

# UnipolSai Assicurazioni **Sustainability Report**2018

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# **KEY INDICATORS**

			UnipolSa	i Group
Area		Indicator	2018*	2017
Governance		Percentage of independent BoD members according to Consolidated Law on Finance and the Code of Conduct	61%	56%
		Percentage of women on BoD	33%	33%
Financial		Direct insurance premiums (€m)	11,718	11,068
performance		Non-Life premiums (€m)	7,892	7,355
		Life premiums (€m)	3,826	3,713
		Loss ratio - net of reinsurance (Ratio between claims and premiums in direct business)	67.0%	69.2%
		Combined ratio net of reinsurance	94.3%	97.3%
		Consolidated net profit (€m)	948	537
		Value of real estate assets (€bn)	3.8	3.9
Social performance	Shareholders	Amount of class C, D debt instruments and equity securities and assets subject to environmental and social monitoring (€bn), not including UCIs, on own account	45.6	47.7
performance		Percentage of assets deemed sustainable following monitoring (not including UCIs, on own account)	98.2%	98.2%
		Total thematic and impact investments (€m)	326.3	202.8
	Employees	Total number of employees	11,935	11,529
		Permanent staff	96.3%	95.7%
		Percentage of women	53.8%	52.9%
	Customore	Percentage of women employees in a position of responsibility Number of customers and policyholders (m)	26.5%	25.8%
	Customers	Number of customers - individuals (m)	15.4 14.5	14.4
		Number of customers - legal entities (m)	0.9	0.9
		Claims settlement rate for the current year (UnipolSai Assicurazioni)	82.8%	82.1%
		Amount of products with social and environmental value (€m)	2,105	1,748
		Percentage of products with social and environmental value	28.3%	23.7%
		Customer Satisfaction Index (CSI) MV sector UnipolSai vs Market standard	91.1 (UnipolSai)	92.7 (UnipolSai) vs 92.3
		Percentage of claims channelled with direct repair services (Auto Presto&Bene)	vs 91.9 (market standard) 34%	(market standard) 31%
		Amount of fines paid to IVASS (as % of total Non-Life premiums)	0.013%	0.021%
	Agents	Number of agencies	2,753	2,778
		Number of sub-agencies	5,615	5,519
		Bancassurance branches	5,489	3,078
		Primary network agency partners in Italy	32,753	33,027
		Direct investment in Unipol Group Academy for network training (€m)	2.3	1.5
		Total number of training hours supplied by the Academy	1,171,977	688,176
	Suppliers	Total number of suppliers	5,950	5,354
		Percentage of expenditure on suppliers in the register	37%	38%
		Percentage of amount paid to Italian suppliers	97%	98%
	Community	Total amount of contributions to the community (€m)	9.1	8.2
		Contributions to the community as a percentage of pre-tax profit	0.7%	1.1%
Environmental performance		CO2 emissions - Scope 1 (tons)**	8,924	6,687
		CO2 emissions - Scope 2 (tons)**	38,937	38,643
		*4	18 reporting scope changed with	

\* the 2018 reporting scope changed with the acquisition of Arca Vita. \*\* The 2018 reporting scope with respect to the previous reporting period was extended with the inclusion of building located abroad and gas consumption for all operating offices within the reporting scope.

## **PROCEDURAL NOTE**

#### **Basis of reporting**

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

This reporting period is 01 January 2018-31 December 2018; in addition, certain information concerning events after the reporting date has been added, where significant and available. The basis of reporting covers all UnipolSai Group companies according to the criteria adopted in the Consolidated Financial Statements. For certain data, it was deemed that the scope of companies operating in Italy or those in the core financial-insurance sector was most significant, with this indicated specifically.

For ease of understanding of the Group's performance, the most important information is accompanied by a comparison with the previous year; in the cases where the expansion of the basis of reporting (linked, in 2018, to the Group's acquisition of a controlling stake in Arca Vita) renders such comparison irrelevant, a comparison is proposed between data deemed to be subject to an unchanged basis of reporting.

In some cases, in relation to specific, limited fields and for reasons associated with information availability and Financial Statements reporting dates, the figures shown are the result of estimates adopted on the basis of prior year values.

#### **Document structure**

The introduction with the procedural note is followed by the "Identity" section, which contains a summary of information useful for understanding the nature and characteristics of the Group, and the "Governance" section, which sets forth the fundamental characteristics of corporate governance, along with the control and sustainability management systems.

The economic, social and environmental performance report is structured in accordance with the issues emerging from the materiality analysis and the positioning in the matrix shown below. It also follows the most relevant scopes of analysis for the main ESG funds.

In 2016, the Group adopted a Three-Year Strategic Plan (UnipolToBe) in which the sustainability commitments are integrated with the business goals. 2018 saw the conclusion of this planning cycle and this Report thus contains the results obtained during the three-year process.

#### Data processing procedure and methods

The data collection and drafting of the document is coordinated by the Sustainability Function and involves all corporate Departments and Group companies, with the support of an inter-functional working group established some years ago within the Group.

The data necessary for compiling the performance indicators and drafting the document is collected through a dedicated information system which makes it possible to guarantee the robustness and full traceability of the data collection and consolidation process; over 160 people (data sources and approvers), from all the Group's corporate Departments, were involved through the system, each according to his or her role and competences.

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

#### The materiality matrix

The definition of the contents on which the Sustainability Report focuses is characterised by the principle of materiality, as described in the Global Reporting Initiative's "Sustainability Reporting Standards", with the objective of shedding light on issues which reflect the organisation's significant economic, environmental and social impacts or which have a major influence on the assessments and decisions of stakeholders; the material issues identified represent, on the one hand, the interests and expectations of stakeholders and, on the other, the strategic priorities of the Top Management.

The materiality analysis for the purposes of the report is a process closely linked to and influenced by the strategic planning processes; therefore, in order to ensure consistency and transparency in linking commitments/objectives with expected results, the Group believes that the materiality analysis and resulting matrix should have the same time frame as the Integrated Three-Year Plan. This report marks the end of the 2016-2018 planning cycle; the launch of the new materiality analysis and associated engagement process will coincide with the 2019-2021 Integrated Three-Year Plan.

The materiality matrix shown below is the result of a process launched with the structuring of a tree of sustainability topics of significance for the sector and the company, developed from the findings issued by the Reputational & Emerging Risk Observatory, a tool created by the Group to ensure structured listening of signs of change in the external environment through the use of the "meeting points" method.

The order of priority of the topics was defined according to two aspects: strategic importance for the Group and importance perceived by the stakeholders. The strategic importance for the Group was assessed by summarising the results of one-to-one interviews with the Senior Executives of the Unipol Gruppo and UnipolSai Central Departments and of the main insurance and banking Companies. The importance perceived by the stakeholders was determined based on the evidence gathered through listening and dialogue with the Group's stakeholders, using a process finalised in 2016 and aimed at understanding the business opportunities connected with the UN's 2030 Agenda Sustainable Development Goals (SDGs). The following groups were involved: individual customers, through CAWI (Computer Assisted Web Interviewing) questionnaires; business customers, suppliers, civil society representatives, through individual interviews; employees and agents, through local focus groups.

The following representation also shows a summary map of the interconnections between 23 material topics and the 11 significant trends that are changing society, the market and the insurance business even beyond the time frame of the Business Plan, by illustrating how the topics identified are entirely significant from a medium-term perspective and thus ensuring a more strategic dimension to the materiality matrix.

# **CONNECTION BETWEEN MATERIAL TOPICS, MACRO TRENDS AND SDGs**





The eleven trends that are significant for society, the market and the insurance business are mapped in the Emerging Trend Radar, fed with data from the Unipol Gruppo's Reputational & Emerging Risk Observatory, which monitors them constantly. As part of the Radar, topics are classified according to:

- their main nature, in relation to the four dimensions of the external environment (Social, Technological, Environmental and Political, i.e. "STEP") into which the radar is divided;
- their maturity level: in its innermost circle, the radar includes emerging issues that will become material to the sector over the time frame of the Plan, while the outermost circle includes those that will become material later.

By anticipating changes to protection needs with innovative responses, UnipolSai contributes to the achievement of the SDGs, through the creation of shared value and the promotion of progress in the economic and social conditions in its communities of operations.

#### **Dialogue with stakeholders**

Discussions and dialogue with stakeholders represent a methodological element fully integrated into the Group's processes, in line with a management approach characterised by Sustainability; this makes it possible to consider, weigh up and assess the legitimate expectations of the various categories of stakeholders within the company's strategies. The effective and constructive relationship with stakeholders bolsters UnipolSai's capacity for understanding and meeting needs, improving its service capacity and making its operations accessible and transparent. The following table illustrates the many stakeholders with whom the Group has dealings in carrying out its functions, highlighting the intensity of relations and the capacity to influence and/or condition activities.

#### LISTENING/ENGAGEMENT

Stakeholders	Channels	() Issues
EMPLOYEES	Focus	Construction of the materiality matrix and questionnaires
	Shareholders' meetings and trade union meetings	Regulatory, economic and support conditions
	Survey	Corporate welfare
	Intranet Community Platform	Training, Services and Utility
	Annual survey based on the Rep Trak® model	Reputation
SHAREHOLDERS	Shareholders' meetings	Performance and trends
	Periodic reporting	Performance and trends
	Website and social media	Performance and trends
CUSTOMERS	Individual interviews and Surveys Focus Group with trade associations	Construction of the materiality matrix
	Periodic Customer Satisfaction Index surveys	Definition of product characteristics Listening and customer satisfaction levels
	Net Promoter Score	Customer experience assessment
	Website and social media	Products and services mix
	Annual survey based on the Rep Trak® model	Reputation
AGENTS	Meetings with the Agent Groups chairmen Operations working groups Technical Committees Agent Groups	Strategic objectives and improvement of decision-making processes Product development Business initiatives
	Focus Group	Construction of the materiality matrix
	Business Roadshow	Results and Objectives Action Plan Business reliability
	Network satisfaction monitoring survey	Satisfaction and loyalty
	Annual survey based on the Rep Trak® model	Reputation
SUPPLIERS	Individual interviews and Surveys	Construction of the materiality matrix
AND BUSINESS	Partnerships	Research and Innovation
PARTNERS	Suppliers portal	Management, Selection, Periodic Assessment and Monitoring
COMMUNITY	Individual interviews with NGOs	Construction of the materiality matrix
	Interviews with interest protection associations	Construction of the materiality matrix
	Partnerships with universities	Recruitment, Research and Innovation
	Annual survey based on the Rep Trak® model	Reputation
	Meetings with Investors	Strategy and Performance
FINANCIAL	Questionnaires to SRI rating agencies	Sustainability Strategy and Performance
COMMUNITY	Meetings with sector associations	Sector issues
	Annual survey based on the Rep Trak® model	Reputation
	"Derris" project	Public-private partnership on damage from climate change
INSTITUTIONS	"Welfare, Italia" project	Advocacy on White Economy apportunities
	Issue-specific meetings with the legislator and regulators	Advocacy on White Economy opportunities Legislation and Regulations
	Annual survey based on the Rep Trak® model	Reputation
		Neputation

The attention paid to the problems, interests, concerns and expectations of the stakeholders also helps in identifying and constructing a full understanding of the Group's impact on SDGs for which particular stakeholder categories provide information that inspires an understanding of the development opportunities which may be grasped in contributing to the achievement of the Agenda 2030 objectives.

Some of the structural and quantitative stakeholder engagement processes include RepTrack<sup>1</sup> and the NetPromoterScore<sup>2</sup>; as regards the qualitative aspects, the Unipol Regional Councils (Consigli Regionali Unipol, CRU), composed of representative and Third Sector organisations, have become venues for stakeholder engagement where, in addition to listening and dialogue concerning insurance needs, projects are developed for the creation of shared value within the local area. One of these projects, promoted with the Municipality of Naples, entailed the reclassification of an asset confiscated from the Mafia and its subsequent sending to a vocational training school for migrants.

#### Managing reputation

UnipolSai considers reputation a precious capital that supports the achievement of its objectives, and, since 2014, has adopted a framework structured around the management of its corporate reputation. The framework monitors both the construction of reputational capital, through the management of communication, and its protection, through the prevention and management of reputational risk.

The proactive management of reputation and reputational risks is guaranteed by a suitable organisational model, composed of dedicated bodies and processes involving the various company functions. In particular, a reputational task force has been set up - an accountability body that defines the objectives, monitors the KPIs, arranges the internal reporting and coordination of the action plans, and manages reputational crises.

The awareness raising and organisational structure process regarding reputation management that the Group is implementing seeks to ensure the full integration of the reputational asset within strategic planning and long-term investment processes.

The Reptrack® index scorecard, structured into seven dimensions (Governance, Workplace, Innovation, Products and Services, Performance, Leadership, Citizenship) which help to define the reputation of an organisation, is used as a metric for the listening initiatives aimed at monitoring the Group's reputation with key stakeholders (public opinion, customers, employees, agents, the financial community, opinion makers, institutions), and as a filter for the classification and analysis of media content (off and online).



For detailed information, refer to the "Our Identity-Reputation Management" section on the Unipol Gruppo website

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

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

## **IDENTITY**

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

The insurance sector, in addition to UnipolSai Assicurazioni S.p.A – which is the main insurance company, includes UniSalute, specialized in Health care, Linear, a direct company (Internet and call centre) and Siat, active in the Transport branches, with corporate customers mainly channelled by brokers. In 2018 Arca Vita S.p.A joined the UnipolSai Group scope, as it was purchased by the subsidiary UnipolSai Assicurazioni from Unipol Gruppo S.p.A. (63.39% of the share capital). The 2018 reporting scope therefore changed.

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

In March 2018, the Board of Directors of the UnipolSai Group and, subsequently, all its subsidiaries, approved the Sustainability Policy, which translates the Core Values expressed in the Charter of Values and laid down in the Code of Ethics into specific commitments.

The Sustainability Policy uses the Sustainable Development Goals<sup>3</sup> (SDGs) of the UN 2030 Agenda and the principles of the Global Compact<sup>4</sup> as a reference, and formalises principles, styles of conduct and corporate culture objectives, ensuring their weighting in the corporate processes. Through the Sustainability Policy, the Group undertakes to comply with the following:

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

The Sustainability Policy also stipulates that ESG components shall also be identified and managed in the main insurance business policies (risks, assumption, investment). The adjustment process will be completed by the end of 2019.

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

<sup>&</sup>lt;sup>4</sup> United Nations initiative launched in 2000 to encourage companies all over the world to adopt sustainable policies and make their results public. In detail, the Global Compact requires participating businesses and organisations to share, support and apply within their sphere of influence a set of fundamental principles regarding human rights, labour standards, environmental protection and the fight against corruption.

In consideration of the impact that the Group has on the 17 Goals, duly analysed with the application of the SDGs Compass model, these four Goals were identified as those on which the Group's activities have the most positive impact and the most potential for contributing to their achievement in the country.



Goal 3: Ensure healthy lives and promote wellbeing for all at all ages.



Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable.





Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



**Goal 13:** Take urgent action to combat climate change and its impacts. For the first time, the 2016-2018 Plan saw the assumption of non-financial indicators, including sustainability indicators, identified quantitatively and carefully monitored periodically.

#### UnipolToBe Results and Objectives

	2018 Actual	2018 Plan Targets
Innovative and distinctive offer		
New MV customers	+124k	+ 500k
AP&B Claims routing	34%	40%
Premiums financed by Finitalia	€1,043 m	~€1bn
Percentage of Black Boxes on the MV portfolio	41%	~ 45%
Household penetration of welfare coverage	10.7%	10,0%
Percentage of products of social and environmental value	22.7%	22%
Simplified customer and agent experience		
Agent sentiment indicator in line with the market	3.15 vs 3.29 mkt	>mkt
Customer Satisfaction Index	91.1 vs91.9 mkt	>mkt
More effective physical distribution		
Number of SME Specialist Business Consultants	501	~ 450
Excellence of the operating mechanism		
IT investments	€176m	~€150m
Percentage of "ambassadors" among employees	32.5%	25%
Csr Policy		
Achievement of a "solid" reputation index	69.0	70
CO2 emissions per employee (calculated on the 19 buildings subject to ISO certification)	2.23 tonnes $CO_2$	$2,08$ tonnes $CO_2$
Inclusion in the main SRI indices	1	2

Actions which contributed to the achievement of the targets of the Group Business Plan have a positive impact on the 2030 Agenda. Some of the most important measures include: *Unipol per il clima* (Unipol for the climate) and the DERRIS (DisastEr Risk Reduction InSurance) project funded through the European Life fund and concluded in 2018; *Unipol per il sociale* (Unipol for social matters), which led to the definition of an offer of dedicated solutions providing a response to the specific needs of the non-profit sector; extension of certification to the Welfare range in accordance with *I valori del prodotto Vita* (The values of Life products) standard; the development, consolidation and enhancement of activities carried out with respect to socially responsible financing, through compliance with the Principles of Responsible Investment (PRI).





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

## GOVERNANCE

#### Corporate Governance system



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



\*Director co-opted by the board of Directors on 0 May 2017 to replace the outgoing Savactor e Latina and appointed by the Ordinary Shareholders' Meeting of 27 April 2018. (1) Indicates whether the Director has been classified by the Board of Directors as independent in accordance with the criteria laid out by the Corporate Governance Code and at the same time meets the requirements established by Art. 148, paragraph 3 of the Consolidated Law on Finance.

(a) Directors excluded, with reference to 2018, from the group of independent directors as they sit in the administrative bodies of the direct controlling company Unipol Gruppo S.p.A. in accordance with Art. 16 of CONSOB Market Regulation.



#### Board of Directors - Breakdown by gender (b)

#### Strategic planning

Insurance and/or banking and/or financial and/or real estate business Trends in the economic/financial system and in the sector Sector legislation and regulations and corporate governance Accounting disclosure, financial and/or actuarial reporting systems Internal control and risk management

Company management and remuneration

Sustainability and ESG factors



#### Board of Directors - Breakdown by age (b)



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

Board of Directors		9 (93%)
Chairman's Committee	1 (100%)	
Appointments and Corporate Governance Committee	5 (100%)	
Remuneration Committee	2 (97%)	
Control and Risk Committee		9 (100%)
Committee for Related Party Transactions		10 (97%)

(b) Referring to the Board of Directors in office as of 27 April 2016, also taking into account co-opted appointments during 2017 (c) Referring to all of 2018

#### The Internal Control and Risk Management System

The Internal Control and Risk Management System (hereinafter, the "System") is a fundamental component of the overall corporate governance system. This System is defined in the SCI (Internal Control System) Directives, approved by the Unipol Board of Directors in December 2008 and subsequently subject to periodic updating<sup>5</sup>.

The following diagram provides an example of the Risk and Control Governance model and a description of the roles and responsibilities of the parties involved in the System.

#### **Risk and Control Governance Model**



Within the framework of the corporate governance system, the Parent Company equips the Group with an Internal Control and Risk Management System suitable for the structure, the business model and the nature, scope and complexity of the risks, both current and potential, pertaining to the activities of the Group and the Companies which comprise it. This enables the sound and prudent management of the Group and takes into account the interests of the Companies which form part of it. This System is composed of a set of strategies, rules, procedures and organisational structures aimed at ensuring the correct functioning and performance of the individual companies and the Group, while ensuring that the risks to which the companies and Group are exposed remain at a level in line with the available financial resources.

In general, the company bodies and top management of the Group Companies promote the dissemination of a control culture which makes staff at all levels aware of their role, including with reference to control activities, and facilitates the involvement of all corporate structures in the pursuit of the company's objectives and the creation of value.

<sup>&</sup>lt;sup>5</sup> The latest update of the SCI Directives was approved in the board meeting on 21 December 2017. The next update, aimed chiefly at reflecting the final choices of the Unipol Gruppo concerning corporate governance and, in particular, the Internal Control and Risk Management System, in consideration of the new regulatory framework introduced in IVASS Regulation no. 38 of 03 July 2018 laying down provisions regarding the corporate governance system, is scheduled for the first half of 2019.

The **Board of Directors**, having consulted the Control and Risk Committee, defines the guidelines for the Internal Control and Risk Management System. It also assesses, at least once a year, the adequacy of the Internal Control and Risk Management System from both a current and future perspective, with regard to the characteristics of the Parent Company, the Group and the defined propensity to risk, as well as its effectiveness and capacity to grasp changes to corporate risks and the interactions between them.

The **Board of Statutory Auditors** is responsible for monitoring the completeness, functionality and adequacy of the organisational, administrative and accounting structure adopted and the overall Internal Control and Risk Management System and is required to ascertain the adequacy of all the functions involved in that system.

The **Control and Risk Committee** performs, for the Board of Directors, propositional, advisory, investigative and support activities regarding the assessments and resolutions to be issued by the Administrative Body in reference mainly to the Internal Control and Risk Management System.

The **Supervisory Body** ("SB") is responsible for monitoring the functioning and updating of the Organisation, Management and Control Model ("OMM"), which is a structured, across-the-board system for prevention, dissuasion and control, designed to instil in persons (directors, senior executives, employees and partners) working directly or indirectly in sensitive activities, the awareness that unlawful conduct might trigger sanctions not only for themselves, but also for the Companies within the Unipol Gruppo (see indepth analysis hereunder).

The **Director in charge** of the Internal Control and Risk Management System handles the identification of the main corporate risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, subjecting them to periodic assessment by the Board of Directors; he or she also implements the guidelines defined by the Board of Directors, assuming responsibility for the planning, execution and management of the Internal Control and Risk Management System, and continuously ensures its adequacy and effectiveness.

The **Top Management** supports the Appointed Director in planning and implementing the Internal Control and Risk Management System, including for risks arising from non-compliance with standards, in accordance with the risk governance directives and policies defined by the Administrative Body.

The **Board Committees** are established within the Board of Directors with advisory and propositional functions and play a role within the Internal Control and Risk Management System with particular regard to relations with the Audit, Risk Management, Compliance and Anti-Money Laundering and Actuarial Functions.

The Control System assigns suitable positioning to the organisational structure functions, in order to guarantee, through consistent structuring, the separation of roles in the conducting of process activities. Within the Parent Company and the regulated companies<sup>6</sup>, this is structured across several levels.

The <u>line controls (so-called "first-level controls"</u>), aimed at ensuring transactions are carried out correctly, are performed by the same operating structures (e.g. hierarchical, systematic and sample controls), also through different units which report to the managers of the operating structures, or carried out as part of back office activities; as far as possible, they are incorporated into IT procedures. The operating structures are the primary bodies responsible for the risk management process and must ensure compliance with the procedures adopted for implementing the process and adherence to the established risk tolerance level.

The <u>risk and compliance controls (so-called "second-level controls"</u>) aim to ensure, among other things, the correct implementation of the risk management process, the completion of the tasks assigned to them by the risk management process, compliance with operating limits assigned to the various functions, compliance of the corporate operations with regulations, and the reliability and adequacy of the calculation of the Solvency II technical provisions. The departments responsible for these controls are separate from the operating functions; they help define the risk governance policies and the risk management policy.

The <u>internal review (so-called "third-level controls"</u>) entails verification of the completeness, functionality, adequacy and reliability of the Internal Control and Risk Management System (including the first- and second-level controls) and that business operations comply with the System.

