Health underwriting risks (including CAT risk) or Life underwriting risks quantified according to the different risk assessment methods;
- SCR related to Ring Fenced Funds;
- settlement speed estimate for the best estimate component of technical liabilities;
- risk-free rate curve.

To estimate the Solvency Capital Requirement for future instants, the simplified method number 2 described in the EIOPA document "Guidelines on technical provisions valuation" (no. 62), which envisages the option of approximating the SCR for all future years based on the ratio between the BEL for each future year and the BEL at the valuation date, is adopted.

## D.2.2. Quantitative information on the valuation of the technical provisions

### Non-Life technical provisions

The MCBS recognition value of Non-Life technical provisions corresponds to their fair value determined using the methods described above in paragraph D.2.1.

The values of Non-Life technical provisions broken down by line of business (LoB) are illustrated below.

### Segmentation of Non-Life technical provisions by Line of Business

| | *Amounts in €k* | Best estimate (gross) | Risk Margin | Recoverable amounts from reinsurance | TOTAL |
|---|---|---|---|---|---|
| | **Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)** | **13,109,510** | **540,700** | **(776,761)** | **12,873,448** |
| 1 | Medical expense insurance | 554,194 | 29,198 | (4,198) | 579,194 |
| 2 | Income protection insurance | 591,754 | 33,875 | (43,533) | 582,096 |
| 3 | Workers' compensation insurance | | | | |
| 4 | Motor vehicle liability insurance | 6,320,996 | 205,426 | (61,815) | 6,464,607 |
| 5 | Other motor insurance | 460,125 | 18,938 | (16,854) | 462,209 |
| 6 | Marine, aviation and transport insurance | 329,086 | 8,663 | (201,211) | 136,539 |
| 7 | Fire and other damage to property insurance | 1,474,841 | 70,553 | (150,155) | 1,395,240 |
| 8 | General liability insurance | 2,703,503 | 119,931 | (58,899) | 2,764,536 |
| 9 | Credit and suretyship insurance | 368,600 | 32,765 | (137,680) | 263,684 |
| 10 | Legal expenses insurance | 86,841 | 4,977 | (39,769) | 52,049 |
| 11 | Assistance | 83,027 | 8,856 | 49 | 91,932 |
| 12 | Miscellaneous financial loss | 136,543 | 7,517 | (62,697) | 81,362 |
| | **Line of business for: accepted non-proportional reinsurance** | **198,798** | **61,071** | **3,402** | **263,271** |
| 13 | Non-proportional health reinsurance | 639 | 180 | | 819 |
| 14 | Non-proportional casualty reinsurance | 192,601 | 51,180 | 2,645 | 246,426 |
| 15 | Non-proportional marine, aviation and transport reinsurance | 558 | 21 | | 579 |
| 16 | Non-proportional property reinsurance | 5,001 | 9,689 | 757 | 15,447 |
| | **Total** | **13,308,308** | **601,771** | **(773,359)** | **13,136,720** |

At 31 December 2019 there were no amounts recoverable from SPVs.

The following table summarises the differences in value found between the valuation for Solvency purposes and the valuation for the Group's consolidated financial statements of the Non-Life technical provisions (direct and indirect business), net of amounts ceded to reinsurers.

## Non-Life technical provisions

| *Amounts in €k* | Solvency II value | Consolidated FS value – Solvency II Scope | Difference |
|---|---|---|---|
| Technical provisions - Non-life | 13,910,079 | 15,088,444 | (1,178,365) |
| Other technical provisions | | | |
| Reinsurance recoverables from: Non-life and health similar to Non-life | (773,359) | (949,985) | 176,626 |
| **Total** | **13,136,720** | **14,138,459** | **(1,001,739)** |

For further information on the existing differences between the technical provisions calculation methods for the Non-Life segment for the MCBS and that recorded in the Consolidated Financial Statements, reference should be made to the comments in paragraph D.2.1 above.

The overall difference between the Technical Provisions in the financial statements and the Solvency II value, net of reinsurance, amounts to €1,001.7m.

The difference totalled approximately €290.2m on the Premiums BE and €1,313.2m on the Claims BE. These effects are partly offset by the addition of the Risk Margin (€601.8m).

## Life technical provisions

The MCBS recognition value of Life technical provisions corresponds to their fair value determined using the methods described above in paragraph D.2.1.

The values of Life technical provisions broken down by LoB (line of business) are illustrated below.

## Segmentation of Life technical provisions by Line of Business

| | *Amounts in €k* | Best estimate (gross) | Risk Margin | Recoverable amounts from reinsurance | Total |
|---|---|---|---|---|---|
| | **Direct business** | **45,674,693** | **341,607** | **(11,162)** | **46,005,137** |
| 1 | Health insurance | | | | |
| 2 | Insurance with profit participation | 38,357,091 | 281,041 | (28,416) | 38,609,717 |
| 3 | Index-linked and unit-linked insurance | 7,415,178 | 28,926 | | 7,444,103 |
| 4 | Other life insurance | (97,576) | 31,640 | 17,253 | (48,683) |
| 5 | Annuities stemming from non-life insurance contracts and relating to health insurance obligations | | | | |
| 6 | Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | | | | |
| | **Indirect business** | **5,356** | **74** | **(2,566)** | **2,864** |
| | **Total** | **45,680,048** | **341,680** | **(13,728)** | **46,008,001** |

The following table summarises the differences in value found between the valuation for Solvency II purposes and the valuation for the Group's Consolidated Financial Statements of the Life technical provisions (direct and indirect business, net of reinsurance).

## Life technical provisions

| *Amounts in €k* | Solvency II Value | Consolidated FS value – Solvency II Scope | Difference |
|---|---|---|---|
| Technical provisions - Life (excluding Index-linked and unit-linked) | 38,577,626 | 37,681,497 | 896,129 |
| Technical provisions - Index-linked and unit-linked | 7,444,103 | 7,479,000 | (34,897) |
| Recoverables from reinsurance: Life and health similar to Life, excluding Health, Index-linked and unit-linked | (13,728) | (39,658) | 25,929 |
| Recoverables from reinsurance: Life Index-linked and unit-linked | | | |
| **Total** | **46,008,001** | **45,120,839** | **887,161** |

The table below provides the details of Life technical provisions gross of reinsurance for each individual Company and also highlights adjustments for intra-group activities.

## Life technical provisions broken down by company

| *Company - (Amounts in €k)* | Solvency II techcnical provisions | IFRS provisions | Difference |
|---|---|---|---|
| UnipolSai Assicurazioni | 34,618,718 | 33,457,520 | 1,161,197 |
| Arca Vita | 10,288,501 | 10,574,818 | (286,317) |
| Bim Vita | 621,344 | 629,765 | (8,422) |
| Arca Vita International | 468,107 | 472,815 | (4,708) |
| DDOR | 24,671 | 24,661 | 10 |
| UnipolRE | 935 | 1,464 | (529) |
| Intragroup transactions | (547) | (547) | |
| **Totale** | **46,021,729** | **45,160,497** | **861,232** |

The comparison between Life technical provisions measured for the Market Consistent Balance Sheet and those calculated for the IFRS financial statements shows different approaches relating to the assumptions adopted for the calculation and the underlying risks.

Deviation between the two quantities is particularly significant for traditional tariffs and for those envisaging benefits linked to the performance of a Segregated Account (i.e. revaluable). In summary, the methodological approach used to value the above-mentioned products in the IFRS financial statements does not allow full expression of the cost of financial guarantees granted to the policyholders, or a possible unfavourable development in the options granted to the policyholders.
The main factors due to which the two valuation metrics differ may be summarised as:

- financial impacts, or the set of assumptions relating to the risk-free reference rate level, market volatility and the adoption of risk-neutral valuation methodologies;
- the adoption of best estimates relating to estimated mortality levels (against prudent assumptions adopted in the calculation of provisions for the financial statements);
- the modelling of policyholder behaviour expected in the year for the various contractual options offered (surrender, reduction, withdrawal, additional payments, etc.), which are not specifically considered in the calculation of provisions for the financial statements;
- the adoption of cost assumptions (commissions and non-commissions) based on the Companies' actual experience (against assumptions adopted in the calculation of provisions for the financial statements, based on "first level" assumptions, i.e. those defined at the tariff pricing stage prior to verification of their sustainability);
- the explicit inclusion of the Risk Margin in the calculation of the Technical Provisions, a component not envisaged in financial statements provisions.

The Solvency II technical provisions for the *Reinsurance recoverables* segment, given the low degree of materiality of the total volume, as previously mentioned, were determined on the basis of the amount recognised in the Consolidated Financial Statements, adjusted for expected losses from reinsurer default. With the exception of Arca Vita for which,

in the course of the year, limited to the portfolio of tariffs in the event of death, modelling of flows deriving from reinsurance continued using a methodology analogous to the gross BEL methodology.

### D.2.3. Information on the effects of the application of volatility adjustment

For the fair value measurement of Non-Life and Life technical provisions, the Group has applied the option envisaged in Art. 77-quinquies of the Directive, defined as the volatility adjustment (VA).

The table below summarises the effect that non-application of the VA would have on technical provisions (gross of the effect of reinsurance) on the Solvency Capital Requirement, basic own funds and eligible own funds to cover the Solvency Capital Requirement.

#### Volatility Adjustment

| *Amounts in €k* | With VA (a) | Without VA (b) | Difference (b)-(a) |
|---|---|---|---|
| Technical provisions | 59,931,808 | 60,121,999 | 190,191 |
| Basic own funds | 6,501,551 | 6,412,284 | (89,267) |
| SCR | 4,251,165 | 4,287,811 | 36,647 |
| Eligible amount of own funds to meet SCR | 7,949,053 | 7,859,787 | (89,267) |
| SCR coverage ratio | 1.87 | 1.83 | (0.04) |

## D.3. Other liabilities

### D.3.1. Valuation criteria

Please first of all note that, when not specified otherwise, no changes were made to the valuation criteria, methods and models with respect to those used in the previous year.

#### Financial liabilities

The fair value of other (non-technical) financial liabilities is measured by taking into account the credit rating of the company "at inception", without considering any subsequent changes in that credit rating.

#### Other liabilities

For all other liabilities not included in the categories of previous paragraphs, taking into account the related characteristics, the recognition value in the MCBS is consistent with their value determined for the consolidated financial statements drafted by the holding company and consequently applying the reference IAS/IFRS.
In this regard, note that as of 2019 IFRS 16 entered into force, replacing IAS 17 with reference to the recognition of lease agreements. The main new aspect introduced refers to the accounting method for leases payable, which are no longer divided into finance (contracts whereby the lessee substantially assumes all risks and rewards of ownership of the leased asset) and operating (lease agreements other than finance leases) leases, but are instead subject, with the exception of specific contractual types (e.g., "short term" and "low value" contracts), to a single accounting model similar to that envisaged in IAS 17 for finance leases. For lessee/user companies, this different accounting representation (the "financial method") results in an increase in tangible assets recognised in the MCBS (right-of-use assets, connected to the leased assets) and an increase in liabilities (the financial debt on the leased assets).

## D.3.2. Quantitative information on the valuation of other liabilities

The differences recognised between other liabilities in the MCBS and their corresponding valuations in the Consolidated Financial Statements are provided below.

### Other liabilities

| *Amounts in €k* | Solvency II value | Consolidated FS value – Solvency II Scope | Difference |
|---|---|---|---|
| Provisions other than technical provisions | 462,810 | 462,810 | |
| Pension benefit obligations | 103,451 | 103,451 | |
| Deposits received from reinsurers | 150,431 | 150,431 | |
| Derivatives | 231,584 | 231,584 | |
| Debts owed to credit institutions | 240,506 | 240,506 | |
| Financial liabilities other than debts owed to credit institutions | 2,581,758 | 2,481,065 | 100,692 |
| Insurance and intermediaries payables | 158,755 | 158,755 | |
| Reinsurance payables | 82,399 | 82,399 | |
| Payables (trade, not insurance) | 231,084 | 231,084 | |
| Subordinated liabilities | 2,269,531 | 2,167,627 | 101,905 |
| Any other liabilities, not elsewhere shown | 1,239,894 | 1,239,894 | |
| **Total** | **7,752,202** | **7,549,605** | **202,597** |

The difference in the valuation of financial liabilities other than payables to credit institutions derives from the fair value measurement primarily of debt securities issued by the Parent Company, which are valued at amortised cost in the Consolidated Financial Statements.

As regards subordinated liabilities, as indicated previously, these were measured at fair value (without considering the post-issue change in credit rating) for MCBS purposes. Such liabilities were instead measured at amortised cost in the Consolidated Financial Statements.

The total liabilities for defined benefit plans due to employees after termination was €103,451k, consisting primarily of post-employment benefits and obligations deriving from the post-retirement policy for managers. There are no assets serving such defined benefit plans.
Post-employment benefits accrued by 31 December 2006 that were not transferred to external bodies in accordance with the provisions of Legislative Decree 252/05 on supplementary pension schemes come under the category of employee benefits classified as a defined benefits plan. The amount due to employees is therefore calculated using actuarial techniques and discounted at the reporting date, using the "Projected unit credit method" (a method based on benefits accrued in proportion to length of employment).
The same method is used to establish the effects of other defined benefits for employees for the post-employment period.
Future cash flows are discounted on the basis of the market yield curve, recorded at the end of the year, for corporate bonds issued by issuers with high credit standing.

## Leasing and rental agreements - liabilities

At 31 December 2019, the Group is lessee in finance lease agreements primarily with reference to the activity carried out by the subsidiary Car Server. Operating leases in which the Group is lessee are also in place to support the Group's ordinary activity concerning primarily real estate and IT materials.

## D.4. Alternative methods for valuation

As reported in the previous paragraphs, with reference to the valuation method for assets, technical provisions and other liabilities, for some of these alternative valuation methods were used, based on the premises stated in Art. 10 of the Regulation.
In particular, alternative valuation methods were used for all assets and liabilities for which the Regulation had not defined other valuation criteria[20], lacking prices listed in active markets of identical or similar assets and liabilities.

