



RELAZIONE SULLA REMUNERAZIONE

ORDINARY GENERAL MEETING 23-24 APRIL 2020



REMUNERATION REPORT

Banking Group's Remuneration and Incentivisation Policies and Report on the Application of Remuneration and Incentivisation Policies in 2019

This document has been translated from that issued in Italy, from the Italian into the English language, solely for the convenience of international readers. The Italian version remains the definitive version.



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COMPANY BODIES AT 1st APRIL 2020

Banca Generali S.p.A. Governing and control bodies

Board of Directors

Chairman	Giancarlo Fancel	
Chief Executive Officer and General Manager	Gian Maria Mossa	
Board of Directors	Giovanni Brugnoli	Non-executive and Independent Director
	Azzurra Caltagirone	Non-executive Director
	Anna Gervasoni	Non-executive and Independent Director
	Massimo Lapucci	Non-executive and Independent Director
	Annalisa Pescatori	Non-executive and Independent Director
	Cristina Rustignoli	Non-executive Director
	Vittorio Emanuele Terzi	Non-executive and Independent Director

Board of Statutory Auditors

Chairman	Massimo Cremona
	Mario Francesco Anaclerio
	Flavia Minutillo

Secretary of the Board of Directors

Domenica Lista

LETTER OF THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholders,

It is my pleasure to present the Banca Generali Group's Remuneration Report for 2020.

In continuity with the approach taken in the past, but always with an eye to the future, the policies for the current year have been formulated according to a range of factors intended to create value over time for all the various stakeholders: the Bank's mission and values with a focus on inclusion, oriented on diversity of its people and customer satisfaction; its strategic plan, oriented towards sustainable growth and development; and its structure.

The 2020 Remuneration and Incentivisation Policies will continue to strengthen the link between remuneration, risk and profitability, thereby effectively supporting the achievement of the targets set in the strategic plan.

The Board of Directors and Remuneration Committee thus propose a remuneration policy for the Banking Group that is generally structured in continuity with the previous year, in line with market best practices and applicable legislation. In this respect, the pillars of our policy and short-term incentive systems remain unchanged. However, the structure and timeframe of Banca Generali's share-based Long-Term Incentive (LTI) plan have been revised and updated to further align the Bank's medium-to-long-term objectives with the top management's performance in order to foster the sustainable growth of the Banking Group over time, in view of constant improvement, and also to strengthen its role in retaining key resources.

We have also renewed our commitment to communication through this year's Remuneration Policy document, featuring a new structure and additional content. The goal is to provide increasingly complete, transparent information to react swiftly and simply to the market's needs with regard to the strategic decisions and remuneration policies adopted.

The Group's remuneration policy, which up to now has proven its efficacy in further aligning the interests of shareholders and management, this year again confirms its role as a fundamental tool for attracting, motivating and retaining talented professionals who share and embody our values and are the true distinctive feature of our Bank.

The strategic objectives set by the new three-year plan are ambitious and require renewed focus on excellence, which may only be achieved with the development, engagement, awareness and accountability of all of our people.

Within this environment of rapid transformation and strategic innovation, we believe that this remuneration policy is consistent with the Group's clear, distinctive vision and confirms the enhancement of our people as a fundamental competitive advantage with a view to achieving sustainable long-term results for our customers and investors.

I would like to take the opportunity to thank Directors Anna Gervasoni and Vittorio Emanuele Terzi, the Chairman of the Board of Statutory Auditors Massimo Cremona and Statutory Auditors Flavia Minutillo and Mario Anaclerio for their valuable contributions to the Committee's proceedings.

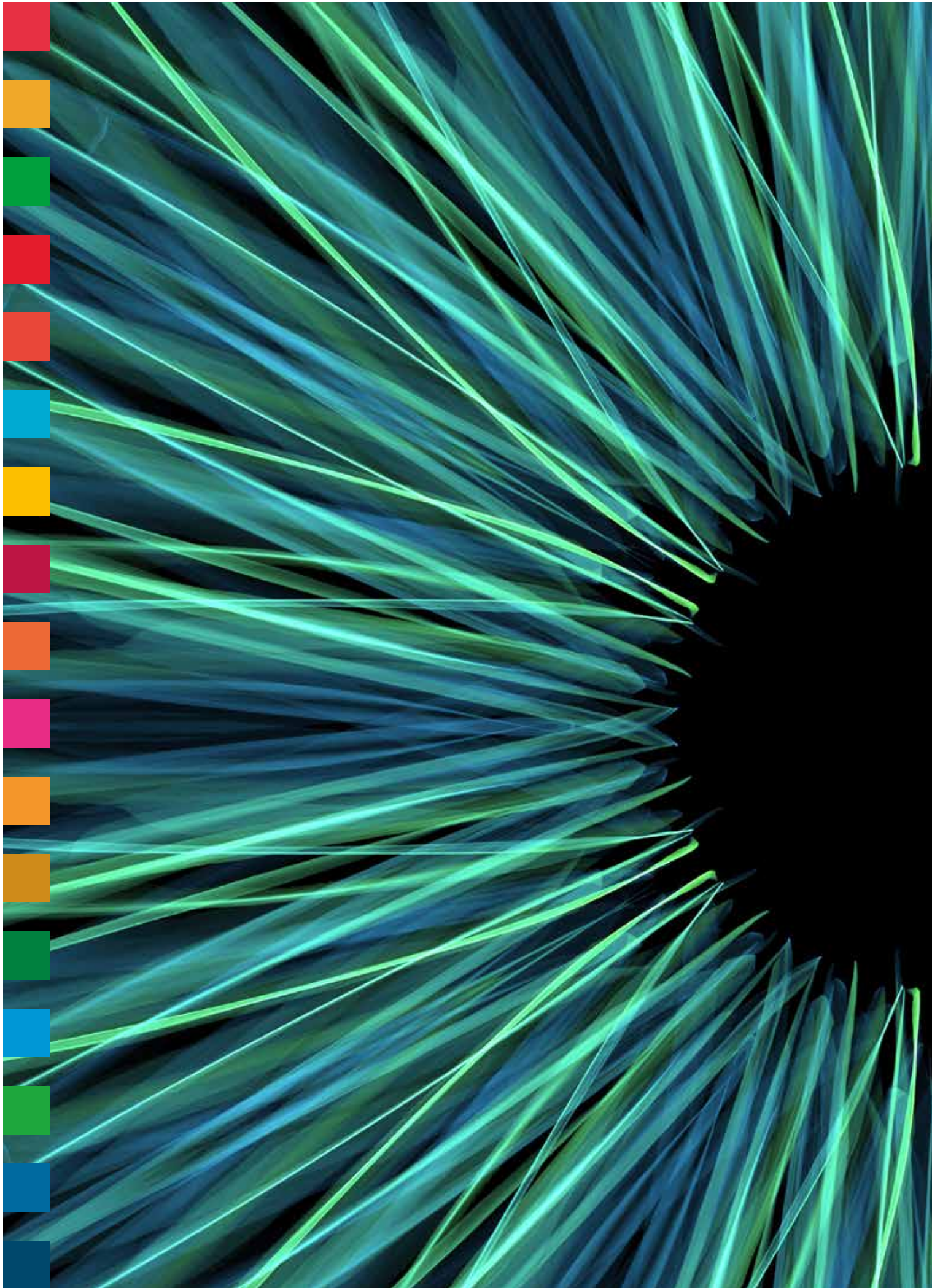
Kind regards,

Giovanni Brugnoli



Giovanni Brugnoli

Chairman of the
Remuneration Committee





THE MISSION

Guaranteeing competitive remuneration against sustainable performance and growth.

Banca Generali's remuneration policy is aimed at reaching the best possible alignment of the interests of the Banking Group's Shareholders and those of the Management, through careful risk management and the consistent pursuit of long-term goals.

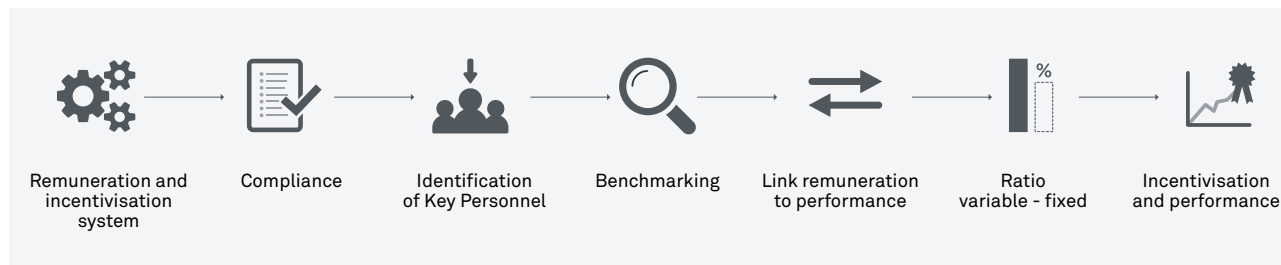
A well-balanced system of remuneration and incentives for the Banking Group's directors and management is key to boosting competitiveness, ensuring a high level of corporate governance and the achievement of medium-/long-term objectives.

Moreover, remuneration, especially with regard to key personnel, is useful in terms of attracting, motivating and retaining people with the talent and skills best suited to the Company's needs.

EXECUTIVE SUMMARY

Summary of Remuneration Approach

Main Elements of the 2020 Remuneration and Incentivisation Policies



1. Main drivers of remuneration and incentivisation policies



- > Transparency of policies.
- > Policies' consistency with the achievement of sustainable performance and growth.
- > Scrupulous and constant regulatory compliance.
- > Limited application of the principle of proportionality, where envisaged by relevant regulatory provisions and in compliance with the same.
- > Ongoing monitoring of market trends and practices.
- > Proper definition of competitive remuneration levels in accordance with our Remuneration Policy's pillars, on which 2019 projections were based.

2. Compliance with regulations



- > Definition of remuneration policies with a view to ensuring simultaneous compliance with provisions introduced by Italian and European laws applicable to the banking sector, the regulatory provisions applicable to issuers and the Corporate Governance Code for Listed Companies:
 - Delegated Regulation (EU) No. 604/2014 of 4 March 2014 issued by the European Commission;
 - Bank of Italy's "Supervisory Provisions for Banks", Circular Letter No. 285 of 17 December 2013, 25th update dated 23 October 2018;
 - European Directive on Capital Requirements (CRD IV);
 - Regulation implementing Legislative Decree No. 58 of 24 February 1998 (Finance Consolidation Law - TUF);
 - to the extent applicable, the provisions of Legislative Decree No. 49 of 10 May 2019, which entrenched the Directive (EU) 2017/828.

3. Identification of Key Personnel



- > Identification by the Board of Directors of Key Personnel in line with RTS (Regulatory Technical Standards) qualitative and quantitative criteria issued by the European Commission upon EBA's proposal, in compliance with Bank of Italy's provisions, and transposed in the Commission Delegated Regulation (EU) No. 604 of 4 March 2014.
- > Transparency and clarity of policies on processes relating to persons falling within the category of Financial Advisors.
- > Limited application of the principle of proportionality.

4. Remuneration packages and pay-mix



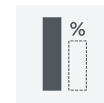
- > Remuneration package composed of fixed remuneration, benefits and a variable component, structured so as to ensure a proper balance between these various components for the different categories of personnel.
 - Fixed remuneration: it remunerates the role held and the responsibilities assigned, while also considering the experience of the person holding it and the skills required, in addition to the contribution made to the achievement of business results.

- Benefits: these are an additional element that make up a substantial component of the remuneration package, according to a total reward approach (benefits are differentiated on the basis of the category of beneficiary, both by type and total value).
- Variable remuneration: set in annual and long-term incentive plans designed to motivate the management to achieve business objectives by directly linking incentives to financial and non-financial objectives for the Group, business unit, region, country, function and individuals.
- > Target total remuneration: the Group's intention is to align remuneration at a competitive level, with individual positioning tied to the performance assessment and potential and the strategic importance of the individual according to a segmented approach.
- > Analysis of the structure of the remuneration package to ensure a balance between the different components aiming at promoting the commitment of contributing to the achievement of sustainable results.
 - With specific reference to Key Personnel, comparative analyses, supported by an independent external advisor, of the practices adopted by a pool of selected competitors.
- > The Banking Group's remuneration policy defined, insofar as financial and credit market practices are concerned, on the basis of the results of the ABI annual salary study, with a view to establishing benchmark indicators for the fixed and variable components of the remuneration of the Group's personnel.
 - With specific reference to Key Personnel, definition of the components of the package, also with the support of specific studies conducted by an independent external advisor.
- > Variable remuneration linked to performance indicators, which aim at appreciating the weighting of risks of the company or Group, while taking due account of the risks assumed and the liquidity required to cover ongoing business operations, and with a view to preventing conflicts of interest.
- > A total bonus pool, determined on an annual basis by the Board of Directors, to be disbursed provided that the necessary financial stability and liquidity conditions have been satisfied and the requirements for each position have been met.
- > Parameters selected with the aim of assessing long-term sustainability of company performance, in terms of risks assumed and liquidity required.
- > Performance targets set in the light of the risk-correction measures most appropriate to the activities performed.
- > Qualitative targets assessed through a managerial evaluation on the basis of specific KPIs relating to persons and sustainability.
- > Incentivisation system linked to yearly performance.
- > Measurement of both individual and Group/Bank performances.
- > Economic/financial targets outlined in the budget for the accrual year as reference for the definition of objectives.
- > Application of access gates, malus and claw-back mechanisms.
- > Differentiated deferral periods and payout methods by role and function.
- > Incentivisation system linked to the three-year performance.
- > Economic/financial objectives of the Banking Group and the Assicurazioni Generali Group as targets.
- > Application of access gates, deferral periods, malus and claw-back mechanisms.
- > Payout 100% in Banca Generali shares.
- > The cap mechanism ensures that the ratio of total variable remuneration paid in a given year (including both up-front and deferred payments) to total fixed remuneration in that same year does not exceed the set ratio.
- > Mechanism, which is applied on a cash basis, also taking account of the effects of bonuses accrued in years prior to the introduction of the cap and of deferred bonuses.
- > Motion submitted to the General Shareholders' Meeting for 2020 to increase to 2:1 the ratio of variable to fixed remuneration for determining the remuneration of 22 members of Key Personnel (of whom 14 Network Managers).

5. Remuneration benchmarking



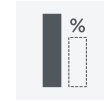
6. Link between remuneration and performance



7. Annual variable remuneration

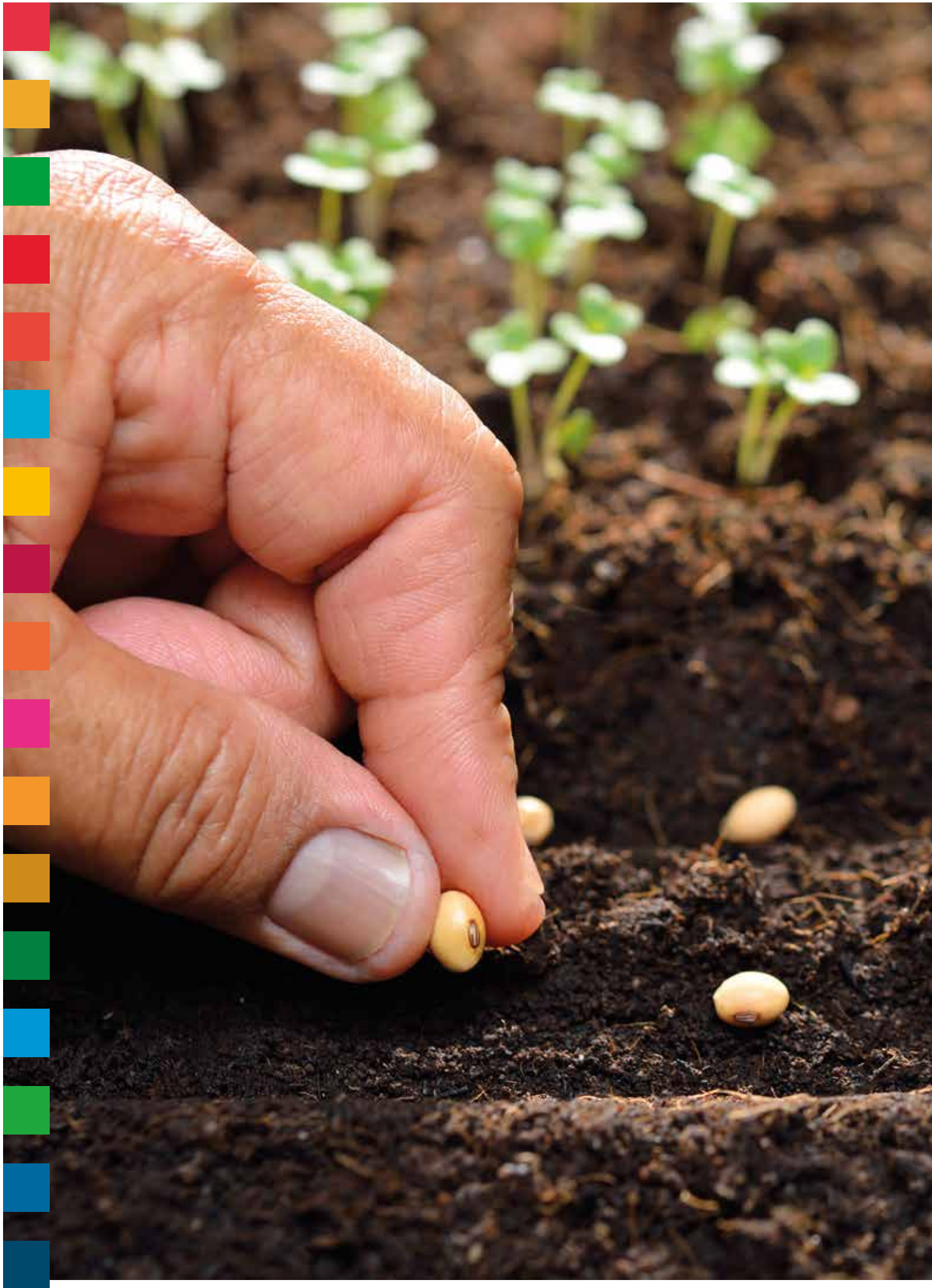


8. Long Term Incentive (LTI) plan



9. Ratio of variable to fixed remuneration for Key Personnel







SECTION 01

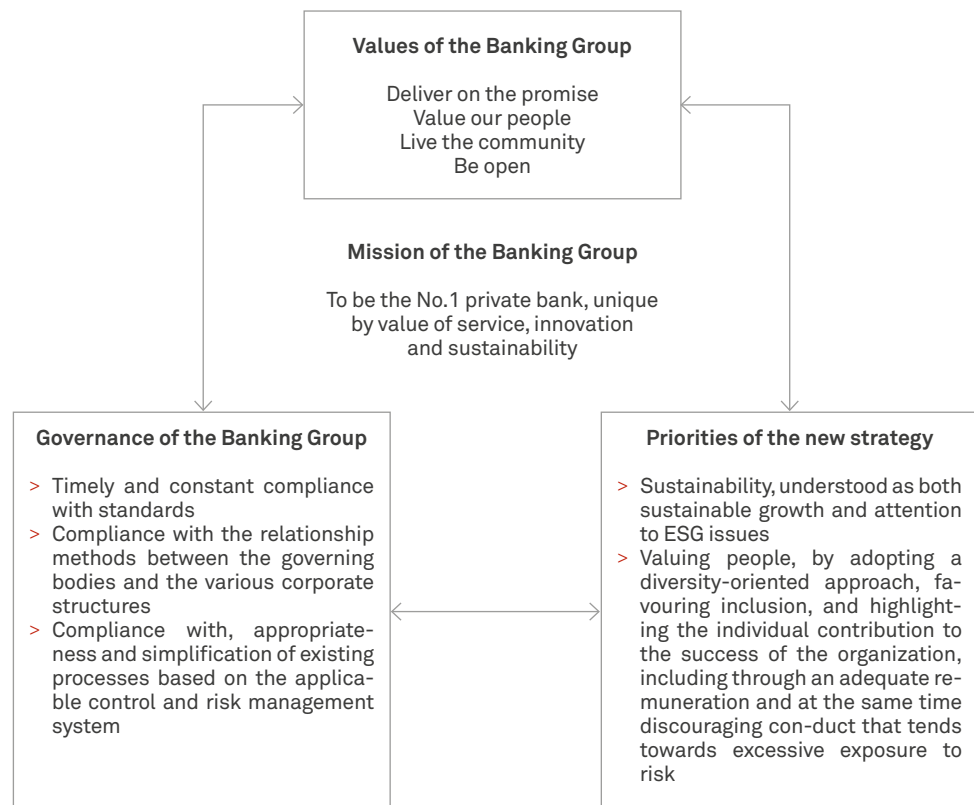
**BANKING GROUP'S REMUNERATION
AND INCENTIVISATION POLICIES**

1. The objectives of the Remuneration Policy

Banca Generali Group's remuneration policies, a key tool for the Group's strategy, are aimed at ensuring the best possible alignment of the interests of the Banking Group's Shareholders and those of the Management, through careful risk management and the consistent pursuit of long-term strategies.

It is believed that the annual formulation of adequate remuneration and incentivisation mechanisms for the Bank's directors and management may foster competitiveness, effective corporate governance and the achievement of the objectives outlined in the new strategic plan, with a particular focus on sustainability as an essential element of the pursuit of strategic objectives. Remuneration, especially with regard to Key Personnel, is also useful in terms of attracting and retaining people with the talent and skills best suited to the needs and development of the Company.

In this regard, the Banca Generali Group's remuneration policy is determined in compliance with:



The resulting remuneration policy supports the mission, values, governance and the new Banking Group's strategy, thereby giving rise to an ongoing interaction that leads to constant fine-tuning of remuneration practices on the one hand, and the consolidation of the above-mentioned elements on the other.

Accordingly, against this background, the **primary objective** of the remuneration policies is to adequately reward sustainable performance. Towards such end, any action taken as

part of the remuneration policies is informed and shaped by the following principles:

INTERNAL FAIRNESS	COMPETITIVENESS	CONSISTENCY	MERIT-BASED REWARD
Remuneration must be commensurate with the role held, taking due account of the attendant burden of responsibility, and the competence and skill with which related duties are discharged.	The assigned remuneration must be in line with remuneration levels prevailing on reference markets; towards this end, trends in remuneration levels prevailing in the industry of reference are constantly monitored.	The transversal application of similar remuneration policies to comparable levels of job responsibility, taking due account of the industrial sector and geographical area of reference, as well as other factors that could impact remuneration levels from time to time.	To be achieved through remuneration structures that commensurately reward the results obtained and the level of commitment and effort involved in attaining the same, whilst, at the same time, encouraging unwavering compliance with applicable regulations and procedures, as well as constant and focused risk assessment.

In order to ensure the consistent implementation of remuneration policies within the Generali Group, the principles and guidelines set out in the Group Remuneration Internal Policy drafted by Assicurazioni Generali in accordance with applicable legislation have been taken into account when preparing this document, without prejudice to the peculiarities dictated by legislation applicable to the banking sector.

As the Parent Company, Banca Generali defines the remuneration and incentivisation policies document for the entire Banking Group, ensures that it is appropriate overall and verifies that it is properly applied, while taking due account of the different features of each Group company, in accordance with the legal, market and sector context in which the subsidiaries operate.