The **Key Functions** (Audit, Risk Management, Compliance and Actuarial), responsible for the second and third level controls, are separated from each other from an organisational perspective, report directly to the Board of Directors and operate under the coordination of the Appointed Director.

<sup>&</sup>lt;sup>6</sup> Companies subject to supervision.

The Key Functions are envisaged at Group level and within the Group's regulated companies in proportion to the nature, scope and complexity of the risks inherent in the business activities, according to an organisational model, described in the SCI Directives, which guarantees their efficiency, reliability, autonomy and independence of judgement, including in cases of outsourcing.

The Parent Company, through its Key Functions or by relying on corporate structures established for the purpose, shall guarantee the conducting of the risk control and integrated management activities, including with reference to non-regulated Companies, according to a risk-based approach, in order to ensure implementation of the strategies and policies adopted, and verify observance thereof.

In addition to the task of carrying out activities within their remit for Unipol, the Key Functions established at the Parent Company are also responsible for guiding and coordinating the Subsidiaries.

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

The duties and responsibilities of the Audit Function are defined and formalised in the "Audit Function Regulations" document, appended to the SCI Directives.

Some of the Function's duties include:

- process audits (insurance, operations, financial, IT and banking);
- preparing the reports called for by the legislation and conducting the activities connected with them;
- audits of insurance agencies, bank branches, financial promoters and liquidation services;
- investigation of internal fraud by employees, trustees and persons belonging to the sales networks;
- cooperation with the Control and Risk Committee, Independent auditors, Board of Statutory Auditors and Supervisory Body, pursuant to Italian Legislative Decree 231/2001.

In compliance with international standards, the Audit Function checks, on an ongoing basis and based on specific needs, the functioning and suitability of the Internal Control and Risk Management System, through an audit plan approved by the Board of Directors, based on a structured process that analyses and prioritises the main risks.

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

Within the framework of the risk management system, the Risk Management Function is responsible for identifying, measuring, assessing and continuously monitoring the current and prospective risks to which the Group is or may be exposed at individual and aggregate level, along with the associated interdependences.

In exercising its role, the Risk Management Function is responsible for the development, implementation and maintenance of risk measurement and control systems. The definition and use of instruments to measure the capital needed to address the identified risks is of particular importance.

The Risk Management Function, jointly with the other control departments, provides support to cultivate and reinforce the culture of risk within the Group in order to make personnel at all levels aware of their roles, also with respect to control activities, and favour the full involvement of all company departments in the pursuit of Group objectives. 2018 saw 6,700 Unipol Gruppo employees attend face-to-face and remote learning courses on Risk Management, with a total of 6,880 participations.

The Risk Management Function is also home to the Reputational & Emerging **Risks Observatory**, which involves the main support functions for managing such risks, combined in a special Technical Panel, and the Business Departments. As regards the reputational risk in particular, the mapping activity, conducted on the basis of the analysis of internal and external drivers, entailed the identification of 52 basic risk scenarios, deriving from past experience or plans in place, which were enhanced with 10 "what if" scenarios, or risk/opportunity scenarios that can be useful for strategic purposes.

The **Compliance and Anti-Money Laundering** Function is responsible for assessing, according to a risk-based approach, the adequacy of the procedures, processes, policies and internal organisation, in order to prevent the risk of non-compliance, defined as the risk of incurring judicial or administrative sanctions, financial losses or damage to reputation as a consequence of breaches of mandatory requirements (laws, regulations, Supervisory Authorities measures) and self-regulation rules (e.g. by-laws, codes of conduct, corporate governance codes, internal policies and corporate communication documents).

The Compliance Function operates through:

- constantly identifying applicable legal regulations and the evaluation of their impact on company's processes and procedures;
- assessing the adequacy and effectiveness of the measures adopted by the Company to prevent non-compliance risk, and
  recommending the implementation of organisational and procedural changes aimed at ensuring such risk is effectively
  monitored;
- assessing the adequacy of organisational adjustments (i.e. to structures, processes, procedures) deriving from the suggested changes;

• arranging information flows addressed to the bodies and structures involved.

With reference to Anti-Money Laundering and Terrorism Prevention, the Function is responsible for the application of the Anti-Money Laundering Regulations laid down in Italian Legislative Decree 231/2007, as subsequently amended and supplemented (the "Decree"), which is implemented within the Unipol Gruppo for insurance companies operating in the Life insurance sector, and for companies in the banking and asset management segment. The anti-money laundering activities aim to ensure proper compliance with the Decree as regards customer due diligence obligations, storage and reporting obligations and personnel training.

The **Actuarial** Function is tasked with coordinating the calculation of the technical provisions, assessing the adequacy of the methods, models and hypotheses on which the calculation is based and evaluating the sufficiency and quality of the data used. The Function gives an opinion on the global risk underwriting policy and on the adequacy of the reinsurance agreements and makes a contribution to the risk management system, including with reference to the modelling underlying the calculation of the capital requirement.

The **Manager in charge** of financial reporting is given the responsibility for certifying that the Company's deeds and notifications disseminated on the market and concerning accounting information, including interim documents, match the accounting documentation, books and records. The Manager in charge of financial reporting manages risks of non-compliance with the financial statements preparation requirements as for the administrative/accounting procedures and the associated key controls.

#### Monitoring of social, environmental and governance risks

In accordance with the Sustainability Policy, an inter-functional ESG Risks Panel has been established, with the objective of identifying potential risks of a social, environmental and governance nature to which the Group is exposed, mapping the oversights intended to manage such risks and suggesting possible improvement measures.

In 2018, the Panel updated the mapping of ESG risks and the associated oversights, including through verification of the progress of the previously identified improvement measures.

The monitoring of the ESG risks is assured, firstly, by the Group's corporate governance system, and in particular by verification of satisfaction of the requirements of competence and integrity by persons who carry out administration, direction and control duties, and by the presence of an adequate internal regulatory framework – composed of the Group's policies and the associated operating procedures – which formally governs the management procedures in the specific fields, a properly structured and formalised system of delegations and powers, and effective information flows, above all to corporate and control bodies.

At organisational structure level, the management of ESG risks is assured by an adequate and transparent separation of responsibilities between the functions of which it is composed and the presence of dedicated structures that oversee, on a crosscutting basis for the entire Group, specific issues of particular regulatory relevance (e.g. privacy, anti-money laundering and terrorism prevention, transparency and anti-usury, Italian Legislative Decree 231/01, complaints, health and safety) or provide support to the business functions in specific fields (e.g. Legal, Communication, Marketing).

Within the line structure are specific operating controls for the various corporate processes (e.g. hierarchical controls, authorisation levels, monitoring systems, blocks within the information systems, criteria for the selection of partners and suppliers).

The second-level functions constantly check the adequacy of the controls system that monitors risks generated by the company's activities, each for the matters within its remit.

In particular, the Risk Management Function conducts an annual assessment activity aimed at identifying and quantitatively assessing the operating risks generated as part of the main company processes and evaluates the Group's risk profile and its capital adequacy, by ensuring coordination of the activities conducted by the various company structures linked with risk management.

The Compliance Function carries out *ex ante* checks, with the objective of supporting the Top Management in its adjustment activities with respect to new products, projects, regulatory processes, and *ex post* checks, with the goal of representing the level of compliance of the procedures, processes, policies and internal organisation of the individual Companies and the Group with the applicable regulations and to assess the risk of non-compliance.

The Audit Function conducts "third-level" controls on the management processes, based on a risk-based plan which makes it possible to guarantee adequate verification of the processes considered most significant in terms of degree of risk. In carrying out this assessment, the Function takes a number of elements into account, including the findings of the previous verification activities (both those it has conducted itself and those carried out by other control Functions) and the regulatory and contextual developments, including the ESG risk scenarios.

The Audit Function also conducts audits of the sales and settlement networks of the Group Companies, in order to check compliance with internal and external regulations by the parties operating in such networks, and audits aimed at determining whether any serious irregularities and/or fraud has been committed by employees, trustees or persons belonging to the networks.

In carrying out their activities, the Functions have adopted an approach connected with the mapping and assessment of processes, risks and controls, which makes it possible to share the information assets produced and ensure centralised identification and monitoring of the improvement measures submitted to the management, in order to increase the effectiveness of the controls system.



For a detailed analysis illustrating the main risks connected with social, environmental and governance issues of significance for the UnipolSai Group and a summary of the main regulatory and organisational oversights which govern its management procedures, refer to the "The internal controls and risk management system" section in the Integrated Financial Statements of the Unipol Gruppo, available on the unipol.it website.



parties participating in the Company's internal control and risk management system are listed here: The www.unipolsai.com/it/Governance/sistema-di-corporate-governance/Pagine/Sistema-dei-controlli-interni-e-di-gestione-deirischi.aspx.

For further details of the UnipolSai Assicurazioni Internal Control and Risk Management System, similar to that of the Parent, please refer to the Annual Integrated Report in the Consolidated Financial Statements of Unipol Gruppo.

For detailed information on the Group's responses to macrotrends, please refer to the Annual Integrated Report available in the Consolidated Financial Statements of Unipol Gruppo and in the "Governance-Internal Control System-Risk Management" section of the Unipol Gruppo's website. For further details on the structure of this system and on the main events in the current year, please refer to what is specified in the dedicated section in the Annual Report on Corporate Governance, which may be downloaded here:

www.unipolsai.com/it/Governance/sistema-di-corporate-governance/Pagine/relazione-annuale.aspx

#### Main new Governance aspects

During 2018, Procedures, Policies and Guidelines were renewed that make provision for the reinforcement of the Governance structures of the Unipol Gruppo Companies with effects on the subsidiary UnipolSai. In particular, the Board of Directors of Unipol Gruppo Finanziario approved:

- The "Data Quality Management Policy", which aims to lay down guidelines on the management of company data within the Group in accordance with the Data Governance Standard, which defines the method for the governance of data throughout their life cycle.
- The Policy for the calculation and monitoring of the financial lever, which has the goal of identifying the roles, responsibilities, • operating and reporting processes for the identification, management and monitoring of the risk of an excessive financial lever.
- The conflicts of interest management policy Insurance segment, which defines the general organisational and administrative requirements for the identification and management of conflicts of interest by UnipolSai Group companies as part of insurance distribution, including direct sales, the production and performance of insurance policies, and financial management.
- The product governance and control policy Non-Life and Life Businesses, which lays down, in accordance with the IDD Directive, guidelines on oversights concerning the governance and control of individual and collective insurance products from the design phase until placing on the market, with provision for ongoing monitoring for its full lifetime - for the Group's insurance companies.
- Procedure for reporting breaches which governs the internal system adopted by the Group to enable its Personnel to report • deeds or facts which may constitute a breach of the rules governing the activities conducted by the Companies (whistleblowing). It should be noted that, where an anonymous report is found to be both accurate and serious, the said report will, in any event, be managed by the competent company functions. Moreover, for Companies which have adopted the organisation, management and control model ("OMM") provided for in Italian Legislative Decree 231 of 08 June 2001 ("Decree 231/01"), the approval and revision of the whistleblowing procedure is included within the OMM, pursuant to the provisions of article 6, paragraph 2-bis of Decree 231/01, as amended by Italian Law no. 179 of 30 November 2017.

#### Organisation and Management Model, pursuant to Italian Legislative Decree 231/2001

The UnipolSai Assicurazioni OMM, updated through a resolution of the Board of Directors on 27 September 2018, is composed of a General Part and 14 Special Parts, each dedicated to a category of offences theoretically conceivable within the business context of the Company. The update was carried out in order to adopt the new, recently introduced legislation, and also with the goal of providing an overall review of the document to ensure standardised implementation of the OMM within the Group and to ensure internal coherence between the General and Special sections.

In particular, the UnipolSai OMM has been updated to adopt the new, recently introduced legislation, including the introduction onto the list of offences laid down in Italian Legislative Decree 231/2001 of "Illicit brokering and exploitation of labour" and "Incitement to corruption among private individuals"; amendments to the legislation concerning the offence of "Money Laundering", concerning parties called upon to satisfy relevant requirements and such requirements themselves; amendments to the offence of "Employment of illegally staying third-country nationals"; the introduction of whistleblowing through Italian Law 179/2017, laying down "Provisions to protect whistleblowers who report offences or irregularities of which they become aware within the context of a public and private employment relationship".

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

1) Offences against Public Administration.	6) Negligent homicide or actual or serious bodily harm committed in violation of occupational health and safety regulations.	11) Copyright offences.
2) Corporate offences.	7) Crimes of counterfeiting money.	12) Employment of third country citizens without a regular permit.
3) Administrative crimes and offences relating to insider dealing, market abuse and market manipulation.	8) Organised crime and transnational offences.	13) Incitement to not give statements or provide false statements to judicial authorities.
4) Crimes of receiving stolen goods, money laundering, self-laundering and crimes for the purposes of terrorism or subversion of the democratic order.	9) Environmental offences.	14) Unlawful intermediation and job exploitation.
5) Cyber-crimes.	10) Crimes against trade and industry.	

The Model is disseminated among employees through the company intranet site with the creation of web pages, constantly updated, the content of which essentially concerns:

- General information concerning Italian Legislative Decree 231/2001, accompanied by answers to the most frequently asked questions (FAQ) in relation to the legislation in question;
- The structure and main operating provisions of the OMM adopted by the Unipol Gruppo.

The adoption of the Model and the associated topics are communicated to employees at the time of the said adoption or update through corporate communication supplied by e-mail (or a similar electronic instrument) to all employees in the workforce by the competent structure.

In addition, employees have been provided with a web training module on updates to the OMMs of Companies belonging to the Group implemented between 2017 and 2018 (for a report on the attendance of the course by employees and executives, refer to the "Combating corruption" section).

To guarantee the effective implementation of the OMM, acknowledgement thereof is requested from agents - in 32% of cases, this was received.

With regard to suppliers, contracts contain a clause which requires the supplier to comply with the OMM; refusal to do so will result in termination of the contract. As regards suppliers on the Register, who make up 37% of the total, their acknowledgement of the OMM is certified.



For more information on the OMM, please refer to the Corporate Governance section of the UnipolSai Company website: www.unipolsai.com/it/Governance/sistema-di-corporate-governance/Pagine/Modello-di-Organizzazione,-Gestione-e-Controllo-(MOG).aspx

#### **Combating corruption**

As part of the detailed analysis of the risk areas relevant for the purposes of Italian Legislative Decree 231/2001, the corporate processes were analysed and assessed in relation to the risk of corruption.

The analysis covered **all the processes mapped** for the UnipolSai Group's insurance companies.

Using UnipolSai Assicurazioni as a reference, 143 processes were analysed, of which 28% (40 processes) were considered sensitive to the risk of corruption. The activities most exposed to the risk of corruption are as follows: management of property inspections by Public Officials with control functions, management of inspections by the Supervisory Authorities, management of tender procedures and awards concerning purchases or assignments in the real estate sector, management of tender procedures with Public Bodies for insurance services, management of donations, sponsorships and consultancy. For these activities, further specific control oversights are envisaged.

The OMM makes provision for oversights and control instruments implemented to combat corruption in Special Part 1, with reference to the offences considered in the criminal code, and in Special Part 2, with reference to the offence of corruption among private individuals stipulated in the civil code.

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

- the training of associates by Department Heads in contact with the Public Administration and the tracking of information flows to it;
- the assignment of representation duties to external parties through formal appointments;
- the inclusion in contracts with partners of specific declarations by them concerning their knowledge of Italian Legislative Decree 231/2001 and their commitment to adhere to it.

As regards corruption among private individuals, it is forbidden, in particular, to offer, promise, give or pay any sum of money, other benefit, advantage or thing of value to Directors, General Managers, Managers responsible for preparing the company's financial reports, Auditors and Liquidators of private companies or to individuals subject to their direction or supervision, for the purpose of inciting such parties to commit acts in breach of the obligations inherent in their office.

The specific principles of conduct for preventing the commission of each type of crime are also laid out in detail.

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

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



Source: Chief Academy Officer UnipolSai

2018 figures for Italy

In total, 70% of employees subject to the obligation have been specifically trained on anti-corruption policies and procedures.<sup>7</sup>

In 2018, UnipolSai and its subsidiaries did not incur costs for sanctions pursuant to Italian Legislative Decree 231/2001 in relation to corruption offences.

<sup>&</sup>lt;sup>7</sup>Due to the change to the data reporting procedure, in compliance with the Supervisory Body, the figure indicated cannot be compared with that from the previous year.

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

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

The Company has prepared a training course on these matters, with the objective of supporting anyone who directly manages customers in obligations arising from the regulatory provisions and in the management of company applications. As with combating corruption, the anti-money laundering and combating the financing of terrorism training also included face-to-face in-depth sessions for some of the corporate areas most affected by the Regulation, as well as for the top management and the first line managers of certain companies. During 2018, the overall attendance rate of the "Anti-Money Laundering" course was 79% (in Italy, the percentage of coverage is 80%, with peaks of 87% for the officers category and 85% for call centre employees; abroad, coverage was 71% of the total).

Under the coordination of the Parent Company, the Unipol Gruppo Companies operating in the Life insurance branches conducted an initial self-assessment to estimate the level of exposure to the risk of money laundering and the financing of terrorism, and to assess the robustness of the relevant oversights, as requested in the Letter to the Market issued by IVASS on 05 June 2017. The process led to a residual risk assessment of "Non-significant", in consideration of:

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

IVASS, through the Letter to the Market dated 02 October 2018, asked insurance companies operating in the Life insurance branches to conduct, with reference to 2017, a second self-assessment process, taking into account the methodology indicated by the said Supervisory Authority. For insurance groups, the Italian Parent Company is required to coordinate the exercise carried out by each of the Companies that belong to the Group and provide an account of the results of the exercise for the individual entities, by assessing the relevance of the residual risks for the entire group.

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

The controls adopted by the Group prove adequate and useful for mitigating the risk, and effective in preventing its involvement in money-laundering. In addition, the risk awareness level of the personnel involved is suitable.

#### Responsible management of digital data

Companies such as UnipolSai which promote technological development are responsible for adopting a Corporate Digital Responsibility (CDR) approach characterised by the integration of ethical considerations into the workplace, at both individual and company level. Although the speed of the change makes it difficult to determine which type of actions will certainly lead to positive results, as an employer, UnipolSai has initiated reflection on the dimensions of emerging responsibilities, in order to show the way towards an inclusive and sustainable working future. In order to provide successful support to the digital transformation underway, UnipolSai is investing in the construction of an internal CDR culture by applying the following approach:

Digitilisation - To ensure the inclusion and well-being of employees			
Flexible work places/hours	Digital adoption: acceptable and responsible rate of adoption of technology		
Virtual teams and online platform	Digital well-being: work/life balance and health in the digital world		
Agile and democratic teams	Digital inclusion: access to digital technology by various groups (diversity, age, etc.)		
Focus output and personalisation	Digital capability: equipping employees with adequate skills and mentality		
Data - To promote privacy and the commitment of employees			
New data	Transparency: to ensure workers understand how data are collected and used		
New collection procedures	Privacy: to enable employees to have better control over their data		
Automation and artificial intelligence: to keep people at the heart of company transformation			
To change business forecasts	Empowerment strategies: to bring out unexploited human potential		
Automation of routine activities	Transitions of the labour force: to support the transition of workers to new tasks/activities		
New skills and duties	Cooperation between man and machine: to empower employees to work with artificial		
	intelligence, etc.		

With regard to external stakeholders, in particular customers, the UnipolSai approach, governed by policies and regulations, is geared towards respect of the principles of "lawfulness, integrity and transparency" and aims to ensure the "minimisation of data processing" and the "limitation of the purpose" of the processing. In particular, in marketing and profiling activities, in order to

ensure that the behaviour of the operators within the Group is both consistent and fair, UnipolSai has issued guidelines concerning the data acquisition process and the procedures for obtaining consent.

The organisational oversights adopted by the UnipolSai Group Companies, in particular as regards information security, access to data by third parties, production of the documentation required by law, training aimed at employees and agents, are coordinated by the Group's *Data Protection Officer*, who carries out the activities within his or her remit for the Parent Company and its Subsidiaries with registered office in Italy. In order to support the development of a sense of collective responsibility, there was also an assessment of the role of the *Process Owners*, Privacy Contacts, employees authorised to process data and Agencies appointed as external data processors.

In particular, the marketing sector has been subject to numerous regulatory interventions, at both European and national level, which have led UnipolSai to implement a substantial overhaul of the Group's privacy architecture and to adopt an increasingly robust, structured commercial approach in line with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of personal data (GDPR).

For privacy training activities, especially concerning the GDPR, e-learning courses were introduced in November, with coverage reaching 31% of employees by the end of the year. Finally, e-learning courses continued to be provided to the Group's agents and their partners (with a participation percentage of 13% at 31 December 2018).

Thanks to this approach, the coverage of insurance customers' premiums has reached over 61%, thus determining the portion of the population for whom commercial offer campaigns may be launched.

In relation to information security, UnipolSai has a Security Policy adopted by the Board of Directors, which defines the information security guidelines, with particular reference to the protection of data and information systems. Within the Information Services Department (Direzione Servizi Informatici, DSI), the IT security governance function works in conjunction with the IT operating functions for the correct implementation and verification of the security procedure, in accordance with the control functions and *Data Protection Officer*, to adopt the legislation and assess the actions carried out. For the management of cyber risk, access control, anti-malware and anti-spam solutions are used for central systems, user workstations and mobile devices, backup/restore and Disaster Recovery procedures, intrusion prevention and detection systems. The constant monitoring of systems, access and operations makes it possible to swiftly trace and manage incidents according to various levels of seriousness. The IT infrastructure and web applications are subject to periodic penetration tests/vulnerability assessments.

In 2018, in order to raise company awareness of cybersecurity, an e-learning course was developed for employees (with a participation percentage at the end of the year of 61% in the insurance segment) and intermediaries (with a participation percentage of 21% of the total at 31 December 2018)

During 2018, there were 3 incidents of loss or theft of customer data within the UnipolSai Group Companies and 2 complaints were received regarding the protection of personal data, which were duly acknowledged.

#### The protection of fair competition

The monitoring and promotion of free competition by the UnipolSai Group is assured, first and foremost, by the principles contained in the Code of Ethics, which constitute the expression of the Group's desire to operate in favour of a market where free competition is guaranteed, by refraining from practices which may be considered anti-competition.

The declaration contained in the Code of Ethics is supported not only by detailed internal processes and procedures which guarantee the necessary oversights, but also by constant advocacy activities with regard to legal proposals and public consultation initiatives and any other deed or document published by the Authorities which may affect the activities of the Group and its stakeholders, both for the purposes of checking the compliance of the activities carried out by the Group Companies and for their development and the search for new business opportunities.

With reference to the monitoring of the legislative and regulatory production of political and economic institutions regarding issues of competition, particular attention has been paid to legislative updates connected with telephone assistance services by banks and insurance providers (AGCOM decision no. 157/18/CIR of 25/10/2018), the EU Regulation on geo-blocking and other forms of geodiscrimination (no. 2018/302) and the communication of information of a non-financial nature (Consob decision no. 20267 of 19 January 2018). Once again with reference to issues of competition, there has been an analysis of the new provisions concerning registration and the functioning of the objections register and the establishment of national prefixes for telephone calls for statistical, promotional and market research purposes (Italian Law no. 5 of 11 January 2018).

