



REPORT ON CORPORATE GOVERNANCE AND COMPANY OWNERSHIP 2018

ORDINARY GENERAL MEETING 18-19 APRIL 2019

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE 2018

15 March 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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GLOSSARY

Bank of Italy Circular No. 263: Bank of Italy Circular No. 263 of 27 December 2006 on the “New regulations for the prudential supervision of banks” (as subsequently amended).

Bank of Italy Circular No. 285: Bank of Italy Circular No. 285 of 17 December 2013 on “Supervisory provisions for banks” (as subsequently amended)."

Board or Board of Directors: the Board of Directors of the Issuer.

Civil Code: the Italian Civil Code, approved by Royal Decree No. 262 of 16 March 1942, as amended and extended.

Consob Issuers' Regulation: the Regulation on Issuers issued under Consob resolution No. 11971 of 14 May 1999 (as subsequently amended and extended).

Consob Related Party Regulations: the Regulation on Related Party Transactions issued under Consob resolution No. 17221 of 12 March 2010 (as subsequently amended and extended).

Consob Rules on Markets: the Regulation on markets issued under Consob resolution No. 20249 of 28 December 2017.

Corporate Governance Code: the Corporate Governance Code of listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, Assogestioni, Assonime and Confindustria (Confederation of Italian Industry).

Instructions to the Rules of the Market: Instruction accompanying the Rules of the Market organized and man-

aged by Borsa Italiana S.p.A., in force at the date of approval of this Report.

Issuer or Banca Generali or Company: the issuer to which the Report refers.

Period: the financial year to which the Report refers.

Report: this Corporate Governance and Ownership Structure Report, that the companies have to prepare pursuant to Article 123-*bis* of TUF.

Rules of the Market: the Rules of the Market organized and managed by Borsa Italiana S.p.A., in force at the date of approval of this Report.

TUB: Legislative Decree No. 385 of 1 September 1993 (Consolidation Law on Banking).

TUF: Legislative Decree No. 58 of 24 February 1998 (Consolidation Law on Finance).

Save where otherwise specified, the information contained in this Report is updated as at the date of its approval by the Company's Board of Directors (i.e., 15 March 2019).

The Report was submitted to the Independent Auditors for their audit and consistency opinion pursuant to Article 123-*bis*, paragraph 4, of TUF. The results of the audit of the Independent Auditors are given in the Independent Auditors' Report prepared pursuant to law and attached to the Company's 2018 Financial Report.

1. ISSUER PROFILE

1.1 Corporate mission

Banca Generali is a leading player in financial planning and wealth protection services. Leveraging on its top-of-the-industry network of Financial Advisors and versatile and innovative asset management services, thanks to its distribution networks and deep-rooted presence in the community, the Company manages approximately 57.5 billion euros (Assoreti data at 31 December 2018) on behalf of over 260,000 clients.

Banca Generali sets the standard for the Italian financial advisory market, aiding its clients in choosing the solutions best suited to protecting their financial and real-estate investments.

Through a network of highly qualified Financial Advisors, the Banca Generali banking Group seeks to meet each client's investment needs in a manner consistent with his or her financial profile and investment horizon.

As illustrated in greater detail in the Annual Integrated Report 2018, in pursuing its activities, Banca Generali

continues — consistently with the steps already taken in previous years — to demonstrate its commitment to sustainability with strategies and activities aimed at proving its capacity for forward thinking and keeping in mind the needs of all its stakeholders. In particular, the latter are more and more seeking a business approach that is both sustainable and socially responsible and implies medium- to long-term strategies that take account of ESG (Environmental, Social and Governance) indicators and are able to make a positive contribution to society and the context in which they operate.

In this context, Banca Generali is presenting a strategic development and sustainability project that covers not only the area closely linked to ESG investments, but includes a “re-thinking” of the Bank and its overall management approach, also including all its aspects, ranging from Wealth Management and the Financial Advisor Network to Human Resources and Governance, passing through Communications and Integrated Reporting.

1.2 The Corporate Governance Model

As is known, a proper corporate governance system must be based on certain key elements, such as the central role of the Board of Directors and top management, the proper management of conflicts of interest, transparency in the disclosure of corporate decisions, and an efficient internal control system.

As a public limited company subject to Italian law, and a bank subject to TUB, Banca Generali has set up a governance system firmly grounded on the said principles.

In detail, Banca Generali's overall corporate governance framework was defined in line with the current laws and regulations, also taking into account the recommendations of the Corporate Governance Code and the principles enshrined in the best practices (including international ones). The Company is also subject to Bank of Italy's Supervisory Regulations and, with particular reference to corporate governance issues, to the Regulations for the Prudential Supervision of Banks issued by the Bank of Italy with Circular No. 285.

In adopting an organisational structure consistent with this legal framework, Banca Generali pursued the following objectives: (i) a clear definition of functions and responsibilities; (ii) the appropriate balancing of delegated powers; (iii) the balanced composition of corporate organs; (iv) an integrated and effective internal control system; (v) comprehensive risk assessment and management; (vi) a remuneration structure in line with risk-management policies and long-term corporate strategy; and (vii) adequate reporting systems and information flows.

Banca Generali's organisational structure is made of the following main corporate boards and officers:

- (i) Board of Directors;

- (ii) Chairman of the Board of Directors;
- (iii) Chief Executive Officer;
- (iv) Remuneration Committee;
- (v) Nomination, Governance and Sustainability Committee;
- (vi) Internal Audit and Risk Committee;
- (vii) General Shareholders' Meeting;
- (viii) Board of Statutory Auditors.

Other corporate boards and officers include the General Management, and persons vested with powers of representation pursuant to the provisions of the Articles of Association.

The Company's organisational structure is based on the classical model of corporate governance.

Board of Directors

Responsibility for the strategic supervision of the company lies with the Board of Directors.

The Board of Directors is appointed by the Shareholders' Meeting, for a three-year term at the most. The Board of Directors shall elect, from amongst its members, a Chairman, and if it deems fit, a Vice Chairman and may also appoint one or more Chief Executive Officers, determining the powers and responsibilities thereof. The Board of Directors can also appoint a General Manager and one or more Joint General Managers, who together form the General Management.

The company managing function is entrusted to the Chief Executive Officer and the General Management.

Section 4 of this Report provides further information on the Board of Directors.

Board Committees

To facilitate an efficient information and consultation system that allows the Board of Directors to best evaluate certain matters within its remit, in accordance with the supervisory provisions indicated in Bank of Italy Circular No. 285 and Corporate Governance Code recommendations, as at the date of approval of this Report three Board Committees were established, with purely consultative and advisory functions, namely (i) a **Nomination, Governance and Sustainability Committee**; (ii) a **Remuneration Committee**; (iii) an **Audit and Risk Committee**.

Sections 7, 8 and 10 of this Report provide further information on the Committees.

General Shareholders' Meeting

The General Shareholders' Meeting passes resolutions expressing the intentions of the shareholders. The resolutions passed pursuant to statutory provisions and to the Articles of Association are binding on all the shareholders, including those abstaining or dissenting.

Section 16 of this Report provides further information on the General Shareholders' Meeting.

Board of Statutory Auditors

The Board of Statutory Auditors, appointed by the Shareholders' Meeting, for a three-year term, has a control function. The Board of Statutory Auditors is not responsible for statutory auditing of the Company's accounts, a task entrusted to Independent Auditors duly registered with the specific professional rolls set by the Italian market regulator, Consob. The Independent Auditors are bound to monitor the proper bookkeeping of the Company's accounts, during the course of the financial year, and to ensure that the Company's books faithfully reflect management facts. The Independent Auditors are also in charge of checking that the figures carried in the annual and consolidated financial statements present a true and fair account of the Company's books and that all accounting documents are compliant with applicable regulations.

Sections 13 and 14 of this Report provide further information on the Board of Statutory Auditors.

The powers and operating procedures of the corporate organs are governed by law, the Articles of Association and the resolutions approved by the relevant organs.

The Articles of Association are available at the Company's registered office and can also be consulted on the Company's website (www.bancagenerali.com) under section "*Corporate Governance*" - "*Corporate Governance System*".

2. INFORMATION ON COMPANY OWNERSHIP (PURSUANT TO ARTICLE 123-*bis* OF TUF) AS OF 15 MARCH 2019

a) Structure of the Share Capital (pursuant to Article 123-*bis*, paragraph 1, letter a) of TUF)

Banca Generali's subscribed and paid up share capital, as shown in the following table, amounts to 116,851,637.00 eu-

ros, divided into 116,851,637 ordinary shares of a par value of 1.00 euro.

	NO. OF SHARES	% OF SHARE CAPITAL	LISTED (SPECIFY ON WHICH MARKETS)	RIGHTS AND OBLIGATIONS
Ordinary shares	116,851,637	100	Listed on the MTA organised and managed by Borsa Italiana S.p.A.	All the rights contemplated under the Civil Code and the Articles of Association

See Table 1 in Attachment 1) to this Report.

Banca Generali holds 926,211 treasury shares, with the aim to provide the Company with the amount of shares needed to pay short- and long-term incentivisation (including compensation agreed upon in view of or in the event of early termination of the professional relationship) and loyalty-building tools, in compliance with the Banking Group's remuneration and incentivisation policies. The voting rights attaching to the said shares have been suspended pursuant to section 2357-*ter* of the Civil Code.

The Shareholders' Meeting held on 12 April 2018 approved:

- > pursuant to Article 114-*bis* of TUF, the adoption of a Network Loyalty Plan for 2018 included in the Bank's 2017-2026 long-term Programme, aimed at the Bank's Financial Advisors authorised to make off-premises offers who do not serve in managerial positions (i.e., Financial Planners, Private Bankers, Financial Planner Agents, Executive Managers, Private Team Managers and Financial Planner Agent Managers) (the "**Financial Advisors**"), and at the Bank's Relationship Managers, including Heads of Teams ("**Relationship Managers**");
- > pursuant to Article 114-*bis* of TUF, the adoption of a long-term incentive plan called LTI Plan 2018, intended for executive directors, top managers and managers of Banca Generali S.p.A. and/or of companies of the Banca Generali Group;
- > the incentivisation system aimed at Key Personnel for 2018 which envisages settlement of a portion of the variable remuneration in shares, so as to enable a better alignment of the interest of Banca Generali Group's management and stakeholders through a careful management of company risks and the pursuit of long-term strategies.

The Framework Loyalty Programme (and thus the 2018 Loyalty Plan, like all plans that will be prepared by the Bank each year in accordance with the Framework Loyalty Programme) currently provides, and will continue to provide, for the payment to the beneficiaries of a cash bonus up to a maximum of 50% in shares of the Bank.

The terms, conditions and methods of the 2018 Loyalty Plan are described in the information document drafted pursuant to Article 84-*bis* of Consob Issuers' Rules, which has been made available to the public in the manner and within the terms established by applicable regulations, and has been published on the Company's website (www.bancagenerali.com section "Corporate Governance/AGM").

The Plan provides for payment of a number of Shares or, instead of Shares, a substitute sum, directly linked to the achievement of given objectives, namely the performance indicators both at Banking Group and Generali Group level, as indicated in the Letter of Participation.

The terms, conditions and methods of the 2018 LTI Plan are described in the information document drafted pursuant to Article 84-*bis* of the Consob Issuers' Rules, which has been made available to the public in the manner and within the terms established by applicable regulations, and has been published on the Company's website (www.bancagenerali.com section "Corporate Governance/AGM").

With regard to the Incentivisation System, it should be noted that it calls for a part (25%) of the variable remuneration of Banca Generali Group's Key Personnel be disbursed through the free award of Shares according to the following allotment mechanism:

- a) 60% of the bonus will be disbursed up front, during the year after the year of reference, 75% in cash and 25% in Shares;
- b) the payment of 20% of the bonus will be deferred by one year: 75% in cash and 25% in Shares;
- c) the remaining 20% of the bonus will be deferred by two years: 75% in cash, and 25% in Shares.

The Shares shall be subject to a retention period of one year.

The terms, conditions and methods of the Incentivisation System are described in the information document drafted pursuant to Article 84-*bis* of the Consob Issuers' Rules, which has been made available to the public in the manner and within the terms established by applicable regulations, and has been published on the Company's website (www.bancagenerali.com section "Corporate Governance/AGM").

b) Restrictions on the Transfer of Securities (pursuant to Article 123-bis, paragraph 1, letter b) of TUF)

Apart from the current regulatory provisions on the ownership of shares in banks, as at the date of approval of this Report there are no other restrictions on the transfer of shares in the Company, without prejudice to the one-year

retention period contemplated under the Incentivisation System described above.

c) Significant interests in share capital (pursuant to Article 123-bis, paragraph 1, letter c) of TUF)

Shareholders holding more than 3% of the Company's share capital, directly and/or indirectly and including through third-party intermediaries, trust companies and subsidiaries, as per the Shareholders' Register and the no-

tices received pursuant to law, as well as other information available to the company, as at the date of approval of this Report, are indicated in Table 1 of Attachment sub 1) to this Report.

d) Securities bearing special rights of control (pursuant to Article 123-bis, paragraph 1, letter d) of TUF)

As at the date of approval of this Report, Banca Generali has not issued securities conferring special rights of con-

trol and has not adopted provisions in its Articles of Association allowing multiple or majority voting.

e) Employee share scheme: mechanism for the exercise of the voting rights (pursuant to Article 123-bis, paragraph 1, letter e) of TUF)

There are no special mechanisms for the exercise of voting rights of shares held by employees.

f) Restrictions on voting rights (pursuant to Article 123-bis, paragraph 1, letter f) of TUF)

There are no restrictions on voting rights. Pursuant to Article 10 of the Company's Articles of Association and Article 23 of the Rules adopted by the Bank of Italy and by Consob by Provision dated 22 February 2008, as further amended and extended, Shareholders with voting rights may attend the Meeting provided that:

- a) they can provide legal proof of their entitlement to vote;
- b) the notice from the intermediary responsible for keeping the accounts regarding the shares, in replacement of the deposit giving entitlement to attend the Share-

holders' Meeting, has been received at the Company's registered office by the end of the third trading day prior to the date set for the first call of the General Shareholders' Meeting, in accordance with Article 83-sexies, paragraph 4, of TUF, after the terms specified above, provided that it arrived within the start of the Shareholders' Meeting specifically called.

The voting rights attaching to treasury shares have been suspended (see letter a) above).

g) Shareholders' Agreements known to the Company (pursuant to Article 123-bis, paragraph 1, letter g) of TUF)

The Company is not aware of the existence of any significant shareholders' agreements within the meaning of Article 122 of TUF.

h) Change of control clauses (pursuant to Article 123-bis, paragraph 1, letter h) of TUF), and statutory provisions regarding takeover bids (pursuant to Articles 104, paragraph 1-ter, and 104-bis, paragraph 1 of TUF)

On 20 March 2018, Banca Generali signed, *inter alia*, with Generali Italia S.p.A. an insurance product distribution contract and with Assicurazioni Generali a licensing agreement, both containing change of control clauses. In this regard, reference is made to the detailed contents of the disclosure document drawn up in accordance with Article 5 of the “Regulations containing provisions relating to transactions with related parties” adopted with Consob resolution No. 17221 of 12 March 2010, and later amended by Consob resolution No. 17389 of 23 June 2010, published on 27 March 2018 by the Issuer in accordance with the law and availa-

ble for consultation on the Issuer’s website under Corporate Governance/Corporate Governance System/Related Party Transactions¹. There are no other significant agreements that take effect, are changed or extinguished in the event of a change of control in the contracting company.

The Articles of Association provide for no departures whatsoever from the “passivity rule” entrenched in Article 104, paragraphs 1 and 2, of TUF, and make no provision for the application of the neutralisation rules contemplated in Article 104-bis, paragraphs 2 and 3, of TUF.

i) Powers to increase the share capital and authorisation for the acquisition of treasury shares (pursuant to Article 123-bis, paragraph 1, letter m) of TUF)

The Board of Directors has not been empowered to increase the share capital within the meaning of Article 2443 of the Civil Code. The Board of Directors has not been vested with rights to issue participatory financial instruments.

Exclusively with the aim to provide the Company with the amount of shares needed to pay short- and long-term incentivisation (including compensation agreed upon in view of or in the event of early termination of the professional relationship) and loyalty-building tools, in compliance with the Banking Group’s remuneration and incentivisation policies, on 12 April 2018 the General Shareholders’ Meeting, within the meaning of Articles 2357 and 2357-ter of the Civil Code authorized the buy-back by Banca Generali of the acquisition of no more than 577,644 ordinary shares issued by Banca Generali S.p.A., of a nominal value of 1.00 euro each, as well as the disposal of the same, together with those acquired on the basis of previous authorisations to acquire treasury shares, subject to the following terms and conditions:

- a) the authorisation is limited to acquisitions to be effected for the purposes specified;
- b) the minimum purchase price of ordinary shares cannot be lower than the nominal value of the share, equal to 1.00 euro. The maximum purchase price cannot exceed 5% of the reference price of the stock on the trading day preceding the day on which each buy-back is made; in any event, the Company shall purchase the aforementioned shares at a price not exceeding 41.298 euros per share, corresponding to the closing price of Banca Generali S.p.A.’s stock on 19 March 2018, prudentially increased by 50%;
- c) authorisation for buy-back is granted for eighteen months as of the date of approval of this resolution, whilst authorisation for disposal is granted without any time limit whatsoever, and can be exercised in one or more tranches, in order to enable the achievement of the specified objectives;
- d) the purchase will be carried out within the limits of distributable profits and unrestricted reserves, as per the latest duly approved financial statements;

- e) pursuant to Article 144-bis, paragraph 1(b), of Consob Issuers’ Rules, the treasury shares shall be purchased in accordance with the operating procedures set forth in the organisational and operating rules of the markets themselves, so as to ensure equal treatment for all Shareholders. Accordingly, the acquisitions shall be made exclusively, including in several tranches, on regulated markets organised and managed by Borsa Italiana S.p.A., pursuant to operating procedures established by the latter which do not allow for the direct matching of buy orders with pre-placed sell orders.

The same Shareholders’ Meeting also established that the treasury shares may be granted, in whole or in part, without any time limit whatsoever and free of charge, to the personnel identified by Banca Generali as falling within the category of Key Personnel pursuant to the applicable laws and regulations and those identified as Key Personnel by subsidiaries that are required to adopt specific remuneration policies in compliance with local and/or industry regulations, the beneficiaries of the 2018 Network Loyalty Plan and the beneficiaries of the long-term incentivisation plan called 2018 LTI Plan — provided that any and all regulatory requirements and conditions have been duly met —, as well as for the purposes of the payment of the variable component of remuneration — provided that any and all regulatory requirements and conditions have been duly met — and the consideration agreed upon, in compliance with applicable legislation, in view of or in the event of early termination of the professional relationship or the position held.