In order to comply with and adopt directly applicable sector/country legislation, individual Group companies may draw up a separate remuneration policy, provided that they duly implement the guidelines set by the Bank.

Regulatory Framework

From a regulatory point of view, remuneration and incentivisation Policies are drafted in compliance with regulatory contents and provisions:

- > the **Bank of Italy's Provisions governing remuneration and incentivisation policies and practices** (Circular No. 285 dated 17 December 2013, 25th update dated 23 October 2018), by applying, in certain cases, the principle of proportionality, as defined therein, while taking into account the characteristics, size, risk level and complexity of the business conducted by the Bank and Banking Group. Moreover, Section I and Section II of this document include the provisions of **Article 450 of the CRR (Regulation (EU) No. 575/213)**;
- > **Article 84-quater of the Rules for Issuers currently in force** (Consob Resolution No. 11971/1999) introduced with Consob Resolution No. 18049 of 23 December 2011 which laid down a comprehensive and systematic regulatory framework governing transparency, as required under Article 123-ter of the Finance Consolidation Law (TUF). Under the said rules, issuers are required to draw up a detailed report on remuneration, without prejudice to the remuneration-related obligations imposed under industry-specific regulations applicable by reason of the business of the listed corporation.
- > the **Corporate Governance Code for Listed Companies**, most recently updated in July 2018, which requires the approval of a remuneration policy for Directors and Key Management Personnel;
- > to the extent applicable, the provisions of Legislative Decree No. 49 of 10 May 2019, which entrenched the Directive (EU) 2017/828.

The Report is divided into two sections:

- I. The first concerns the remuneration policies set by the Bank for the Banking Group and the procedures for adopting and implementing such policies, with regard to:
 - company bodies;
 - the Group's employees and contractors, with a particular focus on the Banking Group's Key Management Personnel and Key Personnel.
- II. The second section provides individual and aggregate quantitative information, by role and function, relating to the application of the remuneration policy.

This document has been therefore drawn up with a view to ensuring simultaneous compliance with the regulatory provisions governing remuneration policies within the banking industry, legal provisions and the corporate governance provisions applicable to issuers.

Unless otherwise indicated, the information provided in this Report refers to 1st april 2020, the date of its approval by the Board of Directors.

This Report is subject to a binding resolution by the Shareholders' Meeting, called to meet pursuant to Article 2364-bis, paragraph two, of the Italian Civil Code, on Section I and to a non-binding resolution on Section II.

2. Recipients of the Remuneration and Incentivisation Policies

Identification of Key Personnel

The Bank of Italy's Provisions refer to "personnel", a category that includes: i) all officers of company bodies vested with strategic oversight, management and control responsibilities; and ii) all employees and collaborators.

The remuneration policy outlined in this Report has been formulated and differentiated for the various categories of personnel (employees and non-employees) according to their role/relevant function¹:

- > members of company boards (the Board of Directors, including the Chief Executive Officer/General Manager, and the Board of Statutory Auditors);
- > employees (executives, middle managers and white-collar employees);
- > Financial Advisors authorised to make off-premises offers (hereinafter "Financial Advisors"), bound to the company by agency contracts.

Key Personnel, who are identified transversally to the categories indicated above, benefit from a specific remuneration policy, formulated in accordance with the "more detailed rules" set out in the Provisions.

2.1 Key Personnel

2.1.1 Policy for Identification of Key Personnel

In line with the applicable Provisions, every year the Company's Board of Directors shall carry out a self-assessment, pursuant to the Commission Delegated Regulation (EU) No. 604 of 4 March 2014 and with the support of the Remuneration Committee, for the specific purpose of identifying "Key Personnel", whose professional activity exert or could exert a significant impact on the risk profile of the Bank and the Banking Group, and therefore warrant the application of the more detailed rules.

The process of identifying Key Personnel is carried out by the Bank's Board of Directors on the basis of the provisions, in terms of process and parties involved, of the "Policy for determining the Banking Group's Remuneration and Incentivisation Policies" (approved by Banca Generali's Board of Directors in May 2019), with support from the Human Resources Department, which coordinates the activities involving, in their respective areas of responsibility, the CFO & Strategy Area (Administration Department for the size analyses underlying the assessment of the proportionality principle and Planning and Commercial Control Service for qualitative and quantitative assessments relating to Financial Advisors), Risk Management function (Risk & Capital Adequacy Department) for assessments underlying the analysis of the relevant organisational units and the General Counsel Area for the necessary legal and corporate support. The conformity of the process is assessed by the Compliance function (Compliance & Anti-Money Laundering Department).

The Bank identifies and applies additional criteria beyond those established in the above Regulation to identify additional persons who assume significant risks for the Bank.

In particular, in accordance with the Provisions, additional criteria apply to Banking Group's employees based on the significance of their managerial role, and to Financial Advisors, with particular regard to the main Network Managers, as indicated below.

¹ The remuneration policy is also formulated in view of the legislative and market scenario of the subsidiaries in accordance with local and industry legislation.

The conclusions and findings of the activities coordinated by the Human Resources Department are reviewed by the Remuneration Committee and, on the latter's opinion, submitted to the Board of Directors².

Two types of criteria are used, as set out in the Regulation, with the additional criteria applicable to the main Network Managers: **qualitative criteria and quantitative criteria**.

Application of qualitative criteria

Specific analyses regarding the following are performed for the purposes of application of the qualitative criteria set out in Article 3 of the Regulation:

- > the business units to which the various categories of personnel are attributable. In this area, a specific analysis is reserved for identifying the relevant operating/company units (pursuant to Article 142, paragraph 1(3) of Regulation (EU) No. 575/2013) to which internal capital is allocated pursuant to Article 73 of Directive 2013/36/EU, accounting for at least 2% of internal capital³;
- > the activities performed by the business units concerned;
- > the identification of the roles and responsibilities assigned to individual staff members in respect of the various business units. This analysis takes account of, *inter alia*, the responsibilities assigned by the internal Regulation, participation in internal Committees and the powers of such committees, and the powers and delegated authority conferred;
- > the importance of the managerial role, solely in the case of Financial Advisors assigned an ancillary managerial role.

Application of quantitative criteria

Key personnel are identified according to quantitative criteria set out in the Regulation considering that according to the Regulation a staff member has a substantial impact on the entity's risk profile where any of the following quantitative criteria is satisfied:

- a) he or she was assigned total remuneration of 500,000 euros or more in the previous financial year;
 - b) he or she is among the 0.3% of personnel (rounded to the nearest unit) assigned the highest total remuneration in the previous financial year;
 - c) he or she was assigned total remuneration in the previous financial year equal to or greater than the lowest total remuneration assigned to a member of Key Personnel, defined according to several of the qualitative criteria set out in the Regulation;
- a) in this respect:
 - in the case of employees:
 - the Bank includes persons who meet the conditions set out in points a) and b) above among Key Personnel;
 - employees with remuneration of less than 500,000 a euros who were assigned total remuneration in the previous financial year equal to or greater than the lowest total remuneration assigned to a top manager or a person meeting one of the criteria set out in Article 3(1), (3), (5), (6), (8), (11), (12), (13) or (14) are included among Key Personnel — or excluded from Key Personnel, in accordance with the applicable provisions — on the basis of an assessment that takes account of qualitative criteria (position within the organisation, power to bind the Bank, responsibility for market and credit risk) and the allocation of internal capital in respect of the operational risk attributable to each employee;
 - in the case of Financial Advisors:
 - the Bank considers Financial Advisors key personnel if at the end of the previous year (i) they had received total remuneration (including both the recurring component and incentive) equal to or greater than 500,000 euros and less than 750,000 euros, in accordance with the provisions of Commission Delegated Regulation (EU) No. 604/2014, to which the provisions of Article 4, paragraph 2 (b) of the said Regulation do not apply; ii) had received total remuneration (including both the recurring component and incentive) equal to or greater than 750,000 euros or more and, iii) where not already included among Financial Advisors with remuneration equal to or greater than the above threshold, Financial Advisors who are among the 0.3% of personnel, roun-

² In detail, the results of the process of identifying Key Personnel are detailed and recorded in the Self-Assessment Document prepared by the Bank each year and approved by the Board of Directors.

³ It also refers to the subsidiaries which were included in the Group's scope of consolidation in 2019.

ded to the nearest unit, who were assigned the highest total remuneration in the previous financial year;

- Financial Advisors with remuneration equal to or greater than 500,000 euros and less than 750,000 euros are subject to specific quantitative criteria (allocation of internal capital for operational risk, risk score assigned by the Network Control Function, possibly complemented by specific evaluations, level of operating losses attributable to each Financial Advisor) and qualitative criteria (position external to the organisational structure, lack of responsibility for market risk or credit risk, lack of power of representation). Where these criteria are met, pursuant to Article 4, paragraph 4, of the Regulation, the Supervisory Authority is notified of exclusion in application of Article 4(2), in respect of the criterion set out in Article 4(1)(a), in the belief that, despite remuneration equal to or greater than 500,000 euros and up to 750,000 euros, the conditions set out in Article 4(2) have been met and thus the staff member in question may be excluded from members of key personnel;
- Financial Advisors with remuneration of less than 500,000 a euros who were assigned total remuneration in the previous financial year equal to or greater than the lowest total remuneration assigned to a top manager or a person meeting one of the criteria set out in Article 3(1), (3), (5), (6), (8), (11), (12), (13) or (14) are included in — or excluded from key personnel, in accordance with the applicable provisions —, on the basis of an assessment that takes account of the qualitative criteria mentioned in the foregoing point and the allocation of internal capital in respect of the operational risk attributable to each Financial Advisor.

The Bank has decided not to apply to exclude any staff members with total remuneration equal to or greater than 750,000 euros or among the 0.3% of personnel assigned the highest total remuneration in the previous year from key personnel.

2.1.2 Overview of the findings of the process of identifying Key Personnel

In application of the process described above, the analysis⁴ resulted in the identification of the following as included in the key personnel category in the current year⁵:

CLUSTER	DEFINITION	RTS	KEY PERSONNEL 2020	KEY PERSONNEL 2019
1) Non-executive Directors	Non-executive Board members, including the Chairman	Article 3.2	8	8
2) Executive Directors	Chief Executive Officer/General Manager (part of the management body in his management function)	Article 3.1	1	1
3) Top Management	The Chief Executive Officer/General Manager (part of the management body in his management function), the Deputy General Manager Wealth Management Markets and Products, the Deputy General Manager Commercial Networks, Alternative and Support Channels (each also referred to hereinafter as a “DGM”)	Article 3.3	2	2
4) Heads of internal control functions	The Head of the Compliance and Anti-Money Laundering Department, the Head of the Internal Audit Department, the Head of Risk and Capital Adequacy Department	Article 3.4	3	3
5) Heads of key operating/company units	The Head of the CFO & Strategy Area, the Head of the Finance Department, Head of the Lending Department, the Head of the Asset Management (“AM”) Area, who also acts as Executive Director of BG FML, the Chief Executive Officers/General Managers of subsidiaries that are relevant operating/company units (currently the General Manager of BG FML)	Article 3.6	5	5

Key Management Personnel

⁴ Including the subsidiaries which were included in the Group’s scope of consolidation in 2019.

⁵ The names or individual identifying information, roles and responsibilities of the personnel in question — and the excluded personnel — are set out in the aforementioned Self-Assessment Document approved by the Board of Directors, together with all the data and information required in accordance with the Supervisory Provisions.

CLUSTER	DEFINITION	RTS	KEY PERSONNEL 2020	KEY PERSONNEL 2019
6)	Executive responsibilities in a significant operating/ company unit, reporting directly to the member of the personnel heading this unit	Article 3.8	2	2
7)	In charge of legal affairs, finance, including taxation and budgeting, human resources, the remuneration policy, information technologies or economic analysis	Article 3.9	4	4
8)	Main managers operating in the Bank's distribution networks	-	14	13
9)	Roles identified by the Banking Group in accordance with the provisions set out in point 6, Section I, TITLE IV – Chapter 2 of Bank of Italy's Provisions	-	3	-
8)	Quantitative criterion	Article 4	53	41
Total			95	79

2.2 Identification of Key Management Personnel⁶

Pursuant to Consob Resolution No. 18049 of 23 December 2011, the term “Key Management Personnel” is to be construed in line with the definition set forth in Attachment 1 to Consob Regulation No. 17221 of 12 March 2010, as further amended. Against this background, those persons having authority and direct or indirect responsibility for planning, directing, and controlling the activities of the company fall in the category of Key Management Personnel. In line with Company's corporate policy, this category shall include all the Company's directors (whether executive or otherwise), the acting members of the Board of Statutory Auditors, the members of the Top Management as specified above.

All persons falling within the category of Key Management Personnel are also included among Key Personnel.

⁶ For the intents and purposes of this document, the generic term “managers” must be construed in its technical sense, and therefore, may not be deemed to refer to company directors and acting members of the Board of Statutory Auditors, it being understood that where the context demands, the meaning to be attributed to the said term will be appropriately specified.

3. Principle of proportionality

As already anticipated, said Provisions apply to all “personnel”, save for the rules detailing the remuneration structure designed solely for Key Personnel.

In addition, in application of the principle of proportionality, banks establish their remuneration and incentivisation policies taking account of their characteristics and size, as well as the risk level and complexity of the business they conduct, so as to achieve the objectives pursued by the regulations.

The regulations divide banking groups into three categories for the purposes of application of the **principle of proportionality**: larger more complex banks, smaller less complex banks and medium-sized banks.

Banca Generali falls into the category of medium-sized banks (and is near in size to the lower limit of its class).

For these banks, Provisions establish that the more detailed rules, pertaining to Key Personnel, may be applied subject to the percentages, and deferment and retention periods equivalent to at least half those established, on an increasing scale based on the Bank's or Banking Group's features.

4. Bodies involved in defining the remuneration and incentivisation policy

The roles of the various corporate functions involved in defining, approving, implementing and subsequently assessing the remuneration policy — defined according to provisions on processes and corporate functions involved within the Policy for determining the Banking Group's Remuneration and Incentivisation Policies"—, are outlined below.

4.1 General Shareholders' Meeting

Pursuant to applicable regulations, the General Shareholders' Meeting: **i)** establishes the remuneration due to the bodies it appoints; **ii)** approves the remuneration and incentivisation policies and shared-based remuneration and incentivisation policies for bodies with roles of oversight, management and control, as well as the remaining personnel; and **iii)** the criteria for determining any amounts to be paid in the event of early termination of the contract or the post, including limits on such amounts in terms of multiples of annual fixed remuneration and the maximum amount that results from the application thereof. Finally, it **iv)** decides on the Board of Directors' proposal to set a limit on the ratio of the variable to fixed component of individual remuneration in **excess of 1:1**, in accordance with Section III, paragraph 1, of the Provisions.

4.2 Board of Directors

The Board of Directors drafts and submits the remuneration and incentivisation policy to the Shareholders' Meeting at least annually and is responsible for the proper implementation of that same policy. In this context, it (i) establishes the remuneration and incentivisation systems for the executive directors, general managers, joint general managers, deputy general managers and similar positions, key personnel and the heads and top-level staff of company control functions and (ii) ensures that those systems are consistent with the bank's overall decisions in terms of risk assumption, strategies, long-term objectives, corporate governance structure and internal controls.

Within the framework of the resolutions passed by the Shareholders' Meeting, and with the support of the Remuneration Committee, in consultation with the Board of Statutory Auditors, it performs the following activities:

- > determining the remuneration and incentivisation systems for executive Directors;
- > determining the remuneration and incentivisation systems for the General Manager and members of the General Management, Heads of the main lines of business, company functions or geographical areas, Heads of the Areas/Departments that report directly to the Board of Directors, Chief Executive Officer or General Manager, heads or key personnel of company control functions;
- > identifying individual objectives for such individuals;
- > approval of the findings of any procedures for the exclusion of key personnel and regular review of the relevant criteria;
- > checks to ensure that the remuneration and incentive systems applicable to persons in top managerial positions within the organisational structure take due account of risk containment policies, are consistent with the company's overall decisions in terms of risk assumption, long-term objectives, corporate culture and overall internal control and corporate governance system, and are appropriate to ensuring compliance with the law, regulations and the Articles of Association, together with any codes of ethics or conduct, by promoting compliant behaviour;
- > formulating directives for the hiring and use of the Bank's managers;
- > also submits to the General Shareholders' Meeting an annual report on the implementation of remuneration policies, duly accompanied by an overview of the related quantitative data.

Tasks of the Board of Directors

The Board of Directors is supported in its work by the Remuneration Committee and, for the purposes of a correct application of the principles and criteria envisaged by the regulation, by the relevant company functions, i.e., the Human Resources Department, the General Counsel Area, the Compliance and Anti-Money Laundering Department, the CFO & Strategy Area (Planning and Control Department, Sales Planning and Control Service), the Risk and Capital Adequacy Department.

4.3 Remuneration Committee

Banca Generali has instituted a Remuneration Committee within the Board of Directors. The Remuneration Committee is tasked with assisting the Board of Directors in laying down Company's policies in respect of the determination of the remuneration of the Company's key personnel holding the highest offices and those responsible for control functions. The above-mentioned Committee is currently composed of three non-executive, independent members of the Board of Directors, and is responsible for advising and making recommendations to the Board of Directors on matters pertaining to remuneration.

The Remuneration Committee is afforded unhindered access to any and all the corporate information and functions it may deem necessary or useful for the proper discharge of its assigned tasks. The Committee puts forward advisory opinions and recommendations on matters falling within its purview, on a regular basis, and draws up the minutes of meetings and the reports required to ensure the conduct of the Bank's business.

The current Committee was appointed by the Board of Directors on 12 April 2018 and will remain in office until the approval of the Financial Statements for the year ended on 31 December 2020. The Committee's current composition is described below:

NAME AND SURNAME	OFFICE HELD
Giovanni Brugnoli	Chairman of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 16, paragraph 1(d) of Consob Regulation No. 20249/2017
Anna Gervasoni	Committee Member Non-executive and independent Director pursuant to the Corporate Governance Code and Article 16, paragraph 1(d) of Consob Regulation No. 20249/2017
Vittorio Emanuele Terzi	Committee Member Non-executive and independent Director pursuant to the Corporate Governance Code and Article 16, paragraph 1(d) of Consob Regulation No. 20249/2017

Tasks of the Remuneration Committee:

- > providing the Board of Directors with non-binding opinions and recommendations on the determination of the remuneration of the Chairman of the Board of Directors, Chief Executive Officer, and any other executive directors, expressing opinions also on the definition of performance objectives linked to the variable component of remuneration;
- > providing the Board of Directors with non-binding opinions and recommendations on the determination of the remuneration of personnel, whose remuneration and incentivisation systems are decided by the Board of Directors — in accordance with laws and regulations in effect from time to time, as well as with the Remuneration and Incentivisation Policy adopted by the Company — expressing opinions also on the setting of performance objectives linked to the variable component of remuneration;
- > being consulted on issues concerning the determination of criteria to be applied for the remuneration of all Key Personnel, as defined by the Remuneration Policy;
- > expressing a position on the results of the process of identifying Key Personnel, including any exclusions;
- > periodically assessing the adequacy, overall consistency and concrete application of the remuneration policy applicable to Directors, Key Management Personnel and, on the basis of the information provided by the Chief Executive Officer, all personnel whose remuneration and incentivisation systems are decided by the Board of Directors — in accordance with laws and regulations in effect from time to time, as well as with the Remuneration and Incentivisation Policy adopted by the Company — in addition to submitting its relevant proposals to the Board of Directors;
- > monitoring the implementation of decisions adopted by the Board of Directors, also providing the Board with general recommendations on the matter;
- > directly overseeing the correct implementation of rules governing the remuneration of the Heads of corporate control functions, in close collaboration with the control function;
- > providing opinions on the determination of severance indemnities to be offered in the event of early termination of the contract or the post (so-called “golden parachutes”); assessing, where necessary, the effects of such termination on the rights accrued under share-based incentive plans;
- > expressing opinions, also on the basis of the information received from the competent company functions, on the achievement of the performance objectives to which incentive plans are tied, and on the review of the other conditions established for the disbursement of remuneration;
- > expressing non-binding opinions and proposals for any stock options plans and shares allotment or other share-based incentive systems, also suggesting the objectives associated with the provision of such benefits and the criteria for assessing the achievement of those objectives; monitoring the evolution and application over time of any plans approved by the General Shareholders' Meeting on the Board's proposal;
- > expressing an opinion to the Board of Directors of the Parent Company on proposals relating to the remuneration of Directors holding special offices in strategic subsidiaries, pursuant to Article 2389 of the Italian Civil Code, as well as the general managers and key management personnel of those companies;
- > preparing all documents to be submitted to the Board of Directors for the relevant resolutions;
- > duly reporting on the activities performed by the company bodies, including the General Shareholders' Meeting, with the timeliness necessary to allow for due preparation of meetings called to examine matters pertaining to remuneration;
- > participating into the General Shareholders' Meetings through its Chairman or another Committee's member;
- > ensuring appropriate functional and operational links with the relevant company structures in charge of preparing and monitoring remuneration and incentivisation policies and practices;
- > working with the other Board committees, in particular with the Internal Audit and Risk Committee, which is tasked with assessing that the incentives granted through the remuneration system duly reflect risks and are commensurate with capital and liquidity levels;
- > carrying out any and all other tasks and duties entrusted to the Committee by the Board through specific resolutions.

4.4 Governing Body

Identifying the objectives to be assigned to individual Managers, other than those for which the Board of Directors is responsible as part of the policy determined by the General Shareholders' Meeting and the parameters identified by the Board of Directors, is the responsibility of the governing body (identified based on the powers assigned), supported by the Human Resources Department, the General Counsel Area, the CFO & Strategy Area, the COO & Innovation Area, the Compliance and Anti-Money Laundering Department, and the Risk and Capital Adequacy Department, each for the parts within their respective remit.

The process of assigning the objectives to be met in order to receive variable remuneration and determining the maximum amount of such variable component is formally conducted and documented.

4.5 Board of Statutory Auditors

The Board of Statutory Auditors is tasked with expressing opinions on the remuneration of directors holding special offices, and the members of Board Committees, it being pointed out that the said opinions are provided even with regard to the remuneration of the Chief Executive Officer and the General Manager.

The Board of Statutory Auditors also expresses an opinion on the remuneration of heads of control functions.

4.6 Company Control Functions

Without, in any event, exceeding the bounds of their respective spheres of competence, the Bank's control functions collaborate to ensure the appropriateness, regulatory conformity and proper implementation of all remuneration policies and practices.

More specifically:

- > the Compliance function, supported by the **Compliance and Anti-Money Laundering Department**, is tasked, *inter alia*, with verifying that the corporate incentive system is in line with objectives of compliance with applicable regulations, the Articles of Association and the self-regulatory provisions, with a view to appropriately containing the legal and reputational risks that arise, above all, in the course of dealings and relationships with customers. The Compliance function submits the results of its assessments to the relevant company boards, recommending corrective action where appropriate, it being understood that the said results are also reported to the General Shareholders' Meeting on an annual basis;
- > the Risk Management Function, which is performed by the **Risk and Capital Adequacy Department**, contributes, *inter alia*, to ensuring that the remuneration and incentivisation system is consistent with the Bank's risk appetite framework of reference (the "RAF"), including by defining the risk indicators to be used for corrective mechanisms (on an ex ante and ex post basis) and expresses a position on the proper activation of such mechanisms;
- > the Internal Audit function, supported by the **Internal Audit Department**, is in charge, *inter alia*, of verifying, at least once a year, the compatibility of remuneration practices with approved policies and industry-specific regulations. This function also submits the results of its assessments to the relevant company boards, recommending corrective actions where appropriate, it being understood that the said results are also reported to the General Shareholders' Meeting on an annual basis.