In legislative terms, more specifically in connection with consumer protection, 2018 was marked by monitoring of the legislative changes issued by IVASS concerning the simplification of insurance policies and accident and health clauses which govern the procedures for determining permanent disability and the non-transferability to heirs in the event of death of the Insured Party.

Through a measure dated 27 May 2015, the Antitrust Authority (Autorità Garante della Concorrenza e del Mercato, AGCM) claimed that, in the period 31 January 2011-23 November 2015, UnipolSai had adopted an unfair trading practice pursuant to articles 20.2, 24 and 25 of the Consumer Code (as amended), consisting in having issued writs of summons against consumer/customers in arrears, with a view to recovering its receivables, through a judicial authority in a different area to that of residence. In addition to banning the dissemination or continuation of such practices, the Antitrust Authority also imposed a sanction of €1,800,000 upon UnipolSai, which the Company has paid.

UnipolSai filed an appeal with the Lazio Regional Administrative Court, challenging the aforementioned measure, with the appeal notified on 26 July 2016. A hearing date is still pending for these administrative proceedings.

#### Sanctions

With regard to complaints, pursuant to IVASS Measure 46/2016, which governs the management of complaints involving insurance intermediaries, the UnipolSai Company alone managed, together with its agents, 1,971 complaints (+39% compared with the same period in 2017 – 1,414), 74% of which were rejected. The most common reason is "Conduct/Assistance of agency/sub-agency", totalling 61%.

With regard to the IVASS interventions, the overall number of 3,293 is essentially unchanged compared with the trend recorded over the same time period. This is in line with the stable number of complaints received during the same time period. Considering the IVASS interventions by business area for the UnipolSai Company alone, it can be noted that, compared with the unchanged trend of total complaints, there were major percentage increases, albeit of little significance in terms of impact on the total, in the Sales (+30%) and IT (+52%) areas. The Claims area, representing 77% of the total, fell by 1%, while the Administration area fell by 14%.

At 31 December 2018, there were 183 IVASS penalties (-34% compared with the previous year) imposed against the Group, for a total amount of €1 million, a fall of 32% compared with the previous year.

#### Number of IVASS interventions and Sanctions paid

	2018	2017
Amount of IVASS sanctions paid (€m)	1	1,5
Number of IVASS interventions	3,293	3,251
Number of IVASS sanctions	183	278

Source: UnipolSai Group Governance, Legal Affairs and Human Resources CoGeneral Manager

In relation to compliance with environmental regulations, there were no fines or non-monetary sanctions imposed for damage caused to the environment as a result of the activities of the Group Companies, nor as regards health and safety.

#### **Remuneration policies**

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

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

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

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



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

#### Managing sustainability

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

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

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

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



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

The Sustainability Function, part of the staff unit of the Chairman, is responsible for the adequacy and completeness of the Sustainability Policy and pursues the goal of improving the ESG risk management process, facilitating the non-financial reporting process and raising the level of knowledge and awareness of the results expected as regards "material" topics.

In this sense, the Sustainability Function assists the business in identifying development areas and objectives; manages integration of the Sustainable Development Goals into the business with support from twenty or so "contacts" appointed by the main Group and Company Departments responsible for monitoring the planning and dedicated activities in the various Departments, in order to support the adoption of integrated thinking.

Moreover, it guarantees the effectiveness of the "stakeholder engagement and management" of the Unipol Regional Councils. To this end:

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

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

This objective also saw the involvement of all the Plan's worksite managers with regard to the SDGs and the creation of shared value through a self-assessment tool for the Plan activities subject to their management.

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

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

Throughout the year, the Sustainability Function organises seminars open to all employees. The issues discussed in 2018 included climate change, socially responsible investments, innovation, the impact metrics, the risks of gambling and social enterprise. Particularly important in this respect is the Group's commitment to supporting, promoting and providing content for the Sustainable Development Festival, which is held throughout Italy to increase awareness of the 17 Sustainable Development Goals (SDGs) of the United Nations' Agenda 2030.

#### Tax management

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

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

In 2018, the total taxes paid to the tax authorities (on income, premiums, ownership, etc.) by UnipolSai Group companies was around €2.2bn. Income taxes recorded a tax rate for the year of 21.3% (29.4% in 2017).

Tax management is entrusted to the Group's Tax Service, which supervises and manages the application of tax legislation while also providing advice, guidance and control to all companies within the Group by ensuring assistance and support as part of the control activities implemented by the Tax Authorities.

The Tax Service monitors tax issues by updating and disseminating circulars and internal memos which set forth and explain the new tax laws with a focus on the obligations that must be satisfied.

The basis for the approach adopted was the identification, profiling and quantification of tax risks for the purpose of defining capital requirements. The company processes contain procedures and tools for the management of tax aspects. A number of significant tax processes were recognised for the purpose of procedures pursuant to Italian Law 262/2005 (Law on the Protection of Savings and Governance of the Financial Markets).

Tax risk forms part of the operational risks monitored and measured for Solvency II purposes. In determining the conservative provisions for current or estimated disputes concerning the application of taxes, the risks connected with potential future findings is also assessed and quantified.

Aspects connected with the management of tax issues do not provide for the explicit and structured involvement of the Company's Board of Directors, which does not define the company's general tax strategies.

However, where major problems emerge, the appointed functions provide adequate information and conduct suitable prior assessment activities of the most significant tax consequences.

The Financial Statements documentation discloses the revenues, profit deriving from technical and financial management, taxes for the year, and also include a statement of reconciliation of the theoretical tax burden compared to the actual tax burden with an explanation of the main reasons for deviations. The main items that cause discrepancies between taxes paid and taxes account for are subject to specific reporting.

Starting from 2016, the parent UGF has provided the tax authorities with country-by-country reporting data that also include those of UnipolSai.

#### **Responsible Lobbying**

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

In 2018, the institutional positioning activities aimed for the Group's further accreditation, as authoritative and independent point of reference for the national and European institutions, as well as multiplication of the relational areas useful to increasing support for business and awareness of the external competitive contexts.

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

With reference to lobbying, periodic meetings have been organised with public decision makers, MPs and representatives of Italian and European institutions. In addition, monitoring continued of the legislative and regulatory process in areas of interest for the Group, as well as the analysis of the political/economic context.

In 2018, the Group participated, at domestic level, in 15 public consultation procedures and, at EU level, in 15 public consultations/surveys, one of which was concluded on 30 January 2019.

As was the case in 2017, there was particular focus, above all at domestic level, on the implementation of the new insurance distribution regime laid down in the European Directive 2016/97/EU (*Insurance Distribution Directive* - IDD), which led to direct intervention from IVASS with the publication of a series of implementing regulations (level 2 measures). The national legislative

adjustment to the new regulatory context also involved a revision of the Consob Issuers Regulation (repeal of the prospectuses) to ensure alignment between the information obligations for IBIPs and the requirements of the PRIIPs regulation and IVASS regulation 41/2018.

At European level, however, some of the most relevant topics for the Group, in addition to the implementation of the IDD and the regulations concerning PRIIPs (Packaged Retail and Insurance-based Investment Products), included *Insurtech/Fintech*, sustainable finance (UnipolSai's position is expressed in the shareholders chapter), which involved both the European Commission - with the presentation of a series of new legislative initiatives - and the European Insurance and Occupational Pensions Authority (EIOPA) - with the publication of surveys and public consultations on a draft technical opinion to the European Commission, and the launch of work on revising Delegated Regulation (EU) 2015/35 integrating the Solvency II Directive as regards the standard formula and the Solvency II Directive (2009/138/EC) itself.

In reference to advocacy, the "Welfare, Italia" project continued, including public events and thematic discussions attended by around 250 members of the government and parliament, public decision makers, trade unions, businesses, pension and welfare funds, universities, employees and agents.

#### Human Rights

The UnipolSai Group is committed to promoting and respecting universally-recognised human rights, as well as supporting the elimination of all forms of forced labour and the effective elimination of child labour in its respective spheres of influence, from human resource management to the procurement chain and its own products and services. To this end, the Group confirms its support for the UNGC (United Nations Global Compact) principles<sup>8</sup> and its intention of promoting them within corporate activities as a whole.

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

These principles are the drivers for the policies on risks, responsible investment, recruitment and management of personnel and suppliers. Within this context, UnipolSai promotes specific policies to protect and support individual and family requirements, with no discrimination based on gender, sexual orientation or political, cultural and religious beliefs, such as the monitoring performed by the Peer Committee on Equal Opportunities. The following summarises the assessments, policies, objectives and implementation of the Human Rights Principles in the various areas mentioned.

The Group has confirmed its support to the UNGC principles and its intent to promote them within the companies by ensuring that employees work in optimal **workplace health and safety conditions**. Consequently, Unipol operates with an incremental approach compared with the regulatory provisions in terms of prevention and a culture of health and safety, as defined in the worker health and safety management system (for details, refer to the "Employees" section).

An essential element of Unipol's commitment to implement the 10 principles of the Global Compact is its **Risk Management Policy.** In this field, there is in-depth analysis of the oversights concerning the corporate governance system which cover all types of corporate risk, including those of an environmental and social nature, generated or suffered, including according to a forwardlooking perspective and in consideration of the company's overall solvency needs. The integration process follows on from the latest developments in inter-sectoral regulations on the relevant matters, with the aim of directing the Group towards the pursuit of sustainable behaviour, by making choices aimed at the creation of value over the medium to long term and focusing on the management of aspects not geared exclusively towards profit. The position with respect to ESG risks is described in the Governance section of the Integrated Financial Statements.

In **Asset Management** too, the promotion of human rights, good working conditions, environmental protection and combating corruption are assured through investment choices: the investment policies implemented by the Group integrate an issuer selection process which uses ratings criteria to asses issuers' compliance with the ESG principles.

In drawing up its investment policy, the Group focused on speculation on the agricultural commodities market (soft commodities) and land grabbing, and chose not to invest either directly or indirectly (as the manager of its customers' assets) on those markets. For the selection and reporting of private equity, real asset and hedge fund investments which also are relevant for SRI (Sustainable and Responsible Investment) purposes, methodological due diligence was conducted which, alongside the usual financial analyses, calls for an analysis of social/environmental and governance (ESG) criteria which are continuously revised and updated, and the

<sup>&</sup>lt;sup>8</sup> United Nations initiative launched in 2000 to encourage companies all over the world to adopt sustainable policies compliant with corporate social responsibility and make the results of their actions public. It envisages compliance with 10 Principles divided into 4 areas: Human Rights, Labour, Environment and Anti-Corruption. To date, over 18,000 companies, from 157 countries around the world, have signed up in support of the United Nations Sustainable Development Goals (SDGs) for 2030.

mapping of non-financial risks which could have a reputational impact. In this field, Unipol has signed up to the Principles for Responsible Investments

In reference to the implementation of the principles in the Global Compact in **underwriting the insurance risk**, in line with the Sustainability Policy, a panel has been established to integrate ESG risks into the underwriting policy with the Non-Life and Life technical functions. The project seeks to reinforce the system for detecting, assessing and systematically mitigating the main environmental, social and ethical risks inherent in specific commercial transactions. The "sensitive" business sectors identified as priority areas are gambling (where an assessment already exists), agriculture and livestock, weapons and defence, infrastructure and mining, oil and gas, violation of human rights. The approach includes the field of human rights and the associated risks. Implementation is envisaged for 2019.

The complete mapping of products and services with ESG significance is available on the Value Creation section in the Integrated Financial Statements. This is supplemented by Unipol's micro-insurance initiatives commitment https://www.icmif555.org/projects

The integration of ESG risks along the **supply chain** is a further oversight implemented by the Group to adopt the Global Compact principles. In particular, through the Suppliers' Code of Conduct, the Group asks Suppliers to adhere to the minimum conduct standards and fundamental practices defined on the basis of the Global Compact and ISO 20400. The complete description of the management system for **responsible sourcing** is available in the Value Creation section of the Integrated Financial Statements or in the "Suppliers" section in this Sustainability Report.



For detailed information concerning the United Nations CoP 2018, refer to the "Sustainability" section on the Unipol Gruppo website; for more details on the Code of Ethics, refer to the "Our Identity" section on the Unipol Gruppo website. http://www.unipol.it/sites/corporate/files/document attachments/carta valori e codice etico gruppo unipol ugf 05-11-2015.pdf

## **FINANCIAL PERFORMANCE**



Direct insurance premiums

€948m Consolidated net profit

94.3% Combined Ratio net of

reinsurance

€0.145 Proposed unit dividend per share

#### Profitability of the UnipolSai Group's activities

On 11 January 2018, a contract was signed for the disposal of the stake held in Popolare Vita (21,960,001 shares, representing 50%+1 share of the share capital) to the banking partner Banco BPM, following the failure to renew the distribution agreements and the consequent exercising of the put option envisaged in the Shareholders' Agreement.

On 22 March 2018, the Board of Directors of UnipolSai Assicurazioni approved the acquisition of the stake held by Unipol Gruppo in Arca Vita SpA, representing 63.39% of the share capital, for a consideration of €475m.

#### Key financial and capital indicators

Amounts in €i	31/12/2018	31/12/2017
Non-Life direct insurance premiums	7,892	7,355
% variation	7.3	1.9
Life direct insurance premiums	3,826	3,713
% variation	3.1	(29.7)
of which Life investment products	358	261
% variation	37.3	(55.4)
Direct insurance premiums	11,718	11,068
% variation	5.9	(11.4)
Net gains on financial instruments (*)	1,924	1,568
% variation	22.7	(0.8)
Consolidated profit (loss)	948	537
% variation	76.5	1.8
Balance on the statement of comprehensive income	90	702
% variation	(87.2)	116.3
Investments and cash equivalents	59,718	51,971
% variation	14.9	(17.8)
Technical provisions	53,223	45,757
% variation	16.3	(18.0)
Financial liabilities	5,253	3,663
% variation	43.4	(21.7)
Shareholders' Equity attributable to the owners of the Parent	5,448	5,869
% variation	(7.2)	(4.7)
UnipolSai Assicurazioni SpA Solvency ratio (Partial Internal Model)	251%	263%

(\*) Excluding net gains and losses on financial instruments at fair value through profit or loss for which investment risk is borne by customers (index and unit-linked) and arising from pension fund management. Source: UnipolSai Consolidated Financial Statements



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

UnipolSai ended 2018 with a consolidated net profit of €948m, including the capital gain of €309m generated by the sale of the stake held in Popolare Vita SpA and the capital loss of €50m arising from the decision to sell the stake held in Unipol Banca to BPER Banca, which will be completed during 2019 following the obtaining of the necessary authorisations.

During the period in question, direct insurance premiums, gross of reinsurance, were equal to €11,718m (€11,068m in 2017, +5.9%).

Direct premium income in the **Non-Life sector** totalled €7,892m (+7.3% compared with the €7,355m in 2017, +1.1% on a like-for-like basis).

The company **UnipolSai Assicurazioni SpA** recorded premiums of  $\leq$ 3,940m in the MV segment, with slight growth (+0.1% compared with 2017) thanks to the dynamism recorded in MV TPL additional cover, where competitive pressure has not yet enabled a growth in premiums. In the Non-MV segment, premiums of  $\leq$ 2,958m were recorded, in line (-0.2%) with the  $\leq$ 2,964m recorded at 31 December 2017.

**UniSalute**, Italy's leading health insurance company for the number of customers managed, specialised in the Health sector (Health and Assistance business), capable of innovating its product mix and operating segments, continued to develop its business model recording premiums of  $\leq$ 410m, with a growth of 10.5%.

Linear, the Group's other main company operating in the MV segment, recorded a total of €180m in premiums, with growth of 4.4%, with good results achieved by the new intermediate production from aggregator sites.

**Arca Assicurazioni**, operating in the Non-Life bancassurance channel, thanks to the impetus derived from the renewal of distribution agreements with its banking partners, recorded premiums of €120m, a rise of 9.2%.

**Incontra**, having renewed its agreements with the Distributor Unicredit in 2017 and expanded its commercial offer at the end of 2018 by launching a Health product with distinctive characteristics, saw turnover grow by over 27% to €136m.

SIAT, focused on the Maritime Transport segment, recorded premiums of €127m, essentially in line with 2017.

In the Life segment, UnipolSai recorded, in 2018, significant growth in turnover by generating, on a like-for-like basis, direct premiums of  $\leq$  4,292m (+15.4% compared with the  $\leq$  3,719m in 2017), driven by the bancassurance segment after the renewal of the Arca Vita distribution agreements with the main placing banks.

In fact, the strong growth of Arca Vita has been confirmed; together with its subsidiary, Arca Vita International, it generated direct premiums totalling  $\in$  1,077m, growth of 51.4% compared with 31 December 2017.

The company UnipolSai recorded direct premiums of €3,129m (+8.2%).

BIM Vita recorded, in terms of earnings, gross premiums written of €52.6m (€83.4m approx. at 31/12/2017).

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



#### Breakdown of Non-Life direct premiums

Source: UnipolSai Consolidated Financial Statements

#### Breakdown of Life direct premiums

Amounts in €m	31/12/2018	%comp.	31/12/2017	%comp.	%var.
Total direct premiums					
I Whole and term life insurance	2,391	62.5	2,304	62.1	3.8
III Unit-linked/index-linked policies	362	9.5	504	13.6	(28.1)
IV Health	4	0.1	2	0.1	74.5
V Capitalisation insurance	406	10.6	300	8.1	35.3
VI Pension funds	663	17.3	602	16.2	10.1
Total Life business direct premiums	3,826	100.0	3,713	100.0	3.1
of which Investment products (IAS 39)					
III - Unit-linked/index-linked policies	326	90.9	227	87.1	43.4
VI Pension funds	32	<u>9</u> .1	34	12.9	(3.8)
Total Life investment products	358	100.0	261	100.0	37.3

Source: UnipolSai Consolidated Financial Statements

As regards the **claims rate**, during the year just ended, the MV TPL recorded a further improvement in terms of frequency and containing costs.

In the Non-MV segment, 2018 was also marked by a considerable number of claims arising from atmospheric events and claims of a significant amount, recovered, to a greater extent than the previous year, by reinsurance cover.

#### Non-Life-Direct business

Non-Life business	31/12/2018	31/12/2017
Loss ratio - net of reinsurance	67.0%	69.2%
Expense ratio (calculated on premiums earned) - net of reinsurance	27.3%	28.1%

Combined ratio - net of reinsurance (*)	94.3%	97.3%
(*) with expense ratio calculated on premiums earned		
Source: UnipolSai Consolidated Financial Statements		

As regards the **management of financial investments**, the gross profitability of the Group's financial insurance investments generated profitability of 3.9% in invested assets (in line with 2017), 3.4% of which came from the coupons and dividends component.

Again in 2018, in terms of medium/long-term investments, the investment policies continued to pursue the general criteria of prudence and of preservation of asset quality consistent with the Guidelines defined in the Group Investment Policy.

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

In the **real estate sector**, the UnipolSai Group is one of the leading operators in Italy in terms of extent of assets managed. At the end of December the total volume of asset property managed was €3.8bn. Real estate management continues to focus on the renovation of certain properties, above all in Milan, with a view to generating income, seeking development opportunities or use for business purposes. The projects are characterised by the use of technologies designed to maximise energy savings, including by relying on renewable energy.

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

- the launch of the construction of a new multi-storey building for business use in piazza Gae Aulenti (Porta Nuova Garibaldi area). The project entails building an approximately 100 metre tall office tower. The tower will be built to have the best certification in terms of energy and water saving and ecological quality of the spaces (Leed Platinum certification);
- the continuation of work to complete a headquarters building in Via De Castillia (Porta Nuova-Garibaldi area), which began the previous year. The property, composed of two connected buildings, is characterised by a mirrored façade which, thanks to the innovative coating that will be used to treat the external surfaces, will actively contribute to reducing local atmospheric pollution. The energy efficiency and environmental sustainability of the building will also be ensured by interior fittings and inverters, heat recovery devices from the air treatment system and a photovoltaic plant located on the roof of the highest building. In order to ensure optimum monitoring of the management of the property, a sophisticated BMS (Building Management System) will be implemented;
- the continuation of the refurbishment of Torre Galfa, Via Fara 41, a 31-storey building in a central location in Milan, unused for approximately 15 years, which, thanks to this initiative will become a multifunctional building with a hotel in the first 13 storeys and luxury, temporary-use residential apartments in the remaining storeys. Rental agreements have already been signed for the part of Torre Galfa to be used for a hotel and temporary residential apartments. The top floor of the Tower will contain a restaurant-bar, while a fitness centre will be opened at the bottom;
- the start of work to renovate a property to be used as a hotel, in Via De Cristoforis (Hotel UNA Esperienze Milano De Cristoforis). The project envisages the development of a luxury hotel with over 170 rooms, a restaurant, bistro, cocktail and lounge bar, terrace for events, garden, fitness services, spa and conference centre with multi-function rooms.

As regards sales, the year saw the completion of the change of ownership of several property units within the context of the broader sale of over 500 property units owned by Group companies and located in various areas of Italy, which began the previous year.

#### Real estate assets by intended use



Source: UnipolSai Administration, Controlling and Operations Co-General Manager

#### Geographical breakdown of the real estate assets



Source: UnipolSai Administration, Controlling and Operations Co-General Manager
The management and commercial development of the diversified companies continues.

As regards the **hotel sector**, the rebranding of the UNA Group began during the year, through the sub-division of the structures into three collections with their own characteristics: Una Esperienze, UnaHotels and Unaway, to meet the needs of different types of travellers.

To date, the UNA Group is present in 10 Italian regions, with around 5,000 rooms in 37 hotels, resorts and aparthotels.

The hotel activity saw the subsidiary UNA Group increase its earnings by 1.3% compared with 2017, moving from €123.3m in 2017 (figure corrected to exclude structures not included in the scope for 2018) to €124.8m on 31 December 2018. The company would have achieved a break-even result if one-off extraordinary costs of €3.8m had not been recorded during the year.

As regards **health activities**, in summer 2018, the activities of Villa Donatello Nursing Home were transferred to Villa Ragionieri (former headquarters of the Centro Oncologico Fiorentino - Florence Oncology Centre) by combining the opportunity to re-use the now vacant health facility at Sesto Fiorentino with the chance of running Villa Donatello in a modern, fully equipped and comfortable environment. The financial results of the transfer will develop from next year, even if the performance over the last few months has already been excellent.

The Villa Donatello Nursing Home ended the year with earnings of  $\leq 23.3$ m ( $\leq 21.1$ m at 31/12/2017), an improvement of around 10%. The earnings performance highlights the continuing positive trend concerning the core business both for the hospitalisation part (hospital stays and out-patient surgery) and the out-patient part (examinations and diagnostics). The company recorded profits of  $\leq 220$ k, an increase of 70% compared with 2017.

As regards **agricultural activities**, the sales of wine packaged by the company Tenute del Cerro rose by 10% compared with the figure at 31 December 2017, moving from  $\in$  6.2m to  $\in$  6.8m. The overall earnings figure shows an increase compared with the same period of 2017 of around 5%, rising from  $\in$  8.3m to  $\in$  8.7m. In addition, Tenute del Cerro generated a net profit in 2018 of  $\in$  190k, an improvement compared with the previous year.