Lastly, the Shareholders’ Meeting granted the Chief Executive Officer the power, with possible sub-delegation, to identify the reserve funds to compose the negative item in equity, as contemplated under Article 2357-ter of the Civil Code. In accordance with legal provisions, as well as to also use treasury shares that, at present, are already held by the Company, for the purposes specified herein.

At 31 December 2018, the Company held 929,090 treasury shares.

¹ See specifically page 11.

1) Direction and coordination (pursuant to Article 2497 et seq. of the Civil Code)

Banca Generali is part of the Generali Group.

The Parent Company Assicurazioni Generali S.p.A. (“**Assicurazioni Generali**”) exercises direction and coordination over the Company pursuant to and within the meaning of Article 2497 et seq. of the Civil Code.

Assicurazioni Generali exercises its management and coordination powers by, *inter alia*, making recommendations to the Shareholders’ Meeting of Banca Generali in respect of appointments to Banca Generali’s Board of Directors; imparting instructions on the composition of the administrative organs of the Company and its subsidiaries; laying down the deadlines and procedures for drawing up the Generali Group’s budget and strategic plan in general; issuing guidelines and instructions on the disclosure of operations and accounting information, in order to ensure the consistence, timeliness and correctness of the information disclosed by or regarding the Generali Group; issuing guidelines in respect of third parties, requiring certain categories of transaction to be subjected to prior authorisation from Assicurazioni Generali’s Board of Directors.

It is hereby confirmed that the conditions provided for by Article 16, paragraph 1, the Consob Issuers’ Rules, and it is specifically stated that:

- a) the disclosure obligations pursuant to Article 2497-bis of the Civil Code have been complied with;
- b) the company has the ability to negotiate with customers and suppliers on an arm’s length basis;
- c) the Company has no centralised treasury accounts with the company that exercises centralised management or with other companies of the Generali Group, unless it is in the interest of the company;
- d) an audit and risk committee is in place, composed of independent directors only (Sec. 10) and a board of directors composed of a majority of independent directors (Sec. 4.2).

With regard to further information as per article 123-bis of TUF, it should be pointed out that:

- > the information to be disclosed pursuant to Article 123-bis, paragraph 1, subparagraph (i) (“*agreements between companies and directors, members of the control body or supervisory council which envisage indemnities in the event of resignation or dismissal without just cause, or if their employment contract should terminate as the result of a takeover bid*”) is contained in the section of the Report focusing on Directors’ remuneration (Section 9), as well as in the Remuneration Report to be published pursuant to Article 123-ter of TUF(2);
- > the information to be disclosed pursuant to Article 123-bis paragraph 1, subparagraph (l) (“*rules applying to the appointment and replacement of directors and members of the control body or supervisory council, and to amendments to the articles of association if different from those applied as a supplementary measure*”) is set forth in the section of the Report focusing on the Board of Directors (Section 4.1).

² See specifically page 31, § 5.2.

3. Compliance (pursuant to Article 123-bis, paragraph 2, letter a), of TUF)

Banca Generali was admitted for listing on the electronic share market (MTA) managed by Borsa Italiana S.p.A. in November 2006 (3), and on such occasion adopted the Corporate Governance Code, having determined that bringing its corporate governance system (and that is to say, the framework of rules, principles and procedures making up a company's management and internal control system) in line with the international best practices of business administration on which the Code is based is a basic pre-requisite for achieving the Company's goals. These objectives in fact include not only the maximisation of value for shareholders and customer satisfaction, but also the quest for excellence in terms of the transparency of decision-making processes, the efficiency of internal control systems and the probity and rigour in related party and connected party transactions and/or transactions entailing a potential conflict of interests, as well as constant professionalism, probity and respect in all relationships with shareholders, customers and, in general, all the Company's stakeholders. In fact, the Company is aware that the ability to set efficient and effective operating rules is a key factor in reinforcing the perception of business

reliability. Accordingly, the Board meeting on 26 July 2018 updated its own Internal Code of Conduct (the document is available for consultation on the Issuer's website under "Corporate Governance System/Governance Policies"). The Code of Conduct sets out the minimum standards of conduct to be observed in relations with colleagues, customers, competitors, suppliers and other stakeholders. Therefore it contains explicit rules and principles relating to Corporate Social Responsibility, the promotion of diversity and inclusion, safety and health in the workplace, the protection of company assets, fair competition and antitrust and the fight against corruption and bribery.

The Corporate Governance Code is available to the public on the Corporate Governance Committee's website at www.borsaitaliana.it/comitato-corporate-governance/codice/2018mk.pdf.

It is specified that neither the Issuer nor its subsidiaries are subject to non-Italian legislation affecting the Issuer's corporate governance structure.

³ As of 20 March 2017, Banca Generali was included in the FTSE MIB index.

4. BOARD OF DIRECTORS

4.1 Appointment and Replacement of the Board of Directors (pursuant to Article 123- bis, paragraph 1, letter l) of TUF)

Pursuant to Article 15 of the Articles of Association, the Company is managed by a Board made up of no less than 7 (seven) and no more than 12 (twelve) members, appointed by the Shareholders' Meeting after determination of the number of members. Members of the Board of Directors hold office for a maximum of three financial years. Their term ends on the date of the meeting approving the financial statements of the last financial year of said term and they are eligible for reappointment. If appointments are made during the period of office, the term of the newly elected officers comes to an end together with the serving officers.

Board members must possess the legal requisites also, within the limits established by law, in terms of independence. It should be recalled that the TUB sets precise integrity and professionalism requirements for banks' directors.

In detail, the Directors of the Company — which is an Italian bank — as required under Article 26 of TUB and related implementing provisions (Regulation 161 issued by the Ministry of the Treasury, Budget and Economic Planning on 18 March 1998), all Board members must be selected on the basis of professional qualifications and know-how and must have accumulated at least three years of working experience in: (i) administration or control activities or management tasks in companies; (ii) professional activities relating to the banking, financial, securities, insurance or other functional sectors of the bank's business; (iii) university teaching in legal or economic subjects; and (iv) administrative or managerial functions at public bodies or public administrations related to the banking, financial, securities or insurance sectors or at public bodies or public administrations that have no connection with the aforementioned sectors provided that the functions involve the management of economic and financial resources. The persons appointed as Chairman of the Board and Chief Executive Officer must have acquired at least five years' experience in the above fields and/or positions.

Moreover, pursuant to the provisions of Article 26 of TUB and Article 147-quinquies of TUF, Board members must meet the requirements of personal integrity imposed on members of supervisory organs under Regulation No. 162 issued by the Ministry of Justice on 30 March 2000, as well as the requirements pertaining specifically to bank executives, under Regulation No. 161 issued by the Ministry of the Treasury, Budget and Economic Planning on 18 March 1998.

It should finally be noted that five members of Banca Generali's Board of Directors have been found to satisfy applicable independence requirements, in accordance with the principles set forth in the Corporate Governance Code for listed companies (issued by Consob in Notice No. DEM/10078683 of 24 September 2010, and equivalent to the standards contemplated in Article 148, paragraph 3, of TUF) and pursuant to Article 16, paragraph 1, subpara-

graph (d) of Consob Rules on Markets.

Members of the Board of Directors are appointed on the basis of lists of candidates. Those shareholders who alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company by current applicable regulations are entitled to submit a list. As established by Article 144-*quater* of the Consob Issuers' Regulation, this percentage is currently 1.00%. The appointment mechanism based on the so-called voting lists ensures transparency, as well as timely and adequate information on the personal and professional profiles of the candidates for directorships.

In order to ensure that the governing bodies includes persons capable of ensuring that the role assigned to them is discharged effectively, the Board of Directors, with the advisory support of the Nomination, Governance and Sustainability Committee, shall (i) define in advance the professional expertise required to achieve this result, (ii) define the qualitative and quantitative composition of company bodies (determining and justifying the theoretical profiles of candidates considered suitable, including as regards professional qualifications and independence) in relation to the bank's characteristics and (iii) verify that the outcome of the appointment process complies with the provisions on the optimal qualitative and quantitative composition, and (iv) subject the composition and functioning of the Board to periodic self-assessment. The results of the above analysis (i) and (ii) shall be submitted to the shareholders' attention in a timely manner so that the process of selecting and appointing candidates may take account of such indications.

Each Shareholder, as well as (i) Shareholders belonging to the same group, the latter term being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and each subsidiary controlled by, or under the common control of the said party, or (ii) Shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of TUF, or (iii) Shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework, may submit, either on their own or jointly with other Shareholders, directly or through third party intermediaries, or trust companies, a single list of candidates, on pain of disqualification of the list. The lists must contain a number of candidates, capable of ensuring gender balance, no higher than the number of members to be elected, listed by progressive number with a specific indication of the candidates who meet the statutory requirements of independence. Each candidate may appear on only one list, upon penalty of ineligibility.

The lists submitted by shareholders must be filed at the registered office no later than twenty-five days prior to the

date set for the Shareholders' Meeting in first call. Furthermore, the list will be available at the Company's registered office, on the corporate website and in any other forms required by applicable laws and regulations no later than twenty-one days prior to the date set for the Shareholders' Meeting in first call.

If the outgoing Board of Directors submits its own list, the Nomination, Governance and Sustainability Committee expresses an opinion on the appropriateness of the candidates proposed by the outgoing Board in exercise of its discretion. The list submitted by the outgoing Board must be lodged with the Company's registered office and published on its website, as well as using other means, no later than the deadlines imposed for such publication under applicable statutory and regulatory provisions. Within the term specified for the publication of the lists by the Company and in order to prove their entitlement to submit lists, shareholders shall file the documentation proving legal ownership of their shareholdings, in accordance with applicable laws and regulations, at the Company's registered office. Within the same term, shareholders who submitted the lists, shall also file at the Company's registered office: (i) information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; (ii) exhaustive information on the personal and professional features of the candidates included in the list; (iii) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; (iv) the declarations filed by each candidate, in which each candidate accepts his/her nomination and also certifies, under his/her own responsibility, the inexistence of causes of incompatibility and of ineligibility, possession of the requisites of integrity and professionalism which prevailing laws require for the office of director of the Company, as well as those of independence, if applicable, provided for by the law and by the codes of conduct promoted by companies managing regulated markets or by trade categories, to which the Company adheres.

Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and each subsidiary controlled by, or under the common control of the said party, or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of TUF as further amended, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) may contribute to the submission of only one list.

Should only one list be submitted all the members of the Board of Directors shall be appointed from the said list. Should, on the other hand, two or more lists be submitted, the first candidates on the list obtaining the greatest number of votes, equal to eight ninths of the number of members of the Board of Directors determined by the Shareholders' Meeting — with rounding down in the case of split number — will be elected Board members. In the case where the number of Board members belonging to the gender less represented, and appearing on the list that obtained the highest number of votes, is lower than the num-

ber required under applicable statutory provisions, the elected candidate with the highest serial number, and belonging to the more represented gender, shall be excluded. The eliminated candidate shall be replaced by the following candidate belonging to the gender less represented and appearing on the same list as the eliminated candidate. In the case where it is not possible to draw from the list obtaining the highest number of votes, the required number of Directors belonging to the gender less represented, the Board seats in question will be filled by appointments made by the General Shareholders' Meeting, by majority vote. The remaining directors will be taken from other lists, not linked in any way, not even indirectly, with the shareholders who submitted or voted for the list which gained the highest number of votes, and to this end the votes obtained by said lists will subsequently be divided by one, two, three and so on, according to the number of directors to be elected. The ratios obtained in this way will be progressively assigned to the candidates of each of the lists, according to the respectively established order of said lists. The ratios thus attributed to the candidates of the various lists will be set out in a single decreasing list. In the event of votes being equal between two or more lists, the younger candidates will be elected until all the posts to be assigned have been filled.

Should at the end of voting it emerge that a sufficient number of independent Directors, within the meaning of applicable regulations, has not been elected, the director bearing the highest serial number in the list that obtained the greatest number of votes, and who does not meet the requirements of independence, shall be replaced by the next candidate on the same list, who does meet the said requirements. If necessary, this procedure shall be repeated until all the vacancies of independent directors on the Board, have been filled. Should it not be possible to cover all the vacancies on the Board, even after following the procedure mentioned above, the Shareholders' Meeting shall immediately proceed with the appointment of the remaining directors, at the proposal of the shareholders in attendance and by resolution approved by simple majority.

Upon the conclusion of the appointment process, the Board of Directors (with the advisory support of the Nomination, Governance and Sustainability Committee) shall conduct a thorough, formal review that the actual outcome of the appointment process corresponds to the qualitative and quantitative composition deemed optimal.

If during the term of office one or more Board members should leave office for whatever reason, they will be replaced according to the procedures established by law. If the leaving director was taken from the minority list that had obtained the greatest number of votes, replacement will occur with appointment of the first eligible candidate taken from the same list as the outgoing director and willing to accept office and belonging to the same gender or, where this is not possible, with the appointment of the first eligible candidate who is willing to accept office and belonging to the same gender, and taken, in serial order, from the list to which the first unappointed candidate belonged. The term of the replacement director shall expire together with the term of the directors in office at the time of the replacement Director's appointment to the Board.

Where it is not possible to proceed as described above, ei-

ther because of too few candidates being presented on the lists or as a result of non-acceptance of appointments, the Board of Directors shall co-opt, within the meaning of Article 2386 of the Civil Code, a director selected by the Board in accordance with the criteria established under law. The director thus co-opted shall remain in office through to the next Shareholders' Meeting that shall either confirm or replace him following the ordinary procedures and with ordinary majorities, in departure from the list-based voting system mentioned in this Article 15.

The Board is also required to appoint a Secretary who need not necessarily be a Board member.

The rules set out in current legislation apply to changes to the Articles of Association.

Bearing in mind that Implementing Criterion 5.C.2 of the Code leaves the decision of whether to adopt a succession plan for executive directors up to the discretion of the Board of Directors, on 15 December 2015, in accordance with Bank of Italy Circular No. 285 that states "Plans for the orderly succession of top managers (chief executive officer, general manager) in the event of the expiry of their terms of appointment or for any other reason or cause whatsoever, must be formalised within large or operationally complex banks, with a view to securing continuity of operations and avoiding economic and reputational repercussions", the Board of Directors adopted the Succession Planning Policy and the related Succession Plan.

In this regard, it is specified that the Board set out, preliminarily, in the aforementioned Policy, criteria and methods for identifying replacements for company members covered by succession planning.

Accordingly, the Succession Plan Policy establishes:

- (i) the methods of identifying replacements for the company members covered by the succession plan, if they are absent or unable to perform their duties, temporarily or permanently;
- (ii) the methods of identifying potential replacements for the company members covered by the succession plan, if the individuals concerned resign;
- (iii) the company organs and other parties involved in preparing the succession plan;
- (iv) the methods and times according to which the succession plan is subject to revision;
- (v) the methods and times according to which succession is implemented.

In relation to aforementioned point (iii) the Board of Directors, with the support of the Nomination, Governance

and Sustainability Committee, is the corporate body identified as being responsible for preparing the succession plan.

In addition, the Board of Directors with the support of the Nomination, Governance and Sustainability Committee is vested with responsibility for periodically assessing the succession plan defined and making the appropriate changes to it, taking account of the Bank's specific business and organisational needs.

On its meeting of 14 December 2016, the Board of Directors reviewed the Succession Plan Policy, bringing it in line with the current corporate governance structure.

As a result of the Policy's revision in terms of succession planning, the Board of Directors, being aware that a succession plan provides continuity and certainty for business operations and for selecting the best possible replacements, allowing relevant decisions to be taken as part of a structured process, completed a first update of the Succession Plan on 14 December 2016 and an additional more recent update on 6 November 2018 when it approved a succession plan for all positions reporting directly to the CEO, as well as for the Control Functions, in order to:

- > ensure that the natural processes for the changeover of key professional staff or personnel occupying roles of responsibility is managed appropriately;
- > safeguard business continuity in emergency situations;
- > place the business and its sustainability at the centre in terms of managerial continuity;
- > map the resources of value within the organisation, provide for their development in the short-medium term and ensure their loyalty.

More specifically the current Plan covers the following of-ficers:

- > Chief Executive Officer;
- > General Manager;
- > Deputy General Managers;
- > First management line;
- > Heads of control functions.

The resolution was taken with the support of the Nomination, Governance and Sustainability Committee (and of the Audit and Risk Committee only for the part regarding control function succession) which carried out a prior examination and analysis of the content to be submitted for the Board of Director's approval.

The Policy and the Plan are reviewed every year by the Board of Directors in order to ensure its long-term sustainability and effectiveness.

4.2 Composition of the Board of Directors (pursuant to Article 123-bis, paragraph 2, letter d), of TUF)

The Company's Board of Directors in office at the date of approval of this Report was appointed through the list voting system by the General Shareholders' Meeting held on 12 April 2018 and the term will end on the date of approval of the financial statements for the year ending 31 December 2020. In this regard, it is reported that the nomination of members was proposed to the aforesaid Meeting once their number (nine) had been determined and the period

of office fixed.

The General Shareholders' Meeting of 12 April 2018 appointed the members of the Board of Directors based on two lists submitted respectively by the majority shareholder Assicurazioni Generali S.p.A. and several Undertakings for Collective Investment in Transferable Securities under the aegis of Assogestioni.

The majority list submitted by Assicurazioni Generali S.p.A. included the following candidates: Giancarlo Fancel, Gian Maria Mossa, Cristina Rustignoli, Azzurra Caltagirone, Annalisa Pescatori (independent), Anna Gervasoni (Independent), Massimo Lapucci (Independent), Giovanni Brugnoli (Independent), and Angelo Venchiarutti (Independent). Pursuant to Article 15 of the Articles of Association, the General Shareholders' Meeting elected as members of the Board of Directors the first 8 candidates included in the list submitted by Assicurazioni Generali S.p.A. with the favourable vote of 74.595% of the share capital represented and enjoying voting rights at the General Shareholders' Meeting, and the only candidate (Vittorio Emanuele Terzi) included in the list submitted under the aegis of Assogestioni with the favourable vote of 25.189% of the share capital represented and enjoying voting rights at the General Shareholders' Meeting.

The Board of Directors met after the conclusion of the General Shareholders' Meeting and confirmed Gian Maria Mossa as Chief Executive Officer.

Thus at present, 8 of the current Directors have been elected from the list submitted by the majority shareholder that has received the highest number of votes and 1 has been taken from the list that is not linked, even indirectly, with the shareholders who had submitted or voted for the list that received the highest number of votes.

In the composition of the current Board of Directors, account was also taken of Law No. 120/2011 (as well as the guidelines contained in Section IV, Chapter 1, Heading IV of aforementioned Bank of Italy Circular 285 and Article 123-bis, paragraph 2, letter d-bis) of TUF), reserving a higher quota (4 Directors) than that required by legislation (a third of members of the less represented gender).