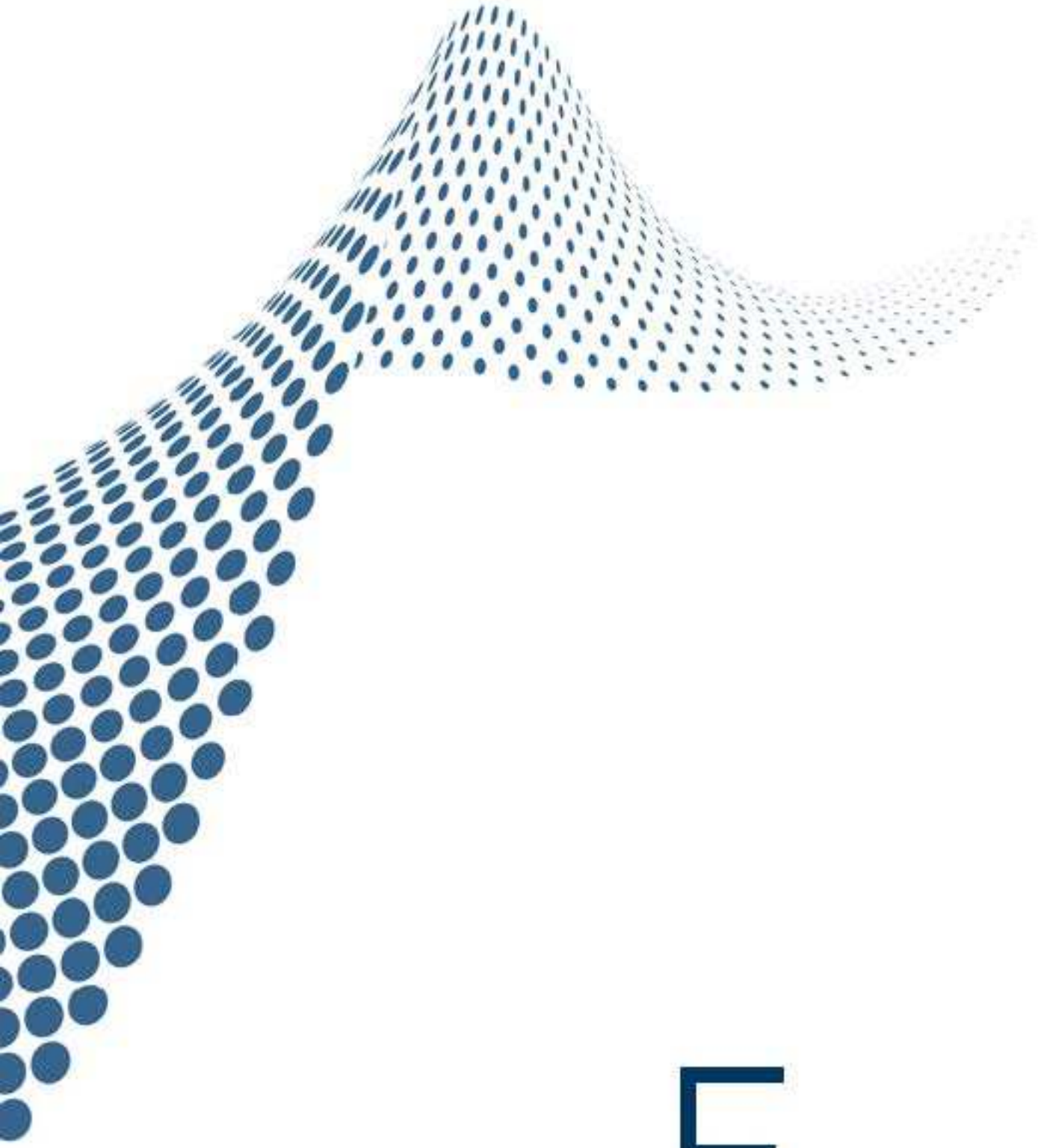
The description of the methods used and the valuation uncertainties is given in the comments on valuation criteria in paragraphs D.1.1 and D.3.1.

Based on past experience, no significant deviations emerged between the estimated valuation based on alternative valuation methods and the corresponding values deduced, for example, from subsequent market transactions involving these assets and liabilities.

## D.5. Any other information

Note that there is no significant information to report in addition to that already illustrated in previous paragraphs.

[20] In particular, these are contingent liabilities (Art. 11 of the Regulation), intangible assets (Art. 12), participations (Art. 13), financial liabilities (Art. 14), deferred taxes (Art. 15) and technical provisions (Chapter III of the Regulation).



# E

## CAPITAL MANAGEMENT

# E Capital Management

## E.1. Own funds

### E.1.1. Introduction

Own funds (OF) represent the financial resources steadily acquired by the Group and available to it to absorb losses and to overcome risks generated by business activities on a going concern basis.

The Directive divides available Own Funds into basic OF and ancillary OF.

The basic OF are formed from the surplus of assets over liabilities, both measured at fair value pursuant to Art. 75 of the Directive, and subordinated liabilities. The elements are classified in 3 tiers (Tier 1, Tier 2 and Tier 3) based on the technical characteristics and the objectives of stability and loss absorption.

Note that, among the Tier 1 elements, the reconciliation provision is equal to the amount representing the total excess of assets over liabilities, less the value of:

- own shares of the parent company;
- expected dividends;
- Tier 2 and Tier 3 own funds;
- Tier 1 elements other than the reconciliation provision;
- the excess of own funds over and above the notional SCR of Ring Fenced Funds;
- other own funds not available to the Group[21].

Pursuant to Art. 330 of the Regulation, subsequent to the identification of basic own funds, it is necessary to evaluate whether specific own funds eligible for covering the solvency capital requirement of an investee company may be made effectively available to cover the group's solvency capital requirement.

The basic own funds which, following this evaluation, are actually unavailable to cover the group's solvency capital requirement are calculated within the group's own funds for a maximum amount equal to the contribution of the issuing company to the Group's SCR.

The ancillary OF, not present at 31 December 2019, are the elements other than basic that can be used to absorb losses. The above category can include:

- share capital or initial funding not paid and not called;
- letters of credit and guarantees;
- any other legally binding commitment received by the Group Companies.

These elements, whose inclusion among ancillary OF is subject to Supervisory Authority approval, cannot be calculated in Tier 1 and are not eligible for MCR cover.

In order to obtain the own funds eligible to cover the SCR and the MCR, the available own funds are restated in accordance with the eligibility criteria.

The eligibility limits used are those established in Art. 82 of the Regulation, which envisages the following criteria to meet the Solvency Capital Requirement (SCR):

- the Tier 1 percentage must be at least 50% of the SCR;
- the total of Tier 3 elements must be less than 15% of the SCR;
- the sum of Tier 2 and Tier 3 elements cannot be higher than 50% of the SCR.

Within the above limits, Tier 1 subordinated liabilities (defined as "Tier 1 restricted") cannot exceed 20% of the total Tier 1 elements. The elements that should be included in the upper Tiers, but are in excess of the above limits, can be reclassified to the lower Tiers until those lower Tiers are completely saturated.

As regards compliance with the Minimum Capital Requirement (MCR), the eligibility limits used are the most stringent established in the Regulation:

- the Tier 1 percentage must be at least 80% of the MCR;

[21] This category includes any assets not considered eligible for SCR cover based on specific Supervisory Authority instructions.

- the total of Tier 2 elements, therefore, cannot be higher than 20% of the MCR.

Own funds classifiable as Tier 3 are eligible as MCR cover.

Below are the values relating to Own Funds and the Solvency Capital Requirement determined on the basis of the information available as of today's date, taking into account the suspension of the proposal to distribute the dividend from the profit for the year 2019 of the parent company, approved by the Board of Directors on 2 April 2020, as described in more detail in Chapter A. Business and performance and described in the Summary.

## E.1.2. Capital management policy

The Company's capital management strategies and objectives are set out in the "Capital Management and Dividend Distribution Policy", which describes the reference framework and process for capital management and dividend distribution also in terms of the roles and responsibilities of the players involved. The document also identifies the principles for capital management and dividend distribution or other elements of own funds, consistent with the objectives of return on capital and with the risk appetite defined by the Board of Directors.

The general aims pursued by the "Capital Management and Dividend Distribution Policy" are:

- define in advance the allocated return on capital objectives, consistent with profitability objectives and in line with the risk appetite;
- maintain a solid and efficient capital structure, considering the growth targets and risk appetite;
- outline the capital management process for the definition of procedures to guarantee, among other things, that:
    - the elements of own funds, at the time of issue and subsequently, satisfy the applicable capital regime and are correctly classified;
    - the terms and conditions for each element of own funds are clear and undeniable;
- define in advance a sustainable flow of dividends, in line with the profit generated, available cash and the risk appetite, also identifying and documenting any situations in which the distributions of elements of own funds can be cancelled or postponed;
- outline the dividend distribution process for the definition of procedures to guarantee a solid and efficient capital structure, considering that growth targets and profitability objectives are in line with the risk appetite;
- define the roles, responsibilities and reporting on capital management, distribution of dividends and other elements of own funds.

The capital management and dividend distribution process is divided into five steps, closely associated with other corporate processes:

- final measurement of available capital and capital requirement;
- formulation of the medium-term capital management plan;
- operating monitoring and reporting;
- management actions on capital;
- distribution of dividends and other elements of own funds.

## E.1.3. Information on available and eligible own funds

The table below illustrates the position for the Group's available and eligible own funds, divided into the Tiers, showing the changes occurring between 31 December 2018 and 31 December 2019.

| *Amounts in €k* | 31/12/2018 | Issued | Redeemed | Movements in valuation | Regulatory action and other movements | 31/12/2019 |
|---|---|---|---|---|---|---|
| Total available own funds to meet the SCR | 6,345,808 | | (192,362) | 1,795,608 | | 7,949,053 |
| *of which tier 1 unrestricted* | *4,041,778* | | *(111,526)* | *1,997,985* | | *5,928,237* |
| *of which tier 1 restricted* | *1,047,150* | | *(80,837)* | *50,452* | | *1,016,765* |
| *of which tier 2* | *940,060* | | | *46,167* | | *986,227* |
| *of which tier 3* | *316,820* | | | *(298,996)* | | *17,824* |
| Adjustments for eligibility restrictions | | | | | | |
| *of which tier 1 unrestricted* | | | | | | |
| *of which tier 1 restricted* | *(254,864)* | | | *254,864* | | |
| *of which tier 2* | *254,864* | | | *(254,864)* | | |
| *of which tier 3* | | | | | | |
| Total eligible own funds to meet the SCR | 6,345,808 | | (192,362) | 1,795,608 | | 7,949,053 |
| *of which tier 1 unrestricted* | *4,041,778* | | *(111,526)* | *1,997,985* | | *5,928,237* |
| *of which tier 1 restricted* | *792,286* | | *(80,837)* | *305,316* | | *1,016,765* |
| *of which tier 2* | *1,194,924* | | | *(208,697)* | | *986,227* |
| *of which tier 3* | *316,820* | | | *(298,996)* | | *17,824* |

Taking into account that the Group has no ancillary OF, the own funds available as SCR cover coincide with the basic own funds.

Details are provided below of the annual changes in elements of the basic own funds, broken down by Tier:

## Annual movements on basic own funds

| *Amounts in €k* | 31/12/2018 | Issued | Redeemed | Movements in valuation | Regulatory action and other movements | 31/12/2019 |
|---|---|---|---|---|---|---|
| Paid-in ordinary share capital | 3,365,292 | | | | | 3,365,292 |
| Share premium account related to ordinary share capital | 1,340,118 | | | | (90,058) | 1,250,061 |
| Reconciliation reserve | (74,183) | | (111,526) | 2,232,053 | 90,058 | 2,136,401 |
| Other own fund items approved by the supervisory authority as basic own funds | | | | | | |
| Own funds which are not available because of transferability, fungibility and minority interest (insurance sector) | (587,674) | | | (206,394) | | (794,068) |
| Deduction of participations in financial and credit institutions | (874,409) | | | (602,542) | | (1,476,951) |
| **Total "Tier 1 unrestricted" insurance sector** | **3,169,144** | | **(111,526)** | **1,423,117** | | **4,480,735** |
| Own funds relating to participations in financial and credit institutions | 872,634 | | | 574,868 | | 1,447,502 |
| **Total "Tier 1 unrestricted" financial sector** | **872,634** | | | **574,868** | | **1,447,502** |
| **Total "Tier 1 unrestricted"** | **4,041,778** | | **(111,526)** | **1,997,985** | | **5,928,237** |
| Called up but unpaid ordinary share capital | | | | | | |
| Subordinated liabilities | 1,230,411 | | (80,837) | 2,492 | | 1,152,067 |
| Own funds which are not available because of transferability, fungibility and minority interest (insurance sector) | (183,261) | | | 47,960 | | (135,301) |
| **Total "Tier 1 restricted"** | **1,047,150** | | **(80,837)** | **50,452** | | **1,016,765** |
| Subordinated liabilities | 1,114,551 | | | 2,914 | | 1,117,465 |
| Own funds which are not available because of transferability, fungibility and minority interest (insurance sector) | (174,491) | | | 43,254 | | (131,238) |
| **Total "Tier 2"** | **940,060** | | | **46,167** | | **986,227** |
| Subordinated liabilities | | | | | | |
| Net deferred tax assets | 350,838 | | | (328,135) | | 22,703 |
| Own funds which are not available because of transferability, fungibility and minority interest (insurance sector) | (34,018) | | | 29,139 | | (4,879) |
| **Total "Tier 3"** | **316,820** | | | **(298,996)** | | **17,824** |
| **Total basic own funds** | **6,345,808** | | **(192,362)** | **1,795,608** | | **7,949,053** |

Overall, there was an increase in basic own funds of €1,603,245k primarily due to the increase in the reconciliation reserve which rose from -€74,183k to €2,136,401k. For a description of the breakdown and changes in the main items making up the reconciliation reserve, please refer to the subsequent paragraph.

The reclassification (of €90,058k) between reconciliation reserves and the share premium reserve (indicated in the column "Regulatory action and other movements") is due to the addition to the legal reserve following the distribution of the profit for the year 2018, until it reaches one-fifth of the share capital. The decrease of the reconciliation reserve shown in the "Redeemed" column for € 111,526k refers to foreseeable dividends pertaining to third parties.

With reference to the "Tier 1" subordinated liabilities, the amount of €80,837k in the redeemed column refers to the amount, inclusive of interest, redeemed in July 2019 on the subordinated loan of €400m expiring on 24 July 2023. This redemption, authorised by IVASS on 3 July 2019, is the first of five annual instalments for a nominal amount of €80m each, set forth in the repayment plan for that subordinated liability.
The increase in the item relating to subordinated liabilities in "Tier 2" was due to the change in fair value with respect to the previous year.

Lastly, the amount of net deferred tax assets in "Tier 3" was equal to €22,703k at 31 December 2019 with respect to a value of €350,838k in the previous year.

For more information concerning trends in own funds relating to participations in financial and credit institutions, please refer to the section "Own funds gross of adjustments for transferability and fungibility - financial sector".