# SOCIAL PERFORMANCE

# SHAREHOLDERS

€ 5.6bn Market Capitalisation (+1.5% on 2017) 98.2%

of assets deemed sustainable following ESG monitoring



## Shareholding structure

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



Source: UnipolSai Governance, Legal Affairs and Human Resources Co-General Manager

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

With respect to capital management strategies and objectives, the Group places particular attention on applying a "Capital management and dividend distribution Policy", which provides the proper description of the capital management and dividend distribution process as well as the roles and responsibilities of the bodies and company structures involved in that process.

The financial statements of UnipolSai at 31 December 2018, drawn up in accordance with national accounting standards, showed a profit of €412.8m.

The Board of Directors of UnipolSai proposes that the Ordinary Shareholders' Meeting assign €0.145 per Ordinary Share as a dividend, giving a total amount, considering the treasury shares held, of €410m.



## Investor relations

Investor Relations within the Group provides adequate and punctual disclosure to the market regarding the Company's economic and financial information in full compliance with current regulations on the matter. The primary objective is to improve the visibility and appeal of the Group with investors, to ensure that information is disclosed equally and on a continuous basis and to facilitate the proper valuation of outstanding financial instruments. At the same time, segment trends and competitor performance are monitored, continuous dialogue is maintained with financial analysts and proactive discussions are kept up with shareholders and potential investors. In the course of the year, there were 184 meetings or conference calls with analysts and investors during which the Company met with 270 companies. Financial analysts expressed 9 neutral recommendations on the UnipolSai security. The UnipolSai Finance Department includes the "Management of alternative investments, financial innovation, sustainability and SRI investments" office, which works closely with the Investor Relator for the management of relations with institutional shareholders and others and to enhance the integration of Sustainability and SRI investments within the Group's investment policy.

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

Agencies	Last rating	Range
Есрі	EE-	Max EEE /Min F
FTSE Russell	3,5	Max 5/Min 0
RobecoSam	52/100	Max 100/Min 0
Standard Ethics Italian Index	EE+	EEE = full
ISS-oekom Corporate Rating	С	Max A+ Min D- C= Medium

#### Rating

Source: UnipolSai Sustainability Function

#### Investment policies

The investment policies implemented by the Group adhered, in terms of long-term investments, to the general criteria of prudence and of preserving asset quality through a process of selecting issuers based on their strength and diversification, in line with the "**Investment Policy**". In the course of 2018, by integrating traditional risk and financial return analysis techniques with the nonfinancial ESG analysis, investments were made which helped to strengthen the position in Companies that reconcile profitability and risk management targets with relevant social and environmental sustainability characteristics.

After signing up to the United Nations Sustainable Development Goals and Paris Agreement on climate change in 2015, the integration of sustainability within the financial markets has become a top objective of European institutions: the EU Commission has worked on an Action Plan on sustainable finance presented in Brussels in early 2018. The Commission then presented an initial package of measures aimed at implementing the Action Plan which provides for, among other things, the definition of a taxonomy to determine which economic activities are sensitive from an environmental perspective.

For some time now, the Group, which subscribes to the UN-PRI (Principles for Responsible Investment) has put in practice its commitments and principles of responsibility and prudence with respect to investments, which have been governed since 2012 in a Policy with exclusion criteria that calls for independent quarterly sustainability monitoring<sup>9</sup>. Sustainability monitoring analyses investments in listed and unlisted financial instruments, excluding Investment Trusts (unit trusts set up and managed by SGR, Open-Ended Investment Companies), including investments in assets held as a hedge against technical provisions, including investments relating to supplementary pension schemes, and unit-linked and index-linked investments managed directly by UnipolSai.

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

The rating criteria - for the evaluation of issuer compliance with ESG principles - were developed in line with the "ICCR" ("Principles for Global Corporate Responsibility: Benchmarks for Measuring Business Performance") guidelines and inspired by the principles

<sup>&</sup>lt;sup>9</sup> This monitoring is carried out with the support of the external consultant ECPI S.r.l. (www.ecpigroup.com). This is an independent company specialised in assigning ESG ratings and building sustainability indices, which analyses issuer environmental and social performance and governance structure strength in accordance with its rigorous proprietary qualitative and quantitative research method.

developed by international bodies such as the UN Global Compact, Global Reporting Initiative<sup>10</sup> and UNPRI – United Nations Principles for Responsible Investment<sup>11</sup>.

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

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

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

The indicators consider the following areas:

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

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

The percentage of investments subject to quarterly verification with respect to these criteria, calculated against all assets under management, was 85.8% at 31 December 18, totalling €45.6bn.

A total of 98.2% of investments screened complied with the above-mentioned criteria on 31 December 2018 (corresponding to €44.8bn). The remaining 1.8% of the portfolio was monitored on a quarterly basis and was made up partly of securities that did not meet the requirements and partly of securities not yet covered by the Sustainability Consultant.

The topics are also considered ex-ante in the investment policy of the SRI segment "Balanced Ethics" of the pension product "Fondo Pensione Aperto UnipolSai Previdenza FPA". The assets of this segment represent 8.5% of the total of the Open Pension Funds offered by Unipol Gruppo.

<sup>&</sup>lt;sup>10</sup> An organisation launched with the goal of helping both the public and the private sector to understand, measure and communicate the impact that any activity may have on the various dimensions of sustainability (economic, environmental and social), by formulating specific reporting standards. <u>www.globalreporting.org</u> <sup>11</sup> principles promoted in 2006 by the United Nations to favour the spreading of sustainable and responsible investment amongst institutional investors, which are signed and implemented by financial sector companies. The Companies commit to incorporating ESG concerns within investment analyses and decision-making processes, as well as their company policies and practices. www.unpri.org

#### €45.6bn €44.8bn Amount of class C, D debt instruments Amount of assets deemed and equity securities, Assets subject sustainable following to environmental and social environmental and social monitoring monitoring 85.8% 98.2% Amount of assets subject to Percentage of assets deemed sustainable following the sustainability screening out of all assets under monitoring management ESG criteria for portfolio monitoring Infringements Environmental Corruption Gambling Unconventional Environmental Fight against Human and ofHuman and Damages Weapons l abour Protection Corruption Worker Rights Rights Area of Observation/Exclusion for Black List Companies countries

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

Source: UnipolSai Chief Investment Officer

As an insurance company exposed to the Non-Life business, the matter of climate change is a material aspect considered in UnipolSai's responsible investment policies, with respect to which the Company became a CDP<sup>12</sup> Investors signatory in order to properly evaluate the climate impact of its investment choices and committed to the Talanoa Call for Action<sup>13</sup>.

There are 5 Companies which are not in compliance with the Group's environmental criteria, representing a very marginal value of the Unipol Gruppo's investments (around 0.1% of the total scope). In this respect, in order to launch adequate active engagement practices, UnipolSai has declared its compliance with Climate Action 100+, a five-year partnership promoted by investors (UNPRI, CERES) to involve companies generating the most pollution in terms of greenhouse gas emissions (GHG emissions) to improve climate change governance, reduce emissions and strengthen financial transparency on these matters.

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

<sup>&</sup>lt;sup>12</sup> The CDP (Carbon Disclosure Project) is an organisation which supports companies and cities in reporting and disclosing their environmental impact. Through the CDP questionnaires and initiatives, companies can access detailed information to understand their impact, improve environmental reporting and the management of environmental risks. <u>www.cdp.net</u> <sup>13</sup>Declaration of commitment structured into various measures signed by governments and businesses on the occasion of the Talanoa Dialogue organised by the European Commission in June 2018, in order to keep the rise in temperature below 2°C, as laid down in the Paris Agreement for climate change, by making every effort possible to keep this increase within 1.5°C.

https://unfccc.int/sites/default/files/resource/Talanoa%20Call%20for%20Action.pdf

land, which is sold or rented to third parties (companies or governments of other countries) without the consent of the communities that live there or cultivate that land for food, as defined in the Tirana Declaration<sup>14</sup>.

In the course of 2018, due diligence activities, launched in 2017, continued on the Group's property assets to identify any critical issues in terms of **land grabbing**, in order to monitor the maintenance of the Group's commitment to this delicate matter. In particular, the following working groups were formed with respect to its properties:

- owned property assets: screening of the ownership history of the assets (real estate and land)<sup>15</sup> to identify those which were
  under public ownership, as the transactions most at risk are those in which a private party acquires land previously owned by a
  public entity, which communities may have accrued the customary right to use over the years <sup>16</sup>;
- leases: screening of current contracts which have public entities as counterparties;
- real estate funds in which the Group holds shares: verification of compliance with the Group's principles by the Management Companies;
- transversal activities: within the scope of activities linked to land grabbing, document-based screening of transactions with the verification of the presence of documents of public administrations concerning environmental and social impacts, on owned land and real estate.

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

Percentage of asset mapping (Italian companies)	31/12/2018	Historical*
Current Real Estate Assets	100%	100%
Leases	100%	-
Shares of Real Estate Funds	-	-

\*Note: the retrospective historical analysis began from the date of establishment of the various Group Companies mapped

Source: UnipolSai Chief Investment Officer

From the analysis conducted on the Group's real estate assets (part concerning owned land and real estate) held at 31 December 2018, it was found that no owned asset was acquired by the Group directly from a public entity.

The historical analysis of the original ownership of the real estate assets, for the period of time considered<sup>17</sup> under the Group's responsibility, showed that, in 2018, 283m, corresponding to 7.3% of the UnipolSai Group's assets, had a public origin, but the transfer from public to private use took place prior to the Group's acquisition of the properties.

During 2018, historical analysis began of the ownership origin of the properties found in the real estate funds.

With respect to the document-based screening of transactions (acquisition or lease), verifications regarding the presence of documents of public administrations concerning environmental and social impacts on owned land and properties are still under way.



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

<sup>&</sup>lt;sup>14</sup> ILC - International Land Coalition (2011) "Tirana Declaration: Securing Land Access for the Poor in Times of Intensified Natural Resources Competition" (2011) <u>http://www.landcoalition.org/sites/default/files/documents/resources/tiranadeclaration.pdf</u>
<sup>15</sup> The retrospective analysis of the ownership history of the assets begins, for each Group Company, from its establishment. For example, for Unipol Gruppo from 1963, for Unipol Banca from 1994,

etc. The retrospective analysis of the ownership history of the assets begins, for each Group Company, from its establishment. For example, for Unipol Gruppo from 1963, for Unipol Banca from 1994, etc.

The Group has confirmed its commitment to Responsible Asset Management, by confirming its support to the Principles for Responsible Investment (UNPRI), for the second year, and consolidated its investment in Alternative Investments (green economy, social housing, infrastructure, etc.), which includes Private Equity Funds, Hedge Funds and investments in Real Assets, also relevant for SRI purposes. In this category, investments rose by 61% compared with 2017.

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

Thematic and impact investments and SDGs

lssues	Value	SDGs Issues		Value	SDGs		
Residential care and social assistance	€14.1m	3	Renewable energy, eco-efficiency	€223.3m	7 13		
Digital networks and Infrastructures	€20.8m	9	Eco-innovation	€1.7m	12		
Sustainable mobility	€32.8m	11	Sustainable forest management	€21.5m	15		
Social housing €10.0m		11	Training and culture	€2.1m	4		
TOTAL THEMATIC AND IMPACT INVESTMENTS €326.3m							

Source: UnipolSai Sustainability Function

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

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

We also made investments in the area of infrastructure for digital innovation (particularly fibre for high-speed connections) also dedicated to introducing networks into rural areas, triggering social benefits for local communities. In 2018, a new investment in the Training and culture area was finalised.

There is also a fund which applies the sustainable investment strategies, defined by Eurosif<sup>18</sup>, of integration<sup>19</sup> and soft engagement<sup>20</sup>.

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

According to the Eurosif classification of ethical and sustainable investment strategies, the above-mentioned funds were classified as Impact Investments<sup>21</sup>, for which, in terms of transparency and based on the new Eurosif guidelines, the percentage of actual impact (corresponding to the value of investment property<sup>22</sup>) is reported below:

Percentage of impact*	%
Polaris Parma Social House	82.71%
Toscano Housing Fund	80.56%
FVG Social Housing Fund	73.71%
Uni HS AbitaRE Fund	64.45%

\*Note: Data at 30 June 2018

Source: UnipolSai Sustainability Function

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

<sup>&</sup>lt;sup>18</sup> Eurosif (European Sustainable Investment Forum) is an international non-profit association whose mission is to develop sustainability through the European financial market. <sup>19</sup> Explicit integration by the financial operator of ESG opportunities and risks within traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. https://www.eurosif.org/responsible-investment-strategies/ <sup>20</sup> Dialogue between the investor and the investee company. https://www.eurosif.org/responsible-investment-strategies/ <sup>21</sup> Investments made with the intention of generating positive social and/or environmental impact along with a financial return. Impact investments may be made in either emerging or developed markets and may have market or below-market returns depending on the circumstances. These investments focus on specific projects and are distinguished from philanthropy. They include for example microfinance, community investments, social investments in social housing properties, the portfolio should always be diversified, therefore alongside investments in social housing properties, the portfolio should also include the liquidity to make further possible investments in property and it should be profitably invested in financial assets with adequate risk.

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

Aware of the role it plays in modern society, in offering services of economic as well as social value, UnipolSai has demonstrated its determination to promote the topics of sustainable development and climate change and is an active member of thematic networks: Forum for Sustainable Finance, Italian Observatory for Sustainable Finance (OIFS).

# **EMPLOYEES**







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# Employment

The number of employees of the UnipolSai Group rose in 2018, compared with 2017, mainly through the inclusion within the consolidated scope of Arca Vita S.p.A. And its subsidiaries (352 employees).

By way of confirmation of the overall increase in the workforce, the recruitment turnover index is higher by 5.7%. than the departure turnover index.

The Group's overall turnover index<sup>23</sup> was 18.7%, with this value also including the significant impacts of seasonal factors on the Hotel and Agriculture segments and for Foreign Companies (947 seasonal or temporary workers).

Considering solely the turnover of workers on open-ended contracts, the index is 2.6%.

During the year, 1,149 employees were recruited, while 1,087 left employment. Around 13% of the recruitments are connected with innovation and digital transformation activities

96.3% of employees have an open-ended contract, confirming the focus on employment stability; only 50 employees are employed on agency contracts, 6% fewer than the previous year.

During the year, 83 employees had their contract converted from fixed-term to open-ended.

The number of employees operating on a part-time basis totalled 2,098, representing 17.6% of the overall workforce.

The number of seasonal workers, employed in the tourism and agricultural sectors, represented 0.36% of all employees.

#### Number of employees by geographical area

		Men	Women	Total
and the second s	North-West	2,076	2,154	4,230
and the second s	North-East	274	334	608
hand have been a second and have been a secon	Emilia Romagna	1,206	2,038	3,244
and the second s	Centre	901	801	1,702
	South and Islands	470	248	718
	Abroad	586	847	1,433
	Total	5,513	6,422	11,935

Source: UnipolSai Governance, Legal Affairs and Human Resources Co-General Manager

<sup>&</sup>lt;sup>23</sup> ratio between recruits and leavers and total employees



Number of staff by category

Source: UnipolSai Governance, Legal Affairs and Human Resources Co-General Manager

# Number of employees by age brackets

Over 60 years	aged 51-60	aged 41-50	aged 31-40	Up to 30
737	3,892	4,026	2,652	628

Source: UnipolSai Governance, Legal Affairs and Human Resources Co-General Manager

The average age of the personnel on staff at 31 December 2018 was 46 years and 8 months, a slight fall compared with 47 years the previous year, while the average seniority of service was a little over 17 years (in line with the previous year). With respect to 2017, the percentage of personnel on staff over 60 went from 5.4% to 6.2%.

University graduates constitute 37% of the staff and secondary school graduates around 53%.

Currently 525 individuals with disabilities are employed by UnipolSai, 31 more than in 2017.

#### Number of employees by sector





Source: UnipolSai Governance, Legal Affairs and Human Resources Co-General Manager

#### Turnover by gender and age brackets



Source: UnipolSai Governance, Legal Affairs and Human Resources Co-General Manager

#### Human resource development policies and changes in the business

The investment to reinforce the skills, knowledge and organisational involvement of employees continued, as a fundamental lever to achieving the Group's strategic objectives; the instruments adopted range from training to simplification of the organisational model to development plans.

With respect to training, the strengthening of internal skills supports the service model evolution plan. UNICA, the Unipol Gruppo's Corporate Academy focusing on professional and skills training for all structures in Italy, made an investment in training in 2018 of around  $\in$  11.7m (of which 28% in direct investments) for UnipolSai Group employees.

The goal of the Academy is to spread and increase knowledge and share the managerial model while strengthening the corporate culture.

In 2018, training activities dedicated to all UnipolSai Group companies involved 5,926 employees in both classroom education and *webinars*.

In total, **239,394 hours of training** were provided, of which 57% to men (an average of 24.8 hours per employee) and 43% to women (an average of 16.0 hours per employee).

The average daily participation reached 67 employees in classroom or webinar mode and 126 employees in remote training. A total of 821 courses were created and provided for Group employees.

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

The main training projects included:

- the Master's program in Employee Management and Development, dedicated to developing the skills of roughly 1,800 department heads in the various Group companies. Launched in 2016 in the Master's and Advanced modes, the course will conclude in 2019. At the end of 2018, a total of 1,094 Managers had completed the course;
- the SME Risk Management Course, which develops the skills of a new specialised role, named the SME Tutor, included within the sales organisation to support the commercial development of the insurance business of agencies operating in the SME sector;
- the Tutor Family Welfare Course, attended by 53 employees, with the goal of stimulating gradual involvement in consultancy in the family segment.

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

#### Training provided to employees and average hours per job level

Man hours of training provided to employees and average hours per job level



Source: UnipolSai Governance, Legal Affairs and Human Resources Co-General Manager

The development of innovative capacities is a fundamental lever for the Group's competitiveness and was supported again in 2018 both through the participation of internal resources and the contribution of external specialists.

Innovation was concentrated on processes capable of distinguishing the insurance offering and was also made possible through training aimed at the improvement of employees' digital skills, by promoting new learning arrangements and defining dedicated training events.

The process of consolidating digital and innovative skills in the personnel continued with the recruitment of a further 24 persons (in addition to the 46 in 2017), who enhanced the Leithà, Alfaevolution, Digital Innovation and UNICA functional areas.

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

Employees are leveraged through significant recourse to internal mobility, a solution which has been applied for many years now. This enables the company to satisfy the majority of staff requirements by leveraging internal professionals and offering them the opportunity to take advantage of new jobs offered, in line with their skills and aspirations. The development actions include a range of tools meant to monitor and enhance the abilities and professional skills present within the Group. In the course of 2018, 22% of the open positions were filled with internal candidates, while 346 people, equal to 3% of the entire staff, found a new position within UnipolSai Group Companies by changing their activity and department.

The internal mobility policy fosters the continuous adaptation of employee skills to rapid changes taking place in the economic, regulatory and technological realms. At the same time as this policy, UnipolSai is reinforcing its commitment to offer internal opportunities for career growth.

The survey conducted with employees regarding the Group's reputation, as part of the overall process of monitoring the reputation among stakeholders implemented by UnipolSai since 2016, showed 72.2% of employees as "Supporters"<sup>24</sup> (a significant rise compared with the 64.9% in 2017) and 32.5% of employees as "Ambassadors" (30% in 2017), i.e. those who ensure Unipol has an excellent reputation<sup>25</sup>. The reputational index recorded among the personnel was 78 (on a scale of 1 to 100), a rise of around 5 points during the last three-year period.

The reputational level remains positive at all categories of seniority; the bracket between 6 and 15 years of seniority had the highest index, 79.2 out of 100, while the bracket immediately below this (from 0 to 5 years of seniority) had the lowest index, 76.2.

By observing reputation from the point of view of gender differences, it is clear that men bring a slightly higher reputation to the Group (79.8 points) compared with women, for whom the assessment gave a figure of 77.0 points out of 100.

## Enhancement of younger generations

The development actions include various tools meant to monitor and enhance the abilities and professional skills of the young people present within the Group. This is where the "Next Generation Programme" fits in, which is dedicated to university graduates under 35 years of age who have already gained professional experience within the Group. The process involved around 420 young

<sup>&</sup>lt;sup>24</sup> the percentage indicates the portion of respondents who expressed the greatest propensity for behaviour in support of the Unipol Gruppo.

<sup>&</sup>lt;sup>25</sup> employees who gave Unipol a reputational assessment higher than 80 points and also expressed a strategy alignment higher than 80 points.

employees, of whom 152 were selected for an ad hoc growth process, through group dynamics useful for effective measurement of skills and simultaneous development measures. In 2018, 84 participants in the Next Generation Programme were involved in the "Unipol Innovation Laboratory" training course, which combined the development of individual and team skills, a stimulus towards cross-functionality and a focus on market trends, to create transverse teams able to apply content in the field and use it to develop innovative business proposals.

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

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

# The promotion of equal opportunities

UnipolSai is committed to building a working environment in which professional development is supported irrespective of gender, age, sexual orientation, geographical origin or religion, within a context of reciprocal respect and organisational well-being. This commitment has been deeply rooted in the corporate culture for some time: UnipolSai was one of the first 16 companies to comply with the "Charter for Equal Opportunities and Equality at Work" (launched in Italy on 5 October 2009 and currently signed by 700 businesses and public administrations). The Charter provides a reference framework of values and guidelines to guide companies that have subscribed to it in its application; these companies must determine how to implement it according to their situation and level of maturity with respect to the specific issue. Unipol has therefore described processes and defined guidelines in the personnel management policies in order to ensure transparency and continuous improvement, as well as signing agreements with Trade Union Organisations, which it considers a key stakeholder for the construction of a positive working environment. UnipolSai has also adopted a code of best practices which - aside from highlighting the company's mission and values - also identifies certain potentially harmful behaviours (with reference to mobbing, straining and sexual harassment) which may occur in the workplace. All workers are required to view the Code and observe its principles of conduct. When oppressive conduct is identified, employees are able to notify the Human Resources Management department as well as send a report to the union-appointed members of the Group's Mobbing Commission. The code is available to all employees on the Group intranet.

In addition, in 2018 no episodes of discrimination (according to Italian Legislative Decree 215 and 216 of 2003) were recorded and there were no final decisions or sanctions on this matter.

The concrete promotion of equal opportunities between employees signifies above all, for the UnipolSai Group, fostering female empowerment and constantly improving the conditions of well-being and productivity for disabled persons in the workplace.

53.8% of employees are women (+0.9 p.p. on 2017): 14% of executives are women while, considering all positions of responsibility including officers, women amounted to 26.5%, for a total of 600 employees (a rise of 0.7 p.p. on 2017). Amongst the 6,422 women, 28.4% work part-time (representing 87% of the total number of part-time employees).

In October 2017, the Group established the position of **Disability Manager**, tasked with offering a global, coherent and progressive approach to supporting disabled employees, so as to minimise the impact of their disability on their ability to play an active role in the workplace. Therefore, the identified approach is to define a coordinated corporate policy based on listening and being proactive, which can be used to manage disabilities in the fairest and most effective manner possible. For the Group companies, this task was assigned to the Head of the Labour Regulations Function within the Human Resources Department.