Table No. 2 contained in Annex 2 to this Report indicates the members of the Board of Directors, the office covered as at 31 December 2018 and other information concerning them and their attendance at the meetings of the Board and the Committees set up, as well as, in accordance with the provisions of the Corporate Governance Code, evidence of the number of directorships and auditorships that Banca Generali's administrative body members have notified that they cover in other companies listed in regulated markets (including foreign), in financial, banking and insurance companies and large corporations.

In order to ensure that the Board includes persons capable of ensuring that the role assigned to them is discharged effectively, the Board of Directors, with the advisory support of the Nomination, Governance and Sustainability Committee, shall: (i) define in advance the professional expertise required to achieve this result, (ii) define, in light of the bank's characteristics, the qualitative and quantitative composition of company bodies (determining and justifying the theoretical profiles of candidates considered suitable, including as regards professional qualifications and independence). The results of the above analysis have been submitted to the shareholders' attention in a timely manner so that the process of selecting and appointing candidates could take account of such indications. Moreover, upon the

conclusion of the process of appointing company bodies, the Board of Directors (with the advisory support of the Nomination, Governance and Sustainability Committee) checked that the actual result of the appointment process corresponds to the qualitative and quantitative composition deemed optimal.

The procedures for the appointment of the Board of Directors are regulated under Article 15 of the Articles of Association, which provide for, *inter alia*, an adequate gender balance, achieved via a replacement mechanism, where necessary, as detailed in paragraph

4.1. In adopting the purposes and objectives set forth in Law No. 120/2011 (so called "Pink Quota Law") and in light of a substantial equality that promotes gender balance and better access to board member positions of the under-represented gender, the Board of Directors established — in its report concerning the ideal qualitative and quantitative composition of the Board drawn up for the meeting convened on 12 April 2018 to appoint the new Board members — to ensure that at least one third of members belongs to the less represented gender as required by law. In addition, the aforementioned report defined the professional requirements that directors must possess, laying down additional features and professional requirements for the position of Chairman of the Board of Directors and the Chief Executive Officer, as described in greater detail in paragraph 4.1.

With regard to the age of directors, in light of best practices that are gaining ever more acceptance throughout the sector, it was recommended that Directors have different ages and that, at the time of their appointment, they do not exceed 65 years.

With regard to the composition of the Board of Directors — given that Banca Generali is subjected to management and coordination by another Italian company whose stock is listed for trading on regulated markets — pursuant to Article 16, paragraph 1, letter d) of the Consob Rules on Markets, the Board of Directors is made up of a majority (i.e. five) of Independent directors within the meaning of the aforementioned rules.

Pursuant to Article 36 of Law No. 214/2011, the Board of Directors has also verified, in respect of each Director, that there were no grounds of incompatibility upon their appointment. In this regard, the governing body's members are required to annually renew the attestation that they do not hold positions in the management, supervision and control bodies in enterprises or groups of competing enterprises so that the Board can carry out its own annual assessment. This assessment was last carried out, with a positive outcome, on 8 March 2019.

Summary information on the personal and professional profiles of the Company's Directors is provided below, with an indication, as recommended in paragraph 1.C.2 of the Code, of the directorships and auditorships held by the same in other companies listed on regulated markets, including overseas, as well as in large companies other than Group companies.

Giancarlo Fancel. Born in Portogruaro (VE) on 26 September 1961. After graduating in Economics from

the University of Trieste, and becoming a chartered accountant and certified auditor, he started his professional career in Reconta Ernst & Young, where he gained proven experience in the auditing field (1988-1999). In 1999, he joined the Generali Group as Head of Internal Audit, filling several positions and lastly becoming Head of Group Management Control. From January 2007 to April 2014, he held the position of Deputy General Manager, Joint General Manager and Chief Financial Officer of Banca Generali. He is currently Chairman of Genagricola S.p.A., director of Autovie Venete S.p.A., CFO of Generali Italia S.p.A and the Country Italy and director of other Generali Group companies. Since 23 June 2016, he has been Chairman of the Board of Directors of Banca Generali S.p.A.

Gian Maria Mossa. Born in Milan on 8 November 1974. After graduating in Economics and Commerce, he gained a significant experience in RAS, first in the Risk Management & Asset Allocation sector, and later within the Sales and Marketing Departments. In 2006, he joined Banca Fideuram as Manager of Products Development. He held roles of increasing responsibility until being appointed Head of Marketing, Sales and Private Development Department, directly reporting to the CEO. He joined Banca Generali in 2013 as Joint General Manager and in April 2016 he was appointed General Manager. Since 20 March 2017 he has been Chief Executive Officer and General Manager of Banca Generali. He currently holds the position of Director of GenertelLife S.p.A., CSE s.c.ar.l. and Assoreti.

Cristina Rustignoli. Born in Monfalcone (Gorizia) on 11 February 1966, she graduated in Law from the University of Trieste. In 1999, she was licensed to practice law. After working at Cassa di Risparmio di Gorizia (currently Friulcassa S.p.A.), in 2000, she joined Banca Generali where she held roles of increasing responsibility until becoming Central Manager, responsible for the Governance Area of the Banking Group. She is currently General Counsel of Generali Italia and Country Italy of Assicurazioni Generali, Chair of the Board of Directors of Generali Jeniot S.p.A, and Managing Director of Generali *Business Solutions*, Director of Alleanza Assicurazioni, Genertel S.p.A., GenertelLife and, since 23 June 2016, Non-executive Director of Banca Generali.

Giovanni Brugnoli. Born in Busto Arsizio (Varese) on 24 January 1970, he has always been actively engaged in entrepreneurial associations, in the Employers' Association of the Province of Varese, in which he was Vice President of the Young Entrepreneurs Group from 1999 to 2001 and President from 2001 to 2004, member of the Association's Board of Directors since 1999, member of the Executive Committee since 2001, Vice President from 2007 to 2011, and President from 2011 to 2015. Since 2011 he has been a member of the General Council of Confindustria. He is currently Chairman of the Board of Directors of Tiba Tricot S.r.l. and of Palatino S.r.l. and sole shareholder of Tiba immobiliare S.r.l. — companies all belonging to the Brugnoli Group. He is also a member of the Board of Directors of Cofiva S.p.A. and Chairman of Promindustria S.p.A, both of which belong to the Gruppo Industriali di Varese. Since 2009, he has been a member of the Board of Directors of the Association for LIUC and since 2010 a member of the

Managing Board of the University Carlo Cattaneo LIUC. He is Chairman of the Board of Directors of Industria e Università S.r.l. and Iniziativa Universitaria 1991, a member of the Board of Directors of Anemotech and of Previmoda Fondo Pensione, as well as a non-executive and independent member of the Board of Directors of Banca Generali since April 2012.

Azzurra Caltagirone. Born in Rome on 10 March 1973, after receiving a degree in Art History in London, she began her career in 2000 at the Caltagirone Group, as Deputy Chair of Caltagirone Editore, a position she continues to fill today. She is currently Deputy Chairwoman of Caltagirone S.p.A., Chief Executive Officer of *Il Messaggero* and Chair of *Il Gazzettino*. She sits on the boards of directors of Cementir Holding, other Caltagirone Group companies and Fondazione Musica per Roma. She has been a non-executive director of Banca Generali since June 2016.

Anna Gervasoni. Born in Milan on 18 August 1961, she graduated with honours in Economics at the Bocconi University in Milan. She is currently a tenured professor of Economics and Business Management at the University Cattaneo - LIUC, where she is responsible for the "Master in Merchant Banking and Private Capital" and Director and Member of the Academic Board of the "Centro sulla Finanza per lo Sviluppo e l'Innovazione" (Centre of Finance for Development and Innovation). Since 1986 she has been General Manager of AIFI, the Italian Private Equity, Venture Capital and Private Debt Association and since 2007 Chair of the Board of Directors of AIFI Ricerca e Formazione S.r.l. She is an Independent Director of Banca Generali and Generfid S.p.A., a Banca Generali Group company. In addition, she serves as Independent Director of Fondo Italiano d'Investimento SGR S.p.A., Sol S.p.A. and Lu.Ve S.p.A.

Massimo Lapucci. Born in Rome on 22 November 1969, he graduated in Economics at the La Sapienza University in Rome. After gaining extensive experience working in international management consulting firms, mainly in the banking and corporate finance sectors, among other things, he was M&A and Strategic Planning Manager at Ferrovie dello Stato Group as and Investment Director at Sintonia S.A. Currently, he is Secretary General of "Fondazione CRT" in Turin. He holds the same position at Fondazione Sviluppo e Crescita - CRT, a foundation focused on venture philanthropy and impact investing, and is also General Manager of OGR-CRT a centre for contemporary culture, research and business accelerator. He has been an independent Director of Banca Generali since April 2015 and also has extensive international experience on advisory boards and boards of directors in Europe and America, including Atlantia, RFI, and Tx Logistik, and at non-profit organisations.

He is Chairman of the European Foundation Centre in Brussels. He is also Deputy Chairman of ISI Global Science USA and of Agenda Social Impact per l'Italia. Since 2006 he has been a World Fellow and lecturer at Yale University, USA.

Annalisa Pescatori. Born in Rome on 20 July 1964, Annalisa Pescatori is Equity Partner of the law firm Grimaldi Studio Legale. After graduating *magna cum laude* in Law through the "La Sapienza" University of Rome in 1988, she

was admitted to bar in 1991 in Italy and obtained her licence to practice before the Italian Supreme Court in 2015. She is enrolled in the Milan Bar of Lawyers. In 1985, she earned a Diploma in Japanese Language and Culture through the Rome-based Italian Institute for the Middle and Far East (ISMEO). She has been serving as an independent Director of Banca Generali S.p.A. since April 2015 and of Seri Industrial S.p.A. since November 2018. Before joining Grimaldi Studio Legale, she was Equity Partner at the Milan-based law firm Studio Tonucci from 2012 to 2014, and from 2002 to 2011 at the law firm Studio Legale Grimaldi e Associati. Prior to 2002, she acquired experience as a practicing lawyer with the law firms Clifford Chance and Studio Bonelli e Associati. From 1991 to 1996, she was employed at IMI-Istituto Mobiliare Italiano S.p.A., as legal counsel to the Corporate Finance Department, and on Staff of the Deputy General Manager for Finance and the Finance and Equity Holdings Department.

Vittorio Emanuele Terzi. Born in Gravina di Puglia (Bari) on 16 August 1954, he graduated in Mechanical Engineering in 1979 and worked briefly at the EEC Environment Directorate in Brussels before joining Citibank in 1980 where he focused on wholesale banking and international project financing for 5 years. In 1985, he joined McKinsey & Company where was appointed Partner in 1990 and Director in 1996. In 1988 he managed the opening of the new offices in Rome. From 2004 to 2011, he was Managing Partner of McKinsey & Company's Mediterranean Complex. In 2014, he founded the consultancy firm Terzi & Partners which specialises in advising corporations and financial institutions on business strategy, M&As, corporate finance, and governance. He has been an independent director of Banca Generali S.p.A. since April 2015 of Value Italy S.p.A. In addition, he is Past President of the American Chamber of Commerce in Italy, President of NEV Mobility and Senior Advisor at BC Partners and Collier Capital.

Domenica Lista serves as Secretary to the Board of Directors.

Domenica Lista. Born in Bari on 24 September 1973, she has been General Counsel to Banca Generali since July 2016, and serves as Secretary of the Board of Directors. After obtaining a degree in Law from LUISS University of Rome, she pursued specialised legal studies with a focus on European Union law at Jean Moulin University in Lyon, after which she began her career in France. In 2000 she returned to Italy and performed various duties of a legal nature for leading consulting firms. She was admitted to the bar association in 2002. In 2004 she joined the Intesa Sanpaolo Group as Head of Legal and Corporate Affairs of the subsidiary Gest Line S.p.A. She then obtained a master's degree in Corporate Law before joining the UBI Banca Group in 2008, where she served in various managerial roles of increasing responsibility, until being appointed Head of Corporate Legal Affairs and Litigation of IW Bank Private Investment. As part of the role covered, she regularly takes part in seminars, workshops and other training events in the legal and corporate field; particularly on the matter of corporate governance, organised both at national and international level.

Diversity criteria and policies

Subject to the legal and regulatory provisions current from time to time, Banca Generali's Board of Directors, on 1 March 2018, adopted the "Diversity policy for members of Company Bodies".

Banca Generali recognises and reaps the benefits of diversity at the level of the Banking Group and its Company Boards, in all respects, including gender, age, qualification, competencies, training and professional background.

Accordingly, the aforementioned policy formally establishes the criteria and tools adopted by Banca Generali to ensure an adequate level of diversity of its company bodies, in accordance with the Diversity Policy adopted by the Generali Group and in compliance with applicable legislation, the Articles of Association and internal regulations.

The Policy formally lays down the criteria and methods of implementation currently adopted by Banca Generali to ensure an adequate level of diversity and inclusion among members of Company Bodies, with the aim of:

- a) ensuring a better understanding of stakeholders' needs and demands;
- b) reducing the risk of uniformity of opinion among members;
- c) increasing the efficacy and thoroughness of the decision-making process;
- d) enriching discussion within Company Bodies through additional competencies of a general and strategic or specific and technical nature provided by persons external to Banca Generali;
- e) encouraging dialogue, an essential component of considered, informed decisions;
- f) allowing members of Company Bodies to challenge the management's decisions constructively;
- g) fostering rotation within Company Bodies.

Banca Generali has always placed great emphasis on diversity and inclusion issues, regardless of the obligations imposed by primary legislation. In this regard, it should be noted that four members of the Board of Directors are of the less represented gender (more than required by current legislation) and Banca Generali also intends to adopt a Diversity Policy for its senior management and middle management in the near future.

Limit on positions at other companies

"Rules Regulating the Proceedings of Meetings of the Board of Directors of Banca Generali S.p.A." The "Rules on the Functioning of the Board of Directors of Banca Generali S.p.A." (the "**Board Rules**"), which were approved by the Board of Directors at their meeting on 16 February 2007 and amended on 1 March 2018 in accordance with section 1.C.3 of the Corporate Governance Code and Article 15, paragraph 3, of the Articles of Association, establish the maximum number of corporate positions a Director of the Company may hold. Such indications are summarised in the following table and take the following into account: (i) the different degree of a director's commitment in relation to the position held, (ii) the nature and size of the company in which the position is held, and (iii) whether the company is part of the Issuer's group or of a same group.

	LISTED COMPANIES			FINANCIAL, BANKING OR INSURANCE COMPANIES			LARGE CORPORATIONS		
	EXECUTIVE DIRECTOR	NON- EXECUTIVE DIRECTOR	STATUTORY AUDITOR	EXECUTIVE DIRECTOR	NON- EXECUTIVE DIRECTOR	STATUTORY AUDITOR	EXECUTIVE DIRECTOR	NON- EXECUTIVE DIRECTOR	STATUTORY AUDITOR
Executive Directors	-	5	-	-	5	-	-	5	-
Non-executive Directors	2	5	2	2	5	2	2	5	2

The Board of Directors' Rules also envisage that in determining the total number of companies in which appointees to the Company's Board of Directors hold directorships or auditorships, no account may be taken of companies belonging to the Company's Group, with the exception of corporations listed on regulated markets (including abroad), financial institutions, banks, insurance companies and large corporations. Appointments to the corporate organs of several companies belonging to a single corporate group, other than the Company's Group, are, in practice, generally considered as a single appointment, with the exception of corporations listed on regulated markets (including abroad) or large corporations (Article 5.4 of the Board of Directors' Rules).

As provided for by Implementing Criterion I.C.3 of the Corporate Governance Code, the Board, based on the in-

formation received from directors, reports annually and discloses in the corporate governance report the directorships or auditorships held by directors in the aforesaid companies.

The table below hence indicates the number of offices in the aforesaid companies covered by each Director based on criteria indicated in the Board of Directors' Rules as well as, in accordance with the format for preparing the corporate governance report and ownership structure, a full list of the administration and control positions that members of Banca Generali's administrative body have notified that they cover in other companies listed in regulated markets (including foreign companies), in financial, banking, insurance companies or large corporations.

NAME	FULL LIST OF OFFICES COVERED BY BANCA GENERALI DIRECTORS IN OTHER COMPANIES LISTED IN REGULATED MARKETS (INCLUDING FOREIGN), IN FINANCIAL, BANKING OR INSURANCE COMPANIES AND/OR LARGE CORPORATIONS			COMPANIES BELONGING TO THE ISSUER'S GROUP		NUMBER OF SIGNIFICANT OFFICES ACCORDING TO THE CRITERIA SET OUT IN THE BOARD OF DIRECTORS' RULES
	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS	STATUTORY AUDITOR	YES	NO	TOTAL
Giancarlo Fancel <i>Chairman</i>		1) Alleanza Assicurazioni S.p.A. 2) Generali Investment Holding S.p.A. 3) Genagricola S.p.A. 4) Generali Business Solutions S.c.p.A. 5) Generali Italia S.p.A. 6) societa per azioni autovie venete		1) X 2) X 3) X 4) X 5) X 6) X		6
Gian Maria Mossa <i>Chief Executive Officer and General Manager</i>		1) GenertelLife S.p.A. 2) CSE Consorzio Servizi Bancari Societa Consortile a responsabilita limitata		1) X 2) X		2
Giovanni Brugnoli <i>Non-executive Director</i>	-	-	-	-	-	-
Azzurra Caltagirone <i>Non-executive Director</i>	1) Caltagirone S.p.A. 2) Caltagirone Editore S.p.A.	3) Aalborg Portland Holding AS 4) Cementir Holding S.p.A.			1) X 2) X 3) X 4) X	4
Cristina Rustignoli <i>Non-executive Director</i>		1) Alleanza Assicurazioni S.p.A. 2) Genertel S.p.A. 3) GenertellifE S.p.A. 4) Generali Italia S.p.A. 5) Generali Business Solutions S.c.p.A.		1) X 2) X 3) X 4) X 5) X		5
Anna Gervasoni <i>Non-executive Director</i>		1) SOL S.p.A. 2) Fondo Italiano d'Investimento SGR S.p.A. 3) LU-VE S.p.A. 4) Generfid S.p.A.			1) X 2) X 3) X 4) X	4
Massimo Lapucci <i>Non-executive Director</i>		1) Caltagirone S.p.A. 2) Atlantia S.p.A.			1) X 2) X	2
Annalisa Pescatori <i>Non-executive Director</i>		1) Seri Industrial S.p.A.			1) X	1
Vittorio Emanuele Terzi <i>Non-executive Director</i>		1) Value Italy SGR S.p.A. 2) Istituto italiano di tecnologia			1) X 2) X	2

Induction Programme

All Company Directors are fully aware of the duties and responsibilities attaching to their office and actively participate in initiatives designed to help them deepen their knowledge and grasp of Company operations and dynamics, so as to enable them to make fully informed decisions.