## Composition and characteristics of the Group's own funds

## Basic own funds gross of adjustments for transferability and fungibility - insurance sector

The individual elements of the Group's own funds and the relative classification in Tiers are commented on below.

The ordinary share capital and share premium reserve correspond to the amount paid in by the shareholders of the parent company Unipol Gruppo SpA. Based on their level of stability and their loss absorption capacity, they qualify as "Tier 1 unrestricted" own funds.

The reconciliation reserve, based on Art. 69 of the Regulation, represents the residual amount of the Group's own funds eligible as an element of Tier 1 unrestricted own funds, determined by making suitable adjustments to the total obtained as the difference between assets and liabilities recorded in the MCBS. Details of the calculation of the reconciliation reserve are provided below.

### Reconciliation reserve

| *Amounts in €k* | Tier 1 unrestricted 2019 | Tier 1 unrestricted 2018 |
|---|---|---|
| Excess of assets over liabilities from MCBS (A) | 6,971,540 | 5,213,635 |
| Own shares (held directly and indirectly) (B) | 4,874 | 7,048 |
| Foreseeable dividends, distributions and charges ( C) | 111,526 | 220,214 |
| Other basic own fund items (D) | 4,638,056 | 5,056,249 |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds (E) | | |
| Other non available own funds (F) | 80,684 | 4,308 |
| **Reconciliation reserve (A-B-C-D-E-F)** | **2,136,401** | **(74,183)** |

To determine the reconciliation reserve, the following adjusting items were deducted from the amount obtained as the difference between assets and liabilities set forth in the MCBS:

- the item "Other basic own fund items" (€4,638,056k at 31/12/2019 with respect to €5,056,249k at 31/12/2018), which includes the amount of the share capital paid in and the share premium reserve autonomously classified as Tier 1 unrestricted (€4,615,353k at 31/12/2019 compared to €4,705,411k at 31/12/2018) and the total Tier 3 own funds (€22,703k at 31/12/2019 compared to €350,838k at 31/12/2018), corresponding to the value of deferred tax assets the recoverability of which depends on future income;
- the total of own shares held directly and indirectly by the parent company (€4,874k at 31/12/2019, compared to €7,048k at 31/12/2018);
- the amount of dividends, distributions and foreseeable charges (€111,526k at 31/12/2019, compared to €220,214k at 31/12/2018).

  This amount, included in the calculation of the Group's reconciliation reserve at 31 December 2019, corresponds to the share of dividends attributable to minority shareholders distributed by the Group's subsidiaries.
  As indicated in Chapter A. Business and performance and described in the Summary, on 2 April 2020 the Unipol Board of Directors, although it noted that at that date, like at 19 March 2020, all prerequisites continued to be met, including the capital strength ratios, to proceed with the distribution of the dividend for the year 2019 (equal to €0.28 per share), in accordance with the resolution passed by the Board of Directors on 19 March 2020, decided to strictly follow the instructions issued by the Insurance Supervisory Authority in its letter of 30 March 2020 which requires the "adoption, at individual and group level, of extreme prudence

in the distribution of dividends and other capital elements", and thus removed the proposal for the distribution of that dividend from the agenda of the Shareholders' Meeting called for 30 April 2020 and, as a result, proposed to the Ordinary Shareholders' Meeting the allocation of the entire profit for the year to the reserves. That proposal was approved by the Shareholders' Meeting on 30 April 2020. In any event, the Board of Directors has reserved the right - as soon as the conditions are in place, once the current emergency situation that is impacting the entire country has passed - to call a Shareholders' Meeting to distribute the profit reserves by the end of 2020, in order to enable the Shareholders to benefit from the value created by the Unipol Group.

- the total of own funds not available because they refer to segregated funds ("Ring fenced funds"). This amount was calculated as any positive excess resulting from the difference between net assets and liabilities referring to ring-fenced funds and the corresponding Solvency Capital Requirement of each segregated fund. This excess was zero at 31 December 2019 (unchanged compared to the previous year);
- the amount of other own funds not available. This category (equal to €80,684k at 31/12/2019 compared to €4,308k at 31/12/2018) includes the assets present in the MCBS which, in application of regulatory provisions, were not considered for the coverage of the Solvency Capital Requirement.

Included in the available Tier 1 restricted own funds are the subordinated liabilities indicated below, totalling €1,152,067k, classified as elements of Tier 1 restricted own funds following application of the transitional provisions of Art. 308-ter of the Directive.

## Subordinated liabilities - Tier 1

| *Amounts in €k* | Issue date | Maturity date | Next call date | Further call dates | Nominal issue value | SII Market value (clean price) A | Accrued interests B | SII Value (accrued interests included) |
|---|---|---|---|---|---|---|---|---|
| Hybrid 2014 750M | 18/06/2014 | undated | 18/06/2024 | Every 3 months | 750,000 | 801,975 | 23,094 | 825,069 |
| Subordinated 2003 400M* | 24/07/2003 | 24/07/2023 | 24/01/2020 | Every 6 months | 320,000 | 324,928 | 2,069 | 326,997 |
| **Total** | | | | | **1,070,000** | **1,126,903** | **25,164** | **1,152,067** |

* The contract provides for repayment in 5 constant installments, starting from the sixteenth year of issue and subject to authorization by IVASS.

With reference to the available Tier 2 own funds, indicated in the following table, note that the subordinated liabilities which can be recorded in this tier on the basis of the transitional provisions of Art. 308-ter of the Directive amounted to €562,925k (Subordinated 300M 2001 and 2003) out of total which can be included among the basic Tier 2 own funds for a total of €1,117,465k.

## Subordinated liabilities - Tier 2

| *Amounts in €k* | Issue date | Maturity date | Next call date | Further call dates | Nominal issue value | SII Market value (clean price) A | Accrued interests B | SII Value (accrued interests included) C = A+B |
|---|---|---|---|---|---|---|---|---|
| Subordinated 2001 300M | 15/06/2001 | 15/06/2021 | 15/03/2020 | Every 3 months | 300,000 | 300,390 | 263 | 300,653 |
| Subordinated 2003 300M | 28/07/2003 | 28/07/2023 | 28/01/2020 | Every 3 months | 261.689* | 261,296 | 975 | 262,272 |
| Subordinated 2018 500M | 01/03/2018 | 01/03/2028 | - | - | 500,000 | 538,350 | 16,190 | 554,540 |
| **Total** | | | | | **1,061,689** | **1,100,036** | **17,428** | **1,117,465** |

* Total nominal issued, 300 €k

All subordinated and hybrid loans noted above were issued by the subsidiary UnipolSai Assicurazioni SpA and constitute the total amount of the item "Subordinated liabilities in basic own funds" recognised in the Group's MCBS.

## Own funds gross of adjustments for transferability and fungibility - financial sector

As illustrated in chapter A, in order to calculate the capital adequacy, the Group uses method 1 (standard method based on the consolidated financial statements) as defined in Art. 230 of the Solvency II Directive and Art. 335 of the Regulation.
In application of this methodology, financial sector entities are consolidated synthetically based on the interest held by the Parent Company in the own funds of such companies calculated by applying the relative reference regulation.

Following the extraordinary transactions carried out during the year and the authorisations received from the competent authorities described in the chapter A of this Report, the financial sector entities of the Unipol Group at 31 December 2019 are the subsidiaries UnipolSai Investimenti Sgr and UnipolReC SpA and the associated company BPER Banca.

The portion pertaining to the Unipol Group of the own funds relating to BPER Banca SpA (determined on a sub-consolidated basis) is equal to €1,015,434k (at 31/12/2018 the share of own funds of the Unipol Group relating to Unipol Banca, sold in the course of 2019, amounted to €551,951k).

The portion pertaining to the Unipol Group of own funds relating to UnipolSai Investimenti Sgr and UnipolReC (determined on an individual basis) was equal to €13,215k (€12,927 at 31/12/2018) and €418,854k (at 31/12/2018 the share of own funds of UnipolReC, calculated on a sub-consolidated basis, amounted to €309,530k), respectively.

Taking into account the fact that the participations held by the Group in such entities refer exclusively to Common Equity Tier 1 instruments (CET1, based on applicable sector regulations - "Basel III"), the relative own funds were classified in the corresponding "Tier 1 unrestricted" category set forth in the Solvency II regulation.

## Adjustments for limits of transferability and fungibility and for non-controlling interests

As mentioned above, subsequent to the identification of basic own funds described in the previous paragraph, it is necessary to evaluate whether specific own funds eligible for covering the solvency capital requirement of an investee insurance or reinsurance company or an insurance holding company or a mixed financial holding company may be made effectively available to cover the group's solvency capital requirement (Art. 330 of the Regulation).

The Unipol Group determines the unavailable own funds at consolidated level by adding, for each investee, the positive difference between:

i) the amount of own funds of the individual investees that do not meet the conditions of free transferability and fungibility pursuant to paragraph 1 of Art. 330 of the Regulation. In particular, the unavailable own funds of the individual investee insurance companies were determined by deeming the own funds consisting of subordinated liabilities and net deferred tax assets not transferable/interchangeable;

ii) the contribution of each investee entity to the group's solvency requirement determined pursuant to paragraph 6 (a) of Art. 330 of the Regulation.

Lastly, Art. 330, paragraph 4 of the Regulation establishes that the following is deducted from consolidated own funds:

i) an amount equal to the minority interests held by third parties in subsidiary insurance or reinsurance companies, insurance holding companies or mixed financial holding companies that are subsidiary companies of the parent company exceeding the contribution of each subsidiary company to the group's solvency capital requirement;
ii) all minority interests in subsidiary instrumental companies.

With reference to the investee entities in the financial sector, the sum of the following elements was considered available at the level of the holding company Unipol Gruppo SpA:

1) minimum level of the capital requirement of the financial entities, determined on a sub-consolidated basis (with reference to BPER Banca SpA) and an individual basis (with reference to UnipolSai Investimenti SGR and UnipolRec) on the basis of the applicable regulations;

2) excess share of own funds of the individual entities with respect to the minimum limits pursuant to point 1) within the limits in which such excess amounts consist of own funds that are actually transferable within the Unipol Group.

The table below summarises, with reference to 31 December 2019, the results of the calculation steps completed to determine the share of own funds deducted due to the lack of transferability and fungibility requirements as well as with reference to the minority interests not eligible for calculation described just above.

### Own funds which are not available because of transferability, fungibility and minority

| *Amounts in €k* | Basic own funds before adjustments for transferability and fungibility | Adjustments for transferability and fungibility | Adjustments for minority interests of subsidiaries exceeding the corresponding contribution to Group's SCR | Own funds ("available") 2019 |
|---|---|---|---|---|
| Tier 1 unrestricted | 5,274,804 | | (794,068) | 4,480,735 |
| Tier 1 restricted | 1,152,067 | | (135,301) | 1,016,765 |
| Tier 2 | 1,117,465 | | (131,238) | 986,227 |
| Tier 3 | 22,703 | (721) | (4,159) | 17,824 |
| **Totale OF Insurance Sector** | **7,567,038** | **(721)** | **(1,064,766)** | **6,501,551** |
| Tier 1 unrestricted | 1,476,951 | (29,449) | | 1,447,502 |
| **Total OF Financial Sector** | **1,476,951** | **(29,449)** | | **1,447,502** |
| **Total OF** | **9,043,988** | **(30,169)** | **(1,064,766)** | **7,949,053** |

## Eligible own funds

As stated in the introduction, in order to identify the total eligible own funds to cover the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR), it is necessary to apply the rules of Art. 82 of the Regulation to the available own funds relating to the insurance sector.
The following table illustrates the structures and amount of OF to meet SCR and MCR, determined for 2019, in comparison with the same data for the year ended at 31 December 2018.

### Available and eligible own funds to meet the SCR

| *Amounts in €k* | Available own funds | Adjustments for eligibility | Eligible own funds 2019 | Eligible own funds 2018 |
|---|---|---|---|---|
| Tier 1 unrestricted | 4,480,735 | | 4,480,735 | 3,169,144 |
| Tier 1 restricted | 1,016,765 | | 1,016,765 | 792,286 |
| Tier 2 | 986,227 | | 986,227 | 1,194,924 |
| Tier 3 | 17,824 | | 17,824 | 316,820 |
| **Total OF Insurance sector** | **6,501,551** | | **6,501,551** | **5,473,174** |
| Tier 1 unrestricted | 1,447,502 | | 1,447,502 | 872,634 |
| **Total OF Financial Sector** | **1,447,502** | | **1,447,502** | **872,634** |
| **Total OF** | **7,949,053** | | **7,949,053** | **6,345,808** |
| **Total SCR** | | | **4,251,165** | **3,892,721** |
| **Surplus/(shortage)** | | | **3,697,889** | **2,453,087** |

## Available and eligible own funds to meet the MCR

| *Amounts in €k* | Available own funds | Adjustments for eligibility | Eligible own funds 2019 | Eligible own funds 2018 |
|---|---|---|---|---|
| Tier 1 unrestricted | 4,480,735 | | 4,480,735 | 3,169,144 |
| Tier 1 restricted | 1,016,765 | | 1,016,765 | 792,286 |
| Tier 2 | 986,227 | (657,170) | 329,058 | 307,890 |
| **Total OF** | **6,483,728** | **(657,170)** | **5,826,558** | **4,269,320** |
| **Total MCR** | | | **1,645,288** | **1,539,448** |
| **Surplus/(shortage)** | | | **4,181,270** | **2,729,872** |

As seen from the above tables, the rules envisaged in the Regulation for the identification of own funds eligible to meet SCR and MCR resulted in:

- to meet the SCR, no adjustment for eligibility;
- to meet MCR, a decrease in Tier 2 following application of the more stringent eligibility rules summarised in the introduction.

## Reconciliation with shareholders' equity from the consolidated financial statements

The MCBS at 31 December 2019 shows that assets exceeded liabilities by €6,971,540k (€5,213,635k at 31/12/2018), €1,336,403k (€1,119,163k at 31/12/2018) lower than the shareholders' equity recorded in the consolidated financial statements at the same date. This difference is due:

- to the different methods of consolidation of the investee entities of the parent company Unipol Gruppo SpA adopted to prepare the consolidated financial statements with respect to those used for the preparation of the MCBS, as already reported in chapter D;
- to the different valuation of shareholders' equity components.

The table below provides the reconciliation between consolidated shareholders' equity in the IFRS financial statements and shareholders' equity in the MCBS.