2018 saw the implementation of a number of activities in this field, both as new projects and to complement and integrate those already launched; these measures had impacts both on the entire workforce and on the individual colleagues directly concerned. Firstly, a number of **training interventions were conducted on an inclusive culture** with respect to disability:

- Ma.Po. project. "Understanding disability: methods, tools and technologies for job retention"; the project, through a series of training events to raise the awareness of a wide range of colleagues from different areas of the company, sought to support job retention of people who, during their working life, have developed a chronic neurological disease, such as multiple sclerosis;
- training courses for executives and personnel managers;
- specific update days dedicated to members of the Equal Opportunities Committee;
- raising the awareness of employees with regard to disabled colleagues;
- training aimed at people with disabilities: among other things, a pilot training project was launched for disabled persons as part of the Unipol Trainers certification course (*Train the Trainer*).

In addition, individual, smart-working agreements have been implemented, personalised for the specific needs of colleagues with disabilities; conversion to new professional roles, where required and/or necessary; identifying "reasonable adjustments" in support of employees with degenerative and progressive disorders, by providing specific assistive technologies and the associated training for their use.

# **Remuneration system**

The UnipolSai Group Companies annually adopt Remuneration Policies, drafted in line with the provisions of Regulatory Bodies in the sector and consistent with the Group's short- and long-term objectives. The Remuneration Policies are approved by the Companies' Boards of Directors and their respective Shareholders' Meetings.

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

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

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

UnipolSai has developed a remuneration system based, inter alia, on 11 different variable Incentive Systems hinging on objectivesbased mechanisms for roughly 80% of the personnel working in the business lines.

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

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

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

# THE VARIABLE COMPONENT

One prerequisite for the recognition of any incentive is the continuation of effectively positive economic results and the minimisation of risk factors, aside from the presence of a dividend capability, i.e., the presence of the conditions, in terms of the economic result and the minimum solvency requirements of the Unipol Gruppo, for any distribution of a dividend to the Unipol shareholders. The Total Bonus is broken down into a Short-Term Incentive (50%) and a Long-Term Incentive (50%).



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

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

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

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

An important role in the evaluation and incentive process for executive personnel is also played by qualitative indicators, which take account of performance in terms of project and behavioural capacities consistent with the of UnipolSai management model. These include behaviours meant to promote a managerial approach based on criteria of fairness, farsightedness and responsibility in which indicators connected to sustainable governance capacities are particularly relevant.

The plan also includes malus and claw-back clauses. In particular:

• Malus

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

#### • Claw-back

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

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

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

#### Pay gaps by gender and job level category\*

Values according to the median of gross annual remuneration



\* The figures exclude all members of the Management Committee, as they are all males, and the foreign companies: Arca Vita International, DDOR, DDOR Auto, DDOR Re, Unipol Re and the companies operating in Italy: Seis, Sogeint, UniAssiTeam, UniSalute Servizi.

Source: UnipolSai Governance, Legal Affairs and Human Resources Co-General Manager

The **pay gaps between men and women** are calculated without including the top management of the Management Committee, who are all men, and by distinguishing between two different views. Taking into account only basic pay, the median values of women's pay have limited variances with respect to the median values of men's pay, fluctuating, within equal job categories, between absolute equality and negative values of up to 8.8 percentage points.

The median values of remuneration and the variable element show a deviation in favour of female personnel among Executives, due to the fact that, on average, the percentage of achievement of targets to which payment of the variable element is connected is higher for female personnel. The deviation is positive in favour of women also for Call Centre Personnel, while in the other categories, the media values of remuneration of the variable element of female personnel are between 6 and 8 percentage points below the median values for male staff.



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

#### The Welfare system

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

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

In the Group, **12 Pension Funds** and **18 Welfare Funds** are active to cover workers in the insurance, agricultural, commercial, tourism and services sectors.

As regards the pension system, more than 10,000 employees and managers are enrolled in the **Pension Funds**. Overall, more than  $\notin$  20m in contributions were made by UnipolSai Group companies. With reference to all Employee Pension Fund members, in 2018 more than  $\notin$  50m was paid, including contributions borne by the Companies, for the Workers and post-employment benefits paid out; while with reference to all members of the Senior Executives Pension Fund it amounted to roughly  $\notin$  5.2m. The regulation of the Pension Fund provides that it is possible to maintain membership and consequently make voluntary payments into it even when personnel is no longer employed by the UnipolSai Group Companies.

The UnipolSai Group's **Welfare Funds** have more than 10,700 enrolees, including executives: in specific cases in point regulated by the contracts, collective contracts and company regulations, enrolees can continue to benefit from assistance coverage for the time the sources establish even if no longer employees of the Group Companies.

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

Pension Fund	Senior Executives	Employees
Percentage of <b>members</b>	98.1%	83.9%
Total contributions (€m)	5.2	50.7
Impact of <b>company contributions</b>	56%	34%
Welfare Fund	Senior Executives	Employees
Percentage of <b>members</b>	97.2%	89.9%
Total contributions (€m)	2.4	19.2
Impact of <b>company contributions</b>	94%	89%

Source: UnipolSai Governance, Legal Affairs and Human Resources Co-General Manager

Alongside these initiatives, the Company has also provided a **structured second-level company welfare system** for some time now to improve time management and work-life balance. The Group's initiatives aimed at colleagues and their families, collected under the logo "noiUnipol", are structured into 3 areas: "per Te", "per i tuoi Figli" and "per la tua Famiglia" (for You, for your Children and for your Family).

The first area includes services aimed at helping to balance the multiple roles people play in their daily lives and provide new sources of stimulation; including the range of Time-Saving Services, developed at the offices to facilitate the management of everyday needs, and initiatives in support of Parenting, the MAAM (Maternity as a Master) training course for new parents, which helps in developing knowledge of the transversal skills parents require and to exploit them in the workplace, the Children's Party in the office and the Parents' School seminars. Initiatives for children, which may be accessed through an integrated platform, include the intercompany nursery, summer camps, study assistance, academic guidance initiatives and scholarships for the children of employees. Some of the family support services include *Fragibilità*, which offers an assistance service with case management in caring for loved ones who need assistance and an integrated network of services accredited for their quality.

The Group is focused on assessing the effectiveness of the second-level welfare system. In 2018, a survey was conducted aimed at all employees to check their awareness and satisfaction with regard to the "noiUnipol" initiatives, in which 42% of the parties involved took part. 95% of respondents are aware of the Unipol welfare offer and 55% use the services. 85.5% of employees who took part consider it to be important that the company implements welfare initiatives, and the overall satisfaction with the welfare system among users of the services is 3.86.

In addition, a project has been launched enabling measurement of the general impact of welfare initiatives on employees, families, the company and the other stakeholders involved; initial reflections in this regard were on some of the most important services.

With reference to the MAAM (Maternity as a Master), during the period between June 2017 and December 2018, almost 280 people signed up, 30% of whom were fathers, confirming the culture of equality in the company. Those who attend the training course record an average increase of 11% in transversal skills<sup>26</sup>.

The academic guidance services, Push to Open Junior for children in secondary schools and Push to Open for university students were each used by 100 children of employees, with a total of 200 families involved. Of the participants in the OrientaDiplomandi course, in 82% of cases, the programme influenced choices after secondary school and 69% are more aware of how the dynamics work in the world of work. The programme enabled an overall average time saving of around one week in seeking information useful for students and parents<sup>27</sup>.

Since 2012, Unipol has provided the children of its employees with Intercultura scholarships to carry out a summer or annual study programme abroad; in 2018, 12 children benefited from this, with a total of 45 months spent abroad. Children who follow an Intercultura course develop experience and skills which have a significant impact on their life path; 83% have found it easy to find and change job, 64% have proven inclusive and focused on treating everyone fairly, 90% are happy (+43% compared with the average of the Italian population)<sup>28</sup>.

With reference to the Time-Saving Services, in 2018, a total of almost 6,000 employees were involved. Using certain accurate data, it is possible to estimate that around 24,000 uses have been recorded, generating an overall time saving of almost 2,000 hours and a financial saving of  $\leq$  46,000, while saving people from travelling 18,000 km in their cars.

## Sustainable mobility

Considering the complex distribution of UnipolSai throughout the country, the Group is particularly committed to promoting sustainable mobility. It has a travel management Policy in place which promotes expanded use of public transport and conference calls, car-pooling, the identification of cycle mobility interventions, investments in info mobility with a dedicated website ("UnipolEcomobility") and activities to support safe driving.

As regards commuting, 2018 was marked by the preparation of three-year intervention plans in the 10 cities where the Commuting Plan was implemented the previous year, where around 40 main offices are located. This plan is a tool for the development, implementation and control of an optimal set of measures useful for streamlining employee commutes, achieved through a process with employee engagement. The data collected in the plan have made it possible to develop analyses and preliminary verifications of the transport offer, with respect to the time brackets of interest to company personnel. Thanks to the plan, the Group has prepared a three-year improvement plan for every city, with an identification of the intervention priorities based on targets, cost estimates and expected levels of effectiveness. These mobility interventions in the 10 cities will be structured into three different types, by gauging the activities to the specific features of the sites.

In addition, in order to promote sustainable mobility, info mobility and bicycle parking services have been prepared in all the main company sites; a financial incentive system is in place for the purchase of subscriptions to public transport, used during 2018 by 2,055 employees, representing over 23% of the reference company workforce (an increase of 13% on 2017). Car-pooling has been in use since 2011 and is supported by two online platforms; a fleet of 50 pedal assist bikes is available at the Bologna and Florence offices which may be used by the employees for bike sharing. In 2018, company bicycles were checked out 2,300 times in Bologna and around 1,000 times in Florence, a rise on last year's figures.

#### Employees' health and safety

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

This policy is pursued through:

- the protection of conditions of worker physical, mental and social well-being;
- constant risk monitoring in the individual operating activities (whether they are carried out directly or through suppliers and partners) and in strategic decisions;

<sup>&</sup>lt;sup>26</sup> Figure calculated by the MAAM research team from all participants in the programme.

<sup>&</sup>lt;sup>27</sup> Figure from the Social Impact Report of the Push2Open programme.

<sup>&</sup>lt;sup>28</sup> IPSOS research for Intercultura, 2016

- the evaluation of environmental aspects and factors of danger in the phase of designing new activities, processes, products, systems and services;
- training and increasing the accountability of personnel and raising the awareness of suppliers and partners in order to increase their knowledge and involvement;
- the search for the best available technologies for prevention and protection;
- the systematic communication of information on services, guaranteeing the utmost reliability of data.

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

To support occupational health and safety, aside from workplace inspections, health monitoring and activities linked to properly following reference laws, voluntary health monitoring activities continued and a work-related stress assessment was conducted in accordance with the INAIL 2017 Guidelines.

For the purposes of satisfying regulatory requirements, pursuant to Italian Legislative Decree 81/2008, during the year 3,643 health monitoring visits were made.

For voluntary prevention initiatives, seasonal influenza vaccines were administered (roughly 621 participants), pharmaceuticals issued (more than 700) and cardiovascular prevention activities conducted (more than 5,000 visits).

In 2018, there were a total of 193 workplace accidents, 144 of which occurred during commuting.

#### Accidents

Total number of accidents	193
of which % suffered by men	35%
of which % suffered by	65%
women	
of which % in the workplace	25%
of which % in transit	75%

Frequency by segment	
Insurance	
Tourism	
Healthcare	
Agricultural	

8.1	
15.9	
18.6	
15.2	

Source: UnipolSai Governance, Legal Affairs and Human Resources Co-General Manager

The seriousness index for insurance companies operating in Italy is 0.19<sup>29</sup>.

The rate of absence per accident, calculated for all the Group's Italian insurance companies (around 90% of the total workforce) remains marginal, moving from 0.12% to 0.14%.

This rate, calculated for the Group's Italian insurance companies, by taking into account the total number of days of absence for reasons other than leave and the total number of theoretical employee working days at period-end, is 9.2%.

In terms of safety, for the insurance sector companies operating in Italy, basic training paths have been in place for some time, which were completed by around 11,272 employees and 149 executives. In addition, there are also active continuous education courses that involve employees in line with the deadlines laid out by regulations.

For the diversified companies (Gruppo Una, Tenute del Cerro, Marina di Loano and the healthcare segment companies), 332 employees received training in 2018 on various worker health and safety issues.

For the Companies operating in Serbia, safety training concentrated on first aid and fire prevention, with the involvement of a total of 1,088 participants.

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

<sup>&</sup>lt;sup>29</sup> Rate of working days lost (or seriousness index) = (number of days lost/total number of working hours) x 1,000. For ease of reading, this indicator has been calculated using a multiplication factor of 1,000 (working hours). Working days lost do not include accidents requiring first aid.

## Industrial relations

All employees are covered by the sector collective agreements, while 64.5% of employees in Italy are union members with reference to the Companies to which the national insurance sector and services sector agreements apply.

The UnipolSai Group pays particular attention to trade-union relations, aware of the fact that discussion – while respecting and distinguishing between the respective roles – represents the most suitable method for dealing with issues affecting personnel in the various phases of company trends.

In 2018, in the insurance segment, important agreements were signed with trade unions, concerning, in particular, the possibility of using external suppliers for call centre activities, provided that the insurance CCNL applies, pursuant to the contractual provisions. This result was facilitated by the experimenting of a new method of discussion, entitled "social dialogue" and structured into three levels of discussion:

- "political": with the presence of the coordinators of the 5 trade-union organisations, for discussing topics which require a political/strategic approach;
- "negotiation": with the participation of the coordinators of the 5 trade-union organisations and a limited number of trade-union representatives, for discussion of topics which require negotiation between the Parties;
- "informative": with the involvement of a broader range of trade-union delegates, to illustrate the corporate organisational changes and subsequent in-depth exploration.

During the process of streamlining the hotel network of the UNA Group, ramifications in terms of employment linked to the definitive closure of two hotels and the temporary closure of a third were handled; subscription to Federalberghi was formalised, with the simultaneous change of CCNL from 01 January 2019.

In 2018, during the contractual renewal phase, the following were determined: 5,653 hours of striking were determined (0.5 hours/employee), in particular in the call centre sector, 180,244 hours of leave for trade-union activities. In addition, 81 trade-union meetings were held, totalling 8,261 hours.

At the same time, there was not significant recourse to judicial disputes with employees, either on staff or who have left their position. Group companies did not suffer sanctions in this field and there were only two cases where final sentences were handed down to the detriment of the Company following disputes with employees.

# **CUSTOMERS**

15.4m

customers and policyholders of the UnipolSai Group

Impact of premiums of products and services meeting social and environmental requirements

28.3%

# 82.8%

Claims settlement rate - current year

0.8% Number of Complaints out of

no. of claims reported

91.1% Customer satisfaction Index Auto -0.8 p.p. vs benchmark

109,000

Legal entities

207,<sub>000</sub> Legal entities

25,000

Legal entities

## Customer relations

The UnipolSai Group provides its insurance services to more than 15m direct customers and policyholders through collective policies (+7% on 2017): of these, 14.5m are individuals, with a good rate of retention and cross selling amongst the other Group companies.

# Customers/policyholders based on geographical area



833,000

Individuals

15,000

Legal entities

237,000

Individuals

\*Not classified geographically

Source: UnipolSai Sales Department and other Companies' General Offices

Within the framework of Legal Entities, the business world may be ascribed to two segments, namely small and medium-sized enterprises (SMEs) and Corporate, which differ in terms of characteristics and needs. The former belong to a significant extent to Member Organisations, autonomous workers' organisations, associations of small and medium-sized companies (CNA, Confesercenti, CIA) and cooperatives (Legacoop) historically close to Unipol. This relationship has strengthened, particularly by entering into specific agreements, which represent a specific relational model focusing on the aggregation of demand by the members and associates.

Overall, at the end of 2018 the premiums from national agreements with the Member Organisations amounted to  $\epsilon$ 720m (-19% compared to 2017) and accounted for roughly 6% of total premium income, in addition to  $\epsilon$ 569m in premiums earned through the Workplace Agreements (-2% compared to 2017) and around  $\epsilon$ 5m in premiums from collective memberships associated with trade union organisations and third-sector associations.



#### Amount of premiums from agreements

Source: UnipolSai Sales Department

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

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

UniSalute contributes significantly to the business portfolio, providing group healthcare policies through Funds, Welfare Funds and mutual healthcare societies aimed at groups and companies of all sizes and sectors: handicraft businesses, banks and credit institutions, political institutions, supervisory institutions, trade associations and social security and assistance entities and supplementary sector healthcare funds for a total of 8m policyholders.

A distinctive element of UniSalute is its absolute leadership in the management of healthcare Funds, with 38 active National Health Funds covering various sectors (from commerce to multi-service, from the military corps to education, from fashion to mechanical engineering) and with 70% of enrolees located in Piedmont, Lombardy, Veneto, Tuscany and Emilia Romagna.

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

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

From September 2015 to September 2018, Unipol Gruppo led a European project entitled Life DERRIS – Disaster Risk Reduction Insurance (for further information, refer to the "Environmental Performance" chapter), which implemented a series of measures to increase risk culture, by transferring risk assessment and management knowledge and expertise, as well as knowledge of tools and tricks to reduce vulnerability, and therefore damage, for individual companies. When crisis situations take place, reaction time constitutes a decisive success factor to limit the amount of time operations need to be interrupted, so it is fundamental to have adequate procedures and knowledge ahead of time to guarantee business continuity. Following the pilot project conducted in Turin, the DERRIS project replicated the experiment in another 10 locations between May 2017 and September 2018: Alghero, Bologna, Genoa, Molfetta, Padua, Pescara, Rovereto, Udine, Varese and the Unione dei Comuni del Circondario Empolese Valdelsa. In the local bodies involved, companies were able to use hours of training and technical support (through the conducting of in-company inspections) to identify the main weather/climate risks to which they may be exposed and to define potential measures for the management of risks and emergencies. The project also developed a simple and immediate instrument (CRAM tool) which enables SMEs to understand, through geo-referencing, which risks they are exposed to with respect to 7 weather/climate dangers (flooding, precipitation, rain, lightning, hail, temperature and landslides), and which solutions may be applied in their companies to prevent damage. The objective was to guide companies in drafting an action plan for adapting to climate change.

At the end of 2017, the Group's companies portfolio (Corporate and SMEs) counted over 927k customers (equal to 6% of the total), of which roughly 98% in Italy.

Outside Italy, UnipolSai also operates in Serbia: the subsidiary **DDOR Novi Sad** represents the second operator in the Serbian market with a portfolio of roughly 255k customers (7.2% companies), to which it provides Non-Life and Life services and products.

## The range of products

economic cost of roughly €95m.

In consideration of current trends and new emerging risks, UnipolSai is adopting an **inclusive development model**, guided by technology, focused on the local and integrated dimension in environmental, social and economic factors.

**Inclusive** because UnipolSai assigns a role and a responsibility to all stakeholders with a view to partnership along the value chain, in order to combine complementary skills, technologies and new solutions on the market. In this field, the intervention procedure is structured into direct and integrated governance of service processes in addition to the management of claims. With regard to the integration of processes and services contiguous with the *core business*, UnipolSai stands out due to its in-housing of support, emergency response, maintenance and direct damage repair, supporting its customers by providing solutions, not only compensation, for the damages suffered. As a result, the following play a decisive role:

- Finitalia for payment by monthly instalments with no additional costs;
- Auto Presto&Bene and AP&B Car Service, constituting a network of 2,712 repair shops present throughout the country to offer MV policyholders certified repairs with no cash advance;
- MyGlass, which provides repair and glass replacement services through 205 glass-fitting centres;
- the network of craftsmen distributed throughout the country for direct repair anywhere in Italy, through 23 companies;
- the more than 64k healthcare/social facilities affiliated with UniSalute in Italy and abroad;
- UniSalute Servizi SiSalute division, which offers non-insurance healthcare services, company welfare services and "flexible benefits<sup>30"</sup>. SiSalute, which, by the end of 2018, had reached 2.3m clients, constructs, together with companies, packages of flexible healthcare benefits that may be used exclusively or structured on the third-party platforms of other suppliers and also offer a dedicated online platform. In addition, it provides *outsourcing* services to Funds, Banks, Welfare Funds and Mutual societies such as a telephone call centre, the SiSalute affiliated healthcare facility network, reimbursement management, other services and prevention campaigns.

In this context, worthy of note are the new arrivals on the list with the UnipolSai Albergo&Servizi product, which offers packages of particular cover diversified for specific structures, hotel, non-hotel, resorts; one section, entitled "Protection of Earnings", aimed at guaranteeing the activity against financial losses arising from forced inactivity of the accommodation facility following a claim eligible for compensation covered by the policy; "SalvaStagione" cover, which provides compensation for any loss of earnings resulting from heavy rainfall. For a more complete description of the procedures of integrating non-insurance services, refer to the "Customer relations" section in this Chapter. Since December 2018, the list has contained a new edition of the product, which enhances the offer with "Assistenza Plus" cover with the Unibox L@voro, which provides for the free use of a control unit and a series of safety devices (smoke, water and gas sensors).

<sup>&</sup>lt;sup>30</sup> These are alternative employee remuneration models which, by exploiting the benefits provided to employees, provide tax savings for the company and increased spending capacity for employees. They constitute an alternative company benefit model provided to employees and consist of goods and services such as school fees, pensions and supplementary healthcare.

**Guided by technology**, since digitilisation, IoT and Big Data are enabling factors in the offer and data monitoring is essential in supporting change processes. Thanks to this policy, the Company boasts a significant important position, with 3.8m telematic boxes installed in Italy, also thanks to the ongoing launch of new products that use telematics. In 2016, the devices had been introduced into the Business policies and coverage for agricultural machinery; since 2017, the range of insurance products associated with telematic boxes installed in Italy has included the following policies: Km&Servizi 2ruote, Commercio&Servizi (enhanced in 2018 by a package of services dedicated to offices and professional/commercial firms, of which "Direct Repair" and "Quick Recovery" services are worthy of note), Casa&Servizi (which, since 2018, comes with the possibility of installing the Unibox C@sa device free of charge, as well as assistance for "Cyber Bullying" and "Reputational damage"), C@ne&G@tto. In 2018, the Condominio&Servizi product was introduced, combining insurance cover, services and assistance. During 2018, AlfaEvolution Technology, the Group company which manages the entire portfolio of the Group's telematic customers, reinforced its oversight of the telematic sector by investing in the development of its own TSP (Telematics Service Provider) platform for the direct integration of different IoT solution protocols, starting with the Black Box, with the objective of exploiting this moment of maturity in the sector and maintaining its competitive advantage to ensure both lower costs and less risk of diffusion of its know-how and ever greater autonomy in defining business models, by also developing synergy with the General Classes. In addition, in the MV area, telematic devices were integrated with elements as the accelerometer and the child detector.