In accordance with paragraph 2.C.2. of the Code, the Chairman of the Board of Directors ascertained that the Directors and Auditors, after their appointments and throughout their office, participate in initiatives aimed at providing them with an adequate knowledge of the business sector in which the Issuer runs its activity, the corporate dynamics and the relevant evolutions, as well as the applicable regulatory framework.

In this regard, in compliance with Bank of Italy Circular No. 285 and the aforementioned provisions of the Code, the Bank has informed the Directors of the meetings held by the Trade Associations concerning matters regarding banking activity and Corporate Governance. The Chairman also convened the Board of Directors informally to discuss and examine topics of particular interest considered to be strategic for the Company's and the banking group's development.

In addition to the ordinary meetings, these sessions allowed company bodies to gain further knowledge of the Bank's business, and thus to provide better informed and

more incisive support for management of that business in view of the subsequent Board resolutions.

Induction meetings, at which the Board of Statutory Auditors was always present, provided an important opportunity for dialogue between management — including company control functions, depending on the subject discussed — and members of company bodies.

In 2018, particularly in the induction session held on 5 June 2018, an update was presented on the strategic projects included in the 2018-2020 Strategic Plan in order to discuss and examine topics of particular interest considered strategic for the Bank's and the banking group's development.

In addition, during November 2018, in the days prior to the Board meeting of 30 November 2018, the Chairman convened the Board informally to share and examine, also with the contribution of the Company's top management, all the topics reported in the "Banca Generali Investor Day 2018" document presented to the international financial community during the Banca Generali Investor Day held in London on 3 December 2018.

During these sessions the Board was able to examine and analyse collegially the most significant aspects of the Bank's strategic development objectives, so that all the possible indications and suggestions of Directors and Auditors could be acknowledged and finalised for subsequent presentation to investors.

4.3 Role of the Board of Directors (pursuant to Article 123-bis, paragraph 2, letter d), TUF)

The Board of Directors plays a central role in the Company's corporate governance system.

The Board of Directors, charged with strategic supervision, is vested with full powers of ordinary and extraordinary management of the Company. It has the authority to resolve on all matters pertaining to the corporate purpose that are not reserved to the exclusive competence of the Shareholders' Meeting. The Board is the only corporate organ empowered to pass resolutions on: the setting up or closure of secondary offices; appointment of the Board members vested with powers of corporate representation and signature; mergers in the cases permitted under law; and the amendment of the provisions of the Articles of Association that may be incompatible with new imperative regulatory requirements.

In accordance with Article 1, paragraph 1.C.1., letters (a), (c) and (f) of the Corporate Governance Code, Article 18 of the Articles of Association invests the Board with broad decision-making powers susceptible of significantly impacting the life of the Company and the Group, including, in particular, the power to define the general operating guidelines and approve the Company's strategic, industrial and financial plans, as well as transactions that could have a significant impact on the Company's equity or economic or financial position, including transactions with Related and Connected Parties; the power to define the Company's general organisational layout, approve and amend internal rules and regulations, as well as set up advisory or coordinating committees or commissions.

In detail, pursuant to the Articles of Association, save in the emergency situations contemplated in Article 18, paragraph 9 of the same, the Board alone is vested with decision-making powers in respect of: (a) establishing the general management policies, approving the Company's strategic, industrial and financial plans and the transactions of considerable economic, equity and financial importance, including with Related and Connected Parties; b) appointing, when it sees fit, a General Manager, Joint General Managers and Deputy General Managers, assigning their relative powers and deciding upon their retirement; c) appointing the Internal Auditor, after having heard the opinion of the Board of Statutory Auditors; d) appointing the Compliance Manager, after having heard the opinion of the Board of Statutory Auditors; e) upon hearing the Board of Statutory Auditors, the appointment and dismissal of the Manager in charge of the company's financial reports, the determination of the powers and resources thereof, as well as the supervision of the tasks carried out by the same and monitoring of actual compliance with administrative and accounting procedures; f) authorising company representatives fulfilling managerial, executive and supervisory roles to perform transactions or assume obligations of any kind with the Company or to carry out direct or indirect sales and purchases; g) purchasing or selling shareholdings that cause changes in the Banking Group or controlling or associative shareholdings; selling companies and/or company business lines; entering into agreements pertaining to joint ventures or strategic alliances; h) approving the organisational structure and any and all amendments to internal rules and policies; i) carrying out periodic checks to en-

sure that the internal control structure is respectful of the principle of proportionality and complies with strategic guidelines, and that internal control functions are afforded a sufficient degree of independence within the organisational structure and are endowed with adequate resources to allow them to function properly; l) carrying out checks to ensure that the system of information flows is adequate, complete and timely; m) drawing up guidelines for the recruitment and internal placement of Company executives; n) creating committees or commissions with control, consultation, recommendatory or coordination functions, also for the purpose of ensuring that corporate governance complies with prevailing recommendations on the matter, establishing the components, duration, powers and authority of said committees or commissions at the time they are set up; p) ongoing monitoring to ensure that the system of information flows amongst corporate organs is adequate, complete and timely; q) approving related party and connected party transactions, in accordance with the provisions set forth in the procedure adopted by the Company in compliance with applicable regulations governing such transactions.

The Board of Directors may approve highly significant related party transactions, even in disregard of the contrary advice of the independent auditors, provided that the transactions in question are authorised by the Shareholders' Meeting, within the meaning of Article 2364, paragraph 1 (5), of the Civil Code, pursuant to a resolution passed with the majorities contemplated in applicable regulations, and in accordance with the procedure adopted by the Company with regard to related and connected party transactions. With respect to transactions that could have a significant impact on the Company's equity, capital or financial position, the Board of Directors adopted a special regulation (Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance) that defines the general criteria for their identification and a specific authorisation process, which, in accordance with the regulatory provisions in force, also involves the Risk Management function which has to provide prior opinion. In general, the following transactions are identified as transactions of Greater Importance: (i) the issuance of financial instruments; (ii) the granting of personal guarantees and collateral on behalf of subsidiaries; (iii) the granting of loans to subsidiaries, real-estate investments and divestments, the acquisition and sale of equity investments, companies or business lines; (iv) mergers or demergers; (v) other transactions, the value of which is higher than 2.5% of the consolidated regulatory capital, which do not fall within the ordinary activities of the Bank and are not carried out at or near market conditions.

The Board of Directors of the Bank, in its capacity as Parent Company of the Banking Group, is also assigned exclusive competence over resolutions concerning the purchase and sale of shareholdings by subsidiaries belonging to the banking group, as well as the establishment of the criteria for coordinating and managing the banking group companies and for implementing the instructions issued by the Bank of Italy in the interest of group stability.

Finally, pursuant to the current regulatory framework governing companies providing investment services, the Board of Directors is tasked with drawing up corporate policies, measures, processes and procedures aimed at

containing risks and ensuring financial stability, as well as sound and prudent management. The Board of Directors is consequently in charge of: (i) identifying the objectives, strategies, risk profile, and tolerance thresholds of the Bank and the guidelines for the internal control system, by defining corporate risk management policies within the Risk Appetite Framework - RAF and by determining the corporate policies; it periodically checks its correct implementation and its consistency with business developments and the associated risks, paying special attention to the adequacy and effectiveness of the Risk Appetite Framework and the compatibility between actual risk and the risk appetite; (ii) ensuring that the remuneration and incentive system does not increase company risks and is consistent with the RAF and with long-term strategies; (iii) with respect to the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), defining and approving the general outline of the process, ensuring its consistency with the Risk Appetite Framework and promoting full use of results for strategic purposes and business decisions; (iv) ensuring that the strategic plan, Risk Appetite Framework, ICAAP, budget and internal control system are consistent with one another, considering the development of the external and internal conditions in which the Company operates; (v) approving, at least annually, the plan of activities and checking the reports of the control functions on the activities carried out; (vi) in compliance with the Remuneration Policies approved by the Shareholders' Meeting and with regard to company executives, entering into, amending and terminating the employment contracts of individual employees, as well as making decisions regarding the promotion, subjection to disciplinary measures and dismissal of the same; (vii) identifying and periodically reviewing the strategic guidelines and risks management policies relating to money laundering and financing of terrorism in a manner appropriate to the level and type of risks to which the Company Bank is actually exposed; (viii) ensuring, on an ongoing basis, that tasks and responsibilities concerning anti-money laundering and countering of the financing of terrorism are clearly and appropriately allocated, making sure that operational and control functions are separated and have qualitatively and quantitatively adequate resources; as well as approving education and training programmes for employees and collaborators.

Moreover, the "Board Rules" provide, *inter alia*, that:

- (i) pursuant to Article 1, paragraph 1.C.1 (c) of the Corporate Governance Code, the Board is bound to evaluate the appropriateness of the organisational, administrative and accounting layout of the Company and its strategic subsidiaries, with particular reference to the internal control and risk management system, in light of the information received from the competent corporate organs (Article 8.2 of the Board Rules). The Board periodically deliberates on the bank's organisational structure and assesses the functions aimed at guaranteeing the accurateness and efficiency of the bank's administrative and accounting system;
- (ii) pursuant to Article 1, paragraph 1.C.1 (c) of the Corporate Governance Code, the Board is bound to evaluate the appropriateness and effectiveness of the internal control and risk management system, taking due account of the Company's features and risk exposure. In this regard, the Board: (i) defines guidelines for the In-

ternal Control and Risk Management System so that the primary risks affecting the Company and its subsidiaries are properly identified and adequately measured, managed and monitored; moreover, through the approval of the Risk Appetite Framework, it also determines the degree to which such risks are compatible with management of the Company consistent with the strategic goals identified, on both an annual and a multi-year basis; (ii) assesses, with at least annual frequency, the adequacy of the Internal Audit and Risk Management System with respect to the Company's characteristics and the risk profile assumed, as well as the effectiveness of the System (Article 8.3 of the Board Rules). It approves the policies and regulations governing the functioning of the control functions, approves regulations on the management of the main risks to which the Group is exposed and the policy on conflicts of interest of the banking group that establishes procedures for handling such conflicts;

- (iii) the Board is bound to assess general management trends, with special emphasis on potential conflicts of interests and, periodically comparing results against expectations, in accordance with the provisions of Article 1, paragraph 1.C.1., letter e) of the Corporate Governance Code. The Board periodically assesses the Company's and the Group's operations, compares the results with budget forecasts and analyses any differences;
- (iv) since the Company is also the Parent Company of the Banking Group, the Company's Board is further vested with decision-making powers in respect of the acquisition and disposal of participating interests, as well as the policies for the coordination and management of Group companies and compliance with Bank of Italy instructions, with a view to ensuring the stability of the Group. The Board approved Group Rules that establish guidelines for interaction and information flows among Group companies.

Article 18 of the Articles of Association further empowers the Board to delegate its powers, in accordance with Article 1, paragraph 1.C.1. letter d) of the Corporate Governance Code, subject to the obligation binding especially any and all such delegates, to report to the Board of Directors, as well as the Board of Statutory Auditors, at least quarterly, in respect of the management trends and business activities of the Company and its subsidiaries, expected future developments, transactions susceptible of exerting a significant impact on the equity, economic and financial situation of Banca Generali and its subsidiaries, with specific reference to the transactions in which either the Company's Directors or third parties have an interest, or transactions influenced by the party exercising management and coordination powers over the Company, and decisions pertaining to lending policies.

Finally, in accordance with the Corporate Governance Code and surveillance regulations, the Board of Directors' Rules also establishes that the Board:

- > prior to the appointment of each new Board of Directors, or in the event of the co-option of directors, identify in advance the qualitative and quantitative composition of the Board deemed optimal by determining and justifying the theoretical profile of candidates considered appropriate and submitting it for the shareholders' attention in a timely manner;

- > after a new Board of Directors is appointed or directors co-opted, verify the correspondence between the qualitative and quantitative composition deemed optimal and the actual composition resulting from the appointment process;
- > in order to ensure the proper management of company information, adopt a procedure for the internal management and external disclosure of documents and information pertaining to the Company, with special regard to insider information.

Functioning of the Board of Directors

Article 17 of the Articles of Association establish that the Board of Directors meet, as a general rule, on a monthly basis.

On 16 February 2007, in order to ensure that the Board's operating procedures comply with the principles entrenched in the Corporate Governance Code and the supervising instructions issued by the Bank of Italy, the Board approved the the Board of Directors' Rules, amended at the Board Meeting held on 1 March 2018.

The above-mentioned Regulations establish, *inter alia*, that:

- (i) pursuant to Article 1, paragraph 1.C.2, of the Corporate Governance Code, without prejudice to the causes for inelegibility and disqualification, as well as limits on simultaneous offices established in laws and regulations, appointments to Board may only be accepted after the appointees have determined that they are in a position to devote the time required to ensure the diligent performance of their tasks and duties as Board members, also in light of their professional activities, the number of directorships or auditorships they may hold within other corporations listed on regulated markets (including abroad) and in financial institutions, banks, insurance companies and large corporations, as well as their other professional activities (article 5.2 of the Board Rules);
- (ii) the Chairman of the Board of Directors shall ensure that documentation pertaining to items of business on the agenda is brought to the attention of the directors and statutory auditors in advance of the date of the Board meeting (Article 4.2 of the Board Rules). In this regard, the latest version of the Rules, approved by the Board of Directors on 1 March 2018 in order to further improve the distribution of documentation prior to board meetings, introduced a new procedure for making documents available in view of board meetings based on the nature of the documentation itself; this procedure follows these principles: ordinarily, items on the agenda dealing with reporting matters and/or matters requiring a resolution shall ordinarily be sent 5 (five) calendar days before the scheduled date of the meeting; if the items concern matters strictly pertaining to the Bank's business — and normally require prior discussion within the Management Committees (not within the Board of Directors) — they shall be sent 3 (three) calendar days prior to the scheduled date of the meeting; items covered by special confidentiality requirements shall be sent (1) calendar day prior to the scheduled date of the meeting.

- (iii) even if management decisions have already been determined, guided or in any event influenced by a person or party exercising management and coordination powers in respect of the Company or by persons or parties acting pursuant to a shareholder agreement, each Board member shall be bound to exercise decision-making powers in total autonomy and independence, making decisions that are reasonably likely to result — as a priority objective — in the creation of value for shareholders, in the medium-to-long term (Article 7 of the Board Rules);
- (iv) pursuant to Article 1, paragraph 1.C.1, letter g), of the Corporate Governance Code, with at least annual frequency, the Board of Directors shall express an opinion of the functioning of the Board of Directors and its committees, as well as their size and composition, also considering factors such as the professional characteristics, experience, including managerial experience, and nature of its members, as well as their length of service, and the adequacy and effectiveness of the provisions set forth in the Board of Directors' Rules (Article 10 thereof).

The Board meetings are held periodically and, in general, once a month in compliance with the statutory requirements and pursuant to a schedule of works defined on an annual basis. In 2018, the Board of Directors met 17 times. On average, the meetings lasted approximately 3 hours. In the year underway a total of 11 Board meetings are scheduled; from the beginning of the year to the date of this Report, 4 have been held.

The attached table 2, annex *sub 2*), provides information on the attendance of Directors at the Board meetings held in 2018. Absentee Directors provided justification for non-attendance.

In accordance with the Board Rules and to encourage the development of mechanisms for the flow of information amongst and within company bodies aimed at achieving management efficiency and control effectiveness, the information flows involving company bodies are regulated by a specific internal company circular letter, approved by the Board of Directors. The aforesaid Circular lays down the timetable, procedures and contents of the information to be provided to the corporate bodies in question, and identifies the persons and parties bound to submit appropriately exhaustive reports on a periodic basis and/or upon request. The formal rules governing the structure of information flows (in particular towards the Board of Directors and Board of Statutory Auditors) officially establish the consolidated reports already in use at the bank, which are typically systematic and well organised in terms of form and content. These reports satisfy the necessity of providing a timely flow of information to the Board with regard to the exercise of powers delegated. They are revised on an ongoing basis as necessitated by legislation or operations. The preferred method for ensuring a flow of information towards Directors and Statutory Auditors is by making written documents available in a timely manner, especially reports, explanatory notes, memoranda, presentations, reports prepared by the bank's organisational units, other public and non-public documentation and accounting documentation intended for publication. The information reported through the procedures set forth above shall be supplemented (and

where necessary for reasons of confidentiality, replaced) by oral explanations provided to the Chairman, the Chief Executive Officer or members of the Bank top management, either at Board meetings or at informal gatherings open to Board members and members of the Board of Statutory Auditors, organised for the specific purpose of allowing the latter to discuss and acquire deeper insight into issues of interest in terms of the Bank's operations. Apart from matters over which the Bank's Board of Directors is vested with exclusive powers of decision and approval pursuant to law and the Articles of Association, reports to the members of the Board of Directors and the Board of Statutory Auditors shall focus primarily on: (i) general business performance and foreseeable developments, with an indication of departures from previous forecasts; (ii) activities undertaken, with specific reference to transactions that could have a particularly significant impact on the company's balance sheet, income statement and/or cash flow, related and connected party transactions, and atypical, unusual or innovative transactions, and the risks associated with each of the above; (iii) the internal control system and the level of Bank's exposure to all significant types of risk; (iv) the performance of the products placed and the relevant returns; (v) the performance of lending activities; (vi) the performance of the bank's investing activities; (vii) any and all other activities, transactions or events deemed worthy of the attention of the Board of Directors and the Board of Statutory Auditors. As an additional contribution to the promotion of methods for circulating information among the Corporate Bodies with the aim of achieving management efficiency and control effectiveness, at its first meeting of 2013, the Board adopted a digital application aimed at ensuring the secure distribution of digital documents to the members of Banca Generali Board of Directors and Committees, through iPad, tablets and PC platform. The application general features enable the exchange of documents without e-mails and printing on paper, while ensuring maximum security and confidentiality of the documents on the Board's agenda. In fact, (i) all communications to and from devices are encrypted, (ii) the authentication process involves the use of Personal Identification code (PIN), (iii) all documents on the devices (iPad, tablets, and/or PC) are encrypted and (iv) the documents cannot be retrieved and consulted without the application and the security key (in case the device is lost or stolen).

In keeping with the duties attributed to the Board by the Articles of Association and the supervisory regulations governing banks' activity in Italy, the Board of Directors, in addition to the tasks described in the different sections of this Report, performed, amongst other things, the following functions in the meetings held:

- a) deliberated periodically on the organisational structure of the Company and its functions that provide their services to the entire banking group of which the Company is the parent;
- b) examined general business trends, on a quarterly basis, especially in light of information received from the Chief Executive Officer and General Manager, as well as carried out quarterly comparisons of results achieved against expectations and forecasts;
- c) determined, as proposed by the Remuneration Committee and after hearing the opinion of the Board of Statutory Auditors, the remuneration of the Chief Executive Officer and General Manager; the Directors

serving on Board committees and other professional figures who can influence the risk profile of the Bank, as well as those responsible for control functions.