## Statement of reconciliation between Financial Statements and MCBS Shareholders'

| | | 2019 | 2018 |
|---|---|---|---|
| A | **Shareholders' equity (Financial Statements)*** | **8,307,944** | **6,332,798** |
| B | Adjustments for different consolidation methods | (25,704) | (29,248) |
| C=A+B | **Shareholders' equity (Consolidated Financial Statement) - SII Perimeter** | **8,282,240** | **6,303,551** |
| D | Adjustments by assets/liabilities type | (1,310,699) | (1,089,916) |
| | *Intangible assets* | (2,097,004) | *(2,036,910)* |
| | *Properties and tangible assets for investment and for own use* | 381,851 | *289,089* |
| | *Other financial investments* | 418,474 | *300,326* |
| | *Non-life technical provisions* | 1,178,365 | *1,233,953* |
| | *Non-life reinsurance recoverables* | (176,626) | *(175,741)* |
| | *Life technical provisions* | (861,232) | *(596,951)* |
| | *Life reinsurance recoverables* | (25,929) | *(15.1)* |
| | *Financial Liabilities* | (202,597) | *(170,983)* |
| | *Other assets* | 2,410 | *965* |
| | *Deferred taxes* | 71,589 | *66,351* |
| E=C+D | **Shareholders' equity (MCBS)** | **6,971,540** | **5,213,635** |

* Note that the difference with respect to the total shareholders' equity in Balance Sheet Liabilities item 1 in the Group's consolidated financial statements (equal to € 8.304.580 k at 31/12/2019) is due to the recognition in that accounting document of own shares (amounting to €3,363 k) as an adjustment to shareholders' equity.

Section D above illustrates the valuation criteria adopted for preparation of the MCBS, as well as more detailed quantitative information on the comparison with financial statements values.

### Methods for eliminating intra-group transactions for the calculation of Own Funds

The Group determines the Consolidated MCBS in compliance with Art. 335 of the Regulation which, particularly with reference to the Unipol Group companies, establishes that the consolidated figures include:

i. full consolidation of the data of all participations in insurance or reinsurance companies, non-EU insurance or reinsurance companies, insurance holding companies, mixed financial holding companies and instrumental companies;

ii. synthetic consolidation, based on the proportional share of own funds of the company calculated pursuant to the pertinent sector regulations, relating to participations in credit institutions and financial institutions;

iii. synthetic consolidation in compliance with Art. 13 of the Regulation, of all investee companies other than those mentioned in the previous points.

The methods of eliminating intra-group transactions were applied in line with ordinary consolidation techniques adopted to prepare the Consolidated Financial Statements (IFRS 10 and IAS 28), taking into consideration the different scope of consolidation as described above.

## E.2. Solvency Capital Requirement and Minimum Capital Requirement

As already mentioned, the Group calculates its Solvency Capital Requirement on the basis of the Partial Internal Model, without adopting the simplified calculations permitted by regulations. As part of the risk assessment carried out using the Partial Internal Model, the Group quantifies the Non-Life premium and reserve risks for the lines of business (i) MV TPL, (ii) General Liability and (iii) Fire and other damage to property through the Standard Formula and use of the Group Specific Parameters (GSP).
The valuations were performed by applying the Volatility Adjustment (VA) as the long-term measurement envisaged in the Solvency II regulations, the precise value of which as communicated by EIOPA at the reference date of 31 December 2019 was 7 basis points.

The SCR total for the Group at the end of the reference period was €4,251,165k, up by €358,444k compared to the SCR relating to 31 December 2018. The risk modules for which the most significant changes are observed are Market Risks, Credit risks and Non-Life and Health Underwriting Risks; please refer to chapter C for an explanation of the reasons for this change.

The MCR total for the Group at the end of the reference period was €1,645,288k; this amount is calculated according to the specifications defined in Art. 248 of the Regulation.

The amount of the SCR for each risk category established for the Partial Internal Model is shown below along with a comparison with the data relating to 31 December 2018:

### SCR - Partial Internal Model

*Amounts in €k*

| Risk Modules | 2019 | 2018 | Change on 2018 |
|---|---|---|---|
| Non-life and health underwriting risk | 1,936,564 | 1,980,508 | (43,943) |
| Life underwriting risk | 290,423 | 276,802 | 13,621 |
| Market risks | 2,383,989 | 2,108,469 | 275,520 |
| Credit risk | 323,554 | 270,319 | 53,235 |
| Diversification | (1,080,412) | (1,061,509) | (18,903) |
| **BSCR** | **3,854,117** | **3,574,588** | **279,529** |
| Operational risk | 559,769 | 551,089 | 8,680 |
| ALAC TP | (576,988) | (434,667) | (142,321) |
| ALAC DT | (875,856) | (840,390) | (35,466) |
| SCR of other related undertakings (SCR OT) | 116,455 | 91,910 | 24,545 |
| Out of scope undertakings's SCR | 300,091 | 254,287 | 45,804 |
| Conservative margin | 60,182 | 58,247 | 1,935 |
| **Solvency capital requirement - Insurance sector** | **3,437,770** | **3,255,064** | **182,706** |
| **Solvency capital requirement - Credit and financial sector** | **813,395** | **637,656** | **175,738** |
| **SCR** | **4,251,165** | **3,892,721** | **358,444** |

## E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The Group does not use the equity risk sub-module pursuant to Art. 304 of the Regulation to calculate the SCR.

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

Following the authorisation received from the Supervisory Authority, the Group calculates its Solvency Capital Requirement using a Partial Internal Model in order to more adequately assess the real risk profile of the Group with respect to the standard formula.

To provide a more complete representation of the risk profile, the Group has adopted risk classification criteria somewhat different from those proposed by the Standard Formula, which is the method used to calculate the Solvency Capital Requirement ("SCR") for companies that have not developed an internal model. In particular, with regard to market risk, as part of the PIM, the Group also considers the risks relating to the volatility of share prices and interest rates.

For the risk modules not included within the PIM, the Standard Formula is used, with the application of parameters specific to the Group ("Group Specific Parameters" or "GSP") to calculate the Premium and Reserve Risk for the following Lines of Business ("LoB"):

- Segment 1, Proportional insurance and reinsurance on TPL resulting from the circulation of vehicles, comprising business areas 4 and 16 as defined in Annex I to the Regulation. This segment is also referred to as "Motor third-party liability" or "Motor vehicle liability" or the acronym MVL;
- Segment 4, Proportional insurance and reinsurance against fire and other damage to property resulting, comprising Lines of Business 7 and 19 as defined in Annex I to the Regulation. This segment is referred to as "Fire and other property damage" or "Fire and other Damage to Property" or the acronym FDP;

- Segment 5, Proportional insurance and reinsurance on general third-party liability, comprising Lines of Business 8 and 20 as defined in Annex I to the Regulation. This segment is also referred to as "Third-party liabilities" or "General liability" or the acronym GLI.

In addition, within the Partial Internal Model the Group also assesses the following risks using the Standard Formula (Market Wide):

- market concentration risk;
- the Credit risk exposure to residual counterparties for which no information has at present been obtained for PIM modelling;
- the Health and Non-Life Catastrophe risks other than Earthquake risk;
- the Non-Life and Health premium and reserve risks for lines of business other than those indicated previously;
- Non-Life and Health surrender risk;
- Life business catastrophe risk;
- Operational risk;
- all Market risks and all Life underwriting risks in reference to index-linked policies, unit-linked policies and pension funds.

The risk aggregation process calls for a bottom-up approach and may be broken down into two phases:

- aggregation of the risk sub-modules that make up the Market, Non-Life and Health, Life and Credit risks;
- aggregation of the Market, Non-Life and Health, Life and Credit risk modules.

The aggregation of the sub-modules involves three distinct approaches:

- joint sampling of risk factors;
- aggregation by means of the Var-Covar method with a posteriori determination of the Probability Distribution Forecast ("PDF");
- aggregation of multiple marginal distributions through copula functions.

More specifically:

- the joint sampling is a risk aggregation method involving the direct calculation of PDF values subject to the occurrence of scenarios with multiple variations of the risk factors in question. This approach allows projection of the Group's MCBS against the set of joint scenarios identified, and subsequent determination of the distribution of the probability of profit and losses aggregated over a time horizon consistent with the holding period of the risk assessment;
- the Var-Covar method is used to aggregate the components of the model adopting the Standard Formula with the components valued using the Internal Model. The main objective is to aggregate the Standard Formula component with the Internal Model component, preserving the PDF-related information;
- when at one point in the PIM aggregation hierarchy there are two or more empiric distributions, these distributions are aggregated using the copula functions. This aggregation method allows the determination of a joint distribution formed by two or more marginal distributions, and to subsequently sample the variable sum distribution.

After determining the PDFs for each risk model (Market PDF, Non-Life PDF, Credit PDF, Life PDF), they are aggregated through:

- determination of a Proxy PDF through scenario-to-scenario association of empiric margins;
- determination of the PDF by means of a Gaussian copula.

This process determines the joint PDF for the four risk modules, considered indispensable in order to adequately capture the Group's risk profile taking into account the dependencies between the various risks.

The loss recorded at the 99.5th percentile of the joint PDF represents the BSCR value of the Group.

The Solvency Capital Requirement is obtained by adding the components relating to operational risk, components relating to adjustments for loss-absorbing capacity of technical provisions and deferred tax assets and liabilities, the capital requirement of other related undertakings (OT SCR), the capital requirement of out of scope undertakings, the conservative margin defined by the Supervisory Authority and the capital requirement of the Banking Group to the BSCR.

The reasons for which it is considered that the PIM offers a more suitable representation of the Group's risk profile than the Standard Formula are provided below.

Life underwriting risk

The Internal Model measures Life business underwriting risk more accurately than the Standard Formula, mainly for the following reasons:

- it allows a maximum loss calculation based on scenarios calibrated on the specific portfolio of the Group, through actual analysis of the trend in Life underwriting risk factors. Whilst the Standard Formula adopts a scenario-based approach with scenarios predefined and calibrated on the European market situation, the Internal Model determines the maximum loss to which the Group could be exposed based on changes in the Life underwriting risk factors;
- it uses more granular and specific actuarial scenarios, defined on the basis of the risk characteristics of the Group's policies portfolio. Unlike the Standard Formula, in which scenarios for each Life underwriting risk are unambiguous for all product classes, in the PIM the scenarios that determine the Group's maximum loss are differentiated on the basis of standardised product classes;
- it allows periodic updating of the scenarios relating to each risk factor. In fact, with the PIM, the scenarios that determine the maximum loss are updated quarterly;
- it allows a more suitable valuation of the effects of mitigation deriving from the management strategies of financial portfolios underlying the Life insurance policies;
- it facilitates the use test, guaranteeing consistency with the assumptions and models used in the business valuations.

Market risks

The Internal Model measures the market risks of the Group's financial instruments more accurately than the Standard Formula, mainly for the following reasons:

- it allows more accurate measurement of the market risks, determining the maximum loss on the basis of effective changes in the total portfolio value against a combination of risk factors and not through the parameter-based approaches defined in the Standard Formula;
- it uses more granular and specific risk factors, defined on the basis of the risk characteristics of the financial instruments portfolio currently held by the Group;
- it allows constant calibration updating of the models that generate stochastic financial scenarios relating to risk factors identified on the basis of market developments, whilst these scenarios remain static in the Standard Formula;
- it allows calculation of the spread risk by applying stochastic financial scenarios calibrated on historical data and determination of the effective change in the asset value rather than using the parameter-based method envisaged in the Standard Formula;
- it allows calculation of the property risk on the basis of scenarios calibrated on indices representing the Italian real estate market, rather than indices calibrated on the European-UK markets, given the diversity characterising the different markets;
- it allows benefits of diversification between the market risk factors to be captured, based on historically verified correlations. For example, with reference to equity risk, the Internal Model considers the values of sector indices representing individual shares as risk factors, allowing benefits deriving from a diversified portfolio to be captured;
- from a use test point of view, it allows a risk measurement tool to be used that allows continuous dialogue and comparison with the operating departments that manage the investment portfolios, using logics shared with the lines of business. It combines the need for strict capital at risk measurement with the need to have an operating decision-making support tool to optimise the risk/return parameters of the portfolio.

The Market risk module of the Group's Internal Model includes the following sub-modules not envisaged by the Standard Formula:

- Equity volatility risk, i.e. the risk of a potential negative change in the value of available capital due to changes in the volatility of the equity instruments;
- Interest rate volatility risk, i.e. the risk of a potential negative change in the value of available capital due to changes in the volatility of the interest rate derivative instruments.

Credit risk

The Internal Model quantifies the maximum loss of all exposures for which specific financial information can be identified or the degree of risk determined based on historical information obtained internally. For such counterparties

it is therefore possible to identify the specific risk parameters. Vice versa, the weighted averages envisaged in the Standard Formula do not allow the use of accurate information that distinguishes the counterparties analysed.

The decision to adopt the Internal Model to calculate the capital requirement for credit risk was, in addition to the purpose of accurately capturing the risk profile of exposures, also dictated by the need - for certain types of exposure - to envisage weightings in line with the effective level of risk detected.

The Internal Model provides the results necessary to fully characterise the Group's risk profile. In particular, the model calculates the entire distribution of losses, highlighting any concentration effects. These aspects are also set out on the basis of the business segment (Life, Non-Life) and the types of credit making up the Group's exposure: exposure to banks, insurance companies, co-insurers, reinsurers, insurance intermediaries (agencies and brokers), policyholders and other receivables.

Earthquake risk

The Internal Model measures Non-Life business earthquake risk more accurately than the Standard Formula, mainly because:

- it allows more granular geo-referencing of the Group's risks in a given area and a specific assessment of the risk mitigation effect guaranteed by the policy terms and conditions (deductibles, reimbursement limits, non-coverage). In addition, the modular composition allows separate assessment of the seismic dangers of a given area and the vulnerability of the assets insured, the latter assessed on the basis of construction, property usage, year of construction and building height characteristics;
- facilitate the use test by adopting models more aligned to those used by the business. In particular, the model is used, aside from for the calculation of the earthquake SCR, to support the pricing of Standardised Products and Corporate Risks, as well as valuation of the reliable estimate of losses if a seismic event occurs (post-event analysis);
- it allows the measurement of the reinsurance purchasing capacity for the catastrophe treaties and to estimate the related cost.