4.7 Human Resources and Other Functions

The **Human Resources Department** provides **technical assistance and prepares the support materials** that inform remuneration policies and their implementation. The Department provides support for the activities performed by the Compliance function (see the previous paragraph), by ensuring, *inter alia*, the consistency of human resource management policies and procedures and the Bank's remuneration and incentivisation systems.

The **Planning & Control Department and the Sales Planning & Control Service** are involved in defining remuneration policies, identifying, respectively, the **quantitative pa-**

rameters pertaining to the strategic objectives to which the variable component of remuneration is to be correlated, determining the expense budget, and defining the policies relating to Financial Advisors.

The **Project Governance, Outsourcing and Data Management Department** is involved in identifying the qualitative parameters associated with company projects, relating to the strategic objectives to be associated with the variable component.

The **General Counsel Area and the Administration Department** also perform an advisory function for their respective areas of responsibility in legal, corporate, accounting and tax matters.

The Subsidiaries and the other Areas/Departments collaborate by providing access to all data and supporting documents necessary to identifying and monitoring the **parameters** relating to the strategic objectives to be associated with the variable component.

5. Remuneration package



Remuneration package⁷ of employees is made of fixed and variable components which, in the case of certain managers, may include participation in Long Term Incentive plans designed to link remuneration to the long-term performance of the Banking Group and the Assicurazioni Generali Group.

5.1 Fixed Components of Remuneration for Employees

The fixed components refer to the remuneration of the role, responsibilities and managerial and technical skills of employees used to perform the roles assigned to them, in order to ensure managerial continuity and pursue effective and fair internal remuneration policies that are competitive in respect of the external market.

The fixed component accounts for a sufficient proportion of total remuneration to attract and retain resources and simultaneously provide adequate remuneration for job responsibilities even in the absence of additional bonuses or other incentives in light of substandard performance, so as to discourage risk-taking in excess of the Company's risk propensity, with a view to meeting short and medium-to-long-term targets.

Among the fixed components of remuneration, the bank has introduced a **Service Allowance**. The allowance is a component of fixed remuneration that is in addition to traditional gross annual remuneration and is tied to the specific nature of several roles. The allowance is assigned to compensate a specific role and/or the related responsibilities; it may be renegotiated, with annual or other frequency, according to changes in the specific requirements of the role, but entitlement to collect it ceases if the beneficiary is assigned to a role within the company to which a service allowance does not apply.

The total fixed remuneration provided to personnel includes not only gross annual remuneration, but also service allowances, director's remuneration, as well as the benefits package as described in the paragraph 6.3 below.

A significant portion of fixed remuneration components consists of the benefits package, which represents a significant portion in terms of fixed remuneration (around 30% for managers and about 20% for all other employees).

In detail, for managers this includes health cover (which in specific circumstances provided for in internal collective regulations may also be retained following severance), supplementary pension benefits, life insurance, as well as insurance for accidents at work and outside work, and a company car.

The National Collective Labour Agreement for Credit Institutions, supplemented by the Supplementary Company Contract, is applied for executives and professional areas. Social security coverage and pension benefits are therefore uniformly regulated for each different category of staff, in compliance with the provisions set forth in applicable collective bargaining labour agreements.

5.2 Variable Components of Remuneration for Employees

Variable components are intended to reward short, as well as medium-to-long term results.

Performance is assessed — taking due account of the population segment and time-span in question — on the basis of the results attained by beneficiaries and the corporate structure.

⁷ Remuneration packages and the related provisions and benefits have been formulated while also taking account of the legislative and market scenario applicable to subsidiaries, in accordance with local and industry legislation.

res they serve and, with particular reference to top managers, the results achieved by the company/group as a whole.

The aim of the recurring variable components of remuneration and long-term incentives is to balance directly the interests of the shareholders and those of management.

Variable incentive-oriented remuneration linked to the performance of the Bank and the Banking Group is determined taking due account of the risks assumed and the liquidity required to cover ongoing business operations, and with a view to avoiding conflicts of interest. It envisages **access gates**, whereby failure to meet pre-set stability targets entails forfeiture of the related bonus, but also **malus and claw-back mechanisms**, as described below.

The following is included among the variable components of remuneration:

- > short-term incentives: Balanced Scorecards and Management by Objectives;
- > medium-to-long term incentivisation: Long Term Incentive plans;
- > entry bonuses and one-off bonuses, where provided;
- > framework Loyalty Programme for the Sales Network.

Moreover, in accordance with Bank of Italy's Provisions, variable remuneration also includes:

- > stability pacts, extended notice agreements and non-competition agreements (the latter in respect of the share in excess of one year of fixed remuneration);
- > amounts paid in view of or concurrently with termination of the relationship⁸ (described in detail in paragraph 6.1).

The remuneration patterns of managers and professionals are monitored, taking due account of trends recorded on reference markets and analysing the fixed and variable remuneration components, availing of the service of external independent consultancy firms. More specifically:

- > with regard to Key Personnel, specific analyses in relation to a group of peers, determined on the basis of Banca Generali's profile, are carried out, including upon request by the Remuneration Committee;
- > the ABI's annual industry-wide study is used for all other personnel.

With reference to **job grading**, a model incorporating Willis Towers Watson job levelling methodology is currently under implementation. The main corporate managerial positions have already been weighted using the aforesaid methodology.

Lastly, the main benefits of the Group's managers, executives and professional areas (specified, where applicable, in their respective supplementary employment contracts) have been established in light of policies defined by the Group to which they belong.

Remuneration
benchmarking

5.2.1 Ratio of the Variable to Fixed Component of Remuneration and related mechanism

In the Bank of Italy's Provisions, the introduction for Key Personnel of a cap of 1:1 ratio of the variable to fixed component of remuneration is particularly important. Its aim is to ensure compliance with the ratio of total variable to total fixed remuneration (including all forms of payment or benefit disbursed, directly or indirectly, in cash, financial instruments, or assets in kind not linked to the achievement of individual or company performance results, or the award of which is subject to annual qualitative assessment or other parameters, such as term of service).

The Bank has taken the following measures to ensure that this ratio is maintained:

- > in general, a ratio of variable remuneration to total fixed remuneration less than or equal to this threshold for the above-mentioned personnel;

⁸ In addition to termination indemnity and legal and contractual notice indemnity.

- > for specific individual company personnel (Chief Executive Officer/General Manager, Deputy General Managers, Head of the Asset Management Area, Head of the Marketing and External Relations Department, Head of the Alternative Channels and Support Area, Head of the Wealth Management Area, COO & Innovation Area, one Sales Manager, nine Area Managers and one Head of Business Development Top Wealth Advisor/Top Private Banker; one Head of Recruiting, as well as one Head of Advisory), a reasoned proposal for the General Shareholders' Meeting to deviate from the 1:1 ratio of variable to fixed remuneration, by increasing it up **to a maximum of 2:1**.

This proposal, submitted by the deadline set by the Bank of Italy, is based on the grounds set out in the specific report, and in particular on the consideration that in a specialist market such as that in which the bank operates, where it must compete with international players, a remuneration package competitive with those of its competitors, for individuals in key roles in its company organisation or managerial roles in its commercial areas, allows the bank to attract and retain individuals with the professionalism and skills suited to the Company's needs and ensure that its business results are achieved, in a manner consistent with applicable regulations.

The cap mechanism ensures that the ratio of total variable remuneration paid in relation to a given year (including both up-front and deferred payments) to total fixed remuneration in that same year does not exceed 1:1 (or, where expressly authorised, 2:1). In the event of variable remuneration under loyalty plans or long-term incentivisation (LTI) plans with a duration of more than four years, including the deferral period, for which a provision is set aside during the year to which it refers and payment is deferred until a later year, the cap mechanism always applies on a cash basis at the time of the actual payment, using (i) as the basis of calculation of fixed remuneration that paid during the year of accrual of the provision and (ii) as the variable remuneration attributable to each year the total amount of the variable remuneration attributed to each year of the plan according to a linear pro-rated approach.

The mechanism refers to the variable remuneration instruments assigned starting in the year in which the cap mechanism was introduced.

Likewise, if the 1:1 (or, where expressly authorised, 2:1) ratio of variable to fixed remuneration is in future modified in an unfavourable manner for one or more individuals, having regard to the year in which the ratio of variable to fixed remuneration is changed, all shares of variable remuneration accrued in years prior to the year concerned, but not yet disbursed due to deferral, will be sterilised for the purposes of the calculation.

For the remaining personnel, the ratio of the variable to total fixed components of remuneration is commensurate with the employee's job description and the strategic responsibilities inherent to his or her position within the organisational structure: For managers, it generally does not exceed 80%, while for the professional areas and executives it generally does not exceed 40%. For certain categories of personnel, it may reach 100%⁹. In particular, it may reach:

- > the level of 100% (or higher in cases of entry or expiry plans based on net inflow/revenue targets and without guaranteed minimums) for persons operating in operating units of a commercial nature;
- > the level of 100% for "portfolio managers" within the framework of asset management activities, if the assigned results are achieved in full.

Point 7.3 below provides a breakdown of the components of the remuneration packages of the other persons included among Financial Advisors, distinguishing between fixed and variable components.

5.2.2 Bonus Pool and Access Gates

The bonus pool is the total amount allocated annually by the Board of Directors to the payment of the variable component of personnel costs.

The actual bonus pool available for the payment of the variable component is determined in the year after that of reference and may be disbursed when the requirements

⁹ Or more for certain categories of personnel operating on particular markets, for which percentage is defined in accordance with the market context.

are met for each company position, and in any event subject to verification of “access gates”.

The access gate has a twofold objective:

- > taking account of current and prospective risks, the cost of capital and the cash required to undertake the business engaged in within the Banking Group;
- > basing variable remuneration on long-term performance indicators.

For 2020, said mechanism provides for two ratios:

- > **Capital ratio:** *Total Capital Ratio*¹⁰, aimed at measuring the extent of the Bank’s capital in relation to the degree of risk of the assets held — minimum target ratio of 13%¹¹;
- > **Liquidity ratio:** *Liquidity Coverage Ratio*¹², to increase short-term resilience of the liquidity risk profile of the Bank, while ensuring it has sufficient, high-quality liquid assets to overcome any 30-day long acute stress situation — minimum ratio of 130%¹³.

An on/off threshold is set for each ratio. The levels associated with the respective ratios are identified according to prudence and sustainability in the medium to long term. In particular, gates are set at thresholds above the capacity of the Bank, which incorporate stress scenarios envisaging the combination of particularly adverse events that can be classified as systemic in nature and specific events for the Banking Group.

The condition for the bonus pool to be activated is that both ratios are above the minimum threshold set when the final earnings figures for the year are recorded.

The total bonus pool may not be increased based on the Company’s performance, but it may be eliminated if the access gates are not reached.

The access gate does not only condition the bonus for the year in question, but also acts as a malus mechanism, from one year to the next, the portions of bonuses accrued in previous years and paid out on a deferred basis in subsequent years.

5.2.3 Malus and Claw-back Mechanisms

With reference to all types of variable remuneration, the following is envisaged:

- > a specific **malus** mechanism applies, under which the variable remuneration is not paid in the event of i) proved engagement in behaviour, including behaviour not in accordance with laws, regulations, articles of association, codes of ethics or codes of conduct applied by a bank (hereinafter a “compliance breach”), constituting wilful misconduct or gross negligence to the detriment of customers or the Bank, ii) proved engagement in behaviour, including compliance breaches (as defined above), resulting in a significant loss for the Bank, iii) disciplinary measures or pending non-routine inspections¹⁴, and iv) failure to comply with rules concerning banking transparency and remuneration policies, in accordance with the Supervisory Provisions for Banks;
- > the application of a **claw-back** mechanism whereby the Bank is entitled to demand the return of variable remuneration up to five years after it is paid in the event of i) proved engagement in wilful misconduct or gross negligence, including compliance breaches, to the detriment of customers or the Bank, ii) proved engagement in behaviour, including compliance breaches, resulting in a significant loss for the Bank, iii) failure to comply with rules concerning banking transparency, anti-money laundering and remuneration policies.

¹⁰ *Total Capital Ratio* meaning the Regulatory Capital / Risk Weighted Assets (RWA) (both variables are subject to regulatory disclosure and specified in the explanatory notes to the financial statements, Part F/Information on Shareholders’ Net Equity; the figures used for calculation purposes are those reported to the Bank of Italy and drawn from the consolidated financial statements as at the end of the year).

¹¹ The threshold can be subject to review if exceptional non predictable changes occur to the macroeconomic conditions or if the financial scenario worsens. In the event of extraordinary context discontinuity, the Board of Directors will re-assess the overall consistency and fairness of the incentive policies.

¹² *Liquidity Coverage Ratio* meaning the ratio between the stock of [1] high-quality liquid assets (that is to say, easily disposed of for cash on the open market, even during periods of tension, and ideally, subject to placement with a central bank) and [2] the sum total of net outflows during the 30 calendar days following a specified stress scenario; the figures used for calculation purposes are those reported to the Bank of Italy and drawn from the consolidated financial statements as at the end of the year.

¹³ The threshold can be subject to review if exceptional non predictable changes occur to the macroeconomic conditions or if the financial scenario worsens. In the event of extraordinary context discontinuity, the Board of Directors will re-assess the overall consistency and fairness of the incentive policies. In the event of disciplinary procedure in progress when variable remuneration is to be paid, the payment will be suspended until completion of the disciplinary procedure.

¹⁴ Upon completion of the procedure, if the person in question is found to have engaged in the alleged misconduct and is sanctioned accordingly, the malus mechanisms apply.

neration policies, in accordance with the Supervisory Provisions for Banks and iv) conclusion of disciplinary proceedings with a finding that the person in question engaged in the alleged misconduct and should be punished accordingly.

Likewise, the Bank may demand the return of bonuses paid in cases of material errors in figuring the items used to calculate the Group's access gates.

5.2.4 Prohibition of Hedging Strategies and Disclosure of Transactions

Personnel may not avail themselves of personal hedging or insurance strategies in respect of their remuneration or other aspects that may alter or undermine the effects of alignment with risk inherent in remuneration mechanisms.

Key personnel are required to follow the existing procedure — revised as appropriate to reflect the most recent update to the Supervisory Provisions — to disclose transactions and financial investments involving financial instruments issued by companies of the Banking Group or by the Parent Company of the Assicurazioni Generali Group (including derivatives with such instruments as their underlying) that could affect, directly or indirectly, risk alignment mechanisms and, more generally, the pursuit of the aims of the Provisions.

5.2.5 Principle of Propriety and the Containment of Reputational Risks

Remuneration and incentive systems for sales networks are designed to ensure compliance with the principle of propriety in customer relations, as well as to contain legal and reputational risks, through the implementation of policies entailing the application of specific, formally stated, quantifiable and verifiable rules and parameters (e.g., number of complaints) which have an impact on the right to collect the incentivisation.

5.3 Short-term incentives

5.3.1 Balanced Scorecards and Management by Objectives

Short-term variable remuneration is based on the **Balanced Scorecards** (BSC) mechanism, aimed at the achievement of the earnings and financial results indicated by the budget for the reference year.

The following are normally subject to the Balanced Scorecards mechanism:

- > Chief Executive Officer/General Manager,
- > Key Personnel,
- > executives who do not qualify as Key Personnel, certain middle managers of administrative and staff departments and relationship managers and portfolio managers with managerial roles.

By contrast, employees without managerial roles with relationship manager and portfolio manager duties are typically subject to a different mechanism, Management by Objectives (MBO). For this mechanism, which is in any case based on incentive sheets allowing the use of variables to measure performance and risks as consistent as possible with the decision-making powers of each beneficiary, quantitative objectives established in terms of the results carried in the consolidated financial statements of the Banking Group may be replaced by individual quantitative objectives.

The adoption of Balanced Scorecards is intended to translate the strategies set forth in the industrial plan into a set of objectives that, taking due account of company risks, are able to materially influence the banking Group's overall performance. The objectives are assigned to the relevant persons on an annual basis on individual Scorecards.

The purpose of this mechanism is to achieve maximum strategic alignment of management, as all the positions which are BSC or MBO recipients help to create shareholder value by achieving both financial and non-financial objectives that are in any event measurable.

The objectives and the relevant targets are defined based on the guidelines, differentiated

according to the sphere of work and responsibility attributed, and identifying the impact of individual positions on the achievement of the respective targets.

Variable remuneration is tied on a straight-line basis to the degree of achievement of the targets established for individual objectives or the annual and non-recurring assessment of special projects with a significant impact on the development of the business and company performance.

As regards the variable remuneration of most of executives and employees belonging to the professional areas (other than those included in any of the categories specified above), the system used for the calculation of the bonuses, which takes place at annual intervals, is linked to the performance appraisal process and decided on a discretionary basis (as specified in paragraph 5.5).

5.3.2 Performance Indicators and the Main Parameters Used

Variable remuneration is linked on a straight-line basis to the degree to which the targets set for each objective are achieved, since the BSC and the MBO mechanism is based on defining and allocating **specific, well defined objectives**, each one of which is attributed a **target value**, and each with a **weight** indicating its level of priority when compared to the others, as well as **performance levels** (minimum, target and maximum) expressed through appropriate indicators.

Moreover, expected levels of performance are indicated, for each objective, together with the **minimum gate** to be achieved to qualify for bonus entitlements, the **maximum gate** which results are to be considered over performance, and any and all **caps** on bonuses, where applicable.

The objectives and the relevant targets are defined based on the guidelines differentiated according to the sphere of work and responsibility attributed.

A percentage of the variable remuneration, as stated below, is linked to **quantitative financial objectives** (with possible normalisation of the performance fee component) pertaining to the results of the Banking Group.

In particular, the following objectives may be assigned:

- > **profit and loss account/profitability objectives** such as, including, without limitation, Fee Income, Cost/Income, Consolidated Net Profit, Return on Risk-Adjusted Capital (RoRAC), Recurring Net Profit, core Net Banking Income,
- > cost control objectives and **commercial development objectives** such as, including, without limitation, Net Inflows, Revenues or similar and Fee Growth, complemented by risk-adjustment measures.

These objectives contribute to determining up to 70% of the short-term variable remuneration of the Chief Executive Officer/General Manager, up to 60% of the short-term variable remuneration of the Deputy General Managers, and up to a maximum of 35% of that of the other Managers and Executives. The percentage in question may also be higher for sales personnel for whom commercial development objectives represent function-specific objectives.

The remaining portion of the short-term variable remuneration is linked to the attainment of quantitative and qualitative objectives — financial and non-financial — established based on the position held, with a view to using performance measuring variables that are, as far as possible, consistent with the decision-making powers vested in each manager.

In particular, in relation to the position filled, the quantitative objectives refer to net inflows, revenues and/or cost objectives for which the beneficiary of the individual scorecard is responsible based on the company budget for the reference year.

The exceptions to these general criteria are the objectives assigned to the Manager in charge of the company's financial reports, the Heads of control functions, and the Head of the Human Resources Department, who are not linked to the earnings results of the Bank and/or of the Banking Group.

The qualitative objectives, which usually set valuation criteria, refer to projects concer-

ning the Banking Group and require the collaboration of all the beneficiaries of individual scorecards, each one regarding the area within his/her remit, or projects falling under the responsibility of individual departments but which are of general importance.

The Balanced Scorecards of all Key personnel include indicators tied to the implementation of strategic projects for the achievement of the Plan's objectives.

In addition to these, there are two additional specific focuses, assessed by management on the basis of key performance indicators (KPIs), on objectives relating to:

- > People Value, with specific priority for People Strategy implementation activities (including reskilling and technical upskilling initiatives) and initiatives prepared following the recent Engagement Survey;
- > Sustainability commitment, with priority for sustainability initiatives aligned with the Banking Group's strategic Plan objectives.

For bonus assignment purposes, the performance obtained in respect of each objective is verified and duly weighted in the financial year following the year of reference. The sum of the weighted performance levels achieved in respect of each objective then constitutes the overall performance which serves as the basis for quantifying the bonus due, subject to satisfaction of the pre-established access gates to be met in order to qualify for bonuses (attainment of the minimum threshold affording access to bonus entitlements, with the inclusion of mechanisms preventing certain offsetting effects). The foregoing procedure is designed to ensure a close correlation between results obtained and bonuses earned.

The performance levels identified in the objectives are directly linked to the forecasts of the budget approved by the Board of Directors and the achievement of the results, when linked to the P&L results, is verified based on the consolidated financial statements of the Banking Group.

Except as specified above, with reference to the MBO mechanism, with a view to measuring performance and risks through variables that are as consistent as possible with the decision-making powers vested in each beneficiary, quantitative objectives established in terms of the results carried in the consolidated financial statements of the Banking Group may be replaced by individual quantitative objectives associated with the individual function discharged within the Group (without prejudice to the application of the access gates described herein).

5.3.3 Payout: Deferral and Share-based Variable Remuneration

As a general rule, and without prejudice to the more stringent provisions applicable to Key Personnel, all indefinite-term employees with a variable remuneration based on the BSC and MBO mechanisms and/or on a discretionary basis, and the Banking Group's main network managers, who accrue, within any given financial year, a bonus in excess of 75,000 euros, are subject to deferral of a portion of their variable remuneration for a period determined, pursuant to the principle of proportionality, as follows:

- > 60% of the amount will be paid after it has been verified that the access gate has been reached, as described above, during the year after the verification by the Board of Directors of the operating and capital solidity results for the year to which the bonus refers;
- > 20% subject to verification of the results in terms of capital solidity for the following financial year; and the remaining 20%, after a further year, subject to verification of full satisfaction of capital solidity results.

The scheme for the payment and vesting of portions of the bonus is shown below:

	2021	2022	2023	2024	TOTAL
	Payment				
Cash (100%)	60%	20%	20%	-	100%
Shares (0%)	-	-	-	-	0%
Other employees with bonus >75,000 euro	60%	20%	20%	-	
	Availability				
Cash (100%)	60%	20%	20%	-	100%
Shares (0%)	-	-	-	-	0%
	60%	20%	20%	-	

Other employees



> 75,000 EURO

Where disbursement of an accrued bonus is deferred, instalments paid in cash on a deferred basis are increased by a return at market rates when disbursed.

In the event of termination of employment or service with companies of the Banca Generali Group, beneficiaries lose their entitlement to portions of bonuses that have not yet been disbursed, without prejudice to cases of retirement, death or permanent disability, a new position within the Generali Group (including a change of contract from employment to agency, as in the case of a Banca Generali Financial Advisor), another working relationship entailing ongoing professional service for the company, or termination of employment by the company due to company reorganisation (without prejudice, in any event, to the possibility of retaining deferred portions within the framework of agreements for the consensual termination of a relationship).

In the event of death or total disability with respect to the agreed employment services, by way of partial departure from the foregoing, any deferred bonus payments due will be paid immediately, without waiting until the access gate conditions for subsequent years are met.

If the actual *bonus* accrued falls below or equals the stated threshold of 75,000 euros, it is paid in full after the Board of Directors verifies the P&L results for the year in question and determines that the Banking Group's access gate targets have been met.