The meetings of the Board of Directors may be held by telephone or video conference and the Deputy General Manager participate in Board of Directors' meetings based on the topics on the agenda that fall into their remit and pertain to their role. Where the Chairman sees fit to do so, including upon the request of one or more directors, the executives of the Company and those of companies belonging to the banking Group who are in charge of company functions competent with respect to the subject matter concerned participate in meetings of the Board of Directors in order to provide the appropriate further clarification regarding items on the agenda.

With regard to Banca Generali subsidiaries, in order to ensure that effective and efficient management and control systems are in place also at consolidated level, all the companies of the banking group are currently closely integrated with the Parent Company.

This integration is evident in:

- i) the ownership structure, as the subsidiaries' share capital is fully owned by Banca Generali S.p.A.;
- ii) the composition of the governing and control bodies of the subsidiaries, whose members include various officers of the Parent Company with a view to ensuring that the latter's guidelines are effectively and efficiently imparted so as to allow for sound business administration without jeopardising the decisional autonomy of subsidiaries, whilst also providing for a uniform level of care, caution and concern in assessing risk-containment mechanisms and the system of checks and balances. Joint meetings of the Boards of Statutory Auditors of Italian group companies are periodically held so as to keep risks in check;
- iii) the organisational, administrative and accounting layout, as well as the control system adopted for the subsidiaries, featuring the centralisation of certain key functions within the Parent Company.

In its capacity as Parent Company and as part of its powers of direction and coordination as per the Civil Code, and specifically in Articles 59 et seq. of TUB and Title I, Chapter II, of Bank of Italy's Circular No. 285, Banca Generali discharges, in respect of the subsidiaries belonging to the Banking Group, the management and coordination functions related to the administration of the Group as a whole, determining and imparting instructions on how best the common business purpose is to be pursued by all the individual operating units comprising the Group, whilst ensuring the autonomy of each of the companies belonging to the Banking Group. Given that, under the sector-specific regulations in question, the Parent Company is to serve as the point of reference for the Bank of Italy with regard to all supervisory issues at Group level, appropriate organisational structures have been set up to ensure the implementation of and monitoring of ongoing compliance with Bank of Italy instructions and provisions within all Group companies.

Self-assessment

In line with the reference regulatory requirements, and, as provided by the internal procedure regarding the self-assessment process codified in Annex 2 of the Board of Directors' Rules, Banca Generali's Board, with the support of the external professional Egon Zehnder – appointed as an independent expert for the entire three-year period of office (having provided, in this sense, differentiated procedures in the three years⁴) –, carried out the annual self-assessment for 2018 on the functioning of the Board and its Committees, as well as on their size and composition (also known as the Board Review).

The self-assessment process was carried out in January and February 2019. In detail, all nine serving Directors (and the Chairman of the Board of Statutory Auditors) took part in the Board Review with the aim of carrying out a structured review of the effectiveness of Banca Generali's Board and Committees in operating terms and identifying the opportunities for further improvement, to optimise its planning and control role for a complex and continually evolving organisation.

The Board Review was conducted through:

- i) completion of a structured questionnaire based on the Bank's particular features and organised with the aim of gathering opinions about the functioning of the Board and its Committees;
- ii) direct interviews, to evaluate the individual contribution of each Director (in line with the recommendations of Borsa Italiana's Corporate Governance Committee, most recently with the letter of 21 December already brought to the Board's attention).

An analysis of corporate governance best practice (including international) has also been carried out on the functioning of the Board of Directors and a comparison made with the practices adopted by Banca Generali's Board.

On 1 March 2019, Egon Zehnder sent the document containing an analysis of the results, the actions proposed and Directors' comments (together with the questionnaire's analytical document in an anonymous and aggregate format indicating the graphically presented self-assessment results produced by the questionnaires). In this regard, the aforesaid document indicates: (a) the methodology and process followed; (b) the persons involved; (c) the evidence that emerged, illustrating the strengths and the areas for potential improvement.

The self-assessment process has revealed a positive picture. In brief, the Directors have expressed complete satisfaction and appreciation with the size, composition and functioning of Banca Generali's Board of Directors and Committees and, according to the independent expert's evaluation, the Board is operating in substantial conformity with the Corporate Governance Code and best market practice.

Almost all the Directors commented spontaneously on the "continuous improvement" attitude of the Board and

⁴ More specifically, the overall board review was pre-defined as follows: (i) self-assessment at start of term — with comprehensive analysis scope on size, composition, functioning of the Board of Directors — aimed at identifying the areas of possible improvement for the following years; (ii) mid-term follow-up focussed on critical areas and on the main activities carried out by the Board of Directors during the year; (iii) end of term board evaluation aimed at providing indications on the qualitative and quantitative profile of the next Board of Directors.

corporate support structures. In this sense, there are topics during the first year of office that required specif-

ic actions, the impact of which has been positively perceived.

4.4 Delegated organs

The Board of Directors has granted executive powers to the Chief Executive Officer, Gian Maria Mossa.

Chief Executive Officer

Pursuant to Article 18, paragraph 6, of the Articles of Association, the Board of Directors may, within the limits imposed under law and the Articles of Association, delegate non-exclusive powers to one or more Chief Executive Officers, establishing the powers and term in office of the same.

The Board of Directors met on 12 April 2018 and vested the Chief Executive Officer Gian Maria Mossa with the following powers:

1. implementing any and all Board resolutions;
2. supervising the Company's organisational structure;
3. elaborating the strategic guidelines set by the Board of Directors, implementing the Board's resolutions and organising the activities of the organisational units according to functional criteria based on the separation of duties that permit simultaneous and ex-post controls and, in any event, the determination of individual responsibilities;
4. in accordance with the Generali Group's processes and procedures, proposing the appointment of company officers to the governing bodies of companies controlled by Banca Generali;
5. implementing and ensuring the efficacy of the internal control and risk management system defined by the Board of Directors;
6. to determine and orient human resources management policies, within the framework of the guidelines established by the Board of Directors;
7. at the behest of the relevant company functions, where applicable, to examine and issue opinions on any and all transactions and business to be submitted for approval to the competent decision-making organs;
8. to make decisions concerning proprietary investment, within the decision-making limits established by the Company's Finance Rules;
9. to submit to the Board of Directors proposals concerning proprietary investments in excess of the decision-making limits set for the Chief Executive Officer;
10. to promote and coordinate the Company's communications strategies, enhancing the Company's public image and managing the press and media relations;
11. liaising with any and all public administration bodies, the Bank of Italy, the Italian market regulator Consob, as well as any and all national and international entities and organisations;
12. to represent the Company before any and all offices of the Financial Administration and to effect any and all tax filings and related formalities; to resist tax assessments and audits and to settle tax disputes;
13. to ensure the Company's assets and financial resources meet any and all applicable regulatory requirements;
14. forwarding to the Board of Directors the proposals and recommendations regarding the strategic plan, the an-

nual budget and the draft financial statements of the Company and the consolidated financial statements drawn up by himself in his capacity as the Chief Executive Officer upon proposal by the General Manager;

15. representing the Company at the shareholders' meetings of other companies and entities, exercising all the related rights and issuing all the related proxies for participating in the said general meetings;
16. bringing, defending and resisting legal action at any and all instances and degrees, before any and all national, Community or foreign ordinary, administrative and taxation courts, including appellate jurisdictions, and with the right to retain and dismiss counsel, making filings and motions, lodging complaints and claims, as well as withdrawing the same, authorising appearance as the injured party in criminal proceedings, initiating insolvency proceedings, in addition to proceeding at arbitration and filing claims and/or settling any and all disputes up to the maximum amount of 500,000.00 euros per dispute, without prejudice, however, to the provisions set forth in the following point in respect of lending;
17. to process and authorise the transfer of credit positions to bad loans, waiving totally or partially any loan granted, with the consequent waiver of any and all guarantees acquired, as well as issue any and all authorisations for the cancellation, subrogation, restriction, reduction and/or postponement of mortgages and/or liens and/or guarantees in rem, acting independently in case of transactions of up to the threshold of 100,000.00 euros, net of interest and expenses, in light of: the full exhaustion of any and all avenues of recourse for obtaining relief either individually or together with other creditors, or the futility of legal action for debt recovery in consideration of the economic and financial situation of the debtors or the out-of-court settlement of disputes to Company's satisfaction;
18. to book as losses, any and all liabilities incurred by the Company as a result of mistakes made by employees, up to an amount of no more than 100,000.00 euros per transaction;
19. within the framework of the budget approved by the Board of Directors, covering the Company's current expenses;
20. within the framework of the approved budget and up to the threshold of 700,000.00 euros for each individual asset, to acquire, dispose of, barter real estate and personal property, including those subject to registration, to collect amounts due by way of prices and to delegate, in whole or in part, the payment thereof, as well as the power to authorise payment by instalments with or without mortgage guarantees or hypothecation;
21. within the framework of the approved budget, to negotiate all the terms and conditions of and enter into, amend and terminate lease agreements and tender agreements, as well as agreements for rental, maintenance, supply, insurance, carriage, loan for use, security and transport services for cash and cash equivalents, brokerage, intermediation, advertising, agency and deposit services, as well as to enter into commitments for

the supply of tangible assets, the acquisition of intangible assets, and the procurement of services rendered by third parties or consultants or other professionals, up to the ceiling of 700,000.00 euros per transaction; in the case of multi-year transactions the aforesaid ceiling shall apply on a per annum basis, provided that the said multi-year transactions do not extend over more than 3 years, save in the case of finance leases and/or loans for use, and further provided that the aforesaid thresholds shall not apply to contracts with ordinary utilities companies providing essential services (electricity, telecommunications, etc) and the payments required pursuant to law;

22. to enter into agreements and commit the Company to expenditure in connection with advertising and/or promotional initiatives up to the ceiling of 700,000.00 euros per contract and/or commitment;
23. to set up, transfer or shut down secondary offices, representative offices and branches;
24. in accordance with the provisions of the Remuneration and Incentivisation Policy approved by the Company, defining the remuneration policies of financial advisor networks within the budget limits approved by the Board of Directors;
25. establishing guidelines for the granting of discounts, facilitations, reductions, etc. to customers;
26. to approve loans within the limits imposed from time to time under Lending rules adopted by the Company;
27. forwarding proposals for loans that exceed the limits of his powers, and processing any and all related deeds and documents;
28. within the framework of the pre-established budget and in compliance with Remuneration Policies issued by the General Shareholders' Meeting, entering into, amending and terminating the employment contracts of individual employees other than company executives, as well as making decisions regarding the promotion, disciplinary measures and dismissal of the same;
29. within the framework of the pre-established budget and in compliance with the Remuneration Policies approved by the General Shareholders' Meeting, proposing the execution, amendment and termination of employment contracts of individual managers, and to propose promotions, disciplinary measures and dismissals;
30. as limited to use of the Company's accounts for transactions relating to *i*) supply arrangements for goods and services, *ii*) arrangements with individuals, and *iii*) arrangements with legal persons outside SEPA, undertaking all transactions drawing on the Company's accounts and in particular making withdrawals in general, writing, where necessary, the related cheques or equivalent instruments drawn on cash balances according to the following methods and limits:
 - (i) by single signing authority, for transactions up to 100,000.00 euros;
 - (ii) by joint signing authority with either a Head of Department/Area or the Deputy General Manager, for amounts in excess of 100,000.00 euros.

Transactions relating to the following are excluded from the above methods and limits:

- > intragroup arrangements;
- > arrangements with banks, insurers, brokers and asset management companies;
- > arrangements with clearing houses;
- > arrangements included in the "accounts payable

process";

which are subject to the limits and methods established by internal regulations in effect from time to time;

31. to endorse and issue receipt for any and all securities, including, regardless of form, bills of exchange, cheques, money orders, securities and the like, as well as bills of lading and other deeds representing documentary credit, and equity and debt securities, and any and all other financial instruments and commercial paper in general;
32. within the limits of delegated powers and with prior approval of the decision by the relevant corporate organ, underwrite loans, agreements for the rendering of any and all types of banking services, financing, exemptions from liability in the case of the loss, theft and/or destruction of securities and cheques, personal guarantees, including performance bonds, payment bonds, suretyships, and commitments to honour bills of exchange;
33. to issue demand drafts;
34. executing cash withdrawals and advance notices of cash withdrawals on management accounts held with the Bank of Italy, and on the centralised treasury accounts mentioned in the Bank of Italy form 144 dir.;
35. signing all transactions provided for in Bank of Italy forms 145, 146, 147 and 148 relating to, among other matters, cash deposits to and withdrawals from the Bank of Italy, protests of cheques with clearing systems and interbank payment systems;
36. signing, on the behalf and in the name of the Company, any and all ordinary correspondence and deeds pertaining to the exercise of the powers assigned;
37. to concretely implement the provisions of subparagraphs (h), (i), (l) and (p) of Article 18 of the Articles of Association;
38. to exercise any and all powers conferred on him by the Board of Directors on an ad hoc or ongoing basis;
39. to delegate to third parties, who need not necessarily be Company employees, the completion of specific tasks or categories of tasks that fall within the scope of the powers conferred on him pursuant to the foregoing points, establishing, in advance, the limits to the powers thus delegated.

The above powers must be exercised within the framework of the guidelines and budget conditions established by the Board of Directors and will be revoked at the end of his term in office as Chief Executive Officer.

Pursuant to article 22 of the Articles of Association, the Chief Executive Officer is vested with full powers to represent and sign on behalf of the Company in respect of any and all the powers vested in him.

Furthermore, in compliance with current regulations governing the provision of investment services, in light of his delegated powers and pursuant to the guidelines approved by the Board of Directors, the Chief Executive Officer is in charge of:

- > implementing the corporate policies, strategic guidelines, Risk Appetite Framework and business risk governance policies defined by the Board of Directors, within the operational limits established by the latter, and with the contribution of the risk management function;
- > monitoring on a continuous basis the implementation

of the risk management process, ensuring its consistency with the risk appetite and risk governance policies, taking into account the changes in operating conditions both inside and outside the Bank;

- > facilitating the development and spread at all levels of the Bank of an integrated culture of risk;
- > ensuring the information flows, as defined by the Board of Directors, aimed at ensuring that the corporate bodies and control functions are informed of the most relevant management events, including ensuring full knowledge and governability of risk factors and verification of compliance with the Risk Appetite Framework;
- > planning the actions necessary to ensure, on an ongoing basis, the completeness, adequacy, functionality and reliability of the internal control system, monitoring compliance with it on an ongoing basis;
- > implementing any necessary corrective actions if deficiencies or anomalies come to light with regard to the tasks and duties of company structures, on the basis of information received from the Board of Directors;
- > ensuring that all the staff concerned are given timely notice of corporate policies and procedures;
- > overseeing the implementation of the process to approve investments in new products, the launch/distribution of new activities, products or services or entry into new markets, preparing the necessary adaptations;
- > ensuring the ongoing implementation of processes for the assessment of corporate activities, with specific regard to financial instruments;
- > implementing the Internal Capital Adequacy Assessment Process (also referred to as ICAAP), ensuring that it is in line with the strategic policies, the Risk Appetite Framework and the guidelines drawn up by the Board of Directors and meets the requirements imposed under the prudential supervisory provisions for banks;
- > implementing the Internal Liquidity Adequacy Assessment Process (also referred to as ILAAP), ensuring that it is in line with the strategic policies, the Risk Appetite Framework and the guidelines drawn up by the Board of Directors, and meets the requirements imposed under the prudential supervisory rules for banks;
- > with specific reference to credit and counterparty risks — in line with the strategic guidelines established by the Board of Directors — approving specific guidelines designed to ensure both the effectiveness of the system for managing risk mitigation techniques and compliance with the general and specific requirements of such techniques;
- > ensuring the implementation of the company's policy for the outsourcing of business functions;
- > ensuring that the internal procedures, responsibilities and corporate structures and functions are defined, implemented and updated in order to avoid the unintentional involvement in money laundering and financing of terrorism; in this area, his other duties include defining the reporting procedure for suspicious transactions and other procedures aimed at ensuring the timely discharge of disclosure obligations to the authorities provided for in legislation governing money laundering and financing of terrorism; defining the information flows aimed at ensuring that risk factors are known by all corporate structures involved and the bodies with control responsibilities; approving training and education programmes for employees and external staff;
- > ensuring that the information system is complete, ade-

quate, effective, efficient and reliable and, in the event of anomalies, taking action with the service outsourcers so that they carry out the necessary corrective actions; furthermore, taking timely decisions in the event of serious IT security events or significant malfunctions, reporting information to the Board of Directors;

- > promoting the development and periodic monitoring of the Business Continuity Plan and its update when significant organisational, technological and infrastructure changes occur (as well as if any gaps or deficiencies are identified or new risks occur); approving the annual audit plan of business continuity measures and examining the test results report; reporting to the Board of Directors on the above matters;
- > authorising the assumption by employees of positions or functions at other companies, after consulting the Nomination, Governance and Sustainability Committee;
- > authorising the setting up, transfer and closure of branches, representative offices and secondary offices;
- > ensuring that the Recovery Plan is drafted and updated, monitoring the crisis indicators identified in the Plan, with the support of the Risk Management Department, and, if a crisis situation is declared, overseeing and coordinating management of the crisis and implementation of the recovery and reporting measures envisaged in the Recovery Plan, with support from the Management Committee.

On at least a quarterly basis, the delegated bodies will report to the Board of Directors and to the Board of Statutory Auditors on management performance and on the activities performed by the Company and by its subsidiaries, on the business outlook, on the most significant economic, financial and equity transactions implemented by the Company and its subsidiaries, as well as on decisions on the matter of credit disbursement and management, on which a report containing global figures must be provided.

By virtue of the powers assigned to him, Gian Maria Mossa is the Chief Executive Officer. He does not cover administration functions in any other listed issuer and the interlocking directorate situation specified in the Corporate Governance Code (Implementing Criterion 2.C.5. of the Code) does not apply in his regard.

Chairman of the Board of Directors

The Bank of Italy's Circular No. 285 highlights the importance of the role of the Chairman of the Board of Directors who is in charge of promoting internal debate, ensuring the balance of powers, and promoting the effective functioning of the corporate governance system, including with regard to the Chief Executive Officer and the other executive directors. He acts as interlocutor of the control body and of the internal committees. To this end, the Chairman, in addition to meeting the requirements provided for directors, must have the skills needed to fulfil the tasks assigned to this role. In order to effectively discharge this key function, the Chairman must play a non-executive role and must be free from operating responsibilities.

In compliance with the aforesaid requirements of the Bank of Italy, the Rules governing the Proceedings of the Board of Directors specifically regulates the procedures through

which the Chairman is to discharge his coordination and oversight functions aimed at ensuring not only the smooth functioning of the Board of Directors and the Shareholders' Meeting, but also the free and constant flow of information amongst Board members.