**Focused on the local dimension**, since it identifies the city as the key place for the adoption of mobility, prevention and education policies and therefore the first place to intervene:

- As part of preventing mobility risks, the spread of telematic devices makes it easier to understand the risk in the area in which
  vehicles with these devices on board circulate. Precise mapping of traffic trends generated by cars with a black box on board
  will enable UnipolSai not only to calculate prices that are balanced with respect to the risk profile, but also to choose more
  efficient service point locations and gain greater knowledge of the local area where routes deemed critical at viability level may
  be identified.
- Preventative healthcare, in line with the initiatives of the Three-Year Plan aimed at identifying local welfare initiatives, is based on the social/healthcare assistance model, to guarantee adequate tools and resources to residents to support their needs during old age in light of declining benefits from public pensions and the simultaneous increase in needs for healthcare services due to the ageing of the population. In this regard, UnipolSai has developed, in synergy with SiSalute (division of UniSalute Servizi), an initiative to develop the pension offer by integrating health services, starting with prevention activities. Since 16 May 2018, anyone who has signed up to the UnipolSai Previdenza Futura PIP has received a SiSalute ESAMI e VISITE CARD as a gift. This card can be used for check-ups, visits and diagnostics at reduced prices at the health centre approved by SiSalute. UniSalute has also developed "Family Protection", an individual health insurance product that may be purchased online to satisfy families' need to keep the health of all family members under control, in a personalised fashion and over the long term. The policy is structured into two versions to satisfy different requirements: for adults (aged 18 and over), it focuses on a crucial aspect of health cardiovascular prevention; the version for children (aged 4 to 17), on the other hand, focuses on preventing childhood obesity. In addition to these initiatives, policyholder aggregation solutions are being developed to extend healthcare and welfare coverage outside the world of work.
- The penetration index for welfare coverage (Life and Health) for Italian citizens, on an annual basis, was 10.7% in 2018 (+2.3 percentage points on 2017), thus reaching the 2018 target set in the Three-Year Plan.

**Integrated into environmental, social and economic factors**, connected to each other, where intervention on one has impacts on others. In this context, the distinctive element of the UnipolSai offer is its long-lasting commitment to responding to a changing society by meeting new environmental or social requirements. In particular, UnipolSai's leadership position in the Non-Life and Pension Funds segments is in and of itself an important response to the increasingly significant welfare and security needs arising in the communities in which the Company carries on business. The following are also worthy of note:

- the search for insurance and advocacy solutions (such as in the Derris process with respect to the public administration) for the effects of climate change. For a description of the initiatives aimed at greater resilience to damage from catastrophes, refer to the section on products of particular social and environmental value.
- The role of investor played by UnipolSai, as described in the "Shareholders" chapter, and the UnipolSai pension offer, which
  includes the "Protezione Etica" segment, one of the four segments of the Unipol Insieme Open Pension Fund, which invests in a
  diversified portfolio of primarily bonds and marginally equity instruments in the Eurozone which are fully managed according
  to ESG (Environmental, Social and Governance) criteria. The relative assets amounted to €72.3m, down 7% compared to 2017,
  equal to 8.5% of the assets of the corresponding pension segment.
- Support to the Third Sector, which represents a significant part of the economy and Italian businesses (343k organisations, where almost 6m volunteers work, guaranteeing services to over 7m people), through a personalised offer to satisfy needs for protection which are anything but homogeneous, characterised by new areas of intervention and new service provision procedures, with activities often temporary and intermittent, generating new forms of risk and thus increasing the demand for new safeguards. For this reason, the UnipolSai Terzo Settore product has been developed to enable customers to choose the combination of cover and cover limits that best meets their safety and security needs, based on the activities carried out by

their association: amateur sport, voluntary work, cultural recreation, for children, or simply in cases where the intention is to organise a single event. The main cover applies to damage caused involuntarily to third parties and costs arising from accidents occurring during the conducting of activities within the entity or specific events. A dedicated unit within the Sales Department offers solutions specifically designed to meet the needs of third sector operators to protect their activities and guarantee their continuity. The redefinition of the offer for the Third Sector, together with the development of micro-insurance products (see the "Shareholders" chapter) and innovative sales and accumulation models for the base of the pyramid (see the description of products of socio-environmental value below), contributes towards improving the capacity for financial inclusion of the most vulnerable social categories at UnipolSai which, in accordance with the objectives of the 2016-2018 Plan, has led, in the risk assessment, to the adoption of criteria which also take into account situations of vulnerability and prospects for growth.

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

In the current socio-economic development conditions, the UnipolSai Group has developed offer models to stand out from the rest of the market and satisfy new needs by offering risk prevention and reduction services through the internalisation of services or the definition of partnerships. As can be seen in the figure below, UnipolSai's commitment to supporting the SDGs through its ordinary operations takes shape first and foremost in its offering of products meeting specific environmental and social requirements. The premiums earned in relation to these products are represented on the basis of the objective they contribute to reaching. In addition, the benefits underlying the premiums identified are associated with emerging trends identified for the Group, as they represent an initial, partial Group response to these risks, transforming them into business opportunities.



1 <sup>№</sup> Ŵ≭ <sup>®</sup> ®®	INSTABILITY AND POLARISATION HUMAN SOCIETY 2.0	<b>58%</b> €1,221m	3 GOOD HEALTH AND WELL-BEING	8 (1)	HUMAN SOCIETY 2.0 WELL BE	<b>26.2 %</b> €551m
8 DECENT WORK AND EDDWOME GROWTH	INSTABILITY AND POLARISATION HUMAN SOCIETY 2.0 NEW SKILLS	<b>0.1 %</b> € 1.5m	9 BUSTRY INNATION AND INFRASTRUCTURE	٢	INTERNET OF EVERYTHING	<b>0.2 %</b> €3m
	HYBRID CONSUMER CLIMATE CHANGE INSTABILITY AND POLARISATION	<b>10.9 %</b> €230m	12 RESPONSIBLE DOKSIMPTION AND PODLICTION	()) ()	WELL BE CLIMATE CHANGE	<b>4.6 %</b> €98m

Source: UnipolSai Administration, Controlling and Operations Co-General Manager and Other Companies' General Offices

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

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

The procedures for acquiring insurance services through **monthly instalments without additional charge**, extended to all products, including Life products, as well as to those for SMEs, is important to maintain and strengthen relationships with customers, as seen by our higher retention rate (88%) for those who use it compared to the UnipolSai average, which amounted to 86.5% for MV TPL policies upon expiry, and is higher than the market average (84.1%).

With reference to responses to **climate change as regards resilience**, aside from the Life Derris project described above, through its offering of insurance products UnipolSai provides innovative solutions to the market - especially with regard to the tourism sector - which are aimed at preventing risks linked to climate change as well as post-event management.

The "UnipolSai Albergo&Servizi" and "Commercio&Servizi" products are an example of innovative solutions created by UnipolSai for the tourism sector. Both products provide a parametric benefit named "Salva Stagione", dedicated to hospitality businesses which could suffer economically in the case of extended periods of bad weather and are able to receive cash compensation to help limit the negative effects of lost turnover. The products also include optional "Alluvione, inondazione, allagamento" flood coverage dedicated to all business activities, which was created based on risk flood mapping covering the entire country. UnipolSai is also active in the agricultural sector, providing insurance coverage for climate events such as hail, drought, cold, strong wind, etc., which now impact the crops of policyholders even in geographical areas that did not have to deal with these critical issues in the past. In order to support companies in understanding, assessing and covering environmental damage, a dedicated cover was developed in 2018 for **environmental responsibility**, which provides protection from damage caused both by accidental pollution and gradual pollution, and compensates both damage to third parties caused by pollution and recovery and decontamination necessitated by environmental damage.

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

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

A characteristic element of the Group's offer is the **social/healthcare assistance model**, provided through the over 64k social/healthcare structures accredited with UniSalute in Italy and abroad and through the insurance and non-insurance health services offered by UniSalute Servizi-SiSalute division. Of these, in addition to the aforementioned *flexible benefit and Card*, SiSalute manages **MONITOR SALUTE**®, a monitoring service for chronic pathologies (such as diabetes, hypertension, asthma and COPD - Chronic obstructive pulmonary disease), through specific devices which detect parameters and send them in real time to the UniSalute operations headquarters, where specialised doctors and nurses monitor them constantly. The coverage has been included in certain group healthcare plans in addition to those already launched in 2017, with the objective of offering the patient and his or her family the best healthcare and social/assistance protection, even at home. During 2018, the service was awarded the Smau 2018 innovation prize for excellence in the healthcare sector, as an innovative service for the monitoring of chronic pathologies.

Also in the healthcare field, UnipolSai, through UniSalute, offers assistance services in the case of **Non-Self-Sufficiency** and for post-hospitalisation cases, by providing personalised management of medical care and consultancy of excellence in cases of non-self-sufficiency and post-hospitalisation (hospitalisation at home subsequent to staying at the hospital facility). The UniSalute integrated assistance model combines elements of clinical knowledge of the person, precise guidance on the services offered by the National Healthcare System, the evaluation of the person's environment and integration between the support services guaranteed under the NHS and those provided by the UniSalute Provider Network with a view to resource optimisation. The process calls for the involvement of **Case Nursing Managers** within UniSalute specialised in guiding and organising social/assistance services.

In the Life Business, despite the difficult competitive environment, UnipolSai plays **a key role in all forms of supplementary pension schemes** dedicated to employees and other workers, managing 23 occupational pension fund mandates (17 of which are for management "with guaranteed capital and/or minimum return"), with total assets worth  $\in$ 3,830m (of which  $\in$ 3,223m with guaranteed capital), with 498,645 enrolees. As regards the Open Pension Funds managed by the companies UnipolSai and BIM (UnipolSai Previdenza FPA, Fondo Pensione Aperto BIM Vita), managed assets totalled  $\in$ 852m (-6.2% compared with the previous year), with 43,218 enrolees (-2.8% compared with 2017). In addition, a total of 119,481 people participate in personal pension funds and individual pension schemes (+16% compared with 2017), and there are 86,648 insured through the Pre-existing Pension Funds (-1.2% compared with the previous year).

The Savings range includes UnipolSai Risparmio Giovane and Grande! Polizza Vita – Risparmio di Arca, designed to encourage the gradual putting aside of sums for future study expenses or launching the business of a child/grandchild.

Also in the Life business, in terms of Life protection products, of particular social value are the UnipolSai Autonomia low-cost policy, extendable LTC policy for those over 70 years of age with no medical checks, and the LTC Orizzonte and Sistema SALUTE

Arca policies, the fruit of the cooperation with UniSalute, which offer customers the possibility of using healthcare services in accredited structures, including: check-ups, examinations by specialists, assistance for non-self-sufficient statuses. Also in the Life protection field, UnipolSai offers TCM coverage dedicated to single-income families earning up to  $\in$  30k, UnipolSai Smart, while the Arca offer contains the My Family Smart policies, a TCM with fixed annual premium of  $\in$ 180, irrespective of the age of the insured party, with a term of 5 years and including additional capital in the event of death from a road or other accident. In this same segment, there is the "Arca 3 for you" product dedicated to non-EU nationals. The product makes provision for death and permanent disability coverage from accidents, plus a significant assistance package which makes provision not only for repatriation of remains to the policyholder's country of birth but also other coverage, including advice from a linguistic mediator for explanations connected with the product.

#### **Customer relations**

In order to simplify and overhaul the customer experience, UnipolSai, following the instructions in the Business Plan, has operated through the search for solutions based both on direct contact with customers and on national and international scouting of startups and experimenting with new procedures of digital interaction with customers. From this point of view, the Net Promoter System<sup>SM</sup> management system, adopted by UnipolSai to assist with improving the experience of customers and Agencies, has made it possible to reinforce oversights at all times of interaction between the Company and the customer.

#### Building insurance awareness

UnipolSai and its subsidiaries are committed to making information for customers clearer and easier to understand at all phases of the relationship with the insurance provider, through the use of simple language, transparency of information and ensuring consistency among conditions within various documents referring to the same product/service. The main offer documents, drafted according to requirements of clarity and understandability, can be found, not only in the sales network, but also on the company website, especially with reference to the Information Booklet, Non-Life Precontractual Information Document, KID for Life products and Privacy Notice.

In order to ensure understandability, transparency, accuracy and accessibility in communications between UnipolSai and the customer, it should be noted how, in line with the provisions of article 182 of the Code, the advertising of insurance products must adhere to principles of clarity and accuracy and comply with the content of the information set to which the products refer. The advertisements designed by UnipolSai are structured in a way that will not mislead consumers with regard to the characteristics, nature, coverage and risks of the product on offer and use clear, visible and legible forms of expression and characters. The assessments of advertising and marketing materials are conducted in accordance with the principles of integrity and protecting the interests of customers and also concern the quality of information provided and the consistency of the services, products or operations with the expectations of the customers to whom they are sent.

There was particular focus on the dissemination of the awareness of risks and prevention methods through communication initiatives aimed at customers. For example, in the Life business, with a view to simplifying the acquisition of products by customers while reducing the risk of selling products that are not adequate for the risk profile or do not meet expectations, the **Life product certification** procedure continued, to ensure reliability. This certification calls for the verification by Bureau Veritas - a company specialised in control, compliance audit and quality certification services - of UnipolSai's compliance with product specifications in accordance with the values of transparency (full, understandable and trackable information), fairness (clear and balanced cost) and product value (protection of capital and investments selected). The certification body checked compliance with these values by monitoring requisites and indicators running along the entire process, ranging from identification of needs to after-sales management, thanks to transparent and fully tracked organisational practices. The relevant aspects are, on one hand, respect for the balance between meeting the interests of the final customer, the Company and the community, and on the other the search for simple and transparent communication to enable customers to make informed choices.

Thanks to the traceability of the system of oversights, requirements and indicators throughout the entire life cycle of the product, from identification of needs to after-sales management, the certification applies to all products in the Investment Line, Savings Line and Pension Line both currently in the catalogue and not yet marketed. The process elements have been defined so that the product will be managed in a way that safeguards its value, by ensuring correct management of the customer's capital and guaranteeing the traceability of activities for products no longer marketed.

The implementation continued of innovative distribution channels, thanks to the development of the digital platforms aimed at making information more accessible for customers; these include, for example, the UnipolSai website with the specific Customers area (by the end of 2018, over 1m customers had registered on the website, an increase of 125% compared with 2017) and the app, downloaded by 550k customers (growth of 59% compared with the previous year). The developments have made it possible not

only to facilitate access, but also to increase and improve the services offered to customers: over 150k claims are handled online through tracking, which also makes it possible to contact the adjuster and the claims handler, and there were some 3m notifications provided through the apps concerning automatic telematic devices.

During 2018, a new version of the UniSalute app was released, with improved "request refund" and "appointment communication" functions. UniSalute, in cooperation with Disney, has developed the UniSalute Junior app aimed at learning how to eat well and get moving and have fun, with simulating quizzes featuring Disney characters.

As regards the UnipolSai social channels dedicated to commercial communications (Facebook, Twitter, Instagram, Google+, Youtube), 2018 was marked by the reinforcement of oversights of social media, involving over 151,000 fan and followers (there were 147,000 at the end of 2017). Every day, hundreds of users interacted directly with the Company by reacting to posted content and requesting assistance.

At UniSalute too, communication continued through the web and social media: in addition to the Facebook page (2018 ended with 27,600 fans, growth of 33% compared with 2017 and an average of around 900 new fans per month), the InSalute blog (in 2018, over 3m visits were logged and around 500 articles published) and the InSalute Informa newsletter (in 2018, over 13m were sent, with an opening rate of 20%), UniSalute also set up a Twitter profile in April 2018 (with over 250 followers and more than 1,300 interactions) and a LinkedIn page (with over 2,200 followers and almost 10,000 interactions). The former is aimed at so-called mass influencers, and therefore a specialised public, with a huge number of followers, various operators in the sector, and large firms, while the latter is aimed at managers and professionals, not only in the healthcare and insurance sector, and is thus above all institutional, with the sharing of information concerning the Company's activities.

# Consultancy

The dissemination of a culture of attention to the customer has been achieved by implementing a digital strategy aimed, on the one hand, at promoting direct contact with the Company and, on the other, at simplifying the process of choice. Through a gradual increase in multi-channel services, and through the digitisation of commercial and administrative agency processes, the objective is to make all services fully accessible from remote and mobile channels, while maintaining the presence and advisory skills of the agency network as a central element. As regards consultancy, some of the most significant initiatives include:

- the extension to the whole Network of the use of the Consulenza Persone (Personal Advisory) Tool, for the personalised analysis of customer needs (pensions, savings, protection and investment, accidents, home and health), integrated with the company systems and accessible from mobile devices;
- continuously increasing numbers of both "Family Welfare Consultant" specialists and "SME Business Specialists". The former
  are consultants dedicated to the protection of family-related needs (health, assets, property), through a special training
  process and tools that analyse insurance requirements. The latter are specialised in offering risk assessment advisory services
  and identifying customised solutions;
- the launch, on the Agency Network, of a change management process aimed at encouraging the use of new infrastructures in support of digital processes and in mobility;

A further aspect, linked to issues of sustainability, concerns the integration of the consultancy process considered as a whole, both in the customer profiling phase and the subsequent selection of products, new questions in the adequacy assessment in order to determine whether the customer is willing to include ESG considerations in his or her investment choices and to make him or her aware of the fact that there are ESG products, of updating customer information documentation, revising MIFID II internal consultancy policies and procedures.

For a detailed description, refer to the "The distribution network" chapter.

# **Renewal and purchase**

With the entry into force of European Directive 2016/97/EU (*Insurance Distribution Directive - IDD*), on 01 October 2018, the new POG (Product Oversight Governance) process was introduced, which entails new activities, such as: pre-market testing, identification of the target market per product and the distribution networks and monitoring of product life. The new products and services marketed by the UnipolSai Group insurance companies, as the amendments to existing products and services, are subject to prior verification of compliance with the applicable legislation. In particular, the following were implemented during 2018:

• a review of the contractual information for all products, through the drafting of new simplified and standardised documents to replace the advisory notice and summary sheet;

development of digitisation implemented both with home insurance functionalities (specific areas on company websites), and
with the replacement on request from the customer of paper communications with digital communications and even with the
reduction of the obligations in force to publish such information in daily newspapers.

In the same way, oversights are reinforced to protect customers, in particular as regards information during the contract and the procedures for drafting contractual documents to facilitate contractual simplification, ensure comparability of conditions and reduce the phenomenon of dormant policies.

In order to render the customer experience simpler and more immediate in contractual relations, significant investments were made in 2018 for the digitisation of the entire process, from underwriting to signature of the policy and electronic payment of the premium. For AdES (Advanced Electronic Signature), UnipolSai is certified according to international standard ISO27001.

In addition, there have been trials of new offer segments attractive to customer and solutions that stand out from competitors, who have made it possible to activate two pilot initiatives: the sale of supplies of light and gas in UnipolSai agencies and the sale of MV, home and *pet policies* at UnipolSai insurance corners within large retailers.

Among the insurance products, not mentioned in the previous sections, there is the UnipolSai GO app for the sales of travel micropolicies that may be signed up to in real time through smartphones, where, in addition to baggage, assistance and accident coverage, medical expenses coverage has been added, in order to make the offer more complete, above all for trips outside Europe. There was also a trial of a new promotional procedure with this product, which exploits the data provided by the IoT (Internet of Things).

Among non-insurance products/services, 2018 saw the launch of the "Noleggio a Lungo Termine Innovativo in Agenzia" (Innovative Company Long-Term Rental) pilot project, a service which offers a response to the cultural transformation "from possession to use" and represents a first step towards establishing the Group as a well-rounded partner in the mobility ecosystem. The service gives private individuals the chance to sign long-term car rental contracts with built-in individual insurance policies, a solution which allows them to avoid penalties in the event of a claim and maintain their Bonus/Malus Class.

In the healthcare field, the commitment to innovation with respect to customer relations has focused on the integration of UniSalute services in the UnipolSai offer, such as, for example, non-self-sufficiency assistance services and for post-hospitalisation cases which constitute the only model of its kind on the market, and the inclusion in certain group healthcare plans (in addition to a those already involved in 2017) of the offer of solutions for the management and monitoring of chronic pathologies provided by UniSalute Servizi (Monitor Salute®), or services aimed at preventing child obesity (including the UniSalute Junior app, developed in conjunction with Disney).

#### **Claims handling**

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

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

- an **organisational model** which resulted in the specialisation of settlement structures while maintaining a widespread regional presence, alongside a network of approved representatives consisting of 1,234 adjusters (64 of which in Serbia), 658 medical experts (20 in Serbia) and 1,181 lawyers, thanks to partnership agreements;
- the evolution of settlement processes integrated with telematics, as a tool to guarantee increasing speed of execution and capacity to combat fraud. In the electronic settlement process, the information provided by the black box is used in an innovative manner in the MV claims settlement stage (in particular, by verifying consistency between the statements rendered and the actual dynamics of the event and using algorithms to calculate the probability of injury in the event of a claim and algorithms to estimate liability). The dedicated portal (Unico), integrated with the "Liquido" claims application, also uses a new crash data feeding architecture which, through management of Big Data, makes information available almost in real time and can reconstruct the dynamics of the claim with regard to specific situations (lateral impacts, hazardousness of streets, etc.). This generates numerous benefits, primarily the ability to combat fraud (strengthening prevention thereof), reducing claims management times and decreasing the number of disputes, with the consequent reduction in the average cost and increase in the settlement rate to the advantage also of the insured customers. In the case of vehicle black boxes, the effectiveness guaranteed by the use of online data during settlements is greater in areas which historically have more claims, where the vehicle black box has been used for better expected risk assessments and, as a result, is more widespread. Indeed, the

advantages are particularly evident especially in the South, where the claims supported in the preliminary investigation stage by the data of the black box account for approximately 60% of the total (compared to 41% at the national level). Use of the telematic information also allows precise management of claims within the management of the CARD agreement, for which a specific structure has been created which uses the analysis of the data from the black box for the management of claims received from the other company.

- The **anti-fraud engine** uses advanced mathematical algorithms to select the sample of potentially fraudulent claims to be channelled to the dedicated settlement structure ("Special Areas"). 2018 saw the completion of all phases of the project to optimise the management of fraud with the personalisation of a new anti-fraud engine, a technological and application platform which also supports artificial intelligence algorithms for the generation of predictive models.
- CPM (Medical Report Centre): a service offered to the injured customer with non-severe injuries (MV, Accident or General TPL), who is offered the option to perform the medical-legal examination directly at the offices of the Company and then to be paid promptly. The process was optimised for the booking of the visits by enhancing the customer's contract service and introducing the use of an electronic agenda for the booking of medical visits, even directly by the agencies. In addition to the CPMs located in the Territorial Settlement offices, covering particularly vast areas or with a high incidence of examinations, the Medical Booking Services (Servizi di Prenotazione Medica, SPM) were also established, where the service, limited to the examination only, is instead performed directly at the doctor's office. At the end of December 2018, there were 69 CPMs and 99 SPMs. The percentage of assignments allocated to the CPMs has reached 48.4% in the MV TPL branch, with benefits in terms of lower average cost of around €350 and greater settlement speed of 15% (or around 26 days fewer for defining the management of the claim).
- General Classes Direct Repair: to offer an innovative service to customers, similarly to what has been done for the MV Classes for years, a process of "direct repair intervention" was established for General Classes (Piped Water, "electrical phenomena", Research and Damage Repair, Weather and Plates, and, since 2018, also for the Fire and Theft coverage for the main products). At the time the Insurance Policy is stipulated or at the time of the accident, the Customer has the option of choosing the "Direct Repair" service, consisting of the direct repair intervention through a network of operators selected and made available by the Company, which will repair the damage without any outlay on the Customer's part and with the concurrent zeroing of the direct Repair project and had managed over 8k repairs (around 3k in 2017) with optimal return in terms of customer satisfaction measured through an NPS monitoring system. The repairs made by the network of craftsmen had an average cost of €1,181 and represent 7.6% of claims that may be channelled (compared with 4.4% in 2017).
- App and Customers Area: in addition to the services already present (relating to own Agency, to the status of own policies, to the identification of the closest body shop and to the direct call to public assistance numbers), the App and the Customers Area was enhanced with new functions which, in addition to providing a set of information for consultation (with all data about the claim, including date and time of appraisal, indication and address of the adjuster), allow the customer to interact with the "Liquido" claims system by entering useful information for managing the claim. In addition, the customer, who has the possibility of conducting a preliminary claim opening, may subsequently be updated on the management of the claim, receiving notifications about its progress.