## E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

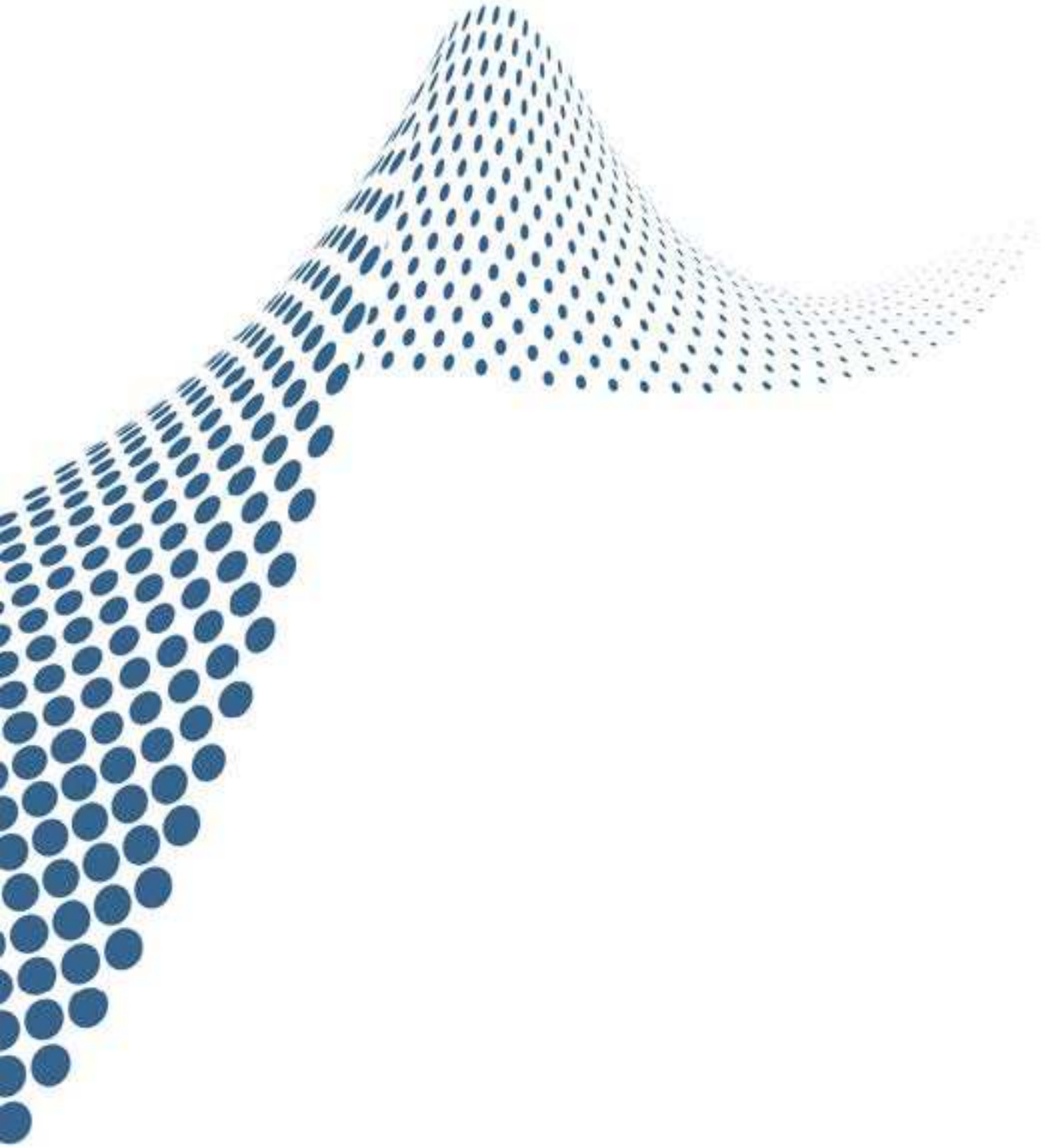
At no time during the year did the Group fail to meet its Solvency Capital Requirement or its Minimum Capital Requirement.

## E.6. Any other information

There is no significant additional information to report on the Group's capital management.

Bologna, 14 May 2020

**The Board of Directors**



QRTMODELS

*S.02.01.02*
*Balance sheet*

| | | Solvency II |
|---|---|---|
| **Assets** | | |
| Goodwill | R0010 | |
| Deferred acquisition costs | R0020 | |
| Intangible assets | R0030 | |
| Deferred tax assets | R0040 | 22.703 |
| Pension benefit surplus | R0050 | |
| Property, plant & equipment held for own use | R0060 | 2.435.746 |
| Investments (other than assets held for index-linked and unit-linked contracts) | R0070 | 58.273.971 |
| Property (other than for own use) | R0080 | 2.327.902 |
| Holdings in related undertakings, including participations | R0090 | 2.006.116 |
| Equities | R0100 | 926.193 |
| Equities - listed | R0110 | 755.533 |
| Equities - unlisted | R0120 | 170.660 |
| Bonds | R0130 | 49.771.681 |
| Government Bonds | R0140 | 36.268.731 |
| Corporate Bonds | R0150 | 12.822.939 |
| Structured notes | R0160 | 678.748 |
| Collateralised securities | R0170 | 1.263 |
| Collective Investments Undertakings | R0180 | 2.993.107 |
| Derivatives | R0190 | 153.527 |
| Deposits other than cash equivalents | R0200 | 95.446 |
| Other investments | R0210 | |
| Assets held for index-linked and unit-linked contracts | R0220 | 7.465.441 |
| Loans and mortgages | R0230 | 597.272 |
| Loans on policies | R0240 | 19.425 |
| Loans and mortgages to individuals | R0250 | 400.115 |
| Other loans and mortgages | R0260 | 177.732 |
| Reinsurance recoverables from: | R0270 | 787.088 |
| Non-life and health similar to non-life | R0280 | 773.359 |
| Non-life excluding health | R0290 | 725.628 |
| Health similar to non-life | R0300 | 47.731 |
| Life and health similar to life, excluding health and index-linked and unit-linked | R0310 | 13.728 |
| Health similar to life | R0320 | |
| Life excluding health and index-linked and unit-linked | R0330 | 13.728 |
| Life index-linked and unit-linked | R0340 | |
| Deposits to cedants | R0350 | 62.914 |
| Insurance and intermediaries receivables | R0360 | 1.581.398 |
| Reinsurance receivables | R0370 | 148.279 |
| Receivables (trade, not insurance) | R0380 | 191.025 |
| Own shares (held directly) | R0390 | 4.874 |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | R0400 | |
| Cash and cash equivalents | R0410 | 961.646 |
| Any other assets, not elsewhere shown | R0420 | 2.358.863 |
| **Total assets** | R0500 | 74.891.219 |

| | | Solvency II |
|---|---|---|
| **Liabilities** | | |
| Technical provisions – non-life | R0510 | 13.910.079 |
| Technical provisions – non-life (excluding health) | R0520 | 12.700.238 |
| Technical provisions calculated as a whole | R0530 | |
| Best Estimate | R0540 | 12.161.722 |
| Risk margin | R0550 | 538.517 |
| Technical provisions - health (similar to non-life) | R0560 | 1.209.840 |
| Technical provisions calculated as a whole | R0570 | |
| Best Estimate | R0580 | 1.146.587 |
| Risk margin | R0590 | 63.254 |
| Technical provisions - life (excluding index-linked and unit-linked) | R0600 | 38.577.626 |
| Technical provisions - health (similar to life) | R0610 | |
| Technical provisions calculated as a whole | R0620 | |
| Best Estimate | R0630 | |
| Risk margin | R0640 | |
| Technical provisions – life (excluding health and index-linked and unit-linked) | R0650 | 38.577.626 |
| Technical provisions calculated as a whole | R0660 | |
| Best Estimate | R0670 | 38.264.871 |
| Risk margin | R0680 | 312.755 |
| Technical provisions – index-linked and unit-linked | R0690 | 7.444.103 |
| Technical provisions calculated as a whole | R0700 | |
| Best Estimate | R0710 | 7.415.178 |
| Risk margin | R0720 | 28.926 |
| Other technical provisions | R0730 | |
| Contingent liabilities | R0740 | |
| Provisions other than technical provisions | R0750 | 462.810 |
| Pension benefit obligations | R0760 | 103.451 |
| Deposits from reinsurers | R0770 | 150.431 |
| Deferred tax liabilities | R0780 | 235.668 |
| Derivatives | R0790 | 231.584 |
| Debts owed to credit institutions | R0800 | 240.506 |
| Financial liabilities other than debts owed to credit institutions | R0810 | 2.581.758 |
| Insurance & intermediaries payables | R0820 | 158.755 |
| Reinsurance payables | R0830 | 82.399 |
| Payables (trade, not insurance) | R0840 | 231.084 |
| Subordinated liabilities | R0850 | 2.269.531 |
| Subordinated liabilities not in Basic Own Funds | R0860 | |
| Subordinated liabilities in Basic Own Funds | R0870 | 2.269.531 |
| Any other liabilities, not elsewhere shown | R0880 | 1.239.894 |
| **Total liabilities** | R0900 | 67.919.678 |
| **Excess of assets over liabilities** | R1000 | 6.971.540 |

*S.05.01.02*

***Premiums, claims and expenses by line of business***

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | | | | | | | | | | Line of Business for: accepted non-proportional reinsurance | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Miscellaneous financial loss | Health | Casualty | Marine, aviation, transport | Property | |
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0200 |
| **Premiums written** | | | | | | | | | | | | | | | | | | |
| Gross - Direct Business | R0110 | 726.569 | 685.977 | | 3.412.975 | 759.250 | 158.549 | 1.213.635 | 727.081 | 50.765 | 78.150 | 201.152 | 138.130 | | | | | 8.152.233 |
| Gross - Proportional reinsurance | R0120 | 15.120 | 1.060 | | 108.960 | 14.866 | 5.489 | 29.122 | 5.458 | 1.336 | | | (1.602) | | | | | 179.808 |
| Gross - Non-proportional | R0130 | | | | | | | | | | | | | 413 | 71.855 | 109 | 32.159 | 104.536 |
| **Reinsurers' share** | R0140 | 3.917 | 41.342 | | 39.574 | 4.734 | 106.091 | 91.684 | 31.449 | 23.172 | 59.129 | 16 | 44.352 | 43 | 2.573 | 104 | 3.568 | 451.748 |
| **Net** | R0200 | 737.771 | 645.695 | | 3.482.361 | 769.381 | 57.947 | 1.151.073 | 701.090 | 28.930 | 19.022 | 201.136 | 92.175 | 370 | 69.282 | 5 | 28.591 | 7.984.829 |
| **Premiums earned** | | | | | | | | | | | | | | | | | | |
| Gross - Direct Business | R0210 | 671.640 | 665.850 | | 3.414.799 | 727.407 | 153.921 | 1.189.917 | 713.361 | 51.350 | 73.996 | 192.916 | 118.161 | | | | | 7.973.317 |
| Gross - Proportional reinsurance | R0220 | 14.798 | 1.084 | | 98.491 | 12.049 | 4.733 | 28.287 | 5.950 | 1.326 | | | 1.592 | | | | | 168.311 |
| Gross - Non-proportional | R0230 | | | | | | | | | | | | | 427 | 66.751 | 109 | 32.883 | 100.171 |
| **Reinsurers' share** | R0240 | 3.662 | 38.177 | | 38.115 | 4.741 | 100.945 | 92.151 | 32.058 | 27.991 | 57.231 | 17 | 39.458 | 43 | 2.458 | 104 | 5.035 | 442.185 |
| **Net** | R0300 | 682.777 | 628.757 | | 3.475.176 | 734.715 | 57.708 | 1.126.053 | 687.253 | 24.684 | 16.765 | 192.899 | 80.296 | 384 | 64.293 | 5 | 27.848 | 7.799.614 |
| **Claims incurred** | | | | | | | | | | | | | | | | | | |
| Gross - Direct Business | R0310 | 413.406 | 318.828 | | 2.223.714 | 509.716 | 121.208 | 712.470 | 206.323 | 2.701 | 12.323 | 69.315 | 36.507 | | | | | 4.626.510 |
| Gross - Proportional reinsurance | R0320 | 5.634 | 97 | | 75.523 | 9.813 | 4.806 | 22.809 | 3.658 | 430 | 8 | | 1.909 | | | | | 124.687 |
| Gross - Non-proportional | R0330 | | | | | | | | | | | | | 309 | 66.559 | 78 | 14.453 | 81.400 |
| **Reinsurers' share** | R0340 | 695 | 10.171 | | 9.700 | 45.372 | 90.193 | 127.363 | 9.854 | 4.642 | 9.803 | (232) | 7.231 | (490) | (11.931) | (80) | (837) | 301.454 |
| **Net** | R0400 | 418.344 | 308.755 | | 2.289.536 | 474.156 | 35.821 | 607.916 | 200.127 | (1.511) | 2.527 | 69.547 | 31.185 | 800 | 78.491 | 158 | 15.290 | 4.531.143 |
| **Changes in other technical** | | | | | | | | | | | | | | | | | | |
| Gross - Direct Business | R0410 | 8.423 | 1.560 | | | (484) | (11) | (94) | (79) | 4.854 | | 84 | (9) | | | | | 14.245 |
| Gross - Proportional reinsurance | R0420 | | | | | | | 7 | | | | | | | | | | 7 |
| Gross - Non- proportional | R0430 | | | | | | | | | | | | | | | | | |
| Reinsurers'share | R0440 | | | | | | | 32 | | 9 | | | () | | | | | 40 |
| **Net** | R0500 | 8.423 | 1.560 | | | (484) | (11) | (119) | (79) | 4.846 | | 84 | (8) | | | | | 14.211 |
| **Expenses incurred** | R0550 | 198.740 | 263.292 | | 1.091.727 | 253.334 | 32.706 | 525.507 | 303.112 | 34.849 | (7.094) | 107.632 | 36.781 | 48 | 8.658 | 20 | 4.086 | 2.853.400 |
| **Other expenses** | R1200 | | | | | | | | | | | | | | | | | |
| **Total expenses** | R1300 | | | | | | | | | | | | | | | | | 2.853.400 |