For Key Personnel, 25% of the variable remuneration linked to short-term objectives will be paid in Banca Generali shares, according to the following assignment and retention mechanism¹⁵:

- > 60% of the bonus will be normally paid by the first half of the year after that of reference, 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period¹⁶ of one year;
- > 20% of the bonus will be paid after a further one year from the payment of the first instalment: 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period of one year;
- > the remaining 20% of the bonus will be paid after a further two years from the payment of the first instalment: 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period of one year.

¹⁵ Without prejudice, in any event, to fulfilment of any additional retention obligations in accordance with the Corporate Governance Code.

¹⁶ Period of at least six months starting at the end of the accrual period. This clarification applies to all subsequent passages in this chapter in which the retention period is cited.

The scheme for the payment and vesting of portions of the bonus is shown below:

Key personnel



> 75,000 EURO

	2021	2022	2023	2024	TOTAL
	Payment				
Cash (75%)	45%	15%	15%	-	75%
Shares (25%)	15%	5%	5%	-	25%
Key personnel with bonus >75,000 euro	60%	20%	20%	-	
	Availability				
Cash (75%)	45%	15%	15%	-	75%
Shares (25%)	-	15%	5%	5%	25%
	45%	30%	20%	5%	

In calculating the number of shares to be assigned, a method is applied where: the numerator is defined as 25% of variable remuneration accrued for the actual achievement of targets set for the year of reference, and the denominator consists of the share price (calculated as the average price of the share over the three months preceding the Board of Directors' meeting called to approve the draft Financial Statements and the Consolidated Financial Statements for the year prior to that in which the cycle in question starts).

If the actual bonus accrued, also by Key Personnel, is below the indicated threshold of 75,000 euros, it will be paid in full during the year after that of reference (a portion in cash and a portion in shares) once the Board of Directors has verified the P&L results for the year of accrual and satisfaction of the access gates.

The scheme for the payment and vesting of portions of the bonus is shown below:

Key personnel



< o = 75,000 EURO

	2021	2022	2023	2024	TOTAL
	Payment				
Cash (75%)	75%	-	-	-	75%
Shares (25%)	25%	-	-	-	25%
Key personnel with bonus < o = 75,000 euro	100%	-	-	-	
	Availability				
Cash (75%)	75%	-	-	-	75%
Shares (25%)	-	25%	-	-	25%
	75%	25%	-	-	

Within the Banking Group, in accordance with the regulations, the particularly high amount used as a benchmark for determining deferral periods and the percentage of shares used to pay the deferred portion¹⁷ is set at 25% of the average total remuneration of Italian high-earners, according to the most recent report published by the EBA (425,000 euros in the 2018 EBA report). Where variable remuneration qualifying as a particularly high amount is paid to the persons indicated in paragraph 2.1, point 4, third indent, of the Supervisory Provisions, periods of deferral and payments in financial instruments will be assured, in accordance with the proportionality principle, as required by that same paragraph (overall deferral of no less than 2.5 years and payment in financial instruments of more than 25% for the deferred portion).

In the event of an extraordinary market discontinuity (for example, if material variations occur to the macroeconomic conditions or the financial scenario worsens), the Board of Directors, within the governance process regarding remuneration, may reassess the overall consistency and fairness of the incentive plans, putting in place the appropriate and/or necessary corrections, and this also and in particular with reference to the reference objectives, the related metrics and evaluation methods. This is without prejudice to the compliance with the limits and general principles of this policy, the regulation and the preservation also in a prospective view of capital and liquidity levels.

¹⁷ The amounts accrued to personnel within the annual BSC and MBO systems normally never exceed the above amount. In addition, the mechanism adopted by the Bank applies deferral in excess of the minimum level established by the Provisions for mid-sized banks.

5.4 Medium-to-long term Incentivisation: Long Term Incentive

Plans currently underway

The **medium-to-long term** variable remuneration provided by Banca Generali, with regard to ongoing plans launched in previous years, the recipients of which are the Chief Executive Officer/General Manager, several key management personnel and other managers identified by virtue of the significance of their roles, consists of long-term plans, launched in each year and:

- > based on shares of Assicurazioni Generali: the Assicurazioni Generali Group's Long Term Incentive plans approved from time to time by the competent bodies;
- > based on shares of Banca Generali: Banca Generali's Long Term Incentive plan, adopted by the Banking Group as of 2018.

The assignment of shares in connection with the 2017 Assicurazioni Generali Group's Long Term Incentive — the performance cycle for which concluded at the end of 2019 — will take place in April 2020 (see Section II of this Report)

It should be noted that the cycle of long-term plans based on shares of Assicurazioni Generali ended in 2017.

The assignment of shares relating to the 2018 and 2019 LTI plans will occur in 2021 and 2022, respectively.

2020 LTI Plan

A **long-term incentive plan** based on shares of Banca Generali, the Banca Generali Group Long Term Incentive plan (2020 LTI Plan), is in place for 2020.

In accordance with applicable laws and regulations, and with best practice in this area, the plan aims to pursue the goal of increasing the value of Banca Generali's shares, while also aligning the economic interests of the beneficiaries with those of shareholders.

The plan's goals are thus as follows:

- > to establish a correlation between the variable component of remuneration tied to medium-to-long term objectives and the creation of value for shareholders, with an eye, in any event, to the sustainability of the Group and its actual results;
- > to develop a culture of performance according to a group approach;
- > to contribute to the creation of a balanced mix of fixed and variable components of the beneficiaries' remuneration;
- > to increase management retention at the level of the Banking Group.

In keeping with market practice and investors' expectations, it is expected that the shares will be assigned and made available to the beneficiaries over a deferred long-term period, contingent on the achievement of performance conditions by the Banca Generali Group and the Generali Group and verification of achievement of the related access gates, as detailed below.

The plan is based on the following fundamental aspects:

- > the incentive linked to the satisfaction of objectives is disbursed through the assignment of ordinary shares of Banca Generali S.p.A.;
- > the right to receive the shares is linked to verification of satisfaction of an access gate set by the Board of Directors and constituting a condition precedent in this sense;
- > the overall assessment of performance is based on two Banca Generali Group objectives (with a weight of 80%) and two additional Generali Group objectives (with a weight of 20%), as shown in the tables below.

Beneficiaries

The beneficiaries of the Long Term Incentive (LTI) plan include the Chief Executive Officer/General Manager, the Deputy General Managers, the General Managers of the Banca Generali Group's subsidiaries, the Areas/Departments heads reporting to the Chief Executive Officer and the Deputy General Managers, and other managers, excluding control functions.

The beneficiaries are identified by the Board of Directors upon the launch of the Plan, in light of the significance of the role played within the Banking Group, provided that such role is also significant for the Generali Group.

Plan structure and mechanisms

The Plan states that the number of shares actually assigned at the end of the performance period is directly correlated with the achievement of the Banking Group Objectives and Generali Group Objectives.





In the light of the use of Banca Generali's treasury shares, it was deemed necessary to assign a greater weight to the Banking Group's performance, i.e., 80% for the indicators of the Banca Generali Group and 20% for those of the Generali Group.

A total of four objectives were identified:

- > two Banking Group objectives, tied to objectively measurable indicators such as tROE¹⁸ and Adjusted EVA¹⁹, and
- > two Generali Group objectives, tied to objectively measurable indicators: relative TSR²⁰ and Net Holding Cash Flow²¹.

The access gate conditions consist of:

- > two indicators representing the specific access gates for the Banking Group tied to the Total Capital Ratio and Liquidity Coverage Ratio, on which the right to assignment of the shares (100%) is contingent. In each year of the plan and at the end of the three-year performance period, the level of achievement of the access gates is assessed;
- > an indicator representing an access gate for the Generali Group linked to the Regulatory Solvency Ratio, on which the right to the assignment of the part of the shares tied to the satisfaction of the Generali Group Objectives (20%) is contingent. In each year of the plan and at the end of the three-year performance period, the level of achievement of the access gate is assessed. The access gate is set in terms of a Regulatory Solvency Ratio of 130%²² or the different percentage set by the Board of Directors from time to time²³.

ENTITY	ACCESS GATE AND MECHANISM		KPI	KPI WEIGHT
	ACCESS THRESHOLD NOT REACHED	ACCESS THRESHOLD REACHED		
Banca Generali Group	Total Capital Ratio < 13% Liquidity Coverage Ratio < 130% No opportunity of assignment maturity 	Total Capital Ratio ≥ 13% Liquidity Coverage Ratio ≥ 130% Access to opportunity of assignment maturity 	tROE Adjusted EVA	80%
Generali Group	Regulatory Solvency Ratio < 130% 20% decrease of assignment maturity <i>If RSR < 150%, the Generali Group's BoD will consider possible reductions of the number of shares to be assigned</i> 	Regulatory Solvency Ratio ≥ 150% 	Net Holding cash flow rTSR	20%

¹⁸ With reference to the Banking Group, this indicator is the ratio of net profit and average adjusted net equity, with the exclusion of intangible assets.

¹⁹ With reference to the Banking Group, the indicator that expresses the creation of value through the adjustment of Recurring Net Profit (with reference to the Banking Group, net recurring profit with the exclusion of extraordinary items) of the cost of capital element.

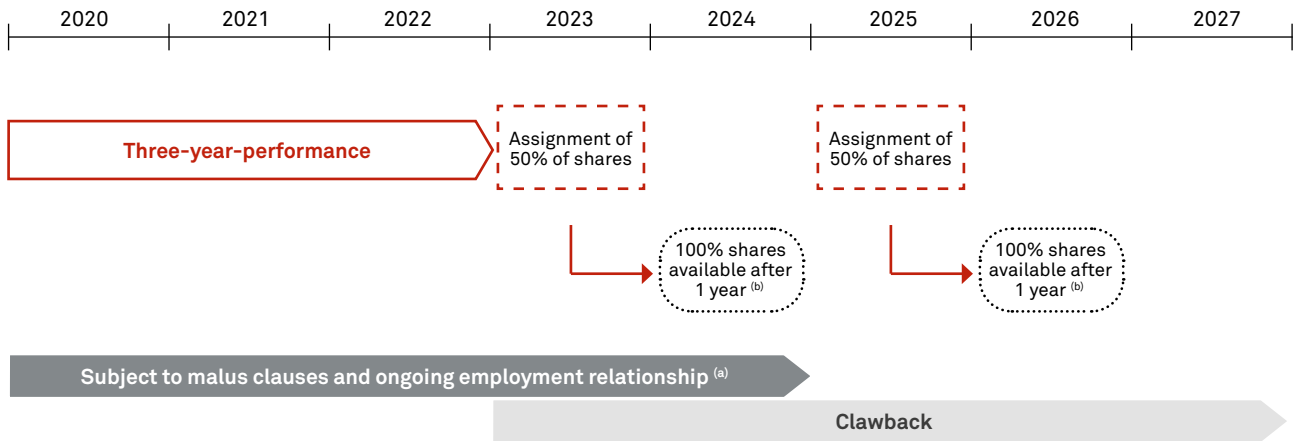
²⁰ With reference to the Generali Group, relative Total Shareholder Return, as compared to the following selected list of peers: Aegon; Ageas; Allianz; ASR Nederland; Aviva; Axa; Cattolica; CNP Assurances; Intesa San Paolo; Mapfre; NN Group; Poste Italiane; Powszechnego Zakladu Ubezpieczen; Sampo; Unipol; Uniqa; Vienna Insurance Group; Zurich.

²¹ With regard to the Generali Group, net cash flow available in a period at the parent company level after holding expenses and interest costs. Its main components, considered on a cash basis, are the remittance from subsidiaries, the result of the centralized reinsurance, the interests on parent company's financial debt, the parent company's expenses and the actual taxes paid or reimbursed by the parent company.

²² This percentage will be applied to all outstanding incentive plans.

²³ This assessment represents a malus mechanism whereby the number of shares to be definitively assigned may be reduced or completely eliminated (for the share of 20% of the objectives) if the value of the Regulatory Solvency Ratio is below the established threshold. Moreover, the Board of Directors has the power to reduce the number of shares to be assigned permanently should the Regulatory Solvency Ratio be lower than the soft limit level provided for by the RAF (equal to 150%, and in any case exceeding 130%).

The plan structure is as follows:



(a) Without prejudice to the cases of 'Good Leaver'.

(b) Net of the shares assigned that could be disposed of by Beneficiaries in order to enable them to bear the tax charges related to the assignment.

In keeping with market practice and investors' expectations, the shares are to be assigned and vest for the beneficiaries over a total period of seven years.

During the vesting period, in each year of the plan and at the end of the three-year period, the Board of Directors assesses the level of achievement of the Banking Group access gates and the Generali Group access gate indicated above.

Once it has been determined that the access gates have been reached, it is then assessed whether the objectives of the Banking Group (80% weight) and the Generali Group (20% weight) have been achieved.

The performance level is expressed in percent terms on the basis of the achievement of the objectives and is determined in respect of two independent baskets for both groups of objectives. The final results of the individual baskets are calculated using the linear interpolation method. In the specific case of relative TSR, the related payment is to be made if the Group is ranked above the first quartile.

The maximum performance level is an overall 175% for members of the Top Management, whereas it is 87.5% overall for the other beneficiaries²⁴.

	50%	+	50%	
LTI Vesting	Adjusted Eva		tROE	80% KPI (*) Banca Generali Group
0%	< 110 million		< 30%	
100%	115 million		33%	
175%	≥ 120 million		≥ 39%	
	40%	+	60%	
LTI Vesting	Net Holding Cash flow		Relative TSR	20% KPI Assicurazioni Generali Group
0%	≤ 7,2 billion		Lower quartile	
100%	7,8 billion		Median ranking	
175%	≥ 8,8 billion		Top ranking	

Note: values of reference: final calculation based on linear interpolation in line with the method used in the previous year.

(*) Banca Generali targets are stated net of the one-off component of the contributions to bank rescue funds (FITD/BRRD).

Assignment of shares

The maximum number of shares that may be assigned is determined at the start of the plan.

The potential maximum bonus to be paid in shares corresponds to 175% of the gross annual remuneration of the plan participants for Top Managers and to 87.5% for other beneficiaries.

Consequently, the maximum number of shares that may be assigned is calculated as the ratio of the maximum amount of the bonus to share value, the latter calculated as the average price of the share during the three months prior to the session of the Board of Directors called to approve Banca Generali's draft financial statements and the consolidated financial statements for the year prior to the start of the plan.

The final assessment of the effective achievement of the defined objectives is conducted at the end of a three-year period.

The shares actually accrued will be assigned according to the following scheme:

- (i) at the end of the three-year performance period, 50% of the Shares accrued on the basis of the results achieved are assigned; the shares are subject to a retention period of one year²⁵;

²⁴ The performance targets are 100% for the Top Management (including the Chief Executive Officer/General Manager, see para. 2.1.2 below) and 50% for the other beneficiaries.

²⁵ The Beneficiary may nonetheless alienate only a number of shares equivalent in value to the amount of tax charges borne by the Beneficiary in respect of the assignment.

- (ii) the remaining 50% of the Shares accrued will be subject to an additional two years' deferral²⁶, during which the portion accrued may be reduced to zero if the Banking Group Gates set in the Plan are not reached, or if a malus event occurs, and provided that the Relationship with the Banking Group continues as at that date; the shares are subject to a retention period of one year²⁵.

The retention periods of the shares, as indicated above, will remain in effect even after the termination of the relationship with the beneficiary, without prejudice to the power of the Board of Directors, or of a specifically authorised director, to redefine the terms and conditions of all the restrictions indicated above, including on the basis of assessment of the beneficiary's overall remuneration, or of the shares assigned in execution of the various incentive plans. The foregoing is without prejudice to any other retention obligations imposed by the Corporate Governance Code.

The plan does not include dividend equivalent mechanisms, in accordance with the law and common practice in the banking sector.

For the purposes of implementation of the Plan, the ordinary shares assigned at no cost to the beneficiaries of the plan will derive, in whole or in part, from the treasury shares that the Company purchases under specific authorisation from the Shareholders' Meeting pursuant to Articles 2357 and 2357-ter of the Italian Civil Code.

If there are factors that may influence the constituent elements of the plan (including, without limitation, extraordinary transactions involving Banca Generali and/or the Banking Group and/or the Generali Group, capital transactions, amendments to the laws or changes in the scope of the Banking Group and/or the Generali Group, compliance with specific industry legislation, changes to long-term strategic plans, etc.), the Board of Directors may make the amendments and additions to the structure of the plan deemed necessary or appropriate in order to maintain its substantive and economic content unchanged, within the limits of the legislation in force from time to time.

In addition, in the event of an extraordinary market discontinuity (for example, if material variations occur to the macroeconomic conditions or the financial scenario worsens), the Board of Directors, within the governance process regarding remuneration, may reassess the overall consistency and fairness of the incentive plans, putting in place the appropriate and/or necessary corrections, and this also and in particular with reference to the reference objectives, the related metrics and evaluation methods. This is without prejudice to the compliance with the limits and general principles of this policy, the regulation and the preservation also in a prospective view of capital and liquidity levels.

In accordance with applicable sector legislation, the Company may also pay individual plan beneficiaries — in lieu and in replacement of part or all of the assignment of the shares — a cash payment calculated on the basis of the value of the shares in the month prior to the assignment date, without prejudice to satisfaction of the other relevant terms and conditions of the plan.

Award and actual payment will be subject to **malus and claw-back** clauses.

As resolved by the Shareholders' Meeting with regard to the limit on the ratio of the variable to fixed component of remuneration, the **cap mechanism** provided for in the Remuneration and Incentivisation Policies is applied to Key Personnel, where appropriate.

5.5 One-off

Any one-off amounts, determined on a discretionary basis, may be paid with annual frequency to employees in the middle manager and white-collar employee categories who are not beneficiaries of the BSC/MBO mechanism associated with the performance assessment process.

²⁶ Where the value of the Shares accrued to beneficiaries belonging to the categories set out in paragraph 2.1, point 4(3), of the Circular qualifies as a "particularly large amount" (as identified in the Remuneration Policies), the assignment of the deferred portion will comply with the criteria specifically indicated in the Remuneration Policies in effect from time to time (applying in particular to a deferral period of 2.5 years from the end of the performance period).

In addition, modest one-off amounts may be granted to the remaining employees in respect of particular activities performed and the commitment shown to implementing projects not already included in the BSCs/incentive documents for the year of reference. However, these amounts will still be subject to all rules applicable to the Bank's variable remuneration (e.g., deferral and retention obligations; payment in financial instruments; malus and claw-back mechanisms).

5.6 Entry Bonuses

On an exceptional basis, so as to attract key figures from the market, specific one-off incentive payments may also be granted at the time of recruitment. These incentive payments, that are envisaged in exceptional cases only, may be granted exclusively in case of recruitment of new staff, and solely during the first year of service. They are not granted to the same person more than once, whether by the Bank or by another Banking Group company. In accordance with the Bank of Italy's Provisions, entry bonuses are not subject to the rules governing the structure of variable remuneration; when they are paid in a lump sum upon entry, they are not considered when calculating the limit on the ratio of variable to fixed remuneration.

5.7 Framework Loyalty Programme for the Sales Network

The purpose of the Framework Loyalty Programme is to create a loyalty-building tool aimed at the sales network and to provide incentives for the achievement of the company's objectives, while ensuring that customers receive increasingly strong service, in view of the enhancement of the value of Banca Generali, through participation, following approval from one year to the next by the competent company bodies, in a maximum of eight individual plans that allow participants to accrue the right to payment of a bonus for each individual participation.

Financial Advisors authorised to make off-premises offers and Relationship Managers of Banca Generali who have at least five years of company seniority by 31 December of the financial year before that of reference of the Plan in question may access each Plan.

Individual bonuses will be subject to an increasing period of deferral, as clearly defined in the specific document that governs the Framework Loyalty Programme for the Sales Network, in accordance with applicable provisions.

The Bonus and, more generally, all benefits deriving from the Framework Loyalty Programme will constitute a payment of an extraordinary, discretionary and non-contractual nature and under no circumstances may be considered an integral part of the normal remuneration of each of the Beneficiaries.

During the financial year of reference of each Plan, Banca Generali's Board of Directors will decide whether to submit the settlement of a part of the Bonus, in any event not exceeding 50%, in Banca Generali shares, for approval by the Shareholders' Meeting, on the understanding that the remainder of the Bonus will be paid in cash.

For financial year 2020 it was decided to settle 50% of the bonus in shares (see the Information Document drafted pursuant to Article 84-*bis* of Consob Regulation No. 11971 of 14 May 1999, as amended and extended) related to the 2020 Network Loyalty Plan, regulated under the Framework Loyalty Programme of Banca Generali.

Disbursement and actual payment will be subject to the **malus and claw-back** clauses set out in the current Remuneration Policy, as provided for in the document that governs the Framework Loyalty Programme for the Sales Network.

With regard to Key Personnel, in accordance with the decision of the Shareholders' Meeting concerning the limit on the ratio of the variable to fixed components of remuneration, the above-mentioned "**cap mechanism**" will be applied, where appropriate, at the Accrual Date of each Plan.

6. Other Features of the Remuneration System²⁷

6.1 Early Termination Package and non-competition agreements

This section sets out the limits, criteria and conditions of disbursement of the economic benefits, if any, that may be granted – in addition to termination indemnity and legal and contractual notice indemnity – in the event of termination of employment or service and/or early departure from office (hereinafter also “severance”).

The Bank defines severance pursuant to the legislation in effect from time to time and according to the following general criteria²⁸ (weighted and balanced in the light of the particularities of each concrete case):

- > length of the relationship;
- > the performance, net of risks, of the person concerned and the said person’s individual behaviour;
- > the bank’s performance, net of risks, and of capital and liquidity levels;
- > the age and other particular conditions of the person concerned;
- > the company’s interest in securing consensual termination of the relationship;
- > the reasons for terminating the relationship and risk of litigation in the alternative case of unilateral withdrawal by the Bank.

In the event of early termination of the employment and/or service, the benefits that may be accorded to the interested party²⁹, in compliance with current provisions of laws and contracts, shall be as envisaged by way of notice in the applicable provisions of laws and/or the national collective labour contract, plus an all-inclusive lump-sum indemnity, if any, for an amount equivalent to a maximum of 24 months of the so-called “Recurring Remuneration”³⁰ (defined as (i) gross annual remuneration increased by the average amount actually collected by way of the short-term component of variable remuneration in the past three years, and (ii), for Financial Advisors, the average of their recurring remuneration³¹ of the latest period).

In the event that the positions of Chief Executive Officer and General Manager are filled by the same person, when calculating the amount, account shall be taken of the total sum of amounts due by way of gross annual remuneration, compensation for the office of director and the average amount actually collected by way of the short-term component of variable remuneration in the past three years for each of the offices concerned.

The use of Recurring Remuneration to calculate the monthly severance payment permits the Bank to quantify severance in a way that takes into account the performance of the person in question over time, since it is this performance, as stated above, that determines the value of the variable remuneration, if any, paid to the said person during the three years prior to termination of the relationship.

In accordance with the Bank of Italy’s Provisions, where severance is determined according to predefined formulae, within the framework of an agreement intended to settle a current or potential dispute, severance is not considered when calculating the maximum ratio of variable to fixed remuneration set for Key Personnel. The Bank has thus created the following predefined formula for Key Personnel (without prejudice to the clarification

²⁷ Remuneration packages and the related provisions and benefits have been formulated while also taking account of the legislative and market scenario applicable to subsidiaries, in accordance with local and industry legislation.