The General Shareholders' Meeting held on 12 April 2018 appointed Giancarlo Fancel Chairman of the Board of Directors. On the same date, the Board of Directors decided to grant the Chairman of the Board of Directors — in addition to the powers granted to him by the law and Articles of Association — powers to coordinate the activities of the Company's corporate organs, oversee the implementation of the resolutions approved by the Shareholders' Meeting and the Board, ensure the prompt and proper execution of the decisions made by the Chief Executive Officer, monitor business operations and compliance with strategic policy guidelines, as explained below.

1. monitoring the Company's overall performance and laying down management policies in concert with the Chief Executive Officer and General Manager;
2. laying down general guidelines for managing business operations in concert with the Chief Executive Officer and General Manager;
3. coordinating the smooth functioning of the Board of Directors and the General Shareholders' Meeting, by promoting internal dialogue and ensuring the balance of powers and circulation of information;
4. overseeing relations with public bodies, shareholders and managing the Company's public relations in general;
5. coordinating the Company's communication strategies, managing the company's public image and relations with the press or other media, in accordance with the guidelines provided by the Board of Directors and in line with the company's strategic plan and the Group policies on this matter.

Moreover, Article 18, paragraph 9, of the Articles of Association establishes that in the event of absolute, unavoidable urgency, where the matter cannot be delegated, the Chairman may take Board decisions, with the exception of those that cannot be delegated pursuant to law. The Board shall be informed of such decisions at the next Board meeting.

4.5 Other Executive Directors

Apart from the Chief Executive Officer no other Board member can be considered to be an executive director. It should be noted that the non-independent Directors do not serve in managerial capacities at the Parent Company a managerial role that also regards Banca Gen-

Pursuant to Article 22 of the Articles of Association, the Chairman of the Board of Directors is the legal representative and has the authority to sign on behalf of the Company before all legal and administrative authorities and third parties.

The Chairman of the Board of Directors has no management responsibilities and so performs no executive role. Similarly, he carries out no specific role in drawing up business strategies, does not have primary responsibility for managing the Company and holds no significant shareholdings in the Company's capital either directly or indirectly.

Report to the Board

The Chief Executive Officer and General Manager reports periodically to the Board of Directors with regard to activities carried out. Specifically:

- > usually, on a monthly basis:
 - (i) on any and all transactions that could have a particularly significant impact on the balance sheet, income statement or cash flow of the company or any of its subsidiaries;
 - (ii) on decisions pertaining to lending policies and, in general, on credit trend;
 - (iii) on property investments;
 - (iv) on the performance of sales and net inflows;
 - (v) on Banca Generali stock performance;
- > on a quarterly basis:
 - (i) on the general state of operations, the outlook for the Company and Group and comparisons with budget forecasts.
 - (ii) on activities carried out by the Company and the Group with related parties and connected parties;
 - (iii) on the type and performance of the managed products placed;
 - (iv) on the macroeconomic scenario and the definition of managed portfolios investment policies;
 - (v) on compliance with limits established for activities generating conflicts of interest within the portfolio management activity;
 - (vi) on the situation of litigations;
 - (vii) on the need to update risk allocations or provisions.

erali (more specifically, Giancarlo Fancel and Cristina Rustignoli serve in managerial positions at Generali Italia and in Country Italy, of which Banca Generali is not a part, as it is part of the structure of the Group's Chief Investment Officer).

4.6 Independent and Non-executive Directors

Considering that Banca Generali is subject to management and coordination by another Italian company with shares listed in regulated markets, the Board of Directors consists of a majority of independent directors (5 out of a total of 9 directors) pursuant to the provisions of Article 16, paragraph 1, letter d), of the Consob Rules on Markets.

Independent Directors are tasked with independently overseeing corporate management, and contributing towards ensuring that the company is administered in the interest of its shareholders and in accordance with the principles of good corporate governance (Article 12.5 of the Board Rules).

Moreover, Article 12.4 of the Board Rules requires the Board to be made up primarily of non-executive directors.

In accordance with the provisions of Article 2, paragraph 2.C.1 of the Corporate Governance Code, the Board Rules define executive directors as including:

- (i) the Chief Executive Officers of the Company or a strategic subsidiary thereof, including the respective Chairmen in the case where the same are personally vested with delegated powers or play a specific role in shaping corporate policy and strategy;
- (ii) Directors who also serve as executives within the Company or within a strategic subsidiary thereof, or even within the Parent Company, in the case where the position also involves Banca Generali.

Within the meaning of the definitions set forth above, the Company's Board of Directors at 31 December 2018 was made up of eight non-executive directors. This situation is confirmed on the date this Report is published.

In accordance with the Corporate Governance Code's recommendations, the number and authority of the non-executive Directors are such as to ensure that their judgement carries a decisive weight in the Board decisions taken.

The non-executive Directors contribute to the resolutions taken in the company's interest. By contributing their specific expertise, they encourage the adoption of well-considered and informed collegial decisions. The Board Rules require that non-executive Directors meet at least once a year without the other Directors.

In compliance with this requirement, Banca Generali's Independent Directors met separately on 12 April 2018 and on 23 January 2019, to discuss the following matters:

- (i) to discuss their greater alignment regarding important operating events, strategic projects and in general on matters within the Board's remit so that they can take more informed and well-considered decisions and make a more qualified contribution based on a complete set of information and therefore complement and contribute to the construction of Board resolutions, on a par with the independent directors who, due to their participation in internal Board Committees, benefit from prior involvement in the decision-making process;
- (ii) to facilitate the involvement and active participation of the non-executive Directors in defining strategic planning and the Three-Year Strategic Plan before presentation to the Board for approval;
- (iii) to discuss the most effective procedures for managing and receiving documentation before Board meetings.

The Company's Board of Directors includes 5 non-executive Directors, who are also independent within the meaning and provisions set forth in Article 16, paragraph 1 (d), of Consob Rules on Markets, which provides that no person, who sits on the Board of Directors of a company or body engaging in management and coordination activities in respect of the Company or the entity that exercises coordination and control, or of any listed companies controlled by such company or entity, and pursuant to the Corporate Governance Code (paragraph 3.C.1), as defined by Notice DEM/10078683 of 24 September 2010, which establishes that the independence requirements envisaged by the Corporate Governance Code can be considered equivalent

to those established by Article 148, paragraph 3, of TUF. These requirements are also envisaged by Article 13 of the Board Rules, pursuant to which, a Director may not, as a general rule, be considered independent in the following cases (although the same are not to be deemed imperatively applicable):

- a) directly or indirectly, including through subsidiaries, trust companies and third-party intermediaries, controls the Company or is in a position as to exert a significant influence over the same, or is party to a shareholder agreement under which one or more parties are afforded control of or a significant influence over the Company;
- b) is, or has been, in the preceding three financial years, a key executive of the Company or a strategic subsidiary thereof, or a company subjected to common control with the Company, or a company or body that, even together with others on the basis of a shareholder agreement, controls the Company or is in a position as to exert a significant influence over the same;
- c) directly or indirectly (for instance through subsidiaries or companies in which he serves as a key executive, or professional partnerships or consultancy firms in which he/she is a partner) maintains or has maintained in the previous financial year, significant commercial, financial or professional relationships with: (I) the Company or one of its subsidiaries or one or more of its key executives; (ii) a person or party that, either alone or together with others pursuant to a shareholders' agreement, controls the Company or — in the case where the said party is a legal entity or body corporate — with the key executives thereof; is or has been in the previous three financial years employed by one of the aforesaid entities;
- d) currently receives or has received in the previous three financial years, from the Company or a subsidiary or corporate parent thereof, significant compensation in addition to the "fixed" emoluments due to non-executive Directors of the Company, including as part of stock option or other plans linked to corporate performance;
- e) has been a Director of the Company for more than nine years during the past twelve years;
- f) is an Executive Director in another company in which an Executive Director of the Company also holds a directorship;
- g) is a shareholder or Director of a company or entity belonging to the network of the company or firm appointed as the Company's Independent Auditors;
- h) is a close family member of a person in one of the situations described above;

Pursuant to the above, the following are to be considered "key executives" of a company or an entity: the Chairman of the entity, the Chairman of the Board of Directors, the legal representative, the executive directors and key management personnel of the company or entity.

The Board Rules (Article 14), pursuant to the Corporate Governance Code (paragraph 3.C.4), require the Company's Independent Directors to meet at least once a year, without the presence of other Directors.

In compliance with the said requirement, Banca Generali's Independent Directors met separately on 11 December 2018 to discuss the following matters:

1. assessments on the strategy and trajectory of the Strategic Plan;
2. considerations on Governance.

In light of Article 3, paragraph 3.C.4, of the Corporate Governance Code, the Board Rules require the Board of Directors to carry out an assessment based on the criteria also set out in the Board Rules, the information and declarations submitted by the directors, or otherwise acquired by the Board. Such assessment has to be carried out upon appointment of a new Director who declares himself or herself independent to determine that the requirements for independence have been fully met, and on a yearly basis to ensure that such requirement continues to be complied with by all independent Directors.

The Board Rules (Article 13.8) also require the Board to assess the compliance with the independence requirements by examining all credit situations in which the bank is involved and related to the independent director in question.

The Board Rules also establish that the Chairman shall ensure that the Board of Statutory Auditors is afforded every opportunity and all the assistance the latter may

4.7 Lead Independent Director

The Company has not appointed a lead independent director within the meaning of Article 2, 2.C.3 of the Corporate Governance Code. This fact is considered to be consistent by the Company since the office of Chair of the Board of Directors is currently occupied by Giancarlo Fancel, current CFO of Generali Italia S.p.A. and Country Italy.

The Company feels that Mr. Fancel's role within Generali Italia S.p.A. does not entail potential conflict of interests or unchecked concentration of corporate decision-making powers. As a matter of fact, within Banca Generali,

request or require to independently verify the outcome of the aforesaid assessment, pursuant to Article 3, paragraph 3.C.5 of the Corporate Governance Code.

In compliance with the above-mentioned provisions, on 7 February 2019, the Board carried out the scheduled annual assessment of satisfaction of the requirements of independence and found that the Directors Giovanni Brugnoli, Anna Gervasoni, Massimo Lapucci, Annalisa Pescatori and Vittorio Emanuele Terzi qualified as independent directors within the meaning of articles 147-ter, paragraph 4, and 148, paragraph 3, of TUF, as well as in light of the requirements set forth the application criteria of Article 3 of the Corporate Governance Code, and pursuant to article 16, paragraph 1(d) of the Consob Rules on Markets. The Board of Directors announced the outcome of its assessments by issuing the related press release.

On the same date, the Board of Statutory Auditors, after examining the documentation provided, confirmed the results of the checks performed by the Board of Directors and determined that the criteria and procedures used to evaluate the independence of the independent Directors had been correctly applied.

Mr. Fancel is devoid of any responsibility in respect of business operations and corporate management, and is tasked only with overseeing and monitoring the implementation, by the Board of Directors, of the resolutions passed by the Shareholders' Meeting, as well as compliance by delegated corporate bodies with Board of Directors' resolutions.

Mr. Fancel's task is thus to oversee and monitor that the Company is managed in a way that is consistent with its strategic guidelines.

5. HANDLING OF CORPORATE INFORMATION

Members of the Board of Directors and the Board of Statutory Auditors shall handle with the utmost confidentiality any and all documents and information of which they may become aware in the discharge of their duties, and shall strictly comply with Company procedures for the internal handling and outside disclosure of the said documents and information.

On 18 July 2006, the Board of Directors approved, upon proposal of the Chief Executive Officer, the rules of conduct to be followed in the management and public disclosure of inside information (the “**Code on Inside Information**” or the “**Code**”), most recently amended by Board of Directors’ resolution dated 27 July 2017, in implementation of: (i) the provisions of TUF; (ii) the market abuse Regulation (EU) No. 596/2014, as amended and supplemented (“**MAR Regulation**”); (iii) of Legislative Decree No. 107 of 10 August 2018, in national implementation of the EU Regulation No. (EU) No. 596/2014; (iv) provisions on corporate disclosures of the Consob Issuers’ Rules; (v) the provisions on corporate disclosures as per the Rules of the Markets organised and managed by Borsa Italiana S.p.A. (“**Rules of the Market**”); (vi) the provisions on corporate disclosures as per applicable Instructions to the Rules of the Market (“**Instructions to the Rules of the Market**”); (vii) recommendations issued from time to time by Consob on corporate disclosures, including the *Guidelines “Management of Inside Information – Consob, October 2017”* (“**Consob Guidelines**”).

A copy of the Code on Inside Information is available on the website www.bancagenerali.com, section *Corporate Governance - Corporate Governance System - Company Regulations*.

The Code on Inside Information is aimed at effectively regulating the management and processing of inside information, as well as the procedures to be followed for forwarding, both within and outside the Company, documents and information pertaining to Banca Generali and its subsidiaries, with specific reference to Inside Information, as defined below. The purpose of regulating the processing of Inside Information is to avoid the untimely, incomplete or inadequate processing of such information, and to ensure that the said processing does not give rise to asymmetrical reporting of information to the public. The disclosure of Inside Information therefore allows for greater protection of the market and investors, by providing the same with adequate knowledge about the issuer, so as to enable them to make informed investment decisions.

Reporting obligations aimed at the disclosure of Inside Information in accordance with pre-established procedures are designed to avoid:

- a) the abuse or attempted abuse of Inside Information;
- b) recommendation or inducement of others to abuse Inside Information; and
- c) disclosure to others of Inside Information except in the normal course of the work, professional practice, function or office;

preventing certain parties or categories of parties from using information not available to the public to engage in speculative trading on markets, to the detriment of investors who do not have access to the said information.

The essential elements of the Code on Inside Information are summarised below.

Pursuant to Article 7 of the MAR Regulation, Inside Information is defined as information:

- a) of a precise nature, that is to say:
 - (i) which refers to a series of existing circumstances, or circumstances that it may reasonably be believed will occur, or to an event that has occurred or it may reasonably be believed will occur;
 - (ii) which is specific enough to enable a conclusion to be drawn as to the possible effect of said set of circumstances or said event on the prices of financial instruments or of the related derivative financial instrument. In the event of an extended process that is intended to implement, or gives rise to, a particular circumstance or event, this future circumstance or event — along with the intermediate stages of the process relating to the implementation or occurrence of the future circumstance or event — may be considered information which has a precise nature;
- b) which has not been made public;
- c) which relates directly or indirectly to Banca Generali or its subsidiaries; and
- d) which, if it were made public, would be likely to have a significant effect on the prices (price sensitive) of the financial instruments (as defined below) of Banca Generali or on the prices of the related derivative financial instruments, i.e., information a reasonable investor would be likely to use as a decision-making factor for investments.

The provisions set forth in the Code on Inside Information must be followed by the members of the Board of Directors and the Board of Statutory Auditors, the managers and the employees of Banca Generali and its subsidiaries, as well as any and all insiders, and that is to say, persons who, by virtue of the exercise of their employment or profession or by virtue of their official functions, have access on a regular or an occasional basis to inside information pertaining to Banca Generali and/or its subsidiaries (the “**Insiders**”).

When handling confidential information of which they have become aware in the performance of their official duties, company officers and informed persons are required to observe the utmost confidentiality and take every precaution to ensure that it is circulated within the business context without prejudice to the confidential nature of the information itself, until such time it is disclosed to the market in the manner provided for in the Code on Inside Information.

In compliance with the Media Relations Guidelines of the Banca Generali Group, the persons mentioned above are

strictly prohibited and barred from giving interviews to the media or issuing declarations in general containing Inside Information that is not included in notices/documents already made available to the public.

In compliance with the Banca Generali Group's Media Relations Guidelines, all relations with the press and media involving the disclosure of Inside Information must be expressly authorised by the Company's Chief Executive Officer and General Manager, after having heard the Chairman of the Board of Directors. Any and all relationships with financial analysts and institutional investors involving the disclosure of Inside Information must be channelled solely through the Investor Relations Service, which shall ensure the uniformity of the information to be divulged outside the Company.

The Code also requires the Head of the Investor Relations Service to prepare drafts of releases containing Inside Information regarding the Company or its Subsidiaries and, with the support of the Corporate Affairs and Relations with Authorities Department, to ensure due compliance with market disclosure requirements by seeing to the publication of press releases concerning the Inside Information, approved by the Company's Chief Executive Officer and General Manager, in consultation with the Chairman of the Board of Directors, according to the methods set out in the Issuers' Rules, Borsa Italiana Rules of the Market and the Instructions to the Rules of the Market, as well as the Code on Inside Information.

Banca Generali has also drawn up the Insider Register (the "Register"), in accordance with the provisions of MAR Regulation, and the Relevant Information List ("RIL") in compliance with Consob Guidelines.

Management of the Register and the RIL is entrusted to the General Counsel who is tasked with keeping and updating the Register with the support of the Corporate Affairs and Relations with Authorities Department.

Internal Dealing

On 18 July 2006, the Board of Directors adopted the Internal Dealing Code ("the Code"), most recently amended by resolution of the Board of Directors on 27 July 2017. The Code applies on a mandatory basis, as mandated, *inter alia*, by Article 19 of EU Regulation No. 596/2014 (**MAR Regulation**) and, where applicable, Article 114, paragraph 7, of TUF and Articles 152-*quinquies*(1) - 152-*octies* of the Issuers' Rules, the obligations and the related reporting flows relating to transactions undertaken by relevant persons ("**Relevant Persons**") and by persons closely associated with Relevant Persons ("**Persons Closely Associated with Relevant Persons**").

Relevant Persons are:

- a) the members of Banca Generali's governing and control bodies;
- b) those who carry out managing functions within the Company (such as general managers or persons with

equivalent powers), including the independent auditing firm, and the managers of the Company (i) who have regular access to inside information, as defined by Article 7 of MAR Regulation and Article 181 of the TUF, and (ii) are authorised to take management decisions that can influence the development and prospects of the Company, it being understood that — with regard to managers — the assessment of whether or not both the said conditions are met must be determined on a case-by-case basis;

- c) any other person who holds an equity interest, calculated according to the criteria laid down in Article 118 of the Issuers' Rules of at least 10% (ten percent) of the Company's share capital represented by shares with voting rights and all other persons who exercise control over the Company ("**Relevant Shareholders**").

The Code identifies Relevant Transactions as transactions involving Shares or other Financial Instruments Linked to Shares, undertaken on own account, directly or through an intermediary, by Relevant Persons or Persons Closely Associated with Relevant Persons.