*S.05.01.02*

***Premiums, claims and expenses by line of business***

| | | Line of Business for: life insurance obligations | | | | | | **Life reinsurance obligations** | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Health insurance | Insurance with profit participation | Index-linked and unit-linked insurance | Other life insurance | Annuities stemming from non-life insurance contracts and relating to health insurance obligations | Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | Health reinsurance | Life reinsurance | |
| | | **C0210** | **C0220** | **C0230** | **C0240** | **C0250** | **C0260** | **C0270** | **C0280** | **C0300** |
| **Premiums written** | | | | | | | | | | |
| Gross | **R1410** | | 4.039.015 | 1.642.909 | 163.608 | | | | 396 | 5.845.928 |
| Reinsurers' share | **R1420** | | 1.131 | | 13.080 | | | | 53 | 14.264 |
| Net | **R1500** | | 4.037.884 | 1.642.909 | 150.528 | | | | 343 | 5.831.664 |
| **Premiums earned** | | | | | | | | | | |
| Gross | **R1510** | | 4.046.144 | 1.642.909 | 157.203 | | | | 331 | 5.846.587 |
| Reinsurers' share | **R1520** | | 990 | | 13.213 | | | | 53 | 14.256 |
| Net | **R1600** | | 4.045.155 | 1.642.909 | 143.990 | | | | 277 | 5.832.331 |
| **Claims incurred** | | | | | | | | | | |
| Gross | **R1610** | | 3.763.383 | 782.368 | 42.834 | | | | 2.044 | 4.590.630 |
| Reinsurers' share | **R1620** | | 9.026 | | 5.487 | | | | 961 | 15.473 |
| Net | **R1700** | | 3.754.358 | 782.368 | 37.347 | | | | 1.084 | 4.575.156 |
| **Changes in other technical** | | | | | | | | | | |
| Gross | **R1710** | | (1.032.188) | (1.253.663) | (11.762) | | | | 1.379 | (2.296.233) |
| Reinsurers' share | **R1720** | | 8.242 | | (308) | | | | 919 | 8.852 |
| Net | **R1800** | | (1.040.430) | (1.253.663) | (11.454) | | | | 460 | (2.305.086) |
| **Expenses incurred** | **R1900** | | 274.066 | 40.153 | 17.607 | | | | 126 | 331.951 |
| **Other expenses** | **R2500** | | | | | | | | | |
| **Total expenses** | **R2600** | | | | | | | | | 331.951 |

*S.22.01.22*

*Impact of long term guarantees measures and transitionals*

| | | Amount with LTG measures and transitionals | Impact of transitional on technical provisions | Impact of transitional on interest rate | Impact of volatility adjustment set to zero | Impact of matching adjustment set to zero |
|---|---|---|---|---|---|---|
| | | C0010 | C0030 | C0050 | C0070 | C0090 |
| Technical provisions | R0010 | 59.931.808 | | | 190.191 | |
| Basic own funds | R0020 | 6.501.551 | | | (89.267) | |
| Eligible own funds to meet SCR | R0050 | 7.949.053 | | | (89.267) | |
| SCR | R0090 | 4.251.165 | | | 36.647 | |

*S.23.01.22*
*Own funds*

| | | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| **Basic own funds before deduction for participations in other financial sector** | | | | | | |
| Ordinary share capital (gross of own shares) | R0010 | 3.365.292 | 3.365.292 | | | |
| Non-available called but not paid in ordinary share capital at group level | R0020 | | | | | |
| Share premium account related to ordinary share capital | R0030 | 1.250.061 | 1.250.061 | | | |
| Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings | R0040 | | | | | |
| Subordinated mutual member accounts | R0050 | | | | | |
| Non-available subordinated mutual member accounts at group level | R0060 | | | | | |
| Surplus funds | R0070 | | | | | |
| Non-available surplus funds at group level | R0080 | | | | | |
| Preference shares | R0090 | | | | | |
| Non-available preference shares at group level | R0100 | | | | | |
| Share premium account related to preference shares | R0110 | | | | | |
| Non-available share premium account related to preference shares at group level | R0120 | | | | | |
| Reconciliation reserve | R0130 | 2.136.401 | 2.136.401 | | | |
| Subordinated liabilities | R0140 | 2.269.531 | | 1.152.067 | 1.117.465 | |
| Non-available subordinated liabilities at group level | R0150 | | | | | |
| An amount equal to the value of net deferred tax assets | R0160 | 22.703 | | | | 22.703 |
| The amount equal to the value of net deferred tax assets not available at the group level | R0170 | 721 | | | | 721 |
| Other items approved by supervisory authority as basic own funds not specified above | R0180 | | | | | |
| Non available own funds related to other own funds items approved by supervisory authority | R0190 | | | | | |
| Minority interests (if not reported as part of a specific own fund item) | R0200 | | | | | |
| Non-available minority interests at group level | R0210 | 1.064.766 | 794.068 | 135.301 | 131.238 | 4.159 |
| **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds** | | | | | | |
| Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds | R0220 | | | | | |
| **Deductions** | | | | | | |
| Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities | R0230 | 1.476.951 | 1.476.951 | | | |
| whereof deducted according to art 228 of the Directive 2009/138/EC | R0240 | | | | | |
| Deductions for participations where there is non-availability of information (Article 229) | R0250 | | | | | |
| Deduction for participations included by using D&A when a combination of methods is used | R0260 | | | | | |
| Total of non-available own fund items | R0270 | 1.065.486 | 794.068 | 135.301 | 131.238 | 4.879 |
| **Total deductions** | R0280 | 2.542.437 | 2.271.019 | 135.301 | 131.238 | 4.879 |
| **Total basic own funds after deductions** | R0290 | 6.501.551 | 4.480.735 | 1.016.765 | 986.227 | 17.824 |
| **Ancillary own funds** | | | | | | |
| Unpaid and uncalled ordinary share capital callable on demand | R0300 | | | | | |
| Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | R0310 | | | | | |
| Unpaid and uncalled preference shares callable on demand | R0320 | | | | | |
| A legally binding commitment to subscribe and pay for subordinated liabilities on demand | R0330 | | | | | |
| Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | R0340 | | | | | |
| Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | R0350 | | | | | |
| Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0360 | | | | | |
| Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0370 | | | | | |
| Non available ancillary own funds at group level | R0380 | | | | | |
| Other ancillary own funds | R0390 | | | | | |
| **Total ancillary own funds** | R0400 | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Own funds of other financial sectors** | | | | | | |
| Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies | R0410 | 1.447.502 | 1.447.502 | | | |
| Institutions for occupational retirement provision | R0420 | | | | | |
| Non regulated entities carrying out financial activities | R0430 | | | | | |
| **Total own funds of other financial sectors** | R0440 | 1.447.502 | 1.447.502 | | | |
| **Own funds when using the D&A, exclusively or in combination of method 1** | | | | | | |
| Own funds aggregated when using the D&A and combination of method | R0450 | | | | | |
| Own funds aggregated when using the D&A and a combination of method net of IGT | R0460 | | | | | |
| | | | | | | |
| Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A ) | R0520 | 6.501.551 | 4.480.735 | 1.016.765 | 986.227 | 17.824 |
| Total available own funds to meet the minimum consolidated group SCR | R0530 | 6.483.728 | 4.480.735 | 1.016.765 | 986.227 | |
| Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A ) | R0560 | 6.501.551 | 4.480.735 | 1.016.765 | 986.227 | 17.824 |
| Total eligible own funds to meet the minimum consolidated group SCR | R0570 | 5.826.558 | 4.480.735 | 1.016.765 | 329.058 | |
| **Minimum consolidated group SCR** | R0610 | 1.645.288 | | | | |
| **Ratio of Eligible own funds to Minimum Consolidated Group SCR** | R0650 | 3.54 | | | | |
| **Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A )** | R0660 | 7.949.053 | 5.928.237 | 1.016.765 | 986.227 | 17.824 |
| **Group SCR** | R0680 | 4.251.165 | | | | |
| **Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A** | R0690 | 1,87 | | | | |

| | | C0060 | | | | |
|---|---|---|---|---|---|---|
| **Reconciliation reserve** | | | | | | |
| Excess of assets over liabilities | R0700 | 6.971.540 | | | | |
| Own shares (included as assets on the balance sheet) | R0710 | 4.874 | | | | |
| Forseeable dividends, distributions and charges | R0720 | 111.526 | | | | |
| Other basic own fund items | R0730 | 4.638.056 | | | | |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | R0740 | | | | | |
| Other non available own funds | R0750 | 80.684 | | | | |
| **Reconciliation reserve before deduction for participations in other financial sector** | R0760 | 2.136.401 | | | | |
| **Expected profits** | | | | | | |
| Expected profits included in future premiums (EPIFP) - Life business | R0770 | 477.628 | | | | |
| Expected profits included in future premiums (EPIFP) - Non- life | R0780 | 99.537 | | | | |
| **Total EPIFP** | R0790 | 577.165 | | | | |

*S.25.02.22*

*Solvency Capital Requirement - for groups using the standard formula and partial internal model*

| Unique number of component | Components description | Calculation of the Solvency Capital Requirement | Amount modelled | USP | Simplifications |
|---|---|---|---|---|---|
| C0010 | C0020 | C0030 | C0070 | C0090 | C0120 |
| 1 | Market risk | 2.383.989 | 2.289.763 | None | None |
| 2 | Counterparty default risk | 323.554 | 245.835 | None | None |
| 3 | Life underwriting risk | 290.423 | 202.516 | None | None |
| 10 | Non-life and Health underwriting risk | 1.936.564 | 209.455 | Only for italian entities: Segment 1 Standard deviation for non–life premium risk, Segment 1 Standard deviation for non–life reserve risk, Segment 4 Standard deviation for non–life premium risk, Segment 4 Standard deviation for non–life reserve risk, Segment 5 Standard deviation for non–life premium risk, Segment 5 Standard deviation for non–life reserve risk | None |
| 6 | Intangible asset risk | | | None | None |
| 7 | Operational risk | 559.769 | | None | None |
| 8 | Loss-absorbing capacity of technical provisions | (576.988) | | None | None |
| 9 | Loss-absorbing capacity of deferred taxes | (875.856) | | None | None |
| 11 | Conservative Margin | 60.182 | | None | None |
| 12 | Capital Requirement of out of scope undertakings | 300.091 | | None | None |

| Calculation of Solvency Capital Requirement | | C0100 |
|---|---|---|
| Total undiversified components | R0110 | 4.401.727 |
| Diversification | R0060 | (1.090.721) |
| Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | R0160 | |
| **Solvency capital requirement excluding capital add-on** | R0200 | 3.321.315 |
| Capital add-ons already set | R0210 | |
| **Solvency capital requirement for undertakings under consolidated method** | R0220 | 4.251.165 |
| **Other information on SCR** | | |
| Amount/estimate of the overall loss-absorbing capacity of technical provisions | R0300 | (576.988) |
| Amount/estimate of the overall loss-absorbing capacity ot deferred taxes | R0310 | (875.856) |
| Capital requirement for duration-based equity risk sub-module | R0400 | |
| Total amount of Notional Solvency Capital Requirements for remaining part | R0410 | 4.225.616 |
| Total amount of Notional Solvency Capital Requirement for ring fenced funds | R0420 | 25.549 |
| Total amount of Notional Solvency Capital Requirement for matchingadjustment portfolios | R0430 | |
| Diversification effects due to RFF nSCR aggregation for article 304 | R0440 | |
| Minimum consolidated group solvency capital requirement | R0470 | 1.645.288 |
| **Information on other entities** | | |
| Capital requirement for other financial sectors (Non-insurance capital requirements) | R0500 | 813.395 |
| Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS | R0510 | 813.395 |
| Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions | R0520 | |
| Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities | R0530 | |
| Capital requirement for non-controlled participation requirements | R0540 | |
| Capital requirement for residual undertakings | R0550 | 116.455 |
| **Overall SCR** | | |
| SCR for undertakings included via D and A | R0560 | |
| **Solvency capital requirement** | R0570 | 4.251.165 |

*S.32.01.22*

*Undertakings in the scope of the group*

| Country | Identification code of the undertaking | Legal Name of the undertaking | Type of undertaking | Legal form |
|---|---|---|---|---|
| C0010 | C0020 | C0040 | C0050 | C0060 |
| IRELAND | LEI/635400UQ9HQGZGZ2MH31 | UNIPOLRE DAC | Reinsurance undertakings | DESIGNATED ACTIVITY COMPANY |
| IRELAND | LEI/635400WSNBUMPRJJTI53 | ARCA VITA INTERNATIONAL DAC | Life undertakings | DESIGNATED ACTIVITY COMPANY |
| ITALY | SC/81560015C1F0098C2455IT0U231 | SCS AZIONINNOVA SPA | Other | SOCIETA' PER AZIONI |
| ITALY | SC/81560015C1F0098C2455IT0U723 | UNIPOL REOCO SPA | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' PER AZIONI |
| ITALY | SC/81560015C1F0098C2455IT0U981 | PROMOREST SRL | Other | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | LEI/815600235DAE5FB1B596 | PRONTO ASSISTANCE SPA | Non-Life undertakings | SOCIETA' PER AZIONI |
| ITALY | SC/8156003503546F1E8952IT0U503 | ARCA DIRECT ASSICURAZIONI SRL | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/8156003503546F1E8952IT0U504 | ARCA INLINEA SCARL | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA |
| ITALY | LEI/8156005CE5E7340CCA86 | UNIPOL GRUPPO SPA | Mixed financial holding company as defined in Art. 212 section1 [h] of Directive 2009/138/EC | SOCIETA' PER AZIONI |
| ITALY | SC/8156005CE5E7340CCA86IT0U006 | UNIPOL FINANCE SRL | Other | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/8156005CE5E7340CCA86IT0U203 | AMBRA PROPERTY SRL | Other | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/8156005CE5E7340CCA86IT0U637 | UNIPOLSAI INVESTIMENTI SGR SPA | Credit institutions, investment firms and financial institutions | SOCIETA' PER AZIONI |
| ITALY | SC/8156005CE5E7340CCA86IT0U725 | UNIPOLREC SPA | Credit institutions, investment firms and financial institutions | SOCIETA' PER AZIONI |
| ITALY | SC/8156005CE5E7340CCA86IT0U727 | UNIPOLPART I SPA | Other | SOCIETA' PER AZIONI |
| ITALY | LEI/8156005E316B69E09270 | BIM VITA SPA | Life undertakings | SOCIETA' PER AZIONI |
| ITALY | LEI/81560066ED58493ED764 | UNISALUTE SPA | Non-Life undertakings | SOCIETA' PER AZIONI |
| ITALY | SC/81560066ED58493ED764IT0U051 | UNISALUTE SERVIZI SRL | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/81560066ED58493ED764IT0U071IT0U071 | CENTRI MEDICI DYADEA SRL | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | LEI/815600736EECC8421448 | UNIPOL INVESTMENT SPA | Other | SOCIETA' PER AZIONI |
| ITALY | LEI/81560092D4267A9B8C84 | COMPAGNIA ASSICURATRICE LINEAR SPA | Non-Life undertakings | SOCIETA' PER AZIONI |