²⁸ In cases in which it is not determined by an independent third party (e.g., judge or arbitrator).

²⁹ No benefits are granted in the event of withdrawal for cause by the Company or the voluntary resignation/ withdrawal (without cause) by the interested party.

³⁰ This amount may not in any case exceed the maximum value of 3.5 million euros.

³¹ As defined – for financial advisors acting as agents – in the Supervisory Regulations.

provided below), in accordance with the laws and regulations in effect from time to time, and subject to the criteria and limits set out above:

Base Amount +/- Corrective Factors

The Base Amount is calculated on the basis of seniority of company service, as follows:

- > up to 2 years: 7 months of Recurring Remuneration;
- > over 2 years, up to 6 years: 11 months of Recurring Remuneration;
- > over 6 years, up to 10 years: 15 months of Recurring Remuneration;
- > over 10 years, up to 15 years: 19 months of Recurring Remuneration;
- > over 15 years: 22 months of Recurring Remuneration.

In the case of the Chief Executive Officer and General Manager only³², the Base Amount is calculated according to the following formula: $24 \times (\text{Recurring Remuneration}/12)$.

The Bank may, at its discretion, also decide to apply the predefined formula³³ to Financial Advisors with agency contracts with the Bank classified as Key Personnel. Where applied, the Base Amount for such individuals is equal to the maximum amount set out in paragraph 3 of Article 1751 of the Italian Civil Code, calculated considering the overall Recurring Remuneration, as defined above, as remuneration, in lieu of fees.

As indicated in the predefined formula, the Base Amount may be reduced or increased³⁴ by a certain percentage as a result of the application to each individual severance package of specific Corrective Factors relating to:

- > the person's average performance over the last three years;
- > the Bank's performance, with particular regard to capital and liquidity levels;
- > age;
- > qualification for pension benefits, where applicable;
- > concrete risk of an adverse outcome at trial (taking account of any information provided by the courts or arbitrators and/or external legal counsel);
- > the person's position/role;
- > individual behaviour (with particular regard to the presence of any proved compliance breaches).

The Bank has a specific internal document that lays down detailed criteria for applying the Corrective Factors, assigning each a percent weight decreasing or increasing the Base Amount.

Ad hoc Corrective Factors³⁵ are identified for Financial Advisors and duly listed in and regulated by the specific internal document.

Without prejudice to the maximum limit on severance set out above, the application of the Corrective Factors may give rise to an increase of up to +50%³⁶ and/or a decrease of up to -100%³⁷ of the total amount of the severance.

³² In line with the provisions applying to all the employees (cf. Note 21 above), the Chief Executive Officer and General Manager may be granted a severance indemnity exclusively in the event of termination of relationship due to withdrawal by the Company without cause or in case of resignation for cause (this specific case includes the event of substantial negative change in the role held).

³³ In any event, even where the above predefined formula is not applied, the amount of any severance paid, in addition to notice, will be subject to the maximum limits and general criteria indicated above (in addition to being paid in accordance with the applicable ratio of fixed to variable remuneration, where paid to key personnel).

³⁴ In any event, up to the above-indicated maximum limit of 24 monthly instalments.

³⁵ With the aim, *inter alia*, of taking account of the particular nature of the legal relationship (that of agent rather than that of employee) with the persons concerned.

³⁶ With the exception of Financial Advisors with agency agreements with the Bank, for which this percentage may be increased by an additional 50%, without prejudice to the maximum severance limit set out above.

³⁷ In particular, the decrease may extend to -100% in the event of failure to reach the Group's access gates or in cases of proved engagement in individual behaviour of sufficient severity to constitute cause for dismissal. In addition, the severance benefit may be reduced in amount or eliminated altogether where the malus and claw-back mechanisms are triggered.

In accordance with the Bank of Italy's Provisions, where severance is determined according to the above formulae, within the framework of an agreement intended to settle a current or potential dispute, severance is not considered when calculating the maximum ratio of fixed to variable remuneration.

Severance is paid in accordance with the aforementioned Bank of Italy's Provisions in effect from time to time and the Bank's remuneration policies. In particular, where so provided, the payment of the severance benefit is subject to deferral and partly settled in financial instruments³⁸.

Severance is subject to access gates and ex-post corrective mechanisms (malus and claw-back) provided for in severance agreements, covering, *inter alia*, any acts of fraud or gross negligence to the detriment of the bank and the group (and, in any event, defined in accordance with both the regulatory framework and the particular nature and characteristics of severance)³⁹.

The agreement governing the payment of the severance shall include clauses calling for a general waiver of all rights related in any manner, directly and/or indirectly, to the employment relationship or the office of Chief Executive Officer and the severance thereof, as well as of all rights, claims and/or actions against the company and other Group companies in any capacity directly or indirectly related to the employment relationship or the office of Chief Executive Officer and the definitive, accepted severance thereof. The waiver extends to rights relating to compensation for damages, as well as rights of an economic nature associated with the above relationships and the termination thereof.

6.2 Stability Pacts, Extension of Notice and Non-competition Agreements

In specific situations, and mainly for retention purposes, employees, including Key Personnel, and Financial Advisors can be required to enter into stability pacts and extension of notice agreements, in compliance with the Bank of Italy's provisions.

Non-competition or special confidentiality agreements extending into the post-severance period may also be entered into upon hiring, in the course of employment or upon severance, as provided for with regard to the Chief Executive Officer/General Manager (see para. 7.2 below). Consideration for such agreements — which must always be of limited duration — is calculated, pursuant to applicable regulations, in proportion to the duration and geographical scope of the covenant and the potential harm to the Company and/or the Banking Group if the person concerned were to compete with the Company and/or with the Banking Group or were to disclose information (even where not qualifying as confidential under the law) that might also cause harm to the Company and/or the Banking Group, while also taking account of the previous role and responsibilities of the person concerned. In any event, such consideration may not exceed the maximum limit of the amount of recurring remuneration last collected by the person concerned, in proportion to the term of the agreement.

In accordance with the Supervisory Provisions, the consideration for non-competition agreements is not subject to the rules set out in this section in respect of the portion that does not exceed the most recent annual fixed remuneration of the person concerned. In addition, the share of such consideration that for each year of the term of the agreement does not exceed the most recent annual fixed remuneration of the person concerned is not considered when calculating the limit on the ratio of variable to fixed remuneration.

³⁸ For the purposes of severance benefits, share price is calculated as the average prices in the three months prior to the signing of the agreement under which the severance benefits are to be paid (or in the three months prior to the date of termination of the working relationship where the agreements are entered into on an ex-ante basis). Where variable remuneration is paid to the persons indicated in paragraph 2.1, point 4, third indent, of the Circular, in a "particularly high amount" (as identified in the Remuneration Policies), payment thereof will be made in accordance with the criteria specifically indicated in the Remuneration Policies (in terms of deferral period and the percentage of shares devoted to payment of the deferred portion).

³⁹ The foregoing is without prejudice to the exceptions and derogations described in Title IV, Chapter 2, Section III, para. 2.2.3 ("Derogations") of Circular 285.

6.3 Benefits and Welfare

The remuneration package for all employees is completed by benefits that demonstrate the Banking Group's constant focus on the personal needs and wellbeing of its employees.

The benefits are intended for the entire Group population and may be differentiated by professional family and geographical area, but do not include individual discretionary systems.

All employees⁴⁰ — regardless of their classification and contract type — enjoy a series of benefits, the cost of which is normally fully borne by the company, relating to the following aspects of welfare:

- > health cover;
- > supplementary pension benefits;
- > economic indemnity for death, permanent total disability and dread disease;
- > professional accident policy;
- > welfare option for the company bonus: since 2016 (for executives and white-collar employees of Banca Generali S.p.A. and Generfid S.p.A.) it has been possible to “convert” the company cash bonus into welfare. In 2019, the Welfare Portal was launched which provides employees with access to a wide range of wellbeing and wellness goods and services;
- > “pure” welfare: Banca Generali and Generfid employees receive annual one-off amounts (differing for Managers and other personnel) to be used through the Welfare Portal for the reimbursement and/or purchase services mentioned above.

All employees employed under an indefinite-term contract also have access to preferential-rate loans and financing.

The remuneration of certain categories of personnel also includes housing allowances (or sublease agreements) and company car allowance.

6.4 Generali Group Employee Share Scheme

In line with the “Generali2021” strategy, the General Shareholders’ Meeting of the Generali Group convened in May 2019 approved the motion to approve, for 2019 only, the “We Share” Plan.

The Plan, which has a duration of three years and consists of offering employees options to purchase Assicurazioni Generali shares at advantageous conditions associated with the creation of long-term value and stability of the financial situation, recognises the fundamental role of our people in achieving its strategic objectives.

Within this context, and as part of coordination with the Generali Group, Banca Generali has taken advantage of the opportunity to include its employees in the scope of the plan. In fact, for Banca Generali this initiative represents a concrete indication:

- > to promote a culture of ownership and empowerment in accordance with its strategic plan;
- > to foster the loyalty of its employees in keeping with its remuneration policies.

The plan provides for the inclusion of all the Banking Group's employees, except for key management personnel and Key Personnel of the Banca Generali Group.

We Share was launched by the Generali Group in October 2019 in 31 countries, for about 60,000 employees. Within the Banking Group, the rate of participation was approximately 68%.

⁴⁰ It currently refers to the employees of Banca Generali, Generfid and BG FML. With regard to the other companies, which recently joined the Banking Group, the most appropriate assessments will be carried out so as to harmonise benefits, also in light of the local and national specific conditions.

7. The Pay Mix by Role and Functions⁴¹

7.1 Company Bodies

7.1.1 Members of the Board of Directors

Board member's remuneration is determined at the time of appointment by the General Shareholders' Meeting, in accordance with Article 2389, Paragraph 1, of the Italian Civil Code, as a fixed sum plus refund of any out-of-pocket expenses incurred in the performance of their duties, also taking due account of industry-specific surveys and analyses.

Non-executive directors (including the Chairman) and independent members of the Board of Directors are entitled only to fixed remuneration, in addition to a refund of out-of-pocket expenses incurred for the performance of their duties, and, accordingly, are not entitled to any form of variable remuneration linked to the attainment of specific objectives. Directors who are not vested with delegated executive powers (including the Chairman) are not entitled to any form of share-based incentives.

Directors who also sit on Board Committees are entitled to additional emoluments — in the form of either a pre-established lump-sum, or otherwise, attendance fees for each Board meeting they attend — over and above the remuneration they receive as Board members, in light of the tasks assigned to the Board Committees in question, and the commitment that membership of such committees entails, especially in terms of attendance at meetings and preparatory activities to be completed ahead of committee meetings; said additional emoluments must be established taking due account of industry-specific surveys and analyses of the remuneration of directors, and more specifically, directors sitting on Board Committees.

The remuneration policy applicable to the Chairman provides for fixed annual remuneration, determined also on the basis of comparative analysis of the remunerative practices prevailing within the industry for such positions.

The policy applicable to the Chief Executive Officer is discussed in the relevant paragraph of this document.

Lastly, it must be pointed out that all Board of Directors' members are covered by D&O liability insurance, as illustrated below.

7.1.2 Members of the Board of Statutory Auditors

The remuneration of the Chairman of the Board of Statutory Auditors and other members of the Board of Statutory Auditors is set by the General Shareholders' Meeting at the time of appointment and for the whole term of office. Acting members of the Board of Statutory Auditors are **not entitled to any form of variable remuneration**.

They are entitled to refund of the expenses incurred in performance of their duties. The members of the Board of Statutory Auditors also receive further remuneration, in addition to their compensation as members of the Company's control body, pursuant to currently applicable regulations, in consideration of the fact that the said Board also discharges the tasks and functions of the Supervisory Board instituted pursuant to Legislative Decree No. 231/2001.

Lastly, members of the Board of Statutory Auditors are covered by D&O liability insurance, as illustrated below.

⁴¹ The remuneration policy for the different employee categories is also formulated in view of the legislative and market scenario of the subsidiaries in accordance with local and industry legislation.

7.1.3 Directors' and Officers' (D&O) Liability Insurance

In line with generally accepted best practices on financial markets and taking due account of the features of the Bank's and Group's business operations, on 24 April 2007, the General Shareholders' Meeting authorised the Board of Directors to provide general liability insurance cover to the Company's Directors, the members of the Board of Statutory Auditors and General Manager (D&O Liability Insurance), featuring the following main terms and conditions:

- > duration: 12 months renewable on an annual basis, until the General Shareholders' Meeting resolves to revoke its authorisation;
- > maximum insured amount: 10 million euros per claim/year, for all the insured persons, with sub-limits for claims based on labour law violations;
- > non-applicability of cover in the event of wilful misconduct or gross negligence.

7.2 Employees

7.2.1 Managers

The remuneration package of persons falling within this category is structured as follows:

Fixed component	Fixed remuneration	Calculated on the basis of the role and responsibilities assigned, it reflects the level of professional expertise and seniority of personnel
	Service allowance	Optional, on the basis of the role and responsibilities assigned
	Benefits	As defined from time to time for the Banking Group's managers
	Supplementary pension benefits of up to a maximum of 13% of the annual gross remuneration	
Variable component	Annual variable remuneration	To be applied on the basis of the role assigned to the manager, the principle of deferral, achievement of the access gates, the malus and claw-back mechanisms and the payment in Banca Generali shares It is not subject to any guaranteed minimum
	Long-term variable remuneration	Optional, on the basis of the role and responsibilities assigned
	Participation in recruitment, loyalty and/or retention plans	Optional, on the basis of the role and responsibilities assigned
	The treatment in the event of severance of the employment relationship with a manager is determined based on applicable legislation. Indemnity mechanisms, non-competition agreements or stability pacts in the event of early severance of employment, in addition to those currently in place, may be agreed in accordance with the principles laid down in points 6.1 and 6.2 above.	
Severance		

Key Management Personnel

As a partial departure from the foregoing and in addition thereto, with specific regard to the positions of Chief Executive Officer and General Manager (currently filled by the same person), total remuneration consists of:

- > a recurring fixed remuneration component as Chief Executive Officer and all-inclusive annual remuneration (RAL) as General Manager;
- > a short-term variable remuneration, linked to the degree to which the performance objectives — expressed in the relevant Balanced Scorecard — are achieved. This may reach a maximum of 75% of the annual gross remuneration (equal to a 60% ratio of the short-term variable remuneration to the total fixed remuneration), if the maximum level of total performance is achieved and does not provide for any guaranteed minimum. Said variable remuneration is subject to the access gate scheme, the bonus deferral scheme and the payment in Banca Generali shares, as well as the malus and claw-back mechanisms;
- > a Long Term Incentive, the bonus range for which is set at between 0% and 175% of the fixed component;
- > participation in retention and/or loyalty plans.

The ratio of the variable to fixed component of the remuneration, subject to Shareholders' approval, shall not exceed 2:1; any amount in excess shall be subjected to the cap mechanism described above.

The Balanced Scorecard includes both financial and non-financial objectives for short-term variable remuneration. In particular, these include:

- > quantitative objectives linked to the Bank's new three-year strategic plan and business objectives;
- > qualitative objectives linked to the new strategy (relating to the projects linked to the implementation of the Banking Group's strategy) and the growth and development of personnel (relating to people development initiatives within the framework of the specific aspects of the new strategy: recognition and enhancement of diversity, with an emphasis on inclusion and the individual's contribution to the organisation's success, while also discouraging behaviour that fosters an excessive exposure to risk).

The BSC is structured as follows:

PERSPECTIVE	KPI	WEIGHT	ASSESSMENT
Risk-adjusted economic and financial performance	Return on Risk Adjusted Capital (RORAC)	Up to 55%	Financial
	Recurring Net Profit		
	Total General Expenses		
	Net inflows from commercial activities		
Efficiency & Business Transformation		Up to 45%	Non-financial, based on specific KPIs
People Value			
Sustainability commitment			

With regard to the position of the Chief Executive Officer/General Manager, an indemnity and a non-competition agreement have been agreed upon in the event of early termination of the contract, in accordance with the principles set forth in this policy⁴².

As a partial departure from paragraph 7.2.1 and in addition thereto, with specific regard to the position of Deputy General Manager, remuneration consists of:

- > a fixed remuneration component;
- > an annual variable remuneration, linked to the degree to which the performance objectives — expressed in the relevant Balanced Scorecard — are achieved, and subject to the **access gate** scheme, the bonus deferral scheme, the payment in Banca Generali shares, as well as the **malus** and **claw-back** mechanisms. Said remuneration may reach a maximum of 100% of the annual gross remuneration (equal to a maximum ratio of the short-term variable remuneration to total fixed remuneration of approximately 85%), if the maximum level of total performance is achieved and does not provide for any guaranteed minimum;
- > a Long Term Incentive, the bonus range for which is set at between 0% and 175% of the fixed component;
- > participation in any recruitment incentives and expiry plans based on net inflows/revenue objectives.

The ratio of the variable to fixed component of the remuneration, subject to Shareholders' approval, shall not exceed 2:1; any amount in excess shall be subjected to the cap mechanism described above.

⁴² Pursuant to parameters set out in paragraph 6.1, the agreement has a term of six months and entails a remuneration equal to six months of fixed remuneration.

Other Key Personnel

The remuneration package of Other Key Personnel consists of the components described in paragraph 7.2.1.

Depending on the weight and complexity of the position held, short-term variable remuneration may reach:

- > no more than 80% of annual gross remuneration (RAL) (equal to a maximum 65% ratio of the short-term variable remuneration to the total fixed remuneration) in the case of Banca Generali Group managers;
- > 100% of annual gross remuneration (equal to a maximum 85% ratio of the short-term variable remuneration to the total fixed remuneration) for positions in the sales area and/or linked to the asset management business.

The variable remuneration for the HR function and the Manager in charge of the company's financial reports is kept to a limited amount in accordance with recent regulations.

The principles of deferral, payment in Banca Generali shares, achievement of the access gates, as well as the malus and claw-back mechanisms illustrated above, apply to such variable remuneration.

In addition to the foregoing, for some of the aforesaid managers the Board of Directors may also extend the variable component of remuneration to include participation in a Long Term Incentive plan. Bonus entitlements under the said LTI range from 0% to 87.5% of the fixed component of remuneration.

The ratio of the variable to fixed component of the remuneration of those managers shall not exceed 1:1; however, the Shareholders' Meeting has the power to raise the aforesaid ratio to 2:1 for some of them. Any amount in excess shall be subjected to the cap mechanism described above.

Heads of control functions

The remuneration package of the persons falling within this category consists of the components described in paragraph 7.2.1.

According to the weight and complexity of the position filled, the annual variable remuneration may be equal to no more than 33.3% of the total fixed remuneration, provided the maximum level of performance objectives be attained. No guaranteed minimum is provided for.

The established objectives are consistent with the tasks assigned and are independent of the results achieved by the Bank; rather, they consist of project and service completion objectives, as well as company sustainability objectives.

The principles of deferral, achievement of the access gate, as well as the malus and claw-back mechanisms apply to such variable remuneration.

The participation in the Long Term Incentive plan is not envisaged for Heads of control functions.

Other Managers

The remuneration package of the persons falling within this category consists of the components described in paragraph 7.2.1.

According to the weight and complexity of the position held, the annual variable remuneration may reach a maximum of 80% (which may be increased to 100% in limited cases relating to internal transfers) of the annual gross remuneration, provided the maximum level of performance objectives has been attained. No fixed guaranteed minimum is provided for.

Said variable remuneration is subject to the principles of deferral, achievement of the access gates, as well as the malus and claw-back mechanisms illustrated above.

In addition, for some of the aforesaid managers the Board of Directors may also extend the variable component of remuneration to include participation in a Long Term Incentive plan.

Bonus entitlements under the said LTI range from 0% to 87.5% of the fixed component of remuneration.

7.2.2 Executives and Professional Areas

The remuneration of other employees is regulated pursuant to the collective bargaining labour agreements applicable to credit companies, supplemented by the Supplementary Company Contract with specific regard to remuneration, as well as the Additional Agreements on regulatory and other benefits, entered into on the same date.

Some Executives can be assigned a short-term variable remuneration, linked to the degree of satisfaction of performance objectives expressed in the relevant Balanced Scorecards. The principles of deferral, achievement of the access gates, as well as the malus and claw-back mechanisms illustrated above, apply to such variable remuneration. According to the weight and complexity of the position held, variable remuneration may range from a minimum of 10% to a maximum of 40% of the annual gross remuneration, provided the maximum level of performance objectives has been attained. No fixed guaranteed minimum is provided for.

Participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds for all executives and professional areas.

7.2.3 Relationship Managers

Their remuneration is made up of:

- > a fixed annual remuneration (RAL, all-inclusive for managers);
- > an annual variable remuneration, linked to the degree to which the performance objectives — expressed in the relevant Incentive Sheets (MBO) — are achieved. The principles of deferral and achievement of the access gate illustrated above apply to such variable remuneration.

Variable remuneration may extend to a maximum of 100% of gross annual remuneration (or higher levels in cases of entry or expiry plans based on net inflow/revenue objectives) and is not subject to any guaranteed minimum.

Participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds and the use of stability pacts, extension of notice and/or non-competition agreements in the event of early severance of employment is widespread.

Given that the activity of Relationship Managers involves the pursuit of the best interests of customers in strict compliance with the rules and regulations governing the distribution of investment products and services, any and all business activities on which incentive portions of remuneration may be earned must be conducted scrupulously in accordance with all applicable principles of professionalism and correctness in all customer relations, including with a view to enhancing customer loyalty. Towards such end, alongside traditional targets set in terms of net inflows and revenues, additional targets of propriety and regulatory compliance in all transactions, as well as specific malus and claw-back mechanisms, have been introduced.

Managers belonging to this category also enjoy supplementary pension benefits up to 13% of annual gross remuneration and the benefits package provided for the Banking Group's managers.

The current treatment in the event of severance of employment is determined based on applicable legislation. Indemnity mechanisms, non-competition agreements or stability pacts in the event of early severance of employment, in addition to those currently in place, may be agreed in accordance with the principles laid down in points 6.1 and 6.2 above.

7.2.4 Portfolio Managers

Their remuneration is made up of:

- > a fixed annual remuneration (RAL, all-inclusive for managers);

- > a variable remuneration linked to a specific incentive plan based on Management by Objectives and Balanced Scorecards. The principles of deferral, achievement of the access gates, as well as the malus and claw-back mechanisms illustrated above, apply to such variable remuneration.

The variable remuneration may reach a maximum of 100% of the annual gross remuneration. No guaranteed minimum is provided for.

Participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.

The current treatment in the event of severance of employment is determined based on applicable legislation. Indemnity mechanisms, non-competition agreements or stability pacts in the event of early severance of employment, in addition to those currently in place, may be agreed in accordance with the principles laid down in points 6.1 and 6.2 above.

7.3 Financial Advisors Authorised to Make Off-Premises Offers

7.3.1 Information on the Type of Relationship

The Financial Advisors, with the exception of Relationship Managers, are linked to the company by an agency contract whereby the Financial Advisor is appointed permanently (and without representation) to promote and place in Italy, as part of his/her advisory service, and in an autonomous manner — on the Company's behalf and, on the Company's instructions, also in the interest of third party principal companies — financial instruments and services, banking products and services, insurance products and other products indicated in the contract, and also to provide customer service for customers acquired and/or assigned — with all the due diligence required to achieve company objectives.