Transactions undertaken by Relevant Persons and Persons Closely Associated with Relevant Persons to which reporting obligations apply include, but are not limited to, the following:

- a) purchase, sale, short sale, subscription and exchange;
- b) acceptance or exercise of an option, including an option granted to Relevant Persons as part of the remuneration to which they are entitled, and the sale of shares deriving from the exercise of an option;
- c) use of swap contracts involving equity indices or the exercise of such contracts
- d) transactions in derivatives instruments or related instruments, including cash-settled transactions
- e) participation in contracts for difference involving a financial instrument of the Company;
- f) purchase, sale or exercise of rights, including put options, call options and warrants;
- g) subscription for a capital increase or issuance of debt instruments;
- h) transactions in derivative instruments and financial instruments connected to a debt instrument of the Company, including credit default swaps;
- i) conditional transactions contingent on the satisfaction of conditions and the actual execution of transactions;
- j) automatic or non-automatic conversion of a financial instrument into another financial instrument, including the exchange of bonds convertible into shares;
- k) donations and gifts given and received and inheritances received;
- l) transactions in indexed products, baskets and derivative instruments, where so provided in Article 19 of MAR Regulation;
- m) transactions in shares or units of investment funds, including the alternative investment funds (AIFs) set out in Article 1 of Directive 2011/61/EU, where so provided in Article 19 of MAR Regulation;
- n) transactions undertaken by a manager of an AIF in which the Relevant Person or a close associate of the Relevant Person has invested, where so provided in Article 19 of MAR;

- o) transactions undertaken by third parties as part of a collective or individual portfolio management arrangement on account or on behalf of a Relevant Person or a close associate of a Relevant Person;
- p) borrowing or lending of units or debt instruments of the issuer or derivative instruments or financial instruments connected to derivative instruments

Pursuant to Article 19(7) MAR Regulation, transactions that must be notified also include:

- a) the pledging or lending of financial instruments by or on behalf of a Relevant Person or a Person Closely Associated with a Relevant Person;
- b) transactions undertaken by persons professionally arranging or executing transactions or by another person on behalf of a Relevant Person or a Person Closely Associated with a Relevant Person, including where discretion is exercised;
- c) transactions made under a life insurance policy, defined in accordance with Directive 2009/138/EC, (where (i) the policyholder is a Relevant Person or a Person Closely Associated with a Relevant Person, (ii) the investment risk is borne by the policyholder and (iii) the policyholder has the power or discretion to make investment decisions regarding specific instruments in that life insurance policy or to execute transactions regarding specific instruments for that life insurance policy.

The following transactions are excluded from the definition of Relevant Transactions and thus are not subject to the reporting obligations that apply to Relevant Persons and Person Closely Associated with a Relevant Person:

- a) transactions that collectively do not exceed 20,000 euros (twenty thousand) in a solar year. The threshold of 20,000 (twenty thousand) euros is calculated by adding together all Transactions undertaken during a single calendar year, without offsetting. After each report, transactions the total amount of which does not reach an additional 20,000 (twenty thousand) euros by the end of the year are not notified; the amount of the related derivative financial instruments is calculated in reference to the underlying shares;
- b) transactions between a Relevant Person and Person Closely Associated with a Relevant Person;
- c) transactions effected by the Company and its subsidiaries;
- d) transactions effected by a lending institution or an investment company, provided that they are part of the creation of a trading portfolio of such institution or company, as defined by Article 4, paragraph 1(86), of the Regulation (EU) No. 575/2013, and provided that the same party: (i) keeps its trading and market-making units separate from the treasury system and the units responsible for managing strategic equity investments from an organisational standpoint; (ii) is able to identify the shares held for trading and/or market-making, in a manner that may be subject to review by Consob, i.e., by holding such shares in a specific separate account; and, where it operates as market maker, (iii) is authorised by its home Member State pursuant to Directive 2004/39/EC to conduct market-making activity; (iv) provides Consob the market-making agreement with the market management company and/or the issuer as required

by the law and associated implementing provisions in force in the EU Member State in which the market maker conducts its activity; and (v) notifies Consob that it intends to conduct or conducts market-making activity on the shares of an issuer of listed shares; the market-maker shall also notify Consob without delay of the cessation of market making activity on those same shares.

A pledge, or a similar security interest, of financial instruments in connection with the depositing of the financial instruments in a custody account does not need to be notified, unless and until such time that such pledge or other security interest is designated to secure a specific credit facility.

The reporting obligations imposed under this Code shall apply even in the case of exercise of stock options by Relevant Persons, if the Shares acquired through the exercise of option rights, are re-sold on the market.

Persons closely associated with Relevant Persons are:

- a) spouses, unless legally separated, children, including those of the spouse, and, if they have cohabited for at least one year, parents, relatives and persons related by consanguinity or affinity of the Relevant Persons (“Relatives”);
- b) legal persons, partnerships and trusts in which a Relevant Person or one of the Relatives is solely or jointly responsible for the “management”;
- c) legal entities controlled directly or indirectly by a Relevant Person or a Relative;
- d) partnerships, the economic interests of which are essentially equivalent to those of a Relevant Person or a Relative;
- e) trusts set up in favour of a Relevant Person or a Relative.

The Internal Dealing Code also contains rules governing the handling and disclosure of information pertaining to Significant Operations.

Pursuant to Article 19(11) MAR Regulation, Relevant Persons may not conduct any transactions on their own account or for the account of a third party, directly or indirectly, relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked to them during a closed period of 30 (thirty) calendar days before the announcement of an interim financial report or a year-end report which the Company is obliged to make public according to the rules of the trading venue where the Company’s shares are admitted to trading or to national law (the “Blocking Period”).

Pursuant to Article 19(12) MAR Regulation, the Company may allow a Relevant Person to trade on its own account or for the account of a third party during a Blocking Period:

- a) on a case-by-case basis due to the existence of exceptional circumstances, such as severe financial difficulty, which require the immediate sale of shares; or
- b) due to the characteristics of the trading involved for transactions made under, or related to, an employee share or saving scheme, qualification or entitlement of shares, or transactions where the beneficial interest in the relevant security does not change.

In exceptional circumstances, the Relevant Person must be able to prove that the specific transaction cannot be undertaken at a time other than the Blocking Period. The Company conducts a case-by-case assessment of the written request from the Relevant Person and authorises the immediate sale of the shares if, and only if, the circumstances of the transactions may be regarded as exceptional, meaning that they are extremely urgent, unforeseen and pressing, are not attributable to the Relevant Person and are beyond his or her control.

The Board of Directors, within the limits imposed under applicable statutory provisions and during specific periods of the year, and/or in respect of particular events pertaining to the Company's life, may impose further prohibitions or restrictions on the conclusion of all or some of the Significant Transactions by all or some of the Relevant Persons.

Banca Generali's Board of Directors has identified its General Counsel as the officer responsible for implementation of the Internal Dealing Code.

6. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS (PURSUANT TO ARTICLE 123-*bis*, PARAGRAPH 2, LETTER D) OF TUF)

The Bank of Italy Circular No. 285 and the Corporate Governance Code set forth a recommendation for listed companies to set up certain Committees within their Boards of Directors, to be assigned responsibility for specific matters.

The roles of these Committees, set up for the purposes of improving the functioning of the Board, are primarily consultative and recommendatory

In particular, the Code recommends the setting up of an Internal Audit and Risk Committee, a Remuneration Committee and a Nomination Committee.

In accordance with the above, the Board of Directors set up *(i)* the Nomination, Governance and Sustainability Committee; *(ii)* the Remuneration Committee; *(iii)* the Audit and Risk Committee, requiring that all the aforesaid the aforesaid Committees be made up entirely of Non-executive directors and independent Directors.

7. NOMINATION, GOVERNANCE AND SUSTAINABILITY COMMITTEE

In accordance with point 5.P.1. of the Corporate Governance Code and pursuant to the “Prudential Supervisory Instructions for Banks” as per the Bank of Italy’s Circular No. 285, it should be noted that the Board of Directors convened upon the setting up of the Nomination, Governance and Sustainability Committee, vesting it with the tasks set forth in the said Code and the supervisory instructions, as described in detail hereinbelow.

The Nomination, Governance and Sustainability Committee is tasked with assisting the Board of Directors during the course of the procedure through which the Company chooses appointments, governance and sustainability.

The current Committee was appointed by the Board of Directors on 12 April 2018 and is made up as follows:

NAME AND SURNAME	OFFICE HELD (AS OF 8 MARCH 2019)
Massimo Lapucci	Chairman of the Committee Non-executive and Independent Director
Giovanni Brugnoli	Committee Member Non-executive and Independent Director
Annalisa Pescatori	Committee Member Non-executive and Independent Director

Domenica Lista, the Board Secretary, also serves as Committee secretary.

The three members of the same Committee are all Non-executive and Independent Directors.

The operating procedures of the Nomination, Governance and Sustainability Committee are set forth in the relevant Rules approved by the Board of Directors and published on the Issuer’s website.

The Committee’s responsibilities include advising and making recommendations and proposals to the Board of Directors on matters pertaining to appointments, governance and sustainability. More specifically, the Nomination, Governance and Sustainability Committee is entrusted with the following tasks. It:

- > supports the Board of Directors with advance identification of the qualitative and quantitative composition of the Board deemed optimal for the purposes of the nomination or co-option of directors. In this context, (i) it formulates opinions for the Board of Directors concerning the Board’s size and composition; (ii) it issues recommendations concerning professionals whose presence on the Board is deemed appropriate; (iii) it issues recommendations concerning the maximum number of positions as director or statutory auditor at companies listed on Italian and foreign regulated markets, at banks, finance companies, insurers or entities of significant size, that may be regarded as compatible with effective performance of the role of director of the issuer, also considering participation in the various committees and according to differentiated criteria based on the commitment associated with each role; and (iv) it proposes candidates for the office of director to the Board of Directors in cases of co-option, when independent directors need to be replaced;
- > supports the Board of Directors with subsequent verification of the compliance between the qualitative and quantitative composition deemed optimal and the effective composition resulting from the nomination process;
- > formulates opinions to the Board on resolutions concerning the replacement of members of the committees within the Board of Directors, which may become necessary during the Committee’s term of office;
- > supports the Board of Directors with the self-assessment process;
- > supports the Board of Directors with assessing the conditions set out under Article 26 of TUB;
- > supports the Board of Directors with defining succession plans for top managers;
- > expresses opinions on the designation of the directors and officers of subsidiaries
- > performs a prior review of the Corporate Governance and Ownership Structure Report;
- > expresses opinions concerning the acceptance by directors and officers of positions or functions at companies outside the Banca Generali;
- > supports the Internal Audit and Risk Committee with identifying the heads of company control functions to be nominated;
- > monitors the evolution of national and international regulations and best practices governing corporate governance matters, duly informing the Board of Directors of any significant changes;
- > verifies that the Banking Group’s corporate governance system complies with external laws and regulations, the recommendations laid down in the Corporate Governance Code for Listed Companies and the national and international best practices;
- > oversees all sustainability matters related to the Banking Group’s operations and the ways in which it interacts with all stakeholders, also fostering a culture of sustainability within the Bank and the Banking Group companies;
- > examines the general outline of the Sustainability Report and its content organisation, as well as the completeness and transparency of the information it provides, expressing its observations in this regard to the Board of Directors called to approve the said Report;
- > examines the Internal Regulations which are found to impact all stakeholders, also working in concert with the Audit and Risk Committee in the cases in which

the said Regulations regard the internal control and risk management system, and expresses observations thereof to the Board of Directors;

- > monitors the evolution of all matters related to the Banking Group's social, environmental and sustainability responsibility, also in light of the applicable international guidelines and standards;
- > prepares proposals regarding the Banking Group's environmental and social strategies, annual targets and goals to be pursued, while also monitoring their implementation over time.

The operating procedures of Nomination, Governance and Sustainability Committee are set forth in the relevant Rules of the Nomination, Governance and Sustainability Committee, approved by the Board of Directors and published for consultation on the website under section *Corporate Governance / Board Committees*.

In addition to Committee members, Committee meetings are attended by the Chairman of the Board of Statutory Auditors or another Auditor delegated with such task, it being understood that other Auditors may also attend. The Chief Executive Officer can also be invited to participate in meetings of the Committee, save during the discussion of matters regarding him.

Upon invitation, non-members may also attend Committee meetings so as to provide assistance with regard to specific items placed on the agenda.

Remuneration Committee members are appointed for a period that is coterminous with the term of the Board, and are entitled to annual remuneration plus an attendance fee payable for each meeting they attend.

In 2018 the Nomination, Governance and Sustainability Committee met 11 times. On average, the meetings lasted approximately one hour. In the year underway a total of 8 Committee meetings are scheduled; since the beginning of the year as at the date of this Report, 3 meetings were held.

The main activities carried out by the Committee in 2018 are listed below.

At its meeting of 9 February 2018, the Committee examined the following:

- (i) support for the Board of Directors with regard to the review of the legal requirements applicable to the Deputy General Manager Commercial Networks, Alternative and Support Channels;
- (ii) Preliminary assessment on the granting of powers to the Committee with regards to Governance and Sustainability.

At its meeting of 20 February 2018, the Committee examined the following issue:

- (i) Opinion on the proposed appointment of a company representative in the subsidiary Generfid.

At its meeting of 28 February 2018, the Committee examined the following:

- (ii) submission of the self-assessment document of the Board of Directors;
- (iii) recommendations on the optimal qualitative and quantitative composition of the Board of Directors.

- (iv) Granting of powers to the Committee with regard to Governance and Sustainability.

At its meeting of 19 March 2018, the Committee examined the following:

- (i) Amendments to the Rules of the Nomination Committee;
- (ii) Approval of Generali Banca's Charter of Sustainability Commitments;
- (iii) Approval of the Policy for the Environment and Climate;
- (iv) Opinion on the proposed appointment of some company representatives of companies of the Banking Group Banca Generali.

At its meeting of 20 April 2018, the Committee examined the following:

- (i) support for the Board of Directors concerning the review of legal requirements applicable to newly appointed company officers;
- (ii) support for the Board of Directors with regard to review of the satisfaction by the Board of Directors of the optimal qualitative and quantitative composition following the resolutions passed by the Shareholders' Meeting.

At its meeting of 10 May 2018, the Committee examined the following:

- (i) support for the Board of Directors with regard to the absence of situations of incompatibility involving company officers;
- (ii) proposed hiring of the new Anti Money Laundering Manager

At its meeting of 5 June 2018, the Committee examined the following issue:

- (i) disclosure on relevant personnel.

At its meeting of 23 July 2018, the Committee examined the following:

- (i) the proposal for amendments to the Articles of Association;
- (ii) assessment of the reputation requirements as per Commission Delegated Regulation (EU) No 2017/1946;
- (iii) the agreement for the consensual termination of the contract with Alessandra Rizzi.

At its meeting of 31 October 2018, the Committee examined the following issue:

- (i) presentation of the top management succession plan

At its meeting of 21 November 2018, the Committee examined the following:

- (i) disclosure on Sustainability Projects;
- (ii) 2018 Annual Integrated Report.

At its meeting of 5 December 2018, the Committee examined the following issues:

- (i) self-assessment of the functions and activities of the Board of Directors;

The proceedings of each meeting, coordinated by the Chairman, were duly recorded in minutes.

All the members of the Committee attended all the 11 meetings held in 2018.

Table 2 contained in the Attachment sub 2) to this Report provides information on the attendance rate of each member at the Committee meetings.

The Nomination, Governance and Sustainability 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, as well as avail of the services of outside consultants. In order for the Committee to carry out its duties, a specific item of 75,000 euros was provided in the budget for the current year.

8. REMUNERATION COMMITTEE

In accordance with point 6.P.3. of the Corporate Governance Code and pursuant to the “Prudential Supervisory Instructions for Banks” as per the Bank of Italy’s Circular Letter No. 285, the Board of Directors convened upon the setting up of the Remuneration Committee, vesting it with the tasks set forth in the said Corporate Governance Code and the supervisory instructions, as described in detail herebelow.

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 employed key personnel and personnel responsible for control functions.

The current Committee was appointed by the Board of Directors on 12 April 2018 and is made up as follows:

NAME AND SURNAME	OFFICE HELD (AS OF 8 MARCH 2019)
Giovanni Brugnoli	Chairman of the Committee Non-executive and Independent Director
Anna Gervasoni	Committee Member Non-executive and Independent Director
Vittorio Emanuele Terzi	Committee Member Non-executive and Independent Director

Domenica Lista, the Board Secretary, also serves as Committee secretary.

The three members of the Committee are all Non-executive and Independent Directors. At the time of appointment, the Board ascertained that Anna Gervasoni has adequate knowledge and experience in financial matters and Giovanni Brugnoli has adequate knowledge and experience in remuneration policies.

The operating procedures of the Remuneration Committee is regulated by the relevant Rules approved by the Board of Directors and available for consultation on the Issuer’s website under section *Corporate Governance / Board Committees*.

The Committee’s responsibilities include advising and making recommendations and proposals to the Board of Directors on matters pertaining to remuneration. More specifically, the Remuneration Committee is entrusted with the following tasks and responsibilities:

1. providing the Board of Directors with non-binding opinions and proposals on the determination of the remuneration of those who fill in the positions of Chairman of the Board of Directors, Chief Executive Officer and General Manager and any other executive directors, expressing opinions also on the setting of performance objectives linked to the variable component of remuneration;
2. 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;
3. being consulted on issues concerning the determination of criteria to be applied for the remuneration of all Key Personnel, as defined by the Remuneration and Incentivisation Policy adopted by the Company;
4. 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 General Manager, 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;
5. monitoring the implementation of decisions adopted by the Board of Directors, also providing the Board with general recommendations on the matter;
6. directly overseeing on the correct implementation of rules governing the remuneration of the Heads of corporate control functions, in close collaboration with the control function;
7. 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;
8. on the basis of the information received from the competent company functions, expressing opinions on the achievement of the performance objectives to which incentive plans are tied, and on the assessment of the other conditions established for the disbursement of remuneration;
9. formulating non-binding opinions and proposals concerning any stock options plans and shares assignment or other share-based incentivisation systems also suggesting the objectives relating to the granting of such benefits and the criteria for assessing the achievement of those objectives; monitors the evolution and application over time of any plans approved by the General Shareholders’ Meeting upon proposal of the Board of Directors;
10. expressing an opinion for the Parent Company’s Board of Directors on proposals relating to the remuneration of Directors entrusted with specific tasks in subsidiaries of strategic importance, pursuant to Article 2389 of the Civil Code, as well as general managers and key management personnel of the same companies;
11. preparing all documents to be submitted to the Board of Directors for the relevant resolutions;

12. 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;
13. participating into the General Shareholders' Meetings through its Chairman or another Committee's member;
14. ensuring appropriate functional and operational links with the relevant company structures in charge of preparing and monitoring remuneration and incentivisation policies and practices;
15. 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;
16. carrying out any and all other tasks and duties entrusted to the Committee by the Board through specific resolutions;

The procedures governing the functioning of the Remuneration Committee are set forth in the Remuneration Committee Rules approved by the Board of Directors.