During 2018, a total of 5,122,920 claims made were managed during the year (excluding the MV TPL branch, where there were 641,116 cases of management of accidents "caused").

The UnipolSai Assicurazioni Claims Department, whose organisation in the offices and the territory is based on the specialisation per Branch, conducted through settlement activities for the MV, General TPL, Accident and Property branches (Fire, Theft, Technological Risks, machine breakdown and Other Damage to Property). For claims belonging to specific types (such as Bonds, Transport, Hail, Legal Expenses, Assistance), settlement is entrusted to a centralised structure reporting to the General Insurance Office or external providers (chiefly as part of specific policies handled by brokers), while, for the Health branch, settlement is entrusted to UniSalute (during 2018, it managed 3.5m claims, of which 77% were for examinations by specialists, 20% for dental services and 3% for hospitalisations).

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



Source: UnipolSai Claims Department, UnipolSai Chief Telematics and Insurance Services and Other Companies' General Offices

#### Anti-fraud measures

UnipolSai strengthened its commitment to pursue fraud and other criminal behaviour by preventing and combating fraud in order to protect not only the interests of the Company (to reduce costs arising from undue settlements) and the insurance market but also those of the customer and consequently of society as a whole, to avoid speculation which may impact rates. As in previous years, significant efforts were made again in 2018 to combat fraud in the underwriting and settlement phases, privileging - when possible - the investigation "workflows". The Anti-fraud Function and Authority Response cooperate constantly, together with the Special Areas function of the Claims Department and Information Systems Department, in developing and refining new methods and dedicated applications.

In 2018, the Special Areas in the Claims Department, integrating the work conducted by the Group's Legal and Anti-fraud functions, analysed, during the settlement phase, around 34k notifications of suspect claims (a rise of 17% on a like-for-like basis compared with 2017).

Claims identified as suspect are subject to the structure entitled "Triage", located within the Special Areas, which verifies any anomalies detected. Depending on the results of the investigation conducted, the claims managed by the Special Areas may be reported to the Anti-fraud Function for possible criminal action, closed with no further action, concluded with a reduced settlement or settled in full if proving genuine.

The Anti-fraud Function carries out further investigations, also aimed at possible criminal-law initiatives, and deals, if applicable, with complaint-related activities, also managing the criminal proceedings and handling relations with the Police Authorities; the established relationship of cooperation with the Police Authorities has led to an ever greater involvement of the Judicial Authorities, with the objective of ensuring even faster and more effective tackling of fraud in criminal proceedings.

In 2018, the Anti-fraud Function managed a total of 10,579 reports of fraud in Italy (a fall of 2% compared to 2017 on a like-for-like basis) associated in part with the underwriting of policies entered into fraudulently and in part with falsified documents, and reports relating to claims at risk of fraud.

In response to these reports, the Function identified in Italy 1,968 deserving of investigation for the necessary assessments and filed 364 complaints.

For the Company operating in Serbia, reports of fraud totalled 3,158 (1% less than in 2017), while there were 318 verifications and 163 complaints filed.

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

During 2018, the Anti-fraud Function, with the support of UNICA, organised two internal training courses aimed at Group functions with the objective of disseminating certain methods for determining fraudulent conduct in the insurance and settlement fields, as well as analysing the fundamental principles of criminal proceedings and the main types of offences which affect the Group companies.

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



Source: UnipolSai Governance, Legal Affairs and Human Resources Co-General Manager and Other Companies' General Offices

#### The service

In terms of **service innovation** to simplify and upgrade the customer experience, in line with the Business Plan UnipolSai has taken action primarily in the area of mobility, with some activities also in the areas of home and health.

This strategy was implemented by the organisational structure of the Chief Innovation Officer, whose work concentrated on seeking out external solutions through *scouting* national and international start-up and experimenting with new digital interaction procedures.

A distinctive element of the Group's innovation is **internalisation of the service model**, and in order to achieve this target, in is necessary to engage, manage, control and help to grow the network of partners in the chain, i.e. parties who are more directly close to the customer and support him or her by resolving, and not only compensating, the damage suffered.

The significant impact of the taking out of policies with integrated services (e.g., 35.3% for Auto Presto&Bene; 14.7% of policies concerning the product family for the craftsmen network) shows that the service provided by the network of partners in the integrated services sector satisfies an actual customer need.

The functioning of this model is constantly monitored in order to oversee the reinforcement of the relationship with the customer over time: customers who purchase policies with services provided by the AP&B network have a retention rate of 87.4%, compared with the 85.9% of customers who have not purchased the service. There was an even higher increase for zero-interest financed policies (87.9% compared with 84.3%) and for policies with the craftsmen network (88.2% compared with 83.2%). The consolidation of the relationship with the customer thanks to integrated services is even more marked in cases of customers who have had the chance to try out the services on offer, by comparing the retention rate between customers who have experienced a channelled claim and those who have not. For TPL policies with AP&B services, the difference in rate is around 10 percentage points compared with those who have not used these services; for CVT policies with AP&B services, the difference is over 15 percentage points, as is the case with MyGlass.

In the innovation of internal processes, technology plays a crucial role: with the support of Leithà, innovative services of high technological value have been implemented and a study and analysis launched of data supporting the development of new products and processes and the evolution of the business. In addition to the already-mentioned projects for the telematic reconstruction of claims, Leithà has cooperated in projects to modernise the management of the UniSalute call centres, for pricing innovation, through the application of machine learning methods, and for the provision of new databases for technical areas. There

are also ongoing trials of new digital solutions in support of Agencies, aimed at improving the effectiveness of the commercial proposal.

#### Customer experience and complaint management

The Group aims to avoid, as much as possible, recourse to the judicial authority when claim management disputes arise.

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

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

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

In the course of 2018, there were 14,277 complaints addressed only to UnipolSai, essentially in line with the previous year, with 33% of the complaints upheld. In particular, as regards Non-Life complaints, the situation was stable (+1%), while there was a drop of 11% for Life.

The distribution of complaints by area of relevance shows that, as in 2017, around 77% of complaints concerned claims, while the remained mainly regarded technical and underwriting issues (15% for the industrial area) and sales matters (4%).

Lastly, again with reference to the UnipolSai company alone, in addition to the stability in the number of claims received, there was also stability with respect to the response times compared with 2017, with a value of 20.5 days at the end of 2018.

There was also a fall of 3% in IVASS measures (the number of cases was 3,010 in 2018), and the number of complaints associated with the Covip register dropped by 8%.

The impact of the number of complaints on the number of claims was 0.8% (+0.16 p.p. on 2017).

The charts regarding complaint management and the breakdown by area include all UnipolSai Group companies, but do not include complaints for the Company Ddor Novi Sad (2,275 in 2018, 2,349 in 2017), since the divisions established by IVASS are not applicable.



#### Complaint management and division of complaints by area

The 2017/2018 change is influenced by the sale of Popolare Vita and the inclusion within the scope of the UnipolSai Group of Arca Vita and its subsidiaries

Source: UnipolSai Governance, Legal Affairs and Human Resources Co-General Manager and Other Companies' General Offices

#### Customer satisfaction

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

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

The *Customer Satisfaction Index* (**CSI**), measured<sup>31</sup> with regard to the overall relationship with UnipolSai, is better than the market average in the individuals segment (68.7 compared with 68.5 of the market standard), taking into account all aspects (policies signed up to, relationship, services, etc.), rising by two and a half points compared with 2017 (68.7 compared with 66.1).

The satisfaction index measured for UnipolSai MV clients, on the other hand, was lower than the market: however, policyholders did express a good level of satisfaction with the company (91.1 for UnipolSai compared with 91.9 for the market standard). The positive data, albeit slightly lower than the market, are also confirmed for the "overall" perception of the Company's image (UnipolSai CSI 96.8 vs 97.6 market standard), for satisfaction in the area of relationships (91.3 UnipolSai vs 92.4 market standard) and in the area of service (90.3 UnipolSai vs 91.5 market standard).

Among the services that may be associated with the policy proposed to UnipolSai customers, the most popular were those connected with the actual moment of need: being able to use a courtesy car including in the event of a breakdown or claim with culpability (64.1 vs 50.5) and being able to use approved repair shops including in the event of a claim with culpability (51.4 vs 28.5).

The company's customers are particularly loyal, the average length of relationships with customers is among the highest recorded (16 years for UnipolSai customers, compared with 14 on the market); this is also reflected in signs of disloyalty, no higher than the rest of the market (the customer retention rate for UnipolSai is 96.1 compared with the market standard of 91.9). The capacity of

<sup>&</sup>lt;sup>31</sup> Multifinanziaria Retail Gfk I 2018 R XVIII edition - The results are generated from personal interviews (CAPI), which seek to understand the behaviour, choices and relationship with financial assets (banking/insurance) of families and individuals. The reference universe – representing 21m Italian families – is analysed by interviewing both the head of the family and other members of the household, who play an active role in financial decisions. The persons interviewed were aged between 18 and 74.

building customer loyalty is also driven by the ability of the UnipolSai company in selling MV insurance products from other branches to its customers (UnipolSai cross-selling indicator of 26.0 compared with the market standard of 23.3).

In addition, the "top down" Net Promoter Score (**NPS**), indicating how much customers would recommend UnipolSai, stood at 11.3 overall, again reaching a positive level in 2018, thanks to the increasing importance, recognised by customers, of providing effective support in claims management, an evident trend in the MV TPL market overall.

#### Customer satisfaction survey - Italy



Source: UnipolSai Sales Department

Since 2017, UnipolSai has also constructed an internal "bottom up" NPS detection process that correlates the service provision processes with customer satisfaction. The model (Net Promoter System<sup>SM</sup> management system), designed to seek opportunities for internal improvement, is currently active on 23 processes with 30 points of contact with customers. Thanks to the increasing attention to customer opinions for the optimisation of processes and procedures, 19 improvement measures (with a total of 38 measures since the start of the project) were identified and implemented within the framework of integrated services and sales channels.

Amongst the most significant actions relating to the improvement of customer loyalty and experience are the enhancement and opening of logistics centres in the Centre and South areas (Rome, Naples); the reinforcement of supplementary services through pilot activities on the replacement car service; continuous support for body shops to guarantee efficient services and transparent customer communications; the extension of the current opening and tracking functions of the UnipolSai app including the implementation of functions making it possible to directly monitor claims.

The application of the method made it possible to identify certain key factors for building customer loyalty and improving the experience along the entire UnipolSai value chain.

With specific reference to the contribution provided by the partners in the integrated services supply chain to consolidating relations with customers, particularly worthy of note is the retention rate of 87.4% of customers who acquire policies with integrated services provided by the AP&B network, 85.1% for customers with integrated MyGlass services, 88.2% for customers who use the craftsmen network, and 87.9% for customers with zero-interest financed policies (compared with the averages of 81.7% for the MV TPL and 86.2% for all UnipolSai Assicurazioni Branches).

In addition to these investigations, UniSalute and Linear carry out assessments on customer satisfaction in specific areas of their business models.

**Linear** provides constant oversight of all channels of contact with customers. In addition, it monitors the web to provide prompt intervention in the event of negative reviews and posts. Thanks to this attention paid to customer feelings, when necessary, it implements "one to many" improvement measures. Results in terms of satisfaction are optimal. The main indicator is represented by reviews on the independent website, Trustpilot. The star rating is over 4, with 59% excellent (5 stars).

**UniSalute** monitors the level and progress of its services (call centres, affiliated healthcare facilities, web services and app) through an annual Customer Satisfaction survey. Also in terms of healthcare, SiSalute conducts a customer satisfaction analysis relating to the **NPS** index. The analysis involves an assessment of the experience with the booking service and the service provided at the affiliated healthcare facility. For 2018, the NPS index recorded a value of 57%, close to the range of excellence, i.e. above 60%.

The UnipolSai Group's focus on customer relationships is also demonstrated by the confirmation of UniSalute's **Certification of compliance** with the requirements of the **ISO 9001:2015 Quality Management System** standard.

In the **Arca Group**, there was an abandonment index among MV customers of 17.9% and an abandonment index among General Classes customers of 9.7%. The Arca Assicurazioni S.p.A. claims call centre provides telephone assistance for reporting both the circumstances and information on claims cases under assessment; it has managed over 64k calls, totalling 94% of calls received.

In the **Hotel Sector**, the centrality of customer service is demonstrated by the number of listening and dialogue activities implemented in the hotel facilities. The UNA S.p.A. Group has created a control system for its services based on integration among acceptance standards recognised at international level and a management model and operating rules in favour of quality and the environment. This system makes provision for various instruments which help to keep constant control over the level of quality of the services offered to guests and compliance with the regulations on health, safety, HACCP and privacy.

In order to verify the level of satisfaction on a daily basis, the UNA S.p.A. Group has introduced a *customer experience* assessment, which measures the indices of satisfaction along the chain and the individual structure, as regards the satisfaction of

guests. In 2018, the Net Promoter Score for the Business Hotel & Residence cluster was 51.5 (+5.3 compared with 2017); for Resorts, it was 58.3 (-0.8 compared with 2017). In 2018, the UNA S.p.A. Group received 141 complaints, mainly concerning Booking, Payment procedures and Critical issues associated with services (e.g. "shuttle, parking, spa, swimming pool, water, etc."). The percentage of responses to claims from Managers of facilities or Function Managers was 88%. Also with regard to customer assistance, during 2018, implementation of the UNA Group's "10 minutes training" on-the-job training began, offering the possibility of continuous and constant updates of the skills of the various hotel operating units. These are daily activities which the personnel in the Front Office, Housekeeping and Food & Beverage operating units carry out to keep updated and informed in relation to the reference operating rules.

In the **Tourism Sector**, the activities of the Marina di Loano company were awarded the score of "5 ship's wheels out of 5" by the Registro Italiano Navale (Italian Naval Register), based on criteria concerning the internal environmental sustainability of the facility, but also the safety, range and quality of the services offered to yachtsmen. This award, in addition to those already obtained in the past, such as the "Green" certification, "Marina Excellence 24 Plus" (excellent moorings for vessels longer than 24 metres) and "50Gold" (vessels longer than 50 metres), is also supported by the increase of 30% in the berths occupied over the last six months.

# THE DISTRIBUTION NETWORK







## **Geographical presence**

Oversight of the entire national territory by UnipolSai is guaranteed by the widespread distribution of almost 33k qualified professionals (of which 4,500 agents, 504 multi-firm agents and 28,500 sub-agents), which operate through 2,615 agencies (-6.2% compared to 2017) and 5,615 sub-agencies (+1.7% compared to 2017), the intermediation of 622 brokerage firms (-4.4% compared with 2017) and five Corporate Agencies (Assicoop), invested in by UnipolSai.

2018 saw continuation of the reorganisation and consolidation of the agency network to optimise the nationwide coverage. With a reduction in numbers, consistent with the process of repositioning the agencies on the market, a growth in size was recorded for the agencies and their development towards a more managerial model to make them more solid and better structured in organisational terms. During 2018, the average size of the agencies rose by 7%, as a result of the promotion of corporate integration processes; the average number of sub-agents per agency also increased by 7% and the average number of employees per agency by 4%. The reorganisation activity enables Unipol to maintain its presence across the whole country: 18% of agencies are found in municipalities with fewer than 15k inhabitants and 8% of agencies are located in the 4 main metropolitan cities with over 700k inhabitants (Milan, Rome, Naples, Turin). In addition, while there was a decrease of 169 agencies, in line with the process under way, sub-agencies rose compared to 2017 (+96).

The coverage of the Italian market is supported by 5,489 points of sale that are part of the bancassurance partnership<sup>32</sup> (+1,081 compared with 2017, equal to 24.5%): the joint ventures active at 31 December 2018 concern BIM Vita through the branches of Banca Intermobiliare and of Banca Consulia (formerly Banca Ipibi) and solely with regard to post-sale activities, of Cassa di Risparmio di Fermo; Incontra Assicurazioni through Unicredit Group; the Arca Companies (Arca Vita and Arca Assicurazioni) through the BPER Group and Banca Popolare di Sondrio.

UnipolSai also places Life products through the branches of Unipol Banca and through the networks of financial advisors of Credit Suisse Italy.

<sup>32</sup> on a like-for-like basis compared with 2017, bancassurance branches do not include those where Popolare Vita products had been distributed, while they include those where Arca products were distributed, included within the UnipolSai Group.
#### Local distribution network



Source: UnipolSai Sales Department and other Companies' General Offices

The local presence is completed by the five Corporate Agencies (Assicoop) that provide their services through 288 points of sale present throughout Emilia Romagna and Tuscany.

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

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

In 2018, thanks to the approximately 1,200 employees and partners, Assicoop guaranteed services to more than 436k customers, of which 11% are also Unipol Banca customers, for premium income of over  $\leq 654m$  (+6% compared to 2017), of which 60% in the Non-Life business. During the year, the process of strengthening commercial presence throughout the country continued, by streamlining and consolidating the profitability of points of sale.

Outside Italy, the Group operates in Serbia through a multi-channel network made up of both internal and external structures. The 138 points of sale (+5 with respect to 2017) rely on roughly one thousand external partners and employees to provide services mainly in the northern part of the country, supported by direct sales channels through the Internet.

Also in the distribution field, with the objective of offering solutions to agencies which produce additional margins, there have been trials of new offer segments attractive to customers and solutions that stand out from competitors, which have enabled the launch of two pilot initiatives: the sale of supplies of light and gas in UnipolSai agencies and the sale of MV, home and pet policies at UnipolSai insurance corners within large retailers.

### Breakdown of Premium income (direct business) by channel



Relations with the Network

Focus on the agency network is an element that characterises the Group's distribution strategy, which, during the course of the 2016-2018 Business Plan, is structured into significant investments made on developing the network, in terms of **simplifying and digitalising** both sales and administrative processes.

In this context, during 2018, initiatives were carried out open to the entire agency network to share the development guidelines and their operational structuring into measures. Over the course of the year, dialogue continued with the 6 Agent Groups on topics of common interest ranging from the creation of new products and the improvement of operating procedures, to sharing the topics of the 2019-2021 Business Plan, sales and marketing initiatives and, more generally, all innovation processes being developed by the Group.

Specifically, 2018's activities were structured into 19 meetings with the Agent Group chairmen, 41 Technical Committees and 35 operations work groups.

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

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

During the year, activities were carried out in support of the development of the business in line with the objectives of the business plan:

- the involvement of new intermediaries, which has already made it possible to introduce 191 sub-Agents, who have made a significant contribution to the revenue results;
- the introduction into the Agencies of around 200 new Family Welfare specialists, who have brought the total number of persons in the network to over 650 persons, and the expansion of the Business Specialist Network, through 160 new further specialists, who now number 500 in all. At the end of 2018, the Specialists' Network comprised over 1,200 professionals;
- the introduction of new technologies for the orchestration of multi-channel processes for the provision of new multi-channel services integrated with external Contact Centres in support of the agency network for the management of "proactive care" and "recovery of lost customers";
- the extension to the entire Network of the use of the Personal Consultancy Tool, a Customer consultancy tool, which, during the year, was enhanced with modules concerning the Businesses General Classes (accidents, home and health), in addition to the pension, savings, protection and investment fields already available;
- the launch, on the Agency Network, of a *change management process aimed at encouraging* the use of new infrastructures in support of digital processes and in mobility;

• the developments to the website and the App, which enable the use of Company systems through mobile technology and using devices owned by the agents.

In order to reinforce the digitisation of processes and mobility, during 2018 new AdES (Advanced Electronic Signature) and payment features were introduced. The use of AdES was extended to Life products and the obtaining of privacy consent: 78% of agencies use AdES (+51 p.p. compared with 2017), 700k customers (7.5%) use AdES in the agencies (+5.6 p.p. compared with 2017), 328,801 policies were signed by agencies using AdES. With regard to mobile payment systems, around 8,000 pos and m.pos were distributed in support of the electronic and mobile sale features.

The Company's further investments for the development of the IT architecture of the sales network concerned both the launch at the start of the year with the implementation of a project to migrate the e-mail and office services for agencies to the Google Cloud platform, with the objective of improving mobile operations and making advanced cooperation functions available to agents, and the continuing of the creation of new engines for the automation of management and agency business processes and the new interface for interaction with agents with the system for the optimised management of commercial activities and agency transactions.

The UnipolSai Group provided training for the entire sales network during 2018, partly to fulfil its duty to do so but mainly to develop the expertise of its intermediaries. Indeed, for UnipolSai a high level of agent professionalism in the field of brokerage and in customer advisory and educational activities as well as risk selection and control represents an indispensable factor for the growth and success of Agents and the Company alike.

With direct investment of almost  $\leq 2.3m$  (+33% compared with 2017 on 2016 on a like-for-like basis), over 1.170k man-hours of training to network personnel (including bancassurance) were provided. Traditional classroom training methods were used in addition to webinars and the *digital learning* format. The average daily participation reached 187 intermediaries in classroom or webinar mode and 1,299 intermediaries in remote training.

### Training the network in Italy

Primary agency network training (agencies and bancassurance channel)	
Number of participants (e-learning, classroom, webinars)	257,198
Number of trainees(e-learning, classroom, webinars)	19,810
Number of courses (e-learning, classroom, webinars)	421
Number of Man-Hours (e-learning, classroom, webinars)	424,248
Secondary network training (sub-agencies)	
Number of participants (e-learning, classroom, webinars)	443,208
Number of trainees (e-learning, classroom, webinars)	33,830
Number of courses (e-learning, classroom, webinars)	357
Number of Man-Hours (e-learning, classroom, webinars)	747,729
Total network training	
Total participants (e-learning, classroom, webinars)	700,406
Total trainees (e-learning, classroom, webinars)	53,649
Total courses (e-learning, classroom, webinars)	778
Total Man-Hours (e-learning, classroom, webinars)	1,171,977

Source: UnipolSai Chief Academy Officer and other Companies' General Offices

For **insurance sales networks**, there has been a rise compared with 2017 of around 30% in man-hours and 39% attendances, through initiatives linked to the launch of new products and services (e.g. Condominio&Servizi, NLT, RE Personal Consultancy Tool), regulatory update (IVASS, IDD, anti-money laundering, GDPR), migration of MV policies, Google suite, AdES. There was a fall (-5%) in the number of people involved in training.

In detail, the training intended for the sales network referred to building courses useful to further increasing the skills of the entire sales network, also in compliance with training obligations envisaged in the IVASS Regulation. Along with the usual training offering tied to regulatory updates and new products, training intended to support the development of the skills of intermediaries within a continuously evolving market was also supported.