The relationship may come to an end (as well as due to the occurrence of termination events provided for by the law) as a result of consensual resolution or a declaration of withdrawal of one of the two parties, in accordance with the notice periods specified, unless a breach of such gravity occurs that prevents the relationship continuing even on a temporary basis.

Deputy General Manager Commercial Networks, Alternative and Support Channels is responsible for the activities of the Private Banker and Financial Planner Networks, the Wealth Management Network and the Financial Planner Agents Network.

Within the Private Banker and Financial Planner Networks, Financial Advisors are classified according to rising levels of experience as Junior Financial Planner, Financial Planner, Private Banker, Senior Private Banker and Top Private Banker. The allocation to each one of the categories takes into account both the experience and the assets under management. Coordination of the Financial Advisors is delegated to a second-tier managerial structure consisting of the District Managers — responsible for individual local operating points and the related groups of Financial Advisors, who are assisted in some cases by supervisors, the Executive Managers — and a first-tier structure, the Area Managers. The Financial Advisor network known as Financial Planner Agents carries out also insurance business on behalf of Generali Group companies, and reports to a second-tier managerial structure represented by FPA Managers, who in turn report to a first-tier managerial structure represented by a Sales Manager.

Within the Wealth Management network, individual Financial Advisors are coordinated by a first-tier managerial structure, consisting of Area Managers — Wealth Management, assisted by Deputy Area Managers — Wealth Management.

These professional posts receive a special remuneration package as part of a common system of rules. The general principles are set out below.

7.3.2 Remuneration of Financial Advisors and Managers

The remuneration of Financial Advisors — who, unlike employees, serve the Bank pursuant, not to employment contracts, but to independent agency agreements — is by definition subject to fluctuation over time, as specified above. Therefore, past remuneration is no guarantee of future reward in all such cases, and even more so, in respect of temporary entry plans.

The remuneration of Financial Advisors consists of fees of various kinds, which are influenced by the type of activity performed, the range of products placed and the distribution agreements in place with the management companies.

A Financial Advisor's remuneration is considered business income, which is figured by deducting variable or fixed business expenses (consider, for example, the costs of remunerating the Financial Advisor's own employees), and is subject to an entirely different tax treatment from salaries, to which it is not easily comparable.

The remuneration system is established at a general level, for all Financial Advisors belonging to a given category, and is not therefore directly tied to the share of the intermediary's risk profile attributable to the individual Financial Advisor. It has to combine the need to pay the Financial Advisors a remuneration proportionate to the Company's revenues, in line with rates commonly applied in the reference market, with the need to avoid situations of potential conflict of interest.

The remuneration of Banca Generali's Financial Advisors consists of the following main items:

- > **sales fees:** the Bank pays the Financial Advisor a portion of the fees paid by the customer at the time the financial products are subscribed. These fees differ according to the various types of product and may vary in relation to the amount paid and/or the client's assets. A percentage of these fees is generally paid back to the Financial Advisors, on the basis of their professional roles and responsibilities;
- > **management and maintenance fees:** advisory and after-sales services rendered to customers are remunerated by way of monthly fees established not only in light of the value of the investments of the customers in question, but also in function of the type of investment product involved and the professional roles and responsibilities covered by each Financial Advisor;
- > **recurring fees:** these are similar to the previous fees, but relate specifically to the management fees paid by customers for the portfolios managed;
- > **consultancy fees:** these are similar to the above, but refer to the specific consultancy services rendered against payment.

The fees in question are recurring and thus are not regarded as incentives.

Given that the most significant aspect of the job description of Financial Advisors involves the pursuit of the best interests of customers in strict compliance with the rules and regulations governing the distribution of investment products and services, all the related professional activities must be conducted scrupulously in accordance with the relevant principles of professionalism and correctness in respect of customer relations, including with a view to building customer loyalty. Towards such end, objectives of propriety and regulatory compliance have been introduced, with each Financial Advisor being subjected to the obligation to provide customers with adequate after-sales services. The contract regulating the relationship between the Financial Advisor and the Bank therefore includes mechanisms of recurring fee reduction in the case when the Financial Advisor does not carry out this activity as required.

With reference to the remuneration of the direct promotion activities carried out by the Managers, the fees are apportioned in a manner similar to that of Financial Advisors mentioned above; the same general rules apply, with specific percentages, to the calculation of the fees they are entitled to for their promotion activities carried out through their supervision.

Given that, also the activity of Managers involves the pursuit of the best interests of customers in strict compliance with the rules and regulations governing the distribution of investment products and services, all the related professional activities must be conducted scrupulously in accordance with the relevant principles of professionalism and correctness in respect of customer relations, including with a view to building customer loyalty. Towards such end, objectives of propriety and regulatory compliance have been

introduced for Managers as well, with the obligation of ensuring that all Financial Advisors they supervise provide customers with adequate after-sales services. The contract regulating the relationship between the Manager and the Bank therefore include mechanisms of recurring fee reduction if the Financial Advisors placed under their supervision do not carry out this activity as required. Moreover, within the framework of a process of gradually increasing the responsibilities of Managers in coordination and supervision activity, there are economic mechanisms aimed at contemplating any specific risks that emerge in the area being coordinated, including for the purpose of determining recurring remuneration.

Incentive systems are also provided for the Financial Advisors and Managers, based on identified individual objectives for Financial Advisors and group objectives for Managers. These systems focus on net inflows and services and products designed to promote risk diversification/containment, with distinctions being drawn on the basis of the various service levels through which the said goals are pursued.

Said goals must always be achieved while observing the need to maintain proper relations with customers and contain legal and reputational risks.

All the incentives are paid out only on condition that, on the dates scheduled for the payments, the agency relationship is properly in place, the notice period is not running and all the conditions required for achieving the result objectives set have occurred.

Moreover, given that the activity involves the pursuit of the best interests of customers in strict compliance with the rules and regulations governing the distribution of investment products and services, any and all business activities on which incentive portions of remuneration may be earned must be conducted scrupulously in accordance with all applicable principles of professionalism and propriety in all customer relations, including with a view to enhancing customer loyalty. Towards such end, alongside traditional targets set in terms of net inflows and revenues, additional targets of propriety and regulatory compliance in all transactions, as well as specific malus and claw-back mechanisms, have been introduced.

The right to collect the bonuses deriving from the aforementioned systems is contingent not only on the actual result achieved, but also on the reaching of the Banking Group's access gates, as discussed in point 5.2 above.

Financial Advisors' and Managers' participation in retention and/or loyalty plans (see also paragraph 6.4) may also be approved by resolution duly supported by a statement of grounds.

In light of the Bank of Italy's Supervisory Provisions, for the intents and purposes of this document, the remuneration components included under items (i) and (iv) are to be deemed fixed remuneration components (i.e. recurring remuneration), whilst bonuses disbursed under incentive programmes and/or stock option plans, where applicable, are to be considered equivalent to the variable salary component of employees (i.e. non-recurring remuneration or incentive).

7.3.3 Positions Falling within Key Personnel

As mentioned above, the coordination of the Financial Advisors in the Private Banker and Financial Planner Networks is entrusted to Area Managers, whereas that of the Financial Advisors in the Wealth Management Area is entrusted to Wealth Management Area Managers.

Managers in these categories are subject to the same remuneration and incentivisation policies and rules outlined above.

However, given the importance of the role of oversight and coordination assigned to Area Managers, these positions are regarded as Key Personnel. Accordingly, their variable remuneration, linked to incentive plans, is subject to the same bonus deferral schemes, payment in Banca Generali shares and access gates, as well as malus and claw-back mechanisms — specific for this category — illustrated above, as applicable to Key Personnel.

Participation in retention and/or loyalty plans may also be approved for these functions by resolution duly supported by a statement of grounds.

The ratio of the recurring and incentivisation components of the remuneration paid to such individuals, with the approval of the General Shareholders' Meeting, may not exceed 2:1. Any amount in excess shall be subjected to the cap mechanism described above.

Moreover, pursuant to the quantitative criteria imposed by the Commission Delegated Regulation (EU) No. 604/2014, a total of 53 Financial Advisors falling into the following categories were included among Key Personnel, with the provisions set out in paragraph 2.1:

- > Financial Advisors who at the end of the previous year had collected total remuneration (including both the recurring and incentive components) equal to or greater than 500,000 euros and lower than 750,000 euros, to which the provisions of Article 4, paragraph 2 (b) of the above Regulation do not apply;
- > Financial Advisors who at the end of the previous year had collected total remuneration (including both the recurring and incentive components) equal to or greater than 750,000 euros and lower than 1,000,000 euros;
- > Financial Advisors who at the end of the previous year had collected total remuneration (including both the recurring and incentive components) equal to or greater than 1,000,000 euros.

Their variable remuneration, linked to incentive plans, is subject to the same bonus deferral schemes, payment in Banca Generali shares and access gates, as well as malus and claw-back mechanisms — specific for this category — illustrated above, as applicable to Key Personnel.

The ratio of fixed to variable components of the remuneration paid to such individuals shall not exceed 1:1; any amount in excess shall be subjected to the cap mechanism described above.

7.3.4 Additional Benefits to the Ecurring Remuneration

The Financial Advisors and Managers benefit from **accident, health and permanent disability insurance** covers and receive social security and termination benefits provided for under legislation. The above package is supplemented by a specific insurance policy covering the costs of **Long Term Care** in the event of serious permanent disability or infirmity.

These measures are aimed at ensuring that, in addition to ordinary remuneration, Financial Advisors and Managers are also provided with a series of protections and insurance covers designed to consolidate their professional relationship with the Bank, whilst also encouraging consistent results over time, in line with the Bank's conviction that these supplementary benefits are conducive to a more effective and relaxed relationship with customers.

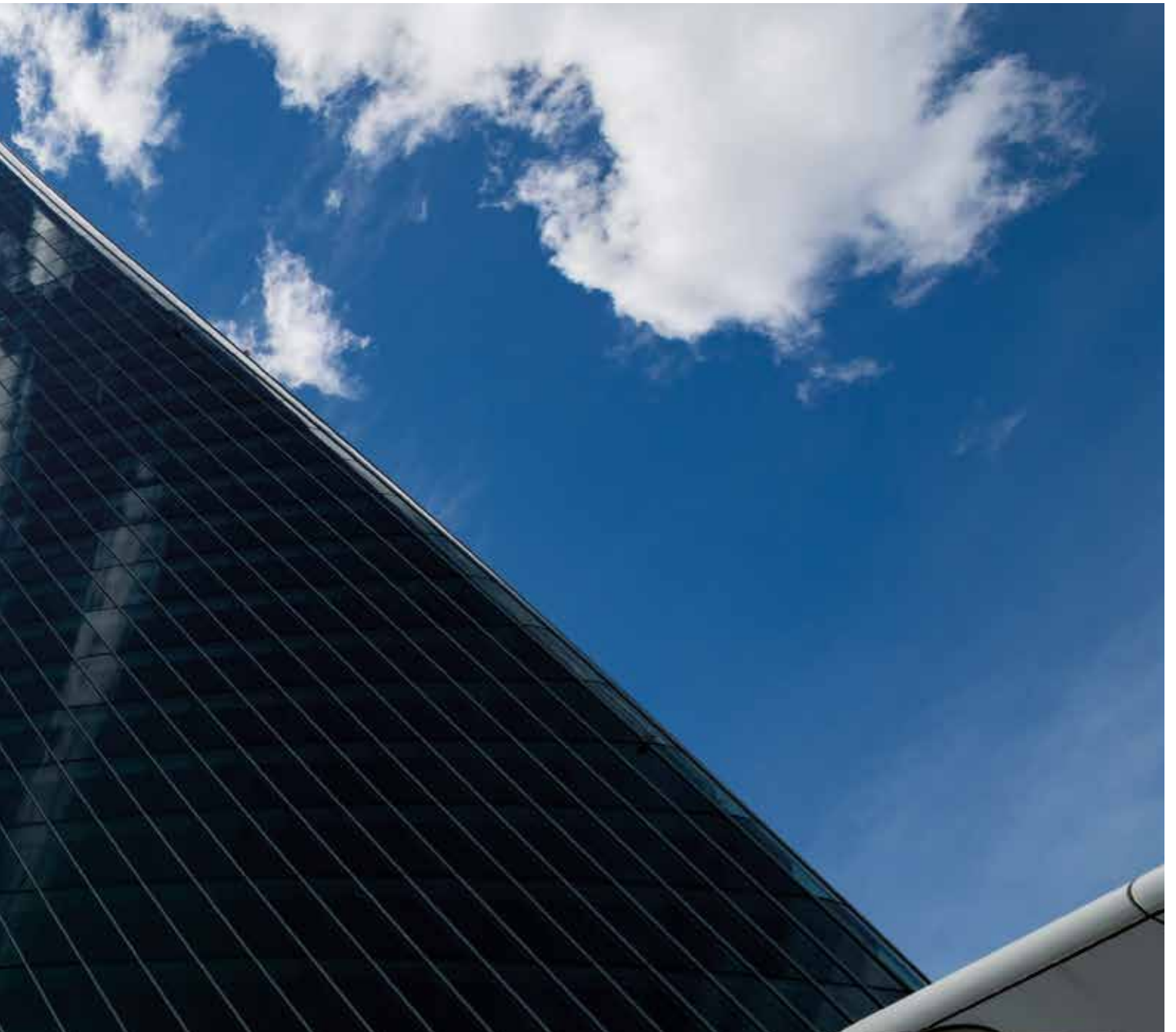
7.3.5 Retention Policies

A number of alternative loyalty-building schemes are used for Financial Advisors, as described below:

- > the **deferred loyalty bonuses**, under which a predetermined amount is invested in a **capitalisation policy** and may be paid out **5 or 7 years after** the recruitment date and on condition that, on the settlement date, the Financial Advisor has maintained his professional relationship with the Banking Group and has achieved a significant objective in terms of the quantity and quality of the assets managed;
- > participation in a **Framework Loyalty Programme** for Financial Advisors provided that they meet certain minimum company seniority requirements and reach annual productivity targets. The Framework Loyalty Programme allows for the accrual of a bonus determined from one year to the next, in respect of the eight plan cycles of decreasing duration, which may only be disbursed at the end of the Framework Programme.

In addition to the above loyalty-building programmes, specific loyalty-building mechanisms may apply to managers.





SECTION **02**

**REPORT ON THE APPLICATION
OF REMUNERATION POLICIES IN 2019**

1. Goals Pursued through Remuneration Policies and Criteria Applied

The Banking Group's Remuneration Policies approved by the Shareholders' Meeting on 18 April 2019 were defined and implemented in accordance with:

- > Circular No. 285 of 17 December 2013, 25th update of 23 October 2018, to which Chapter 2, entitled "Remuneration and Incentivisation Policies and Practices" (hereinafter also the "Provisions"), was added in Part I, Title IV, "Corporate Governance, Internal Controls, Risk Management";
- > the provisions of Article 84-*quater* of the regulation implementing Legislative Decree No. 58 of 24 February 1998 (TUF) concerning rules for issuers;
- > the Corporate Governance Code for Listed Companies, which requires the approval of a remuneration policy for Directors and Key Management Personnel.

This document has been thus drawn up with a view to ensuring simultaneous compliance with both the provisions governing remuneration policies within the banking industry and the regulations applicable to Issuers.

The remuneration system was applied on the basis of the Bank's corporate values and objectives, long-term strategies and risk management policies.

The policies adopted by Bank ensure compliance with the regulatory capital requirements set forth in Regulation (EU) No. 575/2013 (CRR) and Circular No. 285 of 17 December 2013, also in line with the European Central Bank's recommendations (Letter dated 26 November 2015 concerning variable remuneration policies), and the European Banking Authority (EBA) Guidelines on Sound Remuneration Policies dated 27 June 2016.

More specifically, the overall remuneration package is made of fixed and variable components, the weight of which is correlated with the strategic weight of the position held, and, in the case of certain managers, includes benefits arising under Long Term Incentive (LTI) plans envisaging long-term performance of the company or group to which it belongs.

All types of variable remuneration, defined both based on incentive plans through objectives linked to the performance of the Bank and the Banking Group, and on a discretionary basis through a process linked to that of performance assessment, are correlated with indicators, which aim at appreciating the weighting of risks of the company or corporate group to which they belong, and are determined taking due account of the risks assumed and the liquidity required to cover ongoing business operations, and with a view to avoiding conflicts of interest based on the following principles.

a) Access Gates

In order to **(i)** ensure that the variable component of remuneration is linked to multi-year performance indicators, as well as **(ii)** take due account of current and future risks, the cost of capital and the liquidity required to finance the Banking Group's operations, the bonus entitlements of all employees receiving variable remuneration under the Management by Objectives plan, as well as those of all staff receiving bonus on a discretionary basis, together with those of Financial Advisors and network managers serving the Banking Group, shall be subject not only to the actual result attained, but also to the satisfaction of access gates tied to specific results of the Banking Group.

The Banking Group's access gate consists of the following two ratios: (i) the Total Capital Ratio, measuring the extent of the Bank's capital in relation to the degree of risk of the

assets held — minimum target ratio of 13.5%, and the (ii) Liquidity Coverage Ratio, aimed at increasing short-term resilience of the bank's liquidity risk profile, while ensuring it has sufficient, high-quality liquid assets to overcome any 30-day long acute stress situation — minimum ratio of 130%.

The Banking Group's access gate also plays a role in the cycles of the LTI plans, pursuant to the same mechanism and subject to the same thresholds imposed for entitlement to short-term variable remuneration.

Moreover, each cycle of the Generali Group's LTI plans is also subject to a specifically identified access gate. The Banking Group's ratios, as defined above, have all been achieved for the year 2019; in fact, the following values result from the final figures as at 31 December 2019:

Total Capital Ratio of the Banca Generali Group: 16.1% (access gate: 13.5%)

Liquidity Coverage Ratio of the Banca Generali Group: 441.35% (access gate: 130%).

As a consequence of those ratios:

- > bonus entitlements have been accrued for the year in question;
- > payment of the 2019 share of the 2017 and 2018 bonuses, which had been deferred in 2019, has come due;
- > the Assicurazioni Generali Group's cycle of the 2017 LTI plan has been assigned;
- > the second tranche of the Banca Generali's cycle of the 2018 LTI plan for 2019 has reached its vesting date;
- > the annual access conditions for the vesting of the Banca Generali's cycle of the 2019 LTI plan have been satisfied.

b) Deferral and Share-based Payment of Variable Remuneration

A portion of the variable component of the remuneration of all the Banking Group's employees and the main network managers who, during the year, have accrued bonuses in excess of 75,000 euros, shall be subject to deferral, differentiated by i) Key Personnel (including main network managers), and ii) all other employees, defined as follows:

Key Personnel: variable remuneration is partly disbursed through assignment of Banca Generali shares, based on the following assignment and retention mechanism:

- > 60% paid up-front; 75% in cash, and 25% in Banca Generali shares, subject to a retention period of one year;
- > 20% of the bonus will be deferred by one year: 75% in cash, and 25% in Banca Generali shares, subject to a retention period of one year;
- > the remaining 20% of the bonus will be deferred by two years: 75% in cash, and 25% in Banca Generali shares, subject to a retention period of one year.

If the actual bonus accrued by key personnel is less than 75,000 euros it is paid in full on an up-front basis during the year after that of reference, 75% in cash and 25% in shares of Banca Generali.

Other employees:

- > 60% of the bonus is paid up-front, in cash;
- > 20% of the bonus will be deferred by one year and paid in cash;
- > the remaining 20% of the bonus will be deferred by two years and paid in cash.

In both cases, assignment of shares subject to deferral will be conditional upon verification of satisfaction of access gates.

Upon assignment, the individual deferred bonus instalment to be paid in cash will bear interest calculated at the mean 6-month Euribor rate recorded during the calendar year preceding the year in which related instalment is paid, increased by 0.85pps.

KEY PERSONNEL

	YEAR OF PAYMENT															TOTAL		
	2018			2019			2020			2021			2022					
	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES
Bonus 2017	60	75	25	20	75	25	20	75	25							100	75	25
Bonus 2018				60	75	25	20	75	25	20	75	25				100	75	25
Bonus 2019							60	75	25	20	75	25	20	75	25	100	75	25

OTHER EMPLOYEES

	YEAR OF PAYMENT															TOTAL		
	2018			2019			2020			2021			2022					
	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES
Bonus 2017	60	100		20	100		20	100								100	100	
Bonus 2018				60	100		20	100		20	100					100	100	
Bonus 2019							60	100		20	100		20	100		100	100	

c) Malus and claw-back mechanisms

Variable remuneration earned by all staff under the Management by Objectives mechanism and/or on a discretionary basis, as well as by network managers and Financial Advisors serving the Banking Group, shall be subject to specific malus and claw-back mechanisms entailing the non-payment and/or the restitution of bonuses already paid, upon the occurrence of certain specific conditions set forth in the approved remuneration policies.

d) Principle of propriety and the containment of reputational risks

The remuneration and incentivisation systems for the distribution networks have also been formalised according to criteria of propriety in dealings with customers and the containment of legal and reputational risks through the inclusion of specific malus and claw-back clauses, which also called for the evaluation of the number of complaints attributable to the activity of each Relationship Manager and each Financial Advisor when determining the bonus accrued, in addition to the assessment of special situations in cases of disciplinary measures, extraordinary inspections and reputational damages.

2. Information on Remuneration by Role and Functions

This section provides a brief overview of remuneration accrued in financial year 2019 in implementation of the remuneration policies approved in respect of:

2.1 Remuneration of Company Directors

The remuneration for members of the Board of Directors, including members of the Board Committees, was determined by following the procedures defined and described in the presentation of remuneration policies for 2019. Non-executive Directors, including the Chairman of the Board of Directors, were not entitled to any form of variable remuneration linked to the attainment of specific objectives nor to share-based incentivisation plans.

The relevant year-end figures — including the information concerning the position of the Chairman of the Board of Directors — are set forth in detail in Table 1 – Remuneration Paid to Members of the Governing and Control Bodies, General Managers and Other Key Management Personnel, to which the reader is referred.

A D&O policy has been contracted covering the members of the Board of Directors, as illustrated in the document presenting the remuneration policies for 2019.

2.2 Remuneration of Members of the Board of Statutory Auditors

The remuneration of the members of the Board of Statutory Auditors was established by the General Shareholders' Meeting at the time of the appointment of the said Board. The members of the Board of Statutory Auditors also receive further and different remuneration, in addition to their compensation as members of the Company's control body, in consideration of the fact that the said Board also discharges the tasks and functions of the Supervisory Board instituted pursuant to Legislative Decree No. 231/2001.

Acting Auditors were not entitled to any form of variable remuneration.

The relevant year-end figures are set forth in detail in Table 1 – Remuneration Paid to Members of the Governing and Control Bodies, General Managers and Other Key Management Personnel, to which the reader is referred.

A D&O policy has been contracted covering the members of the Board of Statutory Auditors, as illustrated in the document presenting the remuneration policies for 2019.

2.3 Remuneration of the Chief Executive Officer, General Manager and Other Key Management Personnel

2.3.1 Chief Executive Officer and General Manager

The position of Chief Executive Officer is filled by Gian Maria Mossa.

The remuneration granted for the position of Chief Executive Officer consists of a total fixed remuneration paid of 50,000 euros. No short-term variable remuneration is envisaged.