| | | Criteria of influence | | | | | | Inclusion in the scope of Group supervision | | Group solvency calculation |
|---|---|---|---|---|---|---|---|---|---|---|
| Category (mutual/ non mutual) | Supervisory Authority | % capital share | % used for the establishment of consolidated | % voting rights | Other criteria | Level of influence | Proportional share used for group solvency calculation | Yes/No | Date of decision if art. 214 is applied | Method used and under method 1, treatment of the undertaking |
| C0070 | C0080 | C0180 | C0190 | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 |
| Non-mutual | CENTRAL BANK OF IRELAND | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | CENTRAL BANK OF IRELAND | 51,37% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 34,73% | 34,73% | 42,85% | | Significant | 34,73% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 97,20% | 100,00% | 100,00% | | Dominant | 97,20% | Included into scope of group supervision | | Method 1: Sectoral rules |
| Non-mutual | | 40,45% | 40,45% | 49,92% | | Significant | 40,45% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 51,37% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 50,99% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE/BANCA D'ITALIA | 100,00% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 100,00% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 81,04% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | BANCA D'ITALIA | 90,71% | 100,00% | 100,00% | | Dominant | 90,71% | Included into scope of group supervision | | Method 1: Sectoral rules |
| Non-mutual | | 97,20% | 100,00% | 100,00% | | Dominant | 97,20% | Included into scope of group supervision | | Method 1: Sectoral rules |
| Non-mutual | | 100,00% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE | 40,52% | 100,00% | 50,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE | 80,22% | 100,00% | 98,99% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 80,22% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 100,00% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |

| Country | Identification code of the undertaking | Legal Name of the undertaking | Type of undertaking | Legal form |
|---|---|---|---|---|
| C0010 | C0020 | C0040 | C0050 | C0060 |
| ITALY | LEI/815600D523F9906A1566 | ARCA ASSICURAZIONI SPA | Non-Life undertakings | SOCIETA' PER AZIONI |
| ITALY | SC/815600D523F9906A1566IT0U506 | ARCA SISTEMI SCARL | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA |
| ITALY | LEI/815600DF2A01122A9547 | ARCA VITA SPA | Life undertakings | SOCIETA' PER AZIONI |
| ITALY | LEI/815600E0E11B18BBD212 | INCONTRA ASSICURAZIONI SPA | Non-Life undertakings | SOCIETA' PER AZIONI |
| ITALY | LEI/815600E31C4E7006AB54 | UNIPOLSAI ASSICURAZIONI SPA | Composite insurer | SOCIETA' PER AZIONI |
| ITALY | SC/815600E31C4E7006AB54IT0U010 | UNIPOLSAI FINANCE SPA | Other | SOCIETA' PER AZIONI |
| ITALY | SC/815600E31C4E7006AB54IT0U010IT0U084 | ASSICOOP TOSCANA SPA | Other | SOCIETA' PER AZIONI |
| ITALY | SC/815600E31C4E7006AB54IT0U010IT0U086 | PEGASO FINANZIARIA SPA | Other | SOCIETA' PER AZIONI |
| ITALY | SC/815600E31C4E7006AB54IT0U010IT0U722 | UNIASSITEAM SRL | Other | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U010IT0U941 | ASSICOOP BOLOGNA METROPOLITANA SPA | Other | SOCIETA' PER AZIONI |
| ITALY | SC/815600E31C4E7006AB54IT0U010IT0U962 | ASSICOOP MODENA & FERRARA SPA | Other | SOCIETA' PER AZIONI |
| ITALY | SC/815600E31C4E7006AB54IT0U010IT0U963 | ASSICOOP ROMAGNA FUTURA SRL | Other | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U010IT0U964 | ASSICOOP EMILIA NORD SRL | Other | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U133 | MIDI SRL | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U210 | FONDAZIONE UNIPOLIS | Other | FONDAZIONE |
| ITALY | SC/815600E31C4E7006AB54IT0U223 | UCI - UFFICIO CENTRALE ITALIANO | Other | SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U635 | FIN.PRIV. SRL | Other | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U641 | AUTO PRESTO & BENE SPA | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' PER AZIONI |
| ITALY | SC/815600E31C4E7006AB54IT0U641IT0U639 | APB CAR SERVICE SRL | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U642 | CASA DI CURA VILLA DONATELLO - SPA | Other | SOCIETA' PER AZIONI |

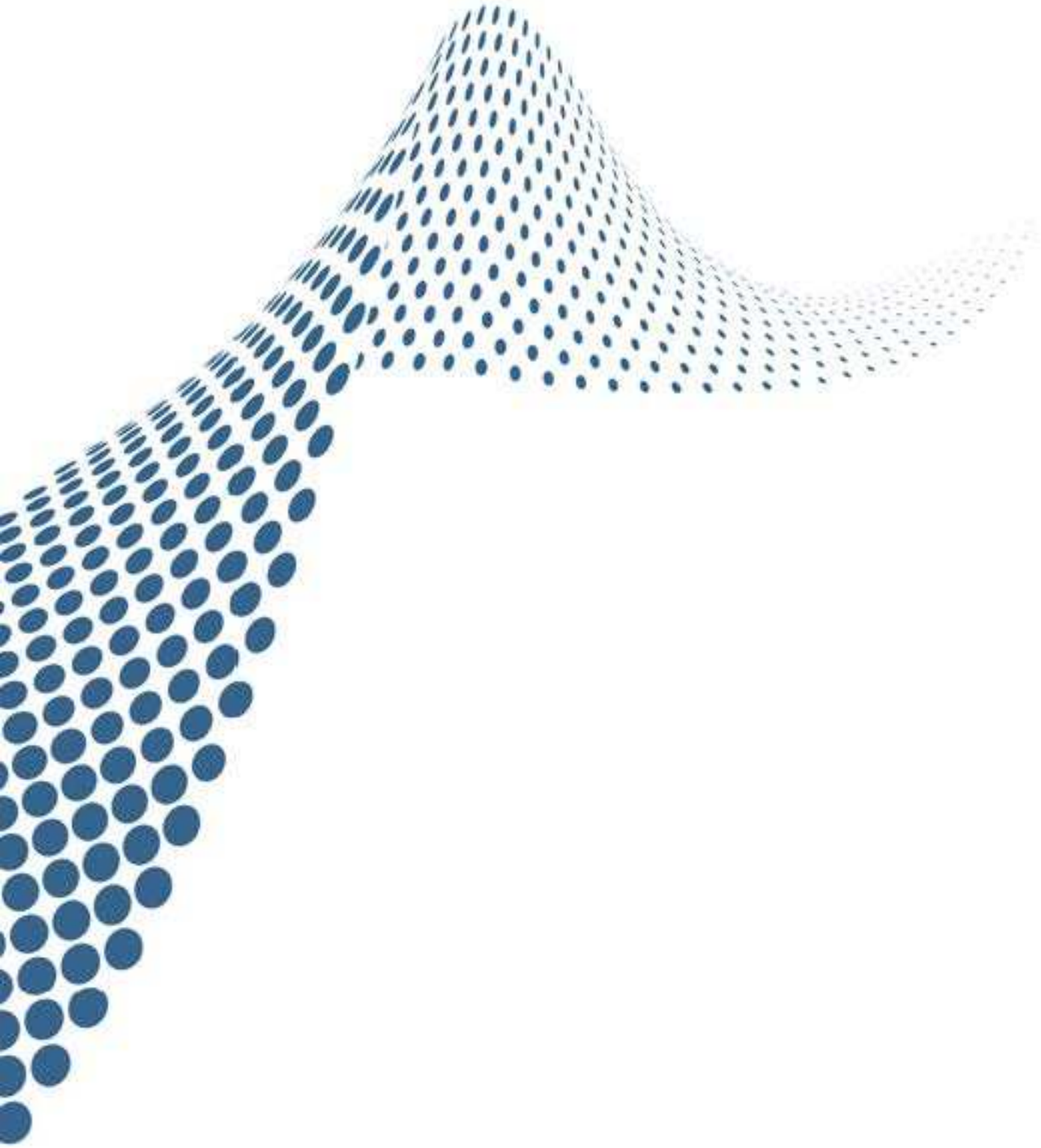
| | | Criteria of influence | | | | | | Inclusion in the scope of Group supervision | | Group solvency calculation |
|---|---|---|---|---|---|---|---|---|---|---|
| Category (mutual/ non mutual) | Supervisory Authority | % capital share | % used for the establishment of consolidated accounts | % voting rights | Other criteria | Level of influence | Proportional share used for group solvency calculation | Yes/No | Date of decision if art. 214 is applied | Method used and under method 1, treatment of the undertaking |
| C0070 | C0080 | C0180 | C0190 | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 |
| Non-mutual | ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE | 50,41% | 100,00% | 98,12% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 51,20% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE | 51,37% | 100,00% | 63,39% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE | 41,33% | 100,00% | 51,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE | 81,04% | 100,00% | 81,04% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 81,04% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 37,90% | 37,90% | 46,77% | | Significant | 37,90% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 36,47% | 36,47% | 45,00% | | Significant | 36,47% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 52,67% | 100,00% | 65,00% | | Dominant | 52,67% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 39,86% | 39,86% | 49,19% | | Significant | 39,86% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 35,46% | 35,46% | 43,75% | | Significant | 35,46% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 40,52% | 40,52% | 50,00% | | Significant | 40,52% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 40,52% | 40,52% | 50,00% | | Significant | 40,52% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 81,04% | 81,04% | 100,00% | | Dominant | 81,04% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 30,36% | 30,36% | 37,47% | | Significant | 30,36% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 23,15% | 23,15% | 28,57% | | Significant | 23,15% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 56,73% | 100,00% | 70,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 81,04% | Included into scope of group supervision | | Method 1: Adjusted equity method |

| Country | Identification code of the undertaking | Legal Name of the undertaking | Type of undertaking | Legal form |
|---|---|---|---|---|
| C0010 | C0020 | C0040 | C0050 | C0060 |
| ITALY | SC/815600E31C4E7006AB54IT0U642IT0U646 | FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE SRL | Other | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U643 | CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA SRL IN LIQUIDAZIONE | Other | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U648 | UNIPOLSAI SERVIZI CONSORTILI SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U649 | TENUTE DEL CERRO SPA - SOCIETA' AGRICOLA | Other | SOCIETA' PER AZIONI |
| ITALY | SC/815600E31C4E7006AB54IT0U650 | UNIPOLSAI SERVIZI PREVIDENZIALI SRL | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U651 | SOGEINT SOCIETA' A RESPONSABILITA' LIMITATA | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U656 | FUNIVIE DEL PICCOLO SAN BERNARDO SPA | Other | SOCIETA' PER AZIONI |
| ITALY | SC/815600E31C4E7006AB54IT0U658 | PRONTO ASSISTANCE SERVIZI SCARL | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U663 | GRUPPO UNA SPA | Other | SOCIETA' PER AZIONI |
| ITALY | SC/815600E31C4E7006AB54IT0U663IT0U719 | GOLF CLUB POGGIO DEI MEDICI SPA SOCIETA' DILETTANTISTICA SPORTIVA | Other | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U677 | ITAL H&R SRL | Other | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U679 | MARINA DI LOANO SPA | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' PER AZIONI |
| ITALY | SC/815600E31C4E7006AB54IT0U685 | MERIDIANO SECONDO SRL | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U688 | NUOVE INIZIATIVE TOSCANE - SOCIETA' A RESPONSABILITA' LIMITATA | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U688IT0U669 | CONSORZIO CASTELLO | Other | SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U694 | SOCIETA' EDILIZIA IMMOBILIARE SARDA - S.E.I.S. SOCIETA' PER AZIONI | Other | SOCIETA' PER AZIONI |
| ITALY | SC/815600E31C4E7006AB54IT0U700 | VILLA RAGIONIERI SRL | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U703 | BORSETTO SRL | Other | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U705 | SERVIZI IMMOBILIARI MARTINELLI SPA | Other | SOCIETA' PER AZIONI |
| ITALY | SC/815600E31C4E7006AB54IT0U709 | TIKAL R.E. FUND | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | OICR |

| | | Criteria of influence | | | | | | Inclusion in the scope of Group supervision | | Group solvency calculation |
|---|---|---|---|---|---|---|---|---|---|---|
| Category (mutual/ non mutual) | Supervisory Authority | % capital share | % used for the establishment of consolidated accounts | % voting rights | Other criteria | Level of influence | Proportional share used for group solvency calculation | Yes/No | Date of decision if art. 214 is applied | Method used and under method 1, treatment of the undertaking |
| C0070 | C0080 | C0180 | C0190 | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 81,04% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 81,04% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 80,96% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 81,04% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 19,08% | 19,08% | 23,55% | | Significant | 19,08% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 80,88% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 81,04% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 32,68% | 32,68% | 40,32% | | Dominant | 32,68% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 80,69% | 100,00% | 99,57% | | Dominant | 80,69% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 41,87% | 100,00% | 51,67% | | Dominant | 41,87% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 36,41% | 36,41% | 44,93% | | Significant | 36,41% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 16,21% | 16,21% | 20,00% | | Significant | 16,21% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 76,99% | 100,00% | 95,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |

| Country | Identification code of the undertaking | Legal Name of the undertaking | Type of undertaking | Legal form |
|---|---|---|---|---|
| C0010 | C0020 | C0040 | C0050 | C0060 |
| ITALY | SC/815600E31C4E7006AB54IT0U710 | ATHENS R.E. FUND | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | OICR |
| ITALY | SC/815600E31C4E7006AB54IT0U717 | ALFAEVOLUTION TECHNOLOGY SPA | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' PER AZIONI |
| ITALY | SC/815600E31C4E7006AB54IT0U718 | LEITHÀ SRL | Other | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U724 | FONDO OPPORTUNITY | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | OICR |
| ITALY | SC/815600E31C4E7006AB54IT0U728 | FONDO LANDEV | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | OICR |
| ITALY | SC/815600E31C4E7006AB54IT0U730IT0U730 | CAR SERVER SPA | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' PER AZIONI |
| ITALY | SC/815600E31C4E7006AB54IT0U730IT0U732IT0U732 | IMMOBILIARE C.S. SRL | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | SOCIETA' A RESPONSABILITA' LIMITATA |
| ITALY | SC/815600E31C4E7006AB54IT0U944 | HOTEL VILLAGGIO CITTA' DEL MARE SPA IN LIQUIDAZIONE | Other | SOCIETA' PER AZIONI |
| ITALY | LEI/815600FD1C2C2E80F866 | SIAT-SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI - PER AZIONI | Non-Life undertakings | SOCIETA' PER AZIONI |
| ITALY | LEI/N7470I7JINV7RUUH6190 | BPER BANCA SPA | Credit institutions, investment firms and financial institutions | SOCIETA' PER AZIONI |
| LUXEMBOURG | LEI/5299006HW5PIE1OFJK48 | BUTTERFLY AM SA'RL | Other | SOCIÉTÉ À RESPONSABILITÉ LIMITÉE |
| LUXEMBOURG | SC/815600E31C4E7006AB54LU0U632 | GARIBALDI SCA | Other | SOCIETE' EN ACCOMANDITE PAR ACTIONS |
| LUXEMBOURG | SC/815600E31C4E7006AB54LU0U633 | ISOLA SCA | Other | SOCIETE' EN ACCOMANDITE PAR ACTIONS |
| LUXEMBOURG | SC/815600E31C4E7006AB54LU0U634 | FINSAI INTERNATIONAL SA | Other | SOCIETE' ANONYME |
| NETHERLANDS | SC/815600E31C4E7006AB54NL0U625 | UNIPOLSAI NEDERLAND BV | Insurance holding company as defined in Art. 212 section [f] of Directive 2009/138/EC | BESLOTEN VENNOOTSCHAP |
| SERBIA | SC/635400UQ9HQGZGZ2MH31RS0U611 | DDOR RE | Reinsurance undertakings | AKCIONARSKO DRUSTVO-A.D.O. |
| SERBIA | SC/815600E31C4E7006AB54CS0U610RS0U653 | DDOR AUTO - LIMITED LIABILITY COMPANY | Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35 | DRUSTVO SA OGRANIENOM ODGOVORNOU-D.O.O. |
| SERBIA | SC/815600E31C4E7006AB54CS0U610RS0U661 | DDOR GARANT | Other | AKCIONARSKO DRUSTVO-A.D. |
| SERBIA | SC/815600E31C4E7006AB54RS0U610 | DDOR NOVI SAD | Non-Life undertakings | AKCIONARSKO DRUSTVO-A.D.O. |

| | | Criteria of influence | | | | | | Inclusion in the scope of Group supervision | | Group solvency calculation |
|---|---|---|---|---|---|---|---|---|---|---|
| Category (mutual/ non mutual) | Supervisory Authority | % capital share | % used for the establishment of consolidated accounts | % voting rights | Other criteria | Level of influence | Proportional share used for group solvency calculation | Yes/No | Date of decision if art. 214 is applied | Method used and under method 1, treatment of the undertaking |
| C0070 | C0080 | C0180 | C0190 | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 |
| Non-mutual | | 72,60% | 100,00% | 89,59% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 81,04% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 39,71% | 39,71% | 49,00% | | Significant | 39,71% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE | 76,74% | 100,00% | 94,69% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | BANCA D'ITALIA | 17,89% | 19,74% | 19,74% | | Significant | 17,89% | Included into scope of group supervision | | Method 1: Sectoral rules |
| Non-mutual | | 23,15% | 23,15% | 28,57% | | Significant | 23,15% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 25,93% | 25,93% | 32,00% | | Significant | 25,93% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 23,96% | 23,96% | 29,56% | | Significant | 23,96% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 81,04% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | NATIONAL BANK OF SERBIA | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |
| Non-mutual | | 81,04% | 81,04% | 100,00% | | Dominant | 81,04% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | | 32,42% | 32,42% | 40,00% | | Significant | 32,42% | Included into scope of group supervision | | Method 1: Adjusted equity method |
| Non-mutual | NATIONAL BANK OF SERBIA | 81,04% | 100,00% | 100,00% | | Dominant | 100,00% | Included into scope of group supervision | | Method 1: Full consolidation |



# INDEPENDENT AUDITOR'S REPORTS

**Unipol Gruppo SpA**

# *Independent Auditor's report*

*in accordance with article 47-septies, paragraph 7 of Legislative Decree 7 September 2005, n° 209 and article 5, paragraph 1, points A and B, of the IVASS Regulation n° 42 of 2 August 2018*

## *Templates "S.02.01.02 Balance sheet" and "S.23.01.22 Own funds" and related disclosures included in the Group Solvency and Financial Condition Report as at 31 December 2019*

pwc

# *Independent Auditor's Report*

*in accordance with article 47-septies, paragraph 7 of Legislative Decree 7 September 2005, n° 209 and article 5, paragraph 1, points A and B, of the IVASS Regulation n° 42 of 2 August 2018*

To the Board of Directors of
Unipol Gruppo SpA

## *Templates "S.02.01.02 Balance sheet" and "S.23.01.22 Own funds" and related disclosures included in the Group Solvency and Financial Condition Report as at 31 December 2019*

### *Opinion*

We have audited the accompanying elements to the Solvency and Financial Condition Report (the "SFCR") of Unipol Gruppo SpA and its subsidiaries (the "Unipol Group") as at 31 December 2019, prepared in accordance with article 47-septies of Legislative Decree 7 September 2005, n° 209:

- templates "S.02.01.02 Balance sheet" and "S.23.01.22 Own funds" (the "MVBS and OF Templates");
- sections "D. Valuation for solvency purposes" and "E.1. Own funds" (the "Disclosures").

Our procedures have not covered:

- the technical provisions components related to the Risk Margin (lines R0550, R0590, R0640, R0680 and R0720) of the template "S.02.01.02 Balance sheet";
- the Solvency Capital Requirement (line R0680) and the Minimum Capital Requirement (line R0610) of the template "S.23.01.22 Own funds",

that are out of scope from our opinion.

The MVBS and OF Templates and the Disclosures, with the exclusions listed above, compose the "MVBS and OF Templates and related disclosures".

In our opinion, the MVBS and OF Templates and related disclosures included in the SFCR of Unipol Group as at 31 December 2019 have been prepared, in all material respects, in accordance with the applicable EU requirements and with the Italian laws for the insurance business.

## *Basis for opinion*

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

We are independent of Unipol Gruppo SpA (the "Company") pursuant to the regulations and standards of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the templates and related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Emphasis matter - Basis of accounting, purposes and restriction of use*

We draw attention to the section "D. Valuation for solvency purposes" of the SFCR which describes the basis of accounting. The MVBS and OF Templates and related disclosures have been prepared, for solvency supervisory requirements, in accordance with the applicable EU requirements and the Italian laws for the insurance business, which compose a special purpose framework. As a result, they may not be suitable for other purposes. Our opinion is not modified with reference to this matter.

## *Other matters*

The Company has prepared the consolidated financial statements for the year ended 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree 38/2005, governing the criteria for their preparation, that had been audited by us with report issued on 7 April 2020.

The Company has prepared the template "S.25.02.22 Solvency Capital Requirement - for groups using the standard formula and partial internal model" and the related disclosures provided in section "E.2. Solvency Capital Requirement and Minimum Capital Requirement" of the accompanying SFCR in accordance with the applicable EU requirements, the Italian laws for the insurance business, the Partial Internal Model and Unipol Group's specific parameters, reviewed by us in accordance with article 5 paragraph 1 point c) of the IVASS Regulation n°42 of 2 August 2018, as a result of which today we issue a limited review report accompanying the SFCR.

## *Other matters in the SFCR*

The Management is responsible for the preparation of the other information included in the SFCR in accordance with laws governing the criteria for their preparation.

Other information included in the SFCR are:

- templates "S.05.01.02 Premiums, claims and expenses by line of business", "S.22.01.22 Impact of long term guarantees measures and transitionals", "S.25.02.22 Solvency Capital Requirement - for groups using the standard formula and partial internal model" and "S.32.01.22 Undertakings in the scope of the group";

- sections "A. Business and Performance", "B. System of governance", "C. Risk profile", "E.2. Solvency Capital Requirement and Minimum Capital Requirement", "E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement", "E.4. Differences between the standard formula and any internal model used", "E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement" and "E.6. Any other information".

Our opinion on the MVBS and OF Templates and related disclosures does not cover these other information.

With reference to the audit of the MVBS and OF Templates and related disclosures, our responsibility is to read the other information and, in doing so, consider whether the other information are materially inconsistent with the MVBS and OF Templates and related disclosures or with our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify possible inconsistencies or significant misstatements, we are required to determine whether there is a significant misstatement in the MVBS and OF Templates and related disclosures or in the other information. If, based on the work performed, we conclude that there is a significant misstatement, we have to report this matter. With reference to this, we have nothing to report.

## *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation of the MVBS and OF Templates and related disclosures in accordance with laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as Management determines is necessary to enable the preparation of the MVBS and OF Templates and related disclosures that are free from material misstatements, whether due to fraud or error.

Management is responsible for assessing Unipol Group's ability to continue as a going concern and, in preparing the MVBS and OF Templates and related disclosures, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the MVBS and OF Templates and related disclosures, Management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing, in the terms prescribed by law, Unipol Group's financial reporting process.

### *Auditor's Responsibilities for the Audit of the MVBS and OF Templates and related disclosures*

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

As part of an audit conducted in accordance with International Standards on Auditing (ISAs), we exercised our professional judgement and maintained professional skepticism throughout the audit.

Furthermore:

- we identified and assessed the risks of material misstatement of the MVBS and OF Templates and related disclosures, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit of the MVBS and OF Templates and related disclosures in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Unipol Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- we concluded on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Unipol Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the SFCR or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicated with Those Charged with Governance, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided Those Charged with Governance with a statement that we complied with the regulations and standards on ethics and independence applicable in accordance with the Code of Ethics for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board for Accountants and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Milan, 29 May 2020

PricewaterhouseCoopers SpA

*Signed by*

Antonio Dogliotti
(Partner)

***This report has been translated into the English language from the original, which was issued in Italian and in accordance with Italian law, solely for the convenience of international readers.***

**Unipol Gruppo SpA**

***Independent Auditor's review report***

*in accordance with article 47-septies, paragraph 7 of Legislative Decree 7 September 2005, n° 209 and article 5, paragraph 1, point C, of the IVASS Regulation n° 42 of 2 August 2018*

# *Template "S.25.02.22 Solvency Capital Requirement - for groups using the standard formula and partial internal model" and related disclosures included in the Solvency and Financial Condition Report as at 31 December 2019*

pwc

# *Independent Auditor's Review Report*

*in accordance with article 47-septies, paragraph 7 of Legislative Decree 7 September 2005, n° 209 and article 5, paragraph 1, point C, of the IVASS Regulation n°42 of 2 August 2018*

To the Board of Directors of
Unipol Gruppo SpA

## *Template "S.25.02.22 Solvency Capital Requirement - for groups using the standard formula and partial internal model" and related disclosures included in the Solvency and Financial Condition Report as at 31 December 2019*

### *Foreword*

We have reviewed the Template "S.25.02.22 Solvency Capital Requirement - for groups using the standard formula and partial internal model" (the "SCR and MCR Template") and related disclosures reported in section "E.2. Solvency Capital Requirement and Minimum Capital Requirement" (the "disclosures" or the "related disclosures") of the accompanying Solvency and Financial Condition Report (the "SFCR") of Unipol Gruppo SpA and its subsidiaries (the "Unipol Group") as at 31 December 2019, prepared in accordance with article 47-septies of Legislative Decree 7 September 2005, n° 209.

The SCR and MCR Template and related disclosures, have been prepared by Management in accordance with the applicable EU requirements, the Italian laws for the insurance business, the Partial Internal Model and Unipol Group's specific parameters as described in the SFCR disclosures and as approved by IVASS.

### *Responsibilities of Management*

Management is responsible for the preparation of the SCR and MCR Template and related disclosures in accordance with the applicable EU requirements, the Italian laws for the insurance business, the Partial Internal Model and Unipol Group's specific parameters as described in the SFCR disclosures and as approved by IVASS and, in the terms prescribed by law, for such internal control as Management determines is necessary to enable the preparation of the SCR and MCR Template and related disclosures that are free from material misstatement, whether due to fraud or error.

## *Auditor's Responsibilities*

Our responsibility is to express a conclusion on the SCR and MCR Template and related disclosures. We conducted our review in accordance with International Standard on Review Engagements *ISRE 2400 (Revised), Engagements to Review Historical Financial Statements. ISRE 2400 (Revised)* requires us to conclude whether anything has come to our attention that causes us to believe that the SCR and MCR Template and related disclosures, taken as a whole, are not prepared in all material respects in accordance with the applicable EU requirements, the Italian laws for the insurance business, the Partial Internal Model and Unipol Group's specific parameters as described in the SFCR disclosures and as approved by IVASS. This Standard also requires us to comply with relevant ethical requirements.

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

Therefore, in accordance with article 14 of the IVASS Regulation n° 42 of 2 August 2018, regarding information related to entities not regulated or included in any other financial sector or with registered office in an other country included in the group perimeter, our review activities were limited on testing their inclusion based on value determined in accordance with Legislative Decree 7 September 2005, n° 209, with the implementing measures and with directly applicable EU requirements.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISAs).

Accordingly, we do not express an audit opinion on these SCR and MCR Template and related disclosures.

## *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that these SCR and MCR Template and related disclosures included in the accompanying SFCR of Unipol Group for the year ended 31 December 2019, do not present fairly, in all material respects in accordance with the applicable EU requirements, the Italian laws for the insurance business, the Partial Internal Model and Unipol Group's specific parameters as described in the SFCR disclosures and as approved by IVASS.

## *Basis of accounting, purposes and restriction of use*

Without modifying our conclusion, we draw attention to the section "E.2. Solvency Capital Requirement and Minimum Capital Requirement" of the SFCR which describes the basis of preparation of the SCR and MCR Template. The SCR and MCR Template and related disclosures have been prepared, for solvency supervisory requirements, in accordance with the applicable EU requirements and the Italian laws for the insurance business, the Partial Internal Model and Unipol

Group's specific parameters as described in the SFCR disclosures and as approved by IVASS, which collectively compose a special purpose framework.

Therefore, in accordance with article 13 of the IVASS Regulation n° 42 of 2 August 2018, the approvals, waivers or other decisions taken by IVASS, including the structure of the model, were considered by us as part of the standard for our work and the SCR and MCR Template and related disclosures may not be suitable for other purposes. In particular, as per articles 46-bis and 46-ter of Legislative Decree 7 September 2005, n° 209, the model briefly described in the SFCR disclosures was approved by IVASS in carrying out its own duties and can differ from the models approved for other groups.

Milan, 29 May 2020

PricewaterhouseCoopers SpA

*Signed by*

Antonio Dogliotti
(Partner)

***This report has been translated into the English language from the original, which was issued in Italian and in accordance with Italian law, solely for the convenience of international readers.***

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