Some of the training courses aimed at the agency network include:

- the IMA Agency Innovation Manager Advanced Course: in its second edition, forms part of a managerial development process which seeks to provide people within the network with learning tools able to promote innovation; this saw the involvement of a group of 24 high-potential agents and focused on the development of an innovative business model;
- the Advanced Course in Risk Management for SMEs: aimed at supporting the creation, within the Agencies, of a network of
  specialists in the Small and Medium-Sized Enterprises segment, able to offer consultancy services for risk assessment and the
  identification of personalised solutions. The two-year apprenticeship courses are dedicated to both the primary and secondary
  networks and seek to develop the skills of Business Specialists who operate within the SME private agencies. Since the start
  of the project, 536 Agencies have been involved;
- the "Family Welfare to be" course: aimed at increasing the consultancy skills of intermediaries, including in consideration of the changing market requirements, by focusing on consultancy activities for the Protection and Pension range and the development of the Life offer, so as to consolidate the relationship of trust with "family" customers. The proposal is aimed at around 500 intermediaries and provides for the offer of three different training courses: Professional, Senior, Top Performer;
- the "Verso la Tripla A" and "Master in Business Acceleration" courses: two projects to improve the service model and for change management in the agency. The former is aimed at 70 selected Agents and the latter (launched in November with 4 kick-off events, one per District) is dedicated to around 380 selected agents;
- classroom training sessions on the use of the Pal Consultancy Tool for around 3,000 intermediaries from 1,500 agencies, remote-learning training for the remaining agencies;
- Innovative Long-Term Rental: classroom/e-learning in support of the launch of the initiative (3,187 intermediaries, 1,477 agencies).

In the **bancassurance business**, the Arca Vita and Arca Assicurazioni training structure directly supplied training to all bank employees authorised to place insurance products and services, with various forms of classroom modules integrated with elearning modules. The online training offer aimed at this sale channel has focused on updating technical and regulatory knowledge and on areas of transversal skills.

In addition to the online training courses, different types of face-to-face technical training sessions have been provided, aimed at reinforcing the content proposed in the e-learning courses for specific segments of employees in the sales network.

The offer has also been enhanced with long-term projects which have seen the integration of various training methods (e-learning, classroom, on-the-job training, project work, social learning, etc.) and the involvement of professional targets associated with the sales network that are particularly crucial for the development of the business. Some of the main objectives of these projects include:

- developing the bancassurance business by consolidating the right approach to consultancy;
- encouraging customers to make responsible purchases;
- improving the continuity of relations;
- promoting the correct use of the sales tools available;
- facilitating the acquisition of a new working method, where consultancy on insurance products constitutes an integral part of the daily activities of employees in the branch;
- developing participants' ability to pass on and transfer knowledge and abilities to other resources in the branches not directly involved in the projects.

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

The determination of the reputation of UnipolSai among agents shows an improvement compared with the previous year, with a result of 82.2 in 2018 compared with 79.8 in 2017, continuing a trend already launched emphatically in 2016. However, there was a

slight drop in the "sentiment" indicator measured annually by the Innovation Team (Mbs Consulting Group). The latter is a summary indicator which expresses the level of loyalty and satisfaction per offer, service, relationship of the network with respect to the Company and positioning of the network with regard to the market benchmark; in 2018, the assessment of the agents was 3.15 on a scale of 1 to 5 (compared with 3.28 the previous year), with a market benchmark of 3.29. In this case, the Plan's objective to always maintain a positioning above the reference in the sector was not achieved. However, it should be noted that, of the dimensions which comprise the summary index, the assessment of the network regarding satisfaction per offer (UnipolSai is considered by the intermediaries as among the Companies who have made the most significant improvements in products and innovation), service and relationship is growing significantly. With particular regard to the levels of service with respect to intermediaries, the UnipolSai company is one of the highest rates, as is the case in the assessment of its conduct: ethical conduct, i.e. behaving in a transparent and ethical way, is recognised by 52.7 of UnipolSai agents as a value of their company.

The rise in reliability and trust in the sales network can also be measured from the attractiveness with respect to sub-agents: during 2018, the average number of Sub-agents per Agency grew by 7%, while the trend in the absolute number of sub-agents was almost stable in 2018, with a fall of 0.95%, compared with growth of 3% the previous year and 18% in 2016 compared with 2015.

## **SUPPLIERS**





97% expenditure for supplies in Italy



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

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

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

At 31 December 2018, of the €877m paid (+5% on a like-for-like basis in 2017, without including Arca Vita S.p.A.) to suppliers, 97% (-1% compared to 2017) was paid to Italian companies.

Excluding the foreign suppliers of the subsidiary Ddor Novi Sad, 37% of overall costs were paid to suppliers enrolled in the Register in 2018, i.e. qualified companies, representing the partners with which the UnipolSai Group has an ongoing and significant relationship, both in terms of level of value of expenditure as well as strategic importance of the products/services purchased.

Of the more than 5,900 companies, UnipolSai works with large international groups, SMEs and innovative start-ups and social enterprises (cooperatives, associations, foundations and other organisations offering socially useful goods or services) to satisfy its various purchasing requirements.

#### Amount paid to suppliers by region



Source: UnipolSai Administration, Controlling and Operations Co-General Manager

#### **Breakdown of suppliers**



Source: UnipolSai Administration, Controlling and Operations Co-General Manager

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

### Supply chain management

During 2018, Group Procurement launched a project to replace the suppliers portal in use with a new application solution entitled Sap Ariba. The change of portal will enable the redefinition of the procurement process based on company procedures marked by ethics, integrity, transparent negotiating and competitive comparison of the technical and economic characteristics of the bids submitted by suppliers and sub-suppliers.

Through the **Suppliers Portal**, suppliers are regularly listed, monitored and selected according to a long-term partnership, by assessing not only their economic/financial and technical/organisational characteristics, but also the information guaranteeing regulatory/legal compliance. In detail, in order to be qualified, suppliers must have viewed the following documents (published in the supplier portal): Organisation, Management and Control Model (pursuant to Italian Legislative Decree 231/2001, as updated in May 2018); Purchasing process and rules of conduct which Group suppliers are required to follow; Code of Ethics and Charter of Values. This translates into commitments by the same suppliers to fight against all forms of discrimination, comply with anticorruption measures, occupational safety regulations, current laws and National Labour Agreements and ensure to the Group that they have enacted the necessary protections which govern the assignment of activities to external individuals/businesses.

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

If the result of this assessment is positive, suppliers are listed on the Group's Suppliers' Register and may be invited to procurement events. At the end of 2018, 922 suppliers had completed the procedure for registration on the Portal, of whom 374 were involved in active trading during the year.

UnipolSai uses this information to check the degree of sensitivity of its most important suppliers to these topics and incentivises a gradual assumption of responsibility as concerns ESG awareness and the development of the resulting measures. During 2018, in accordance with the Sustainability Policy, UnipolSai has developed its own model for the reduction of environmental, social and governance (ESG) risks along the entire supply chain so as to improve its sustainability management and control system, which it shared with a multi-stakeholder group of experts. The ESG risks identified according to UN **Global Compact** principles (Labour, Human Rights, Anti-corruption and Environment) were mapped for each product category, assessing the existing exposure and

level of control. The risk and control mapping, regularly updated, led to the identification of product sub-categories<sup>33</sup> that are high-risk for the Unipol Gruppo in ESG terms.

The outsourcing and supplier selection policy, approved in early 2019, included, among the selection criteria, signature of the Supplier Code of Conduct (Codice di Condotta Fornitori, CdCF), adopted at the end of 2018 and inspired by the principles of the Global Compact and ISO20400. In particular, the CdCF stipulates what Unipol expects from them and provides for the right to check and inspect processes and facilities, with or without the help of third parties, and the right to implement penalty mechanisms with respect to Suppliers, including extraordinary termination of the agreement for cause, cancellation of the contract, suspension or complete cessation of their activities as Supplier of the UnipolSai Group, in the event of breach of any of the principles contained in the Group CdCF. In addition, during the first few months of 2019, UnipolSai adopted the TenP platform of the Global Compact as a further selection and preliminary classification tool suitable for monitoring the ESG characteristics of suppliers. Through the Suppliers Register, it is possible for buyers to obtain, within the framework of the selection and classification process, information about the sustainability performance of their suppliers in terms of human rights, labour, the environment and combating corruption. The chart below illustrates the role covered by the ESG risk management system with respect to the supply chain in the context of the sustainability strategy implemented by Unipol.

### Reporting procedure and ESG risk management system in the supply chain



In the Diversified Companies operating in the sectors of Tourism, Agriculture, Health and Sports craft, procurement procedures are compliant with the analogous procedures of the Unipol Gruppo founded on the selection and assessment of suppliers through the Group's Supplier Portal.

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

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

<sup>&</sup>lt;sup>33</sup> suppliers identified as having a high-level reputational risk for Unipol Gruppo, due to their preferential relations associated with the brand or the type of product/service they offer.

global reduction in process water of around 40% compared to traditional washing systems. In addition to this is the use of natural soap detergents and the adoption of transport solutions with a reduced use of plastic materials.

Overall, in 2018, the green products ordered from the multi-catalogue amounted to 22%, with an overall total of around 8,500 green products purchased.

In line with the partnership approach described above, UnipolSai took concrete steps in collaboration with its suppliers to reduce indirect impacts, i.e., those which derive from activities connected and functional to the core business but which are out of the company's control. Through a system for the online resale of assets recovered from insured events, UnipolSai continued with its asset reuse process that reduces costs and improves profit margins. There are several advantages: for the Company, a net limitation of claim costs, as the indirect costs of settlement to the insured decline, and a decrease in timing for settlement and collaboration with the adjuster in accounting for property; for the insured, the possibility of benefitting from reduced production process interruption times, as recovering assets quickly frees up warehouses, avoiding reputational damage and reducing business down time. If they cannot be sold, the assets are donated to charity organisations. In 2018 the resale of assets recovered from insured events amounted to over €1m. This is one way in which UnipolSai seeks to favour the full use of resources by extending their useful life, with a view to promoting the circular economy and reducing waste.

# THE COMMUNITY

€9.1m Total amount of contributions of sponsorships and donations €1.45m Investment for the renovation of the Roman Baths in Petriolo

**0.7%** Contributions to the community as a percentage of pre-tax profit

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

The adoption of the Corporate Sponsorship Program enabled the definition of an internal policy on donations and sponsorships, made actions more effective, overseen by processes and procedures aimed at preventing any possible personal or corporate conflict of interest, and facilitated the monitoring of the process for approving projects to be supported.



For more detailed information, see the dedicated page on the website <a href="https://www.unipol.it/sponsorshipprogram/Pagine/default.aspx">www.unipol.it/sponsorshipprogram/Pagine/default.aspx</a>.

In 2018, the total financial resources invested in the Community by the UnipolSai Group totalled  $\in$  9.1m, including sponsorships and donations. This figure amounted to 0.7% of the pre-tax profit of  $\in$  1,269m (-0.4 p.p. compared with 2017), corresponding to an average contribution per employee of around  $\notin$  760.

### Contributions to the community according to area and type\*



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

Source: UnipolSai Administration, Controlling and Operations Co-General Manager

Within the more comprehensive strategy of sustainability and relationships with the community, one of the most important tools for implementing social responsibility initiatives is the Unipol Gruppo's business foundation. In 2018, the contribution to the Unipolis Foundation totalled  $\notin$ 750k and is used according to the areas of work defined by its Board of Directors, provided they are in line with the strategic guidelines regarding Group sustainability.

The **Unipolis Foundation** operates with projects managed independently and supported by research and social promotion activities. Of the former, the most significant are the "culturability" initiative and the "Sicurstrada" project. The former makes available economic contributions and assistance activities to support innovative cultural projects that upgrade and breathe new life into spaces, buildings and former industrial sites that have been abandoned or are experiencing a transitional phase. In 2018, prizes were awarded to 6 projects, for a total value of €300k.

With regard to road safety, the "Sicurstrada" project, aimed at raising awareness about road safety and sustainable mobility issues, especially among young people, is structured into local initiatives, entitled "Sicurstrada Live", not only in the management of the safety and sustainable mobility web portal, but also in the "La sicurezza si fa strada" contest in schools, which saw the participation of over 200 children from 10 different regions.

The latter, supported by the Foundation for the Improvement of the Development Model, included support to the Italian Alliance for Sustainable Development (Alleanza Italiana per lo Sviluppo Sostenibile, ASviS), which brings together almost 300 non-profit organisations in advocacy activities, the Inequality and Diversity Forum, a think tank composed of university researchers and civil society and the Social Generativity Archive, a collection of over a hundred "generative" experiments in the corporate world, civil society and institutional policies.



For an overall description of all the activities and projects of the Unipolis Foundation, refer to the Foundation's Mission Report, available at this link <a href="http://www.fondazioneunipolis.org/">http://www.fondazioneunipolis.org/</a>

A key role is played by **CUBo**, the Group's corporate museum; located within the Bologna offices at Porta Europa, it offers free meetings, events and laboratories on art, performance, safety and security, lifestyles and history, with a particular focus on children. The museum houses a multi-media space, where it is possible to access material from the historical archive and proposes educational modules including those on road education, with the help of a driving simulation. With the cooperation of leading associations and cultural bodies, CUBo participates in public meetings and promotes initiatives aimed at employees and their families, including within the Group's main offices in Italy.

Some of the activities proposed to the CUBo public include:

- Art: temporary exhibitions, meetings with artists and workshops for all ages, laboratories for children.
- Educational: laboratories for children and adults and children's camps (summer and winter), where the focus is on the issue of managing the media, innovation and creativity; in the courses dedicated to adults, the issues addressed are health, well-being and culture.
- Performance: special events on public holidays during the winter months and evenings during the CUBO's Giardini summer festival. Lifestyle: meetings concerning lifestyles and daily well-being.
- History and Local Areas: the Group's historical and multimedia archive, the network with local institutions and businesses.
- Safety: meetings, educational modules, interactive experiments dedicated to education and road safety for children and adults, in partnership with schools, driving schools and the police.

In the course of 2018, CUBO conducted over 400 initiatives involving over 30,000 people, of whom 3,200 were minors. 40% of all attendances were recorded during the 3 evenings in Milan at the MUDEC Auditorium, with meetings dedicated to the events of 1968, focusing on the music, the role of women and literature.

In total, for the CUBO areas of intervention, the amount disbursed in 2018 totalled €650k.

The Company has made a significant commitment to increasing the financial and insurance knowledge and awareness of the general public, particularly young people. The "**Per Gioco Non Per Azzardo**" campaign continued, aimed at raising the awareness of citizens with regard to the risks of indiscriminate and compulsive gambling, through the production of 3 videos for diffusion on social media, the support of the Millennials & Gambling Nomisma Observatory, the organisation in partnership with the Public Administrations in Bergamo and Bologna of the "Fate il nostro gioco" event, focused on the mathematics of gambling.

The insurance literacy programme **"Eos, Conoscere l'Assicurazione**", aimed at roughly one thousand upper secondary school students, became even more widespread, with the "I Casi della Vita" educational project. The project is set up differently for the various school subjects selected by the participating institution and concludes with the development of veritable business projects,

to analyse risks and the counter-moves to be deployed through a "disaster recovery plan". In line with the legislation which made work-study programs compulsory, students are able to approach the world of work through laboratories with guided simulations on how to manage business risk.

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

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

This project unites innovation and tradition with a view to highlighting the beauty and importance of the real icons of the Italian urban panorama, reducing the use of the soil and upgrading urban areas with an approach oriented towards green building. One of the most significant urban upgrading activities under way is certainly that relating to the Galfa Tower, near Milan, which had become a place of social degradation lacking in security. In 2018, two planning competitions were launched, which are scheduled to conclude in 2019: "Kids Factory", an international competition organised by YAC for the former Laveno Mombello ceramics factory, owned by the Group, which saw the participation of architects from 90 different nations and the presentation of 402 projects and the second edition of "Velasca Progetto Design" aimed at the leading Design Schools in Milan. In Turin, promotion continued of cultural and commercial events within Galleria San Federico.

In addition, the area of the **ancient Roman baths of Petriolo**, owned by the Group, is also being renovated and restored as part of a project in collaboration with Ambiente Italia to make these places accessible, safe and a driver for local marketing, while conserving free access and properly managing them as common property. This project, launched with an intense process of participation, both civic and institutional, and developed in partnership with the third sector as well as the public administrations (neighbouring municipalities, the supervisory authorities, etc.), entailed an investment of  $\leq 1.45$ m in 2018. At 31 December 2018, the overall amount invested since the launch of the renovation totalled  $\leq 3$ m.

# ENVIRONMENTAL PERFORMANCE

### **Environmental impacts**

As the owner of the properties belonging to the Unipol Gruppo, UnipolSai adopts and implements the Group's specific policies and commitments to reduce its direct and indirect impacts on the environment, also thanks to the involvement of employees, partners and suppliers, which are incentivised and supported by the principles, guidelines and controls laid down in the Code of Ethics and Sustainability Policy.

For the direct impact on the environment arising from the operations of companies belonging to the Group, an Energy Management System has been implemented, according to ISO50001, and the posts of Energy Manager and Mobility Manager created.

### Management of environmental impacts



In accordance with the commitments undertaken as regards environmental responsibility, the Unipol Gruppo's environmental performance are continuously improving thanks to the increasing attention it dedicates to the topic of energy efficiency in all buildings owned by the Group and in particular in the main operating sites, where already for some time consumption governance and control measures have been launched to guarantee transparency and continuous monitoring capacity.

Since 2015, the signature of contracts for the supply of electricity in Italy requires 100% of supplies to come from renewable sources.

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

- support and promotion of sustainable companies through investment decisions which take ESG criteria into consideration, as already described in the "Shareholders" section;
- improvement of the management and prevention of environmental risks with the adoption of best practices by policyholders. As already indicated in the "Customers" section, this is achieved through the offer of products which support the mitigation processes and innovative solutions aimed at both the prevention of risks linked to climate change and post-event management, by promoting the adoption of risk reduction behaviour at both individual and company level, in order to increase the resilience of the production system;
- capacity building of other parties (such as the public administration and companies), and long-term investments aimed at increasing the resilience of citizens, production activities and communities;
- promotion of research and communications aimed at companies, such as the DeRisk-CO Disclosure, Measurement, Management and Mitigation of Climate Change Risk for Companies project organised by the Eni Enrico Mattei Foundation and intended for institutions, as in the case of the publication "Cronaca di un'emergenza annunciata" (Chronicle of an emergency foretold) produced by the Legambiente's Città Clima observatory;
- involvement and reduction of suppliers' environmental impact: During 2018, the Group developed its own model for reducing
  environmental, social and governance (ESG) risks along the chain, identified based on the principles of the Global Compact (for
  more information, refer to the "Suppliers" section).

### **Consumption and emissions**

For the measurement of climate-changing emissions, the calculation methodology adopted is that laid out in Directive EU/85 of 2003 on the emission trading scheme, in addition to the international classification laid out by the GHG Protocol standard I – and evoked in the GRI Standards (Global Reporting Initiative) – in Scope 1, Scope 2 and Scope 3<sup>34</sup>. This approach fosters greater transparency and comparability of environmental data, including in comparison with other Companies.

The basis of reporting focuses on the concept of "control". The relevant scope, limited to Italy until the reporting for the year 2017, has been gradually extended, with the inclusion of energy carriers (e.g. gas in all the operating sites of the insurance business) and offices in Serbia belonging to the subsidiary DDOR Novi Sad.

For 2018, therefore, the electricity and gas consumption of the buildings over which UnipolSai has direct control is reported, from the operating sites, to the diversified companies, such as Tenute del Cerro and Marina di Loano, also including the properties in which the UNA Group carries out its activities, and the offices in Serbia. For other sources of energy, reporting includes only the large properties among the operating sites.

For the purposes of continuous improvement, in 2018, there was an increase in the reporting of indirect emissions (Scope3), which included those generated by the travelling and transfers of employees (totalling 4,321 tonnes of  $CO_2$  eq, in line with the 2017 value) and those generated by commutes of customers with telematic devices (totalling 7,023,013 tonnes of  $CO_2$  eq).



On a like-for-like basis compared with 2017, at the end of 2018, there was an overall reduction in CO<sub>2</sub> emissions of 4% achieved through a reduction in overall heat and energy consumption. These have resulted in a similar fall in emissions per employee.

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

The server virtualisation process allowed a further reduction of around 19,901 MWh/year in electricity consumption for powering and cooling IT equipment, corresponding to roughly 6,419 tonnes of CO<sub>2</sub> not emitted.

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

In 2018, UnipolSai's process of certifying consumption management in all owned buildings continued, and in particular in the main Italian operating sites, in accordance with the ISO 50001 standard. The process of certification and monitoring by an independent body, which periodically checks management and operating procedures concerned 19 buildings (where over 7,000 employees work)

<sup>&</sup>lt;sup>34</sup> 'The source of the conversion, emission and global warming potential (GWP) factors is the guideline on the application in banks of the GRI Standards in environmental matters (Version of December 2018), drafted by the ABI (Associazione Bancaria Italiana, Italian Banking Association). With reference specifically to emissions from the purchase of energy (Scope 2) of companies operating in Serbia, the emission factor corresponding to the Serb energy mix was used. The emission factors applied are derived from the dedicated "Tool from purchased electricity" (Version 4.8, World Resources Institute (WRI), 2017), made available by GHG Protocol. Lastly, with reference to the Scope 1 emissions derived from the consumption of the corporate fleet, the DEFRA (UK Department for Environment, Food & Rural Affairs) 2018 coefficients were used.

for which the Group has obtained compliance certification and made a commitment to reduce electricity and heat consumption by 2% every year compared with the previous year. The data certified during 2018 (which refer to the performance in 2017), show an overall reduction in consumption of 3.7%.

The monitoring scope to be certified according to standard ISO 50001, during 2018, was extended to all buildings where the Group is responsible for consumption.

In the future, the Group will continue to be committed to maintaining its downward trend in direct emissions of CO<sub>2</sub> recorded in recent years by coming into line with what has been defined at European level with regard to the achievement of COP24 objectives.

As regards additional environmental impact, the use of water is primarily linked to civil and hygiene uses; in limited cases it is also used for technological purposes in air conditioning systems.

The water used comes from the mains system or other water service management companies. The total water consumption in 2018 amounted to roughly 1m cubic metres: water consumption was determined precisely for the diversified companies and for the large operating site buildings, and with the use of an estimation process for the other insurance offices.

The Unipol Gruppo, through document dematerialisation and internal recycling policies, is committed to reduce its consumption of paper: in 2018, the focus was on the procedures adopted in terms of sustainability for the purchase and use of paper, which satisfies the requirements of ECOLABEL Environmental Certification, ISO 9001:2008 Quality Certification, FSC (Forest Stewardship Council) and ECF (Elemental Chlorine Free) certification.

For waste management, the Group is following municipal directives for proper waste disposal, including by changing its processes and procedures to comply with separation rules; where possible, waste is recycled or reprocessed. The majority of separated waste collected is paper and cardboard, while for toners, the collection procedure is being extended to the entire agency network (for operating centres in 2018, over 15,000 toners were recovered). Hazardous waste (neon tubes, batteries, etc.) are disposed of separately in the appropriate manner, in accordance with regulations in force, through specialised firms and in line with the rules on compulsory record keeping.



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

### UnipolSai Assicurazioni S.p.A.

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> Share capital €2,031,456,338.00 fully paid-up Bologna Register of Companies Tax No. 00818570012 VAT No. 03740811207 R.E.A. No. 511469

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

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