The position of General Manager is filled by Gian Maria Mossa. The remuneration granted to Gian Maria Mossa for the role of General manager consists of (i) all-inclusive gross annual remuneration of 550,000 euros in 2019; ii) a short-term variable remuneration accrued as a result of the results achieved of 392,321.17 euros; (iii) variable long-term remuneration as indicated below, and (iv) other sundry remuneration and benefits provided for his position of manager of the Banking Group for an overall amount of 141,721.97 euros.

With regard to long-term variable remuneration, Mr Mossa participates in the following LTI plans:

LONG-TERM VARIABLE PLAN IN FAVOUR OF MR MOSSA

PLAN	NO. OF SHARES ALLOCATED				
	SHARES	MAX NO. IN THE THREE YEARS	ACCRUED IN 2019	SINCE BEGINNING OF THE PLAN	YEARS ENDED/ REMAINING YEARS
LTI 2017-2019 (*)	Assicurazioni Generali	67,119	24,178	59,341	3/3
LTI 2018-2020	Banca Generali	36,748	10,476	20,687	2/3
LTI 2019-2021	Banca Generali	51,860	(**)	-	1/3

(*) With reference to the 2017-2019 LTI, as provided for in the plan regulation, additional 10,522 shares have been assigned, determined based on the amount of overall dividends distributed in the three-year period of reference (so called dividend equivalent).

(**) With reference to the 2019-2021 LTI, as provided for in the plan regulation, shares will accrue at the end of the three-year period of reference of the plan.

2.3.2 Other Key Management Personnel for 2019

This personnel category includes:

- > Andrea Ragaini, DGM Wealth Management Markets and Products;
- > Marco Bernardi, DGM Commercial Networks, Alternative and Support Channels.

Their remuneration consists of all-inclusive annual remuneration (RAL), a variable remuneration linked to the degree of satisfaction of performance objectives as explained below, and other remuneration and benefits related to the position of managers of the Banking Group.

The overall fixed remuneration, consisting of the gross annual remuneration (RAL), totalled 495,385 euros in 2019.

Short-term variable remuneration, accrued on the basis of results achieved with regard to Key Management Personnel, totalled 358,961.81 euros. The total remuneration of personnel included in this category is also comprised of 136,006,62 euros of other remuneration and benefits provided for the managers of the Banking Group.

With reference to long-term variable remuneration, Key Management Personnel are beneficiaries of LTI plans, as shown below:

LONG-TERM VARIABLE REMUNERATION

PIANO	NO. OF SHARES ALLOCATED					
	SHARES	BENEFICIARIES	MAX NO. IN THE THREE YEARS	ACCRUED IN 2019	SINCE BEGINNING OF THE PLAN	YEARS ENDED/ REMAINING YEARS
LTI 2017-2019 (*)	Assicurazioni Generali	2	39,662	14,287	35,066	3/3
LTI 2018-2020	Banca Generali	2	29,398	8,381	16,550	2/3
LTI 2019-2021	Banca Generali	2	42,317	-(**)	-	1/3

(*) With reference to the 2017-2019 LTI, as provided for in the plan regulation, additional 6,236 shares have been assigned, determined based on the amount of overall dividends distributed in the three-year period of reference (so called dividend equivalent).

(**) With reference to the 2019-2021 LTI, as provided for in the plan regulation, shares will accrue at the end of the three-year period of reference of the plan.

2.4 Breakdown of Remuneration by Lines of Business of Key Personnel

In application of Article 450 of the CRR (Reg. EU No. 575/213), letter g), aggregate quantitative information on remuneration, broken down by lines of business related to Key Personnel, is set out in the Attachment Article 450 CRR, letter g) Aggregate Quantitative Information on Remuneration, Broken Down by Business Areas, Concerning “Key Personnel”.

2.5 Breakdown of Remuneration by Category of Key Personnel

A breakdown of remuneration by category of Key Personnel for financial year 2019 is presented in Attachment Article 450 CRR, letter h) Aggregate Quantitative Information on Remuneration, Broken Down by Category of Key Personnel which refers to the remuneration of personnel that, pursuant to the Company’s internal self-assessment process, has been identified as belonging to such category.

More specifically:

- > Top Management: Chief Executive Officer/General Manager, Deputy General Manager Wealth Management Markets and Products, and Deputy General Manager Commercial Networks, Alternative and Support Channels;
- > Other Key Personnel: this category has been determined to include (i) the heads of the material operating/company units (main lines of business): the Head of the CFO & Strategy Area, the Head of the Finance Department, the Head of the Lending Department and the Executive Director of BG FML who also holds the position of Head of the AM Area and General Manager of BG FML, and (ii) individuals who report directly to the personnel identified in point (i) above and who, due to their activities, authority and powers are regarded as having an impact on company risk, namely the Head of the PRM Area, the Head of the Alternative and Support Channels Area, the Head of the COO and Innovation Area, the Head of the General Counsel Area, the Head of the Human Resources Department, and the Head of the Wealth Management Area, since the activities, authority and powers attributed to them were regarded as having a material impact on the company’s risk;
- > Managers in charge of control functions: the Head of the Risk and Capital Adequacy Department, the Head of the Internal Audit Department, and the Head of the Compliance and Anti-Money Laundering Department;
- > Main managers operating within the distribution networks of the Bank and other Financial Advisors identified pursuant to Article 4 of the Commission Delegated Regulation (EU) No. 604/2014: Sales Manager Italy, Area Manager of the Private Banker and Financial Planner Division, Area Manager of the Wealth Management Division, Recruiting Manager Italy, Head of Business Development Top WA/PB and Financial Advisors within the scope.

Members of Key Personnel with remuneration exceeding 1 million euros are a total of 18, of whom 11 in the bracket from 1 to 1.5 million euros, 5 in the bracket from 1.5 to 2 million euros and 2 in the bracket from 2 to 2.5 million euros.

2.6 Remuneration for Other Employees

Turning to the remuneration of employees not considered Key Personnel, the following is an account of the main aggregates for the professional families Relationship Managers, Managers (managers from the AM Area and BG Fund Management Luxembourg) and other employees.

In particular, in the following figures the fixed portion refers to the gross annual remuneration collected, whereas the variable portion refers to the estimate of variable remuneration based on the management by objectives (MBO) mechanisms and of the discretionary variable remuneration also linked to the annual evaluation for those not benefiting from MBO mechanisms.

Relationship Manager's variable remuneration does not include entry plans.

	NO. BENEFICIARIES	FIXED REMUNERATION	VARIABLE REMUNERATION
Relationship Manager	59	5,328,887.88	1,545,596.07
Asset managers	26	2,240,977.25	1,502,778.02
Other employees	866	35,457,584.35	2,978,986.02

The acquired companies' figures for 2019 have not been reported since said companies will draw up their own report in accordance with the specific applicable regulations.

3. Information on the Remuneration of Financial Advisors

The remuneration policies applicable to Financial Advisors were consistently implemented, in both qualitative and quantitative terms, as described in the document “Banking Group’s Remuneration Policies” approved by the General Shareholders’ Meeting on 18 April 2019.

Financial Advisors serve the Bank pursuant to an agency agreement providing for, *inter alia*, variable remuneration directly linked to various types of revenues, on a percentage basis. The said variable remuneration is however recurrent, insofar as it is directly linked to the assets entrusted to each Financial Advisor and the related advisory and placing activities. A small proportion also derives from fees on individual sale transactions. Moreover, Financial Advisors may also qualify for further remuneration under various incentive plans implemented by the company at its discretion, primarily with a view to rewarding excellence in professional performance during the relevant accounting period.

By way of general information, it should be noted that the weight of fee expense in 2019 (almost entirely related to fees paid to Financial Advisors) on overall fee income was as shown in the table below:

	2019
Total payout (with performance fee)	39.8%
Total payout (without performance fee)	47.8%

Payout including provisions for fees related to recruitment incentives.

With regard to the substantially recurrent component of the remuneration of the network, the following factors have been confirmed: (i) the mechanisms aimed at reducing the fees payable to Financial Advisors and their Managers in the event of substandard after-sales services to customers during 2019; (ii) within the framework of a process of gradually increasing the accountability of network managers in coordination and oversight activity, the mechanisms aimed at contemplating any specific risks that emerge in the area being coordinated, including for the purpose of determining recurring remuneration.

Turning to the fee component tied to incentive systems, based on the identification of individual objectives (and group objectives, for Managers), it is confirmed that it accounts on the whole for a modest overall percentage of the Financial Advisors’ total remuneration that rises as a function of the managerial position filled, and that the sales objectives rewarded for Financial Advisors related to net inflows associated with macro-aggregates. The use of such macro-aggregates allows incentivisation policies to be prevented from fostering the distribution of the Group’s products over the products of third parties and from resulting in efforts to sell single products.

More specifically, in the case of Financial Advisors serving in managerial positions at the end of 2019, incentives accounted for about 11% of overall payout.

On the other hand, in light of their crucial coordination and supervisory responsibilities, the variable remuneration of Sales Managers and Area Managers determined pursuant to incentive plans has been subjected to both access gates relating to the Banking Group and the partial deferral of bonus payments.

As a result, the aforesaid variable remuneration accrued for 2019 in the amount of 5,559,468 euros overall of such functions was as follows: 60% paid in 2019; 20% will be paid after verification of satisfaction of the access gate for the following year; and the remaining 20%, after a further year, again subject to satisfaction of the access gate applicable for that year.

Financial Advisors and Managers who are found to have wilfully engaged in conduct harmful to the Bank or its customers will lose all entitlements to payouts due under incentive plans. Moreover, the Bank reserves the discretionary right to refuse to make bonus payouts to Financial Advisors who (i) are subjected to disciplinary measures or pending non-routine inspections; and (ii) as a result of their conduct, manifestly occasion reputational harm to the Bank. Furthermore, pursuant to specific provisions, in the event of malfeasance on the part of a Financial Advisor that results in monetary liability for the Bank for any reason or cause whatsoever, the Bank is entitled to claw back bonus payments made during the year in which the malfeasance was committed, as well as the preceding year.

With regard to the Loyalty Programme for the Sales Network, it should be noted that the average percentage of the bonus actually accrued in the first three years of the plan by the persons entitled to participate in the annual plan with respect to the total bonus that can be potentially assigned, was 80%.

4. Tables

4.1 Tables prepared pursuant to Consob Resolution No. 18049

Table 1

Remuneration Paid to Members of the Governing and Control Bodies, General Managers and Other Key Management Personnel

Table 2

Stock Options Granted to Members of the Governing Body, General Managers and Other Key Management Personnel

Table 3A

Incentive Plans for Members of the Governing Body, General Managers and Other Key Management Personnel based on financial instruments other than stock options

Table 3B

Monetary Incentive Plans for Members of the Governing Body, General Managers and Other Key Management Personnel

Layout 7-ter

Table 1 – Shares Held by Members of the Governing and Control Bodies and General Managers

Table 2 – Shares Held by Other Key Management Personnel

4.2 Tables prepared in accordance with the Bank of Italy Provisions – 7th update of Circular No. 285 of 17 December 2013, Part I, Title IV, “Corporate Governance, Internal Controls, Risk Management” – Chapter 2, “Remuneration and Incentivisation Policies and Practices” – Section VI – Article 450 CRR (Reg. EU No. 575/213)

Attachment re. Article 450 CRR, Letter g):

Aggregate Quantitative Information on Remuneration, Broken Down by Business Areas, Concerning “Key Personnel”

Annex Article 450 CRR, letter h):

Aggregate Quantitative Information on Remuneration, Broken Down by Category of “Key Personnel”

4.1 Tables prepared pursuant to Consob Resolution No. 18049

Table 1 - Remuneration Paid to Members of the Governing and Control Bodies, General Managers and Other Key Management Personnel

(A)	(B)	(C)	(D)	(1)		
SURNAME AND NAME	OFFICE HELD	PERIOD OF OFFICE	TERM OF OFFICE	NOTES	FIXED REMUNERATION	REMUNERATION AS PER ART. 2389, PARA. 3, IT. CIV. COD.
Fancel Giancarlo	Director/Chairman of BoD	01.01-31.12.19	Approval of 2020 Financial Statements	1	70,000	
Mossa Gian Maria	Director/Chief Executive Officer	01.01-31.12.19	Approval of 2020 Financial Statements	3 / 4	45,000	50,000
	General Manager	01.01-31.12.19	--			
Brugnoli Giovanni	Director	01.01-31.12.19	Approval of 2020 Financial Statements	2	45,000	
Gervasoni Anna						
I) Remuneration in the company preparing the Financial Statements	Director	01.01-31.12.19	Approval of 2020 Financial Statements	2	45,000	
II) Remuneration from subsidiary and associate companies				6	15,000	
III) Total					60,000	
Lapucci Massimo	Director	01.01-31.12.19	Approval of 2020 Financial Statements	2	45,000	
Pescatori Annalisa	Director	01.01-31.12.19	Approval of 2020 Financial Statements	2	45,000	
Terzi Vittorio Emanuele	Director	01.01-31.12.19	Approval of 2020 Financial Statements	2	45,000	
Rustignoli Cristina	Director	01.01-31.12.19	Approval of 2020 Financial Statements	1	45,000	
Caltagirone Azzurra	Director	01.01-31.12.19	Approval of 2020 Financial Statements		45,000	
Cremona Massimo	Chairman of the Board of Statutory Auditors	01.01-31.12.19	Approval of 2020 Financial Statements	5	80,000	
Anaclerio Mario Francesco	Acting Auditor	01.01-31.12.19	Approval of 2020 Financial Statements	5	55,000	
Minutillo Flavia	Acting Auditor	01.01-31.12.19	Approval of 2020 Financial Statements	5	55,000	
Key Management Personnel	2 Deputy General Managers	01.01-31.12.19	--			
I) Remuneration in the company preparing the Financial Statements				3 / 4		
II) Remuneration from subsidiary and associate companies				1	15,000	
III) Total					15,000	

NOTES

- 1 Pays back fixed remuneration for the position of Director to the company by which he is employed.
- 2 The following table provides a breakdown of the remuneration received for sitting in Committees, accrued in the reporting year.

NAME	REMUNERATION COMMITTEE		NOMINATION COMMITTEE		INTERNAL AUDIT AND RISK COMMITTEE		TOTAL
	FIXED REMUNERATION	ATTENDANCE BONUSES	FIXED REMUNERATION	ATTENDANCE BONUSES	FIXED REMUNERATION	ATTENDANCE BONUSES	
Brugnoli Giovanni	15,000	14,000	10,000	10,000	-	-	49,000
Gervasoni Anna	10,000	14,000	-	-	20,000	20,000	64,000
Lapucci Massimo	-	-	15,000	12,000	15,000	16,000	58,000
Pescatori Annalisa	-	-	10,000	12,000	15,000	20,000	57,000
Terzi Vittorio Emanuele	10,000	14,000	-	-	15,000	20,000	59,000
Total	35,000	42,000	35,000	34,000	65,000	76,000	287,000

Amounts are reported net of VAT and social security contributions, where applicable.

	(1)	(2)	NON-EQUITY VARIABLE REMUNERATION			(4)	(5)	(6)	(7)	(8)	
	ATTENDANCE BONUSES	FORFEIT EXPENSE REFUND	FIXED SALARIES AS EMPLOYEES	REMUNERATION FOR SITTING ON COMMITTEES	BONUS AND OTHER INCENTIVES	SHARING PROFIT	NON-MONETARY BENEFITS	OTHER REMUNERATION	TOTAL	FAIR VALUE OF EQUITY REMUNERATION	END-OF-TERM AND SEVERANCE INDEMNITIES
									70,000		
									95,000		
		1,073	550,000		281,363		140,649	10,052	983,137	965,308	
				49,000					94,000		
				64,000					109,000		
									15,000		
				64,000					124,000		
				58,000					103,000		
				57,000					102,000		
				59,000					104,000		
									45,000		
									45,000		
									80,000		
									55,000		
									55,000		
		1,573	495,385		231,908		134,434	22,639	885,938	689,591	
									15,000		
		1,573	495,385		231,908		134,434	22,639	900,938	689,591	

- 3 The item relating to non-monetary benefits and that relating to other remuneration includes the payment of premiums and miscellaneous social security and assistance contributions, as well as other fringe benefits, such as the participation in trips and the use of a company car.
- 4 Total bonuses and other incentives is equal to the total amount of the items 2A, 3B and 4, line III, of the following Table 3B.
- 5 Remuneration for sitting on the Supervisory Body is included (Legislative Decree No. 231).
- 6 Remuneration attributed as Director of Generfid S.p.A.

It should be noted that the lack of figures implies that no amount has been paid to the persons indicated.

Table 2 – Stock Options Granted to Members of the Governing Body, General Managers and Other Key Management Personnel

SURNAME AND NAME	OFFICE HELD	PLAN	OPTIONS HELD AT YEAR-START		
			NUMBER OF OPTIONS	STRIKE PRICE	EXPECTED VESTING PERIOD
i) Remuneration in the company preparing the financial statements			-		
ii) Remuneration from subsidiary and associate companies			-		
iii) Total			-		

Table 3A – Incentive Plans for Members of the Governing Body, General Managers and Other Key Management Personnel based on financial instruments other than stock options

A	B	(1)	
SURNAME AND NAME	OFFICE HELD	PLAN (1)	TYPE OF FINANCIAL INSTRUMENT
Mossa Gian Maria	CEO and General Manager	LTI 2017-2019 (2)	Ord. shares Ass. Generali
i) Remuneration in the company preparing the Financial Statements	CEO and General Manager		
	CEO and General Manager	LTI 2018-2020 (4)	Ord. shares Banca Generali
	CEO and General Manager	LTI 2019-2021 (5)	Ord. shares Banca Generali
	CEO and General Manager	BSC 2017	Ord. shares Banca Generali
	CEO and General Manager	BSC 2018	Ord. shares Banca Generali
	CEO and General Manager	BSC 2019 (6)	Ord. shares Banca Generali
ii) Remuneration from subsidiary and associate companies			
iii) Total			
Other Key Management Personnel (7)	DGM Wealth Management Markets and Products	LTI 2017-2019 (2)	Ord. shares Ass. Generali
i) Remuneration in the company preparing the Financial Statements	DGM Wealth Management Markets and Products, DGM Commercial Networks, Alternative and Support Channels		
	DGM Wealth Management Markets and Products, DGM Commercial Networks, Alternative and Support Channels	LTI 2018-2020 (4)	Ord. shares Banca Generali
	DGM Wealth Management Markets and Products, DGM Commercial Networks, Alternative and Support Channels	LTI 2019-2021 (5)	Ord. shares Banca Generali
	DGM Wealth Management Markets and Products, DGM Commercial Networks, Alternative and Support Channels	BSC 2017	Ord. shares Banca Generali
	DGM Wealth Management Markets and Products, DGM Commercial Networks, Alternative and Support Channels	BSC 2018	Ord. shares Banca Generali
	DGM Wealth Management Markets and Products, DGM Commercial Networks, Alternative and Support Channels	BSC 2019 (6)	Ord. shares Banca Generali
ii) Remuneration from subsidiary and associate companies			
iii) Total			

NOTES:

- (1) For LTI plans:
- > the date of assignment and the market price at assignment refer to the dates of Shareholders' resolutions approving the plans by the General Shareholders' Meeting of Assicurazioni Generali S.p.A. (2017-2019 LTI Shareholders' resolution dated 27 April 2017);
 - > the date of assignment and the market price at assignment refer to the dates of Shareholders' resolutions approving the plans by the General Shareholders' Meeting of Banca Generali S.p.A. (2018-2020 LTI Shareholders' resolution dated 12 April 2018; 2019-2021 LTI Shareholders' resolution dated 18 April 2019).
- (2) Number of shares to be assigned in April 2020 at the end of the vesting period of the plan and based on the level of achievement of the objectives set for the three-year period 2017-2019, including a number of additional shares based on the amount of overall dividends distributed in the three-year period (so called dividend equivalent). The overall value of the shares at vesting was reported considering the official price of the share at the date when the Board of Directors of Assicurazioni Generali met (12 March 2020) and verified the level of achievement of the three-year period objectives and resolved upon the free capital increase.
- (3) Number of total non-attributable shares as a result of the performance achieved in 2019.
- (4) Maximum number of shares potentially attributable at the end of the vesting period (2018-2020) subject to the achievement of the objectives and to the terms and conditions of the plan, also taking into account that, with specific reference to the years 2018 and 2019, the number of shares was calculated based on the year-end results of the objectives achieved in such years.

Table 3B – Monetary Incentive Plans for Members of the Governing Body, General Managers and Other Key Management Personnel

A	B
SURNAME AND NAME	OFFICE HELD
Mossa Gian Maria	CEO and General Manager
i) Remuneration in the company preparing the Financial Statements	
ii) Remuneration from subsidiary and associate companies	
iii) Total	
Other Key Management Personnel (**)	
i) Remuneration in the company preparing the Financial Statements	DGM Wealth Management Markets and Products DGM Wealth Management Markets and Products DGM Commercial Networks, Alternative and Support Channels
ii) Remuneration from subsidiary and associate companies	DGM Wealth Management Markets and Products DGM Commercial Networks, Alternative and Support Channels
iii) Total	

NOTES:

(*) The amount represents the cash portion for BSC 2017, BSC 2018 and BSC 2019.

(**) The information refers to the position shown in the table. No variables related to other positions are reported, unless they fall in the category of Key Management Personnel.

For variable remuneration based on Balanced Scorecards (BSC), upon payment the individual deferred instalment will bear interest calculated at the mean 6-month Euribor rate recorded during the calendar year preceding the year in which related instalment is paid, increased by 0.85%.

(1)	(2)			(3)			(4)
	BONUS FOR THE YEAR			PRIOR YEARS BONUS			
	A	B	C	A	B	C	
PLAN	PAYABLE/PAID	DEFERRED	DEFERMENT PERIOD	NO LONGER PAYABLE	PAYABLE/PAID	STILL DEFERRED	OTHER BONUSES
BSC 2017 (*)			2019-2020		52,500		
BSC 2018 (*)			2020-2021		52,319	52,319	
BSC 2019 (*)	176,545	117,696	2021-2022				
	176,545	117,696			90,476	52,500	
BSC 2017 (*)			2019-2020		27,000		
BSC 2018 (*)			2020-2021		43,375	43,375	
BSC 2019 (*)	161,533	107,689	2021-2022				
	161,533	107,689		-	70,375	43,375	

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Table 1 – Shares Held by Members of the Governing and Control Bodies and General Managers

SURNAME AND NAME	OFFICE HELD	INVESTEE COMPANY	NO. OF SHARES OWNED AT THE END OF THE PREVIOUS YEAR	NO. OF SHARES PURCHASED (1)	NO. OF SHARES SOLD	NO. OF SHARES HELD AT THE END OF THE CURRENT YEAR
Fancel Giancarlo	Chairman of BoD	Banca Generali	3,039	-	-	3,039
Rustignoli Cristina	Director	Banca Generali	1,728	-	-	1,728
Brugnoli Giovanni	Director	Banca Generali	10,000	-	-	10,000
Lapucci Massimo	Director	Banca Generali	1,000	-	-	1,000
Mossa Gian Maria	CEO and General Manager	Banca Generali	20,000	3,071	-	23,071

(1) Changes also refer to the payment of bonuses in shares.

Table 2 – Shares Held by Other Key Management Personnel

NO. OF KEY MANAGEMENT PERSONNEL	INVESTEE COMPANY	NO. OF SHARES OWNED AT THE END OF THE PREVIOUS YEAR	NO. OF SHARES SOLD (1)	NO. OF SHARES SOLD	NO. OF SHARES HELD AT THE END OF THE CURRENT YEAR
2 (*)	Banca Generali	8,534	4,626	-	13,160

(*) Other Key Management Personnel who have held shares: 1 Deputy General Manager Wealth Management Markets & Products and 1 Deputy General Manager Commercial Networks, Alternative and Support Channels.

(1) Changes also refer to the payment of bonuses in shares.

4.2 Tables prepared in accordance with the Bank of Italy Provisions – 7th update of Circular No. 285 of 17 December 2013, Part I, Title IV, “Corporate Governance, Internal Controls, Risk Management” – Chapter 2, “Remuneration and Incentivisation Policies and Practices” – Section VI – Article 450 CRR (Reg. EU No. 575/213)

Attachment re. Article 450 CRR, Letter g): Aggregate Quantitative Information on Remuneration, Broken Down by Business Areas, Concerning “Key Personnel”

COMPANY	BUSINESS LINE (*)	NO. OF BENEFICIARIES	FIXED REMUNERATION (**)	VARIABLE REMUNERATION FOR 2019 (***)	NOTES
Banca Generali	Member of the governing body Control functions	1	745,502	402,373	(1)
Banca Generali	Corporate functions Investment Banking	3	517,246	129,781	(2)
Banca Generali	Retail Banking Asset Management	6	1,706,130	1,115,523	(3)
Banca Generali	Investment Banking	57	31,936,544	17,962,813	(4)
Banca Generali	Retail Banking	2	428,934	207,175	
Banca Generali/BG FML	Asset Management	2	597,716	392,452	

(*) Business lines envisaged by the data collection of the Bank of Italy/EBA.

(**) The item also includes fringe benefits.

(***) The component “2019 variable” is represented by: i) MBO mechanisms applied with the method of the Balanced scorecard (BSC), with application of the deferral mechanism, where applicable and ii) other bonuses/one-off payments.

(1) Information relating to Mr. Mossa, who holds the position of Chief Executive Officer and General Manager.

(2) Information relating to the Head of the Risk and Capital Adequacy Department, the Compliance and Anti Money Laundering Department and the Internal Audit Department.

(3) Information relating to Deputy General Manager Wealth Management, Markets and Products, Head of the CFO & Strategy Area, Head of the COO & Innovation Area, Head of the General Counsel Department, Head of the Wealth Management Area, Head of Human Resources Department.

(4) Information on: Vice General Manager Commercial network, Alternative and Support Channels, Head of the Private Relationship Manager Area, Head of the Finance Department, and to the following network managers: 1 Sales Manager Italia, 6 Area Manager of the Private Banking Division and of the Financial Planner Division, 3 Area Manager of the Wealth Management Area, 1 head of recruiting, 1 head of Business Development Top WA/PB and 41 Financial Advisors.

Annex Article 450 CRR, letter h): Aggregate Quantitative Information on Remuneration, Broken Down by Category of “Key Personnel”

with indication of:

- i) amounts of remuneration for the year broken down by fixed and variable component and number of beneficiaries;
- ii) amounts and forms of the variable component of remuneration, broken down by cash, shares, share-based instruments and other types;
- iii) amounts of existing Deferred remuneration, broken down by shares assigned and not assigned;
- iv) amounts of Deferred remuneration recognised during the year, paid and reduced based on performance adjustments;
- v) new payments for recruitment benefits and termination indemnities made in the year and number of beneficiaries;
- vi) amounts paid for termination indemnities accrued during the year, number of beneficiaries and highest amount paid to an individual person.

A) Top Management

Banca Generali: Chief Executive Officer (Mr. Mossa); Top Management: General Manager (Mr. Mossa), Deputy General Manager Wealth Management Markets and Deputy General Manager Commercial Networks, Alternative and Support Channels.

COMPANY	PERSONNEL CATEGORY	I) REMUNERATION				II) AMOUNTS AND TYPE OF VARIABLE COMPONENT (**)			
		NO. OF BENEFICIARIES	FIXED (*)	VARIABLE 2019	TOTAL	CASH	SHARES	SHARE-BASED INSTRUMENTS	OTHER TYPES
Banca Generali	AD	1	50,000	-	50,000	-	-	-	-
Banca Generali	Top management	3	1,329,404	1,008,974	2,338,377	777,403	231,571	-	-

With reference to the 2017-2019 LTIP, verification of the level of achievement of the objectives set and satisfaction of the access gates for the third year led to the determination of Assicurazioni Generali shares to be allocated for the year of 34,730 shares, including a number of additional shares based on the amount of overall dividends distributed in the three-year period of reference (so called dividend equivalent) for Mr. Mossa, and 20,523 (including the dividend equivalent) for two other managers included in Top Management. The sum of the shares allocated in each of the three years of the cycle will be assigned during 2020, i.e., at the end of the three-year period.

With reference to the 2018-2020 LTIP verification of the level of achievement of the objectives set and satisfaction of the access gates for the second year led to the determination of Assicurazioni Generali shares to be allocated for the year of 10,476 shares for Mr. Mossa and 8,381 shares for 2 managers included in Top Management. The sum of the shares set aside during each of the three years of the cycle will be definitively assigned only at the end of the three-year period, following verification of the level of achievement of objectives in the third year.

With reference to the 2019-2021 LTI, of which Mr Mossa and 2 other managers included in Top Management are beneficiaries, as provided for by the plan regulation, the related shares will accrue at the end of the three-year period of reference.

B) Other Key Personnel

Heads of key operating/company units (main lines of business): Head of CFO & Strategy Area, Finance Department, Lending Department, Executive Director of BG FML who also holds the position of Head of the AM Area and General Manager of BG FML.

Persons regarded as having an impact on company risk due to their activities, autonomy and powers: Head of the PRM Area, Head of Alternative and Support Channels Area, Head of the COO & Innovation Area, Head of the General Counsel Area, Head of the Human Resources Department and Head of the Wealth Management Area.

COMPANY	NO. OF BENEFICIARIES	I) REMUNERATION			II) AMOUNTS AND TYPE OF VARIABLE COMPONENT (**)			
		FIXED (*)	VARIABLE 2019	TOTAL	CASH	SHARES	SHARE-BASED INSTRUMENTS	OTHER TYPES
Banca Generali/BG FML (a)	11	2,685,670	1,492,724	4,178,394	1,175,079	317,645	-	-

(a) The amounts also include i) the compensation and the variable remuneration paid to the Executive Director of BG FML for the position of Head of the AM Area.

With reference to the 2017-2019 LTIP, verification of the level of achievement of the objectives set and satisfaction of the access gates for the third year led to the determination of Assicurazioni Generali shares to be allocated for the year of 11,051 shares (included so-called dividend equivalent) for 2 managers included in Other Key Personnel. The sum of the shares allocated in each of the three years of the cycle will be assigned during 2020, i.e., at the end of the three-year period.

III) DEFERRED REMUNERATION (***)			IV) DEFERRED REMUNERATION (***) (****)				V) INDEMNITIES			VI) FOR TERMINATION		
ASSIGNED	NOT ASSIGNED	RECOGNISED	PAID	REDUCED	AT THE START	NO. OF BENEFICIARIES	AT THE END	NO. OF BENEFICIARIES	RECOGNISED	NO. OF BENEFICIARIES	HIGHEST AMOUNT	
-	-	-	-	-	-	-	-	-	-	-	-	
216,000	40,000	216,000	-	-	-	-	-	-	-	-	-	

III) DEFERRED REMUNERATION (***)			IV) DEFERRED REMUNERATION (***) (****)				V) INDEMNITIES			VI) FOR TERMINATION		
ASSIGNED	NOT ASSIGNED	RECOGNISED	PAID	REDUCED	AT THE START	NO. OF BENEFICIARIES	AT THE END	NO. OF BENEFICIARIES	RECOGNISED	NO. OF BENEFICIARIES	HIGHEST AMOUNT	
81,688	-	81,688	-	-	-	-	-	-	-	-	-	

With reference to the 2018-2020 LTIP, verification of the level of achievement of the objectives set and satisfaction of the access gates for the second year led to the determination of Assicurazioni Generali shares to be allocated for the year of 5,326 shares for 3 managers included in Other Key Personnel. The sum of the shares set aside during each of the three years of the cycle will be definitively assigned only at the end of the three-year period, following verification of the level of achievement of objectives in the third year.

With reference to the 2019-2021 LTI, of which 3 managers included in Other Key Personnel are beneficiaries, as provided for by the plan regulation, the related shares will accrue at the end of the three-year period of reference.

C) Managers and higher level executives in charge of control functions

Banca Generali: Head of the Risk and Capital Adequacy Department, Head of Internal Audit Department, and Head of the Compliance and Anti-Money Laundering Department.

COMPANY	I) REMUNERATION			II) AMOUNTS AND TYPE OF VARIABLE COMPONENT (**)				
	NO. OF BENEFICIARIES	FIXED (*)	VARIABLE 2019	TOTAL	CASH	SHARES	SHARE-BASED INSTRUMENTS	OTHER TYPES
Banca Generali	3	517,246	129,781	647,027	97,336	32,445	-	-

D) Main managers operating in the bank's distribution networks

Banca Generali: 1 Sales Manager Italy, 6 Area ManagerS of the Private Banker and Financial Planner Division, 3 Area Managers of the Wealth Management Division, 1 Recruiting Manager, 1 Head of Recruiting, 1 Head of Business Development Top WA/PB e 41 Financial Advisors.

COMPANY	I) REMUNERATION			II) AMOUNTS AND TYPE OF VARIABLE COMPONENT				
	NO. OF BENEFICIARIES	FIXED (*)	VARIABLE 2019	TOTAL	CASH	SHARES	SHARE-BASED INSTRUMENTS	OTHER TYPES
Banca Generali	54	31,349,754	17,578,638	48,928,392	13,480,994	4,097,644	-	-

(*) For 2019 the fixed remuneration is represented by gross annual remuneration, emoluments and fringe benefits.

(**) For 2019 the variable component is represented by: i) MBO mechanisms applied with the method of the Balanced Scorecard (BSC), with application of the deferral mechanism, where applicable and ii) other bonuses/agreements/one-off payments.

(***) "Assigned"/"Recognised": deferred instalment of the variable remuneration accrued in 2017 and 2018, for which the attainment of the access gate has been satisfied and which will be paid in 2020 to personnel in service.

"Not assigned": deferred portion of variable remuneration relating to 2017. According to the guidelines issued by the EBA, the table gives only the deferred portions referring to the previous years — thus excluding those relating to the reference year.

(****) The portion included in the same item within the tables for the previous year were regularly paid during 2019 according to the terms established under the contracts for personnel in service.

Upon payment, the individual deferred instalment will bear interest calculated at the mean 6-month Euribor rate recorded during the calendar year preceding the year in which related instalment is paid, increased by 0.85%.

III) DEFERRED REMUNERATION (***)			IV) DEFERRED REMUNERATION (***) (****)				V) INDEMNITIES			VI) FOR TERMINATION		
ASSIGNED	NOT ASSIGNED	RECOGNISED	PAID	REDUCED	AT THE START	NO. OF BENEFICIARIES	AT THE END	NO. OF BENEFICIARIES	RECOGNISED	NO. OF BENEFICIARIES	HIGHEST AMOUNT	
-	-	-	-	-	-	-	-	-	-	-	-	

III) DEFERRED REMUNERATION (***)			IV) DEFERRED REMUNERATION (***) (****)				V) INDEMNITIES			VI) FOR TERMINATION		
ASSIGNED	NOT ASSIGNED	RECOGNISED	PAID	REDUCED	AT THE START	NO. OF BENEFICIARIES	AT THE END	NO. OF BENEFICIARIES	RECOGNISED	NO. OF BENEFICIARIES	HIGHEST AMOUNT	
3,403,816	1,339,867	3,403,816	-	-	-	-	-	-	-	-	-	

Compliance Function's Review of the 2020 Remuneration Policies for Compliance with the Applicable Regulatory Framework

Foreword

The Provisions on Remuneration and Incentivisation Policies (ref. Bank of Italy Circular No. 285 dated 17 November 2013, most recently updated through the 30th update of 4 December 2019, hereinafter also the "Provisions") require the Compliance Function to assess the compliance of remuneration and incentivisation policies with the applicable legal framework, before they are implemented. In accordance with the Provisions, the Compliance Function's review shall include ensuring that the company incentive system is consistent with the compliance objectives provided for by the law, the Articles of Association and any codes of ethics or other standards of conduct applicable to the Bank, so as to ensure that any legal and reputational risks — and particularly those inherent in relationships with customers — are appropriately contained.

On the basis of the foregoing, the Compliance Function, when defining the remuneration policies for 2020, conducted a preliminary review of the consistency of such policies with the aforementioned Provisions and internal and external regulations on the subject. In this context, particular attention was paid not only to the legal framework of reference, but also to the underlying process aimed at identifying Key Personnel with special reference to the characteristics linked to the identification of Key Personnel falling within the category of Financial Advisors authorised to make off-premises offers, as well as the process aimed at excluding some of them from this category of personnel.

The assessment of the Compliance Function also took into account the provisions of Article 84-quater ("Report on Remuneration") of the regulation implementing Legislative Decree No. 58 of 24 February 1998 (the Finance Consolidation Law - TUF) concerning rules for issuers, introduced by Resolution No. 18049 of 23 December 2011 and subsequently amended by Resolution No. 18214 of 9 May 2012. This takes into consideration the fact that the proposed remuneration policies are intended to ensure comprehensive compliance with the provisions governing remuneration policies of the banking sector (Bank of Italy's Provisions) and the regulation governing Rules for Issuers.

Situation identified

From a general standpoint, it must be pointed out that the Bank's remuneration and incentivisation policies are designed to ensure that:

- > an appropriate balance is reached between the fixed and variable components of remuneration, while also taking account of the position filled (or a balance between the non-recurring and the recurring components of Financial Advisors' remuneration). In this regard, the policies envisage the implementation of mechanisms designed to ensure compliance with the limits required by law on the ratio of the variable to fixed component of Key Personnel's remuneration;
- > a self-assessment process has been properly defined and implemented with the aim of identifying the Company's "Key Personnel," to whom the more detailed measures of the Bank of Italy Provisions apply, in compliance with the principle of proportionality;
- > in order to identify "Key personnel", the regulatory technical standards as per Commission Delegated Regulation (EU) No. 604 of 4 March 2014, as further amended, were applied;
- > criteria for calculating the bonus pool are defined;
- > bonus entitlement is tied not only to the actual results achieved, but also, for the parties identified in the remuneration policy, the respect for applicable regulations, the

satisfaction of an access gate for the Banking Group with the aim of (i) basing variable remuneration on long-term performance indicators, and (ii) taking account of current and prospective risks, the cost of capital and the liquidity required to undertake the business engaged in within the Banking Group;

- > for all employees with variable remuneration based on the BSC/MBO mechanism and/or on discretionary criteria, and for the main network managers rules are defined for deferring the disbursal of variable remuneration until a pre-determined bonus threshold has been met;
- > in accordance with the principle of proportionality, it is established that a portion of variable remuneration be paid in shares; malus and claw-back mechanisms based on criteria of propriety are established;
- > the remuneration of the distribution network is also inspired by criteria of propriety in relationships with customers and containing legal and reputational risks through the use of specific, formally stated, quantifiable and verifiable rules;
- > the regulatory provisions introduced by the 25th update to Bank of Italy Circular No. 285 of 17 November 2013 (prohibition of hedging, disclosure of transactions in financial instruments, severance, etc.) have been complied with.

In addition, the incentive system adopted by the Banking Group:

- > shows a suitable balance between qualitative and quantitative objectives;
- > with reference to the activity of the distribution network, promotes a customer-oriented approach that places the customer's interests and satisfaction of the customer's needs at the centre of the system;
- > does not call for incentives for the distribution of individual products or products of the Group of which the Bank is part;
- > does not envisage the assignment to Heads of corporate control functions of objectives linked to the earnings results of the Bank and/or the Banking Group.

Conclusions

In light of the above and taking due account of the application of the principle of proportionality, the Banking Group's remuneration and incentivisation policies have been found to be appropriate and coherent with the applicable requirements, whether imposed under the legal framework of reference or through voluntary self-regulation.

Trieste, 24 March 2020

Compliance and Anti Money Laundering Department

Review of the Compliance of the Remuneration Practices with the Policies

Company	Banca Generali S.p.A.
Process	Remuneration and Incentivisation Policies
Subject of audit	Review of the compliance of the remuneration practices with the policies approved and regulations currently in force
Audit team	F. Barraco, L. Alemanno
Data	25.03.2020
Codice report	BG112020I

Foreword

In March 2008, the Bank of Italy introduced principles and implementing guidelines on the process for the drafting and approval of remuneration policies, compensation structures and transparency. In subsequent years, further guidance and instructions at community level, have outlined in greater detail the policies and best practices to be mandatorily implemented by banks and investment companies. The Bank of Italy has implemented Directive 2010/76/EU of 24 November 2010 (the so-called CRD 3), through the Provisions on Remuneration and Incentivisation Policies within Banks and Banking Groups, issued on 30 March 2011. CRD 3 laid down specific principles and criteria to be complied with by banks with a view to implementing, in the interest of all stakeholders, remuneration systems that are performance-based and in line with the long-term corporate strategies and objectives, avoiding excessive risk-taking for the bank and the system on the whole.

On 26 June 2013, Directive 2013/36/EU (CRD IV) introduced new criteria and principles to be applied on remunerations. Among the new provisions, worthy of note is the introduction of a maximum limit of 1:1 for the ratio of the variable to the fixed components of remuneration, and the power granted to the General Shareholders' Meeting for raising the said ratio above the established level, provided that certain conditions are met and in any event, up to no more than 2:1. Moreover, the Directive reinforced the provisions governing ex-post risk-adjustment mechanisms (malus and claw-back) and provided for qualitative indicators tied to the conduct by personnel.

With the approval of the 25th update to Bank of Italy Circular 285/2013 of 23 October 2018, the provisions on remuneration and incentivisation policies and practices have been aligned with the Guidelines issued by the EBA (European Banking Authority) in accordance with CRD IV.

Purpose of the Audit

The Internal Audit function verifies, at least once a year, the compatibility of remuneration practices with approved policies and applicable regulations. Any findings are reported to relevant bodies and functions so that they can promptly inform the Supervisory Authority thereof, and implement appropriate corrective measures. The results of the audit are submitted to the General Shareholders' Meeting.

Methodology

The risk-based process-oriented methodology adopted by the Internal Audit Department is in line with the industry best practices and enables the function to express an opinion on the adequacy of the Internal Control System.

The Risk and Control analysis model is developed through the identification of the risks of individual company processes, which are systematically mapped, and the verification during audits of the existence and adequacy of the controls currently implemented on the risks of each process, as well as the preparation of an audit report.

Through this model, the Function:

- > identifies and assesses the inherent/potential risk;
- > assesses the comprehensiveness, adequacy, functionality and reliability of the Control System;
- > determines and assesses the Residual/Net Risk.

For the purposes of the audit, a sample of remuneration plans assigned to top managers was selected to assess their consistency with the policies approved by the General Shareholders' Meeting, also with respect to the ratio of variable to fixed components of remuneration. The analyses carried out on the basis of documentary and digital evidence confirmed their compliance with the provisions of the Company's Remuneration Policy.

Outcome

The outcome of the audit revealed that remuneration policies are compliant with applicable regulations and the policies approved by the General Shareholders' Meeting on 18 April 2019.

As regard to the overall activities undertaken in respect of the remuneration process, the audit showed that:

- > incentivising remuneration is linked to the achievement of an access gate aimed at measuring the Bank's financial capacity in light of the risk inherent in the assets held and the short-term resilience of its liquidity risk profile;
- > malus and claw-back mechanisms based on criteria of propriety are established;
- > the self-assessment process aimed at identifying "key personnel" was conducted by applying the technical regulatory standards and in accordance with Commission Delegated Regulation (EU) No 604/2014, using qualitative and quantitative criteria;
- > the corporate functions, including control functions, involved in the process showed an effective level of integration and understanding of their tasks;
- > a balance has been maintained between the fixed and variable components of remuneration, whose ratio was found to fall within established parameters;
- > individual Balanced Scorecards ensure the transparency of information by providing a target record, including a detailed description of the same, any notes and comments, the calculation criteria applicable, the control owner and the source of control, as well as the criteria adopted to reweight them, if needed;
- > the disclosure and reporting obligations established by Bank of Italy regulations have been fulfilled.

Internal Audit

Remuneration Committee's Report on Activities Concerning the Remuneration Policy

Banca Generali's Remuneration Committee, during the meetings held in 2019 and in the first months of 2020, has performed the tasks it was assigned by the Rules governing the activities of the said Committee.

In detail, with reference to the process for defining and implementing the remuneration and incentivisation policies, the Remuneration Committee (i) participated in the process of reviewing the proper application of the 2019 remuneration policies adopted by the company for its Directors and Key Personnel, whether employed by the company or as professional not linked to the company by an employment contract; (ii) provided consulting support to the Board of Directors for the determination of the remuneration of company officers and criteria for the remuneration of other employees; (iii) expressed its opinion concerning the determination of the criteria for the remuneration of the Chief Executive Officer/General Manager, the professional figures capable of affecting the risk profile of the Bank and the heads of corporate internal control functions; (iv) provided consulting support for assigning the Long Term Incentive Plan in accordance with the provisions set forth by the remuneration policies approved; (v) verified the involvement of the competent company functions in the process of preparing and controlling remuneration and incentivisation policies and practices; (vi) expressed an opinion, on the basis of the information received from the competent company functions, on the achievement of the performance objectives to which incentive plans for Key Management Personnel and heads of control functions are tied, and on the review of the other conditions established for the disbursal of remuneration; and (vii) reviewed the report on the application of approved remuneration policies in 2019. The Remuneration Committee also reviewed: (i) the self-assessment process, aimed at identifying Key Personnel, as defined by supervisory regulations, carried out taking into account the principles set forth in Chapter 2 "Remuneration and Incentivisation Policies and Procedures", in Part I, Title IV "Corporate Governance, Internal Control, Risk Management" of Bank of Italy Circular No. 285 of 17 December 2013, and the EBA's RTSs, as endorsed in the Commission Delegated Regulation (EU) No. 604/204 issued on 4 March 2014; and (ii) the proposal for remuneration and incentivisation policies for 2020, which it found to be consistent, including with respect to the application of the principle of proportionality, with both the relevant Bank of Italy Instructions and Consob regulations in force. The Committee believes that the policies proposed seek to achieve the greatest possible alignment between the interest of the Banking Group's shareholders and management, including from a long-term perspective, through attentive management of company risks.

The Remuneration Committee

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Banca Generali S.p.A.

Registered office
Via Machiavelli 4 - 34132 Trieste

Share capital
Authorised 119,378,836 euros
Subscribed and paid 116,851,637 euros

Tax code, VAT No. and Trieste register
of companies 01333550323

Company managed and coordinated
by Assicurazioni Generali S.p.A.

Bank which is a member of the Interbank
Deposit Protection Fund Registration
with the bank register of the Bank of Italy
under No. 5358
Parent Company of the Banca Generali Banking
Group registered in the banking group register
ABI code 03075.9



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