Committee meetings are generally held at least twice a year and, in any event, with the timeliness necessary to allow a full treatment and discussion of any and all matters on which the Committee may be requested or required to report of the Board of Directors.

In addition to Committee members, Committee meetings are attended by the Chairman of the Board of Statutory Auditors or another Auditor delegated with such task, it being understood that other Auditors may also attend. Committee meetings are attended by the Chief Executive Officer (unless motions are dealt with in the meeting concerning his remuneration). Upon invitation, non-members may also attend Committee meetings so as to provide assistance with regard to specific items placed on the agenda.

Directors do not take part in Committee meetings at which recommendations in respect of their own remuneration are submitted to the Board of Directors. Remuneration Committee members are appointed for a period that is coterminous with the term of the Board, and are entitled to annual remuneration plus an attendance fee payable for each meeting they attend.

In 2018 the Remuneration Committee met 8 times. On average, the meetings lasted approximately one hour. In the year underway a total of 8 Committee meetings are scheduled; since the beginning of the year as at the date of this report, 2 meetings were held.

The main activities carried out by the Committee in 2018 are listed below.

At its meeting of 9 February 2018, the Committee examined the following:

- (i) report on the self-assessment of the remuneration and incentives system;
- (ii) motion to raise the ratio between the variable and fixed components of remuneration to 2:1 for some managers;
- (iii) assessment of the introduction of an LTI plan linked to the Banca Generali stock.

At its meeting of 28 February 2018, the Committee examined the following:

- (i) the 2018 incentivisation system;
- (ii) the Network Loyalty Plan for 2018;
- (iii) the LTI plan linked to the Banca Generali stock

At its meeting of 19 March 2018, the Committee examined the following:

- (i) assessment of the achievement of the access gate requirements and the objectives set forth by the MBO system for 2017 assigned to the Chief Executive Officer/General Manager, the Deputy General Manager Wealth Management, Markets and Products, other key personnel and heads of the control functions, and consequent definition of the related variable remuneration;
- (ii) verifying the achievement of the objectives at the end of the Long Term Incentive Plan for the period 2015-2017;
- (iii) verifying the achievement of the objectives in second year of the Long Term Incentive Plan for the period 2016-2018;
- (iv) verifying the achievement of the objectives in first year of the Long Term Incentive Plan for the period 2017-2019;
- (v) Remuneration Report: remuneration and incentivisation policies and report on the application of remuneration and incentivisation policies in 2017;
- (vi) determination of the 2018 Bonus Pool;
- (vii) determination of the number of own shares to be purchased in service of remuneration and incentive policies;
- (viii) addition to self-assessment of key personnel.

At its meeting of 10 April 2018, the Committee examined the following issue:

- (i) acknowledgement of the compensation package for members of key personnel.

At its meeting of 10 May 2018, the Committee examined the following:

- (i) 2018 BSC for key personnel;
- (ii) Methods for BSC application to all managers.

At its meeting of 5 June 2018, the Committee examined the following:

- (i) disclosure on relevant personnel;
- (ii) renewal of individual professional relationships of Managers and the related unilateral company's rules on supplementary remuneration and regulatory conditions for Managers subject to the provisions of the National Collective Labour Agreement (Credit Managers).

At its meeting of 23 July 2018, the Committee examined the following:

- (i) Regulation of the Long Term Incentive Plan of Banca Generali and identification of potential beneficiaries and relevant shares;
- (ii) proposal to renew the agreement of the Deputy General Manager Mr. Ragaini.

At its meeting of 15 October 2018, the Committee examined the following issue:

- (i) BSC of the new HR Manager.

The proceedings of each meeting, coordinated by the Chairman, were duly recorded in minutes.

All the Committee Members attended 7 out of the 8 meetings held in 2018. Table 2 attached in annex 2 hereto provides information on the attendance rate of each member at the Committee meetings.

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, as well as avail of the services of outside consultants. In order for the Committee to carry out its duties, a specific item of 75,000 euros was provided in the budget for the current year.

9. DIRECTORS' REMUNERATION

With reference to the information regarding executive and non-executive Directors, key management personnel, and indemnities in the event of resignation, dismissal or severance as a result of a takeover bid (Re. Article 123-*bis*, paragraph 1, letter i) of TUF), please see sections 4,5,6, and 7 included in the Annual Remuneration Report 2019, published

as part of the Remuneration and Incentivisation Policies of the Banking Group and Report on the Implementation of the 2018 Remuneration and Incentivisation Policies, pursuant to Article 123-*ter* of TUF, Article 84-*quater* of the Consob Issuers' Rules and the rules set forth by the Bank of Italy's Circular No. 263.

10. INTERNAL AUDIT AND RISK COMMITTEE

The Board of Directors has endowed itself with an Internal Audit and Risk Committee made up of four Board members, all of whom are non-executive and independent, vest-

ed with consulting and recommendatory functions. The current Committee was appointed by the Board of Directors on 12 April 2018 and is made up as follows:

NAME AND SURNAME	OFFICE HELD (AS OF 8 MARCH 2019)
Anna Gervasoni	Chairwoman Non-executive and Independent Director
Massimo Lapucci	Committee Member Non-executive and Independent Director
Annalisa Pescatori	Committee Member Non-executive and Independent Director
Vittorio Emanuele Terzi	Committee Member Non-executive and Independent Director

The Board of Directors ascertained that Vittorio Terzi has adequate experience in accounting and finance, Annalisa Pescatori has adequate experience in the field of risk management, while Massimo Lapucci and Anna Gervasoni have adequate experience both in accounting and finance, and in risk management.

Domenica Lista, the Board Secretary, also serves as Committee secretary.

The operating procedures of Audit and Risk Committee are set forth in the relevant Rules approved by the Board of Directors and published on the Issuer's website under section *Corporate Governance / Board Committees*.

The Committee is charged with the following tasks and powers: (i) the task of supporting the Board of Directors with adequate investigative activity in its evaluations and decisions concerning the internal control and risk management system and the approval of periodic financial reports; (ii) advisory powers in the area of related party transactions, in accordance with the terms and conditions established by the related party transaction procedure approved by Banca Generali (the "**Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance**") pursuant to current laws and regulations; and (iii) advisory and investigative powers in relation to the Board of Statutory Auditors in the area of the statutory auditing of the accounts, pursuant to Italian Legislative Decree 39 of 27 January 2010, (iv) as well the advisory power and task of supporting the Board of Directors with regard to equity investments, in compliance with the Equity Investment Management Policy, approved by Banca Generali.

With reference to the internal control System, the Committee assists the Board of Directors in laying down the guidelines of the internal control and risk management system, periodically checking that said system is adequate to the bank's characteristics and risk profile, reviewing its effective functioning and also ensuring that the major company risks have been identified, adequately measured, managed and monitored, as well as determining the degree to which such risks are compatible with management of the enterprise in accordance with the strategic goals identified, in liaison with the responsible company functions.

In such regard, the Committee:

- 1) supports the Board of Directors in determining the strategic guidelines, guidelines of the internal control system and risk governance policies, with a particular focus on all activities instrumental and necessary to allowing the Board of Directors to arrive at an accurate, effective determination of the Risk Appetite Framework and risk governance policies;
- 2) within the context of the Risk Appetite Framework, plays a necessary evaluative and propositional role to ensure that the Board of Directors is able to define and approve the risk objectives (risk appetite) and tolerance thresholds (risk tolerance);
- 3) supports the Board of Directors in establishing policies and processes for the assessment of company activities, including verification that price and conditions of transactions with customers are consistent with the business model and risk management strategies;
- 4) supports the Board of Directors with periodic verification of the adequacy of the internal control and risk management system with respect to the characteristics of the company and risk profile assumed, and the system's effectiveness;
- 5) without prejudice to the competencies of the Remuneration Committee, determines that the incentives underlying the Bank's remuneration and incentivisation system are consistent with the RAF;
- 6) with the contribution of the Nomination Committee, identifies and proposes the heads of the company control functions to be appointed and expresses an opinion of their dismissal, where applicable;
- 7) monitors the independence, adequacy, efficacy and efficiency of the Internal Audit, Compliance and Risk Management functions;
- 8) ensures that the Internal Audit, Compliance and Risk Management functions possess adequate resources to discharge their duties;
- 9) examines the activity plans and annual reports prepared by the Heads of the Compliance, Internal Audit and Risk Management functions, before they are presented to the Board of Directors;
- 10) verifies that company control functions comply properly with the indications and guidelines established by the Board of Directors;
- 11) assists the Board of Directors in preparing the coordination document provided for in Title IV, Chapter 3, of Bank of Italy Circular Letter No. 285;

- 12) expresses assessments and formulates opinions for the Board of Directors concerning observance of the principles with which the internal control system and company organisation must comply and of the requirements that must be satisfied by company control functions, bringing attention to any weaknesses and the resulting corrective actions to be promoted, assessing any related proposals by the General Manager;
- 13) contributes, through assessments and opinions, to the definition of the company's outsourcing policy for company control functions in accordance with Title IV, Chapter 3, of Bank of Italy Circular Letter No. 285;
- 14) expresses opinions on specific aspects pertaining to the identification of the main corporate risks;
- 15) assesses, together with the Manager in charge of the company's financial reports and after having heard the Independent Auditors and the Board of Statutory Auditors, the sound application and consistency of the accounting principles for the purpose of preparing the consolidated financial statements;
- 16) requests that the Internal Audit, Compliance or Risk Management functions (according to their various specific competencies) perform checks on specific areas of operation while simultaneously notifying the Chairman of the Board of Statutory Auditors thereof;
- 17) reports to the Board of Directors on its activity and the adequacy of the internal audit and risk management system, during the Board meetings called to approve the annual and half-yearly financial statements;
- 18) can be consulted for assessment of the specific transactions entailing direct or indirect conflict of interest;
- 19) performs the other duties entrusted to it by the Board of Directors.

Regarding related party and connected party transactions, in compliance with the provisions set forth in the Regulations on related party transactions approved by Consob with Resolution No. 17221 of 12 March 2010, as further amended and extended by Consob Resolution No. 17389 of 23 June 2010, and as required pursuant to the New Regulations for the Prudential Supervision of Banks, Bank of Italy's Circular No. 263/2006, as well as in compliance with the Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance, the Committee:

- > in respect of Moderately Significant Related Party Transactions, as defined in the Related Party and Connected Party Transaction Procedure, express, in the manner and form and in accordance with the deadlines established in the Procedure, a non-binding opinion, duly supported by grounds, on the extent to which it is in Banca Generali's interest to effect each such transaction, as well as on the fairness and substantive correctness of the related terms and conditions;
- > in respect of Transactions of Greater Importance, as defined in the Procedure for Related Party and Connected Party Transactions: (i) playing an active role in the preliminary fact-finding and negotiation phases of each such transaction, including by seeking information from and/or forwarding comments and observations to any and all the persons and parties involved in the said phases; and (ii) expressing, in the manner and form and in accordance with the deadlines established in the Related Party and Connected Party Transaction Procedure, a binding opinion, duly supported by grounds, on the extent to which it is in Banca Generali's interest

to effect each such transaction, as well as on the fairness and substantive correctness of the related terms and conditions. If a definitive "Transaction of Greater Importance", within the meaning of the 15th update of the Bank of Italy's Circular No. 263/2006 of 2 July 2013, is also classified as a "Highly Significant Transaction" pursuant to the document "Procedure for Transactions of Greater Importance with Related Parties and Connected Parties," the transaction in question is to be subject not only to the procedure described above, but also to a prior opinion by the Risk Management Service.

The Committee is also placed in charge of providing support to the Board of Statutory Auditors, at the latter's request, especially in the form of advice and assistance in conducting the fact-finding inquiries required to discharge the duties entrusted to the Board of Auditors with regard to the statutory auditing of accounts pursuant to Legislative Decree No. 39 dated 27 January 2010. More specifically, the Committee shall:

- > assess the proposals put forward by auditing firms to obtain the audit engagement, within the framework of the Company's procedures for appointing the independent auditors in charge of certifying the consolidated financial statements and half-yearly financial statements, with specific reference to the subject-matter of the appointments and the related economic terms and conditions, reporting its findings to the Board of Statutory Auditors;
- > at the request of the Board of Statutory Auditors, assess the work schedule of the statutory audit, and examine the results set forth in the report drawn up by the independent auditors together with any suggestions the latter may have put forward, reporting its findings to the Board of Statutory Auditors;
- > at the request of the Board of Statutory Auditors, monitor the effectiveness of the processes followed for the statutory auditing of accounts, reporting its findings to the Board of Statutory Auditors;
- > undertake any and all further tasks that the Board of Statutory Auditors may entrust to it in respect of the statutory auditing of accounts.

Lastly, as far as equity investments are concerned, in accordance with the procedures set forth in the "Equity Investment Management Policy" approved by Banca Generali, the Committee is charged with advisory powers in the various cases described above, expressing, where requested, opinions regarding (i) the granting of significant loans to companies in which the bank holds a qualified equity investment; (ii) the acquisition of a qualified equity investment in a company which has been granted significant loans; (iii) the acquisition of equity investments in companies considered strategic suppliers; and (iv) the acquisition of equity investments in debtor companies aimed at recovering credits.

Committee members are appointed for a period that is coterminous with the term of the Board, and are entitled to annual remuneration plus an attendance fee payable for each meeting they attend.

Committee meetings are generally held at least four times a year and, in any event, with the timeliness necessary to allow a full treatment and discussion of any and all matters on which the Committee may be requested or required to

report of the Board of Directors.

In addition to Committee members, Committee meetings must be attended by the General Manager, the Chairman of the Board of Statutory Auditors or another Auditor delegated with such task, it being understood that other Auditors may also attend.

At the invitation of the Committee Chairman, Committee meetings may be attended by top managers, the Compliance Officer, the Internal Auditor, the Risk Management Officer, the Anti Money Laundering Officer, the Heads of other corporate functions, the Manager in charge of Company's financial reports and any and all other persons whose presence is deemed useful in relation to the items on the Agenda.

In 2018 the Internal Audit and Risk Committee met 17 times, for an average of approximately 2 hours each time. In the year underway a total of 11 Committee meetings are scheduled; from the beginning of the year to the date of this Report, 3 have been held.

The main activities carried out by the Committee during the year are listed below.

In its meeting on 7 February 2018, the Committee examined the following issues:

- (i) submission of motions regarding the objectives of the Risk Appetite Statement;
- (ii) impairment testing of goodwill;
- (iii) check of the adequacy of the accounting policies followed in preparing the annual financial statements;
- (iv) half-yearly report on litigation at 31 December 2017 and proposals for provisions for risks and impairment;
- (v) *tableau de bord* for the fourth quarter of 2017, annual report for 2017 and 2018 plan of activity of the Compliance function;
- (vi) *tableau de bord* for the fourth quarter of 2017, annual report and 2018 plan of activity of the Anti-Money Laundering function;
- (vii) report on Anti-money Laundering procedures;
- (viii) *tableau de bord* for the fourth quarter of 2017, annual report for 2017 and 2018 plan of activity of the Risk and Capital Adequacy function;
- (ix) *tableau de bord* for the fourth quarter of 2017, annual report for 2017 and 2018 plan of activity of the Internal Audit Department;
- (x) assessment of the 2018 programme for internal audit functions;
- (xi) public disclosures regarding related party and connected party transactions.

In its meeting on 28 February 2018, the Committee examined the following issues:

- (i) distribution agreement: transaction with a related party;
- (ii) presentation of FARG-2017 Annual Financial Report;
- (iii) report within the meaning of Article 2.2.17 of the Internal Audit and Risk Committee Rules;
- (iv) report on Saxo Bank.

In its meeting on 9 March 2018, the Committee examined the following issues:

- (i) analysis of the distribution agreement;
- (ii) agreement with Saxo Bank.

In its meeting on 19 March 2018, the Committee examined the following issues:

- (i) transactions with a related party: new distribution agreement and management contract with Generali Italia.
- (ii) report to the Bank of Italy on additional capital requirements.
- (iii) annual report on the internal control system and assessments carried out at the subsidiary companies;
- (iv) annual report on the Compliance Service, Anti-Money Laundering function and audits carried out at the subsidiary companies;
- (v) annual report of the Anti-Money Laundering function, inclusive of self-assessment;
- (vi) annual report by the Risk Management Service on its activities;
- (vii) self-assessment of the internal control functions;
- (viii) integration of RAF with the strategic planning process;
- (ix) review of the Client Classification Policy;
- (x) approval of the IFRS 9 Policy;
- (xi) update on major litigation positions;
- (xii) MBO system for 2017 of the Heads of the control functions: assessment of qualitative objectives;
- (xiii) identification of the new Head of the Anti Money Laundering Service;
- (xiv) report on the increase in the equity investment in Tosetti Value Sim;
- (xv) assessment of the levels of performance for 2017 of the Heads of the internal audit functions and ensuing quantification of the related variable remuneration.

In its meeting on 10 April 2018, the Committee examined the following issues:

- (i) Related Party Transactions and Connected Party Transactions
- (ii) information on the Generfid inspection report;
- (iii) acknowledgement of the compensation package for several members of control personnel;

In its meeting of 18 April 2018, the Committee examined the following topic:

- (i) assessment of the response to the inspection report notified to the subsidiary Generfid.

In its meeting on 20 April 2018, the Committee examined the following issues:

- (i) response to the inspection report notified to the subsidiary Generfid;
- (ii) transactions with a related party: management contract with Alleanza Assicurazioni;
- (iii) presentation of Pillar 3 public disclosures;
- (iv) report of the Internal Audit function on controls of important operating functions outsourced;
- (v) quarterly notice on ongoing litigation as at 31 March 2018.

In its meeting on 10 May 2018, the Committee examined the following issues:

- (i) motion on the appointment of the new Head of the Anti Money Laundering Service;
- (ii) BSC 2018 of the heads of company control functions;
- (iii) approval of the minutes of previous meetings;
- (iv) presentation of the *tableau de bord* of the Compliance Department and Anti Money Laundering Service;
- (v) presentation of the *tableau de bord* of the Internal Audit Department;

- (vi) presentation of the *tableau de bord* of the Risk and Capital Adequacy Department;
- (vii) update of the Risk Appetite Framework Process;
- (viii) update of the European Regulation No. 679/2016 on the Data Protection Policy;
- (ix) report on the Bank of Italy remediation
- (x) disclosure on Related Party Transactions.

In its meeting of 5 June 2018, the Committee examined the following topic:

- (i) disclosure on Related Party Transactions.

In its meeting on 14 June 2018, the Committee examined the following topics:

- (i) report on the follow up of the meeting with Bankit;
- (ii) report on Generfid: closing of the inspection report and update of the Generfid/Dehò litigation;
- (iii) presentation of the ICAAP report and relevant process review;
- (iv) presentation of the ILAAP report and related process review;
- (v) presentation of the ICAAP and ILAAP executive audit report;
- (vi) presentation of audit report on the IT security assessment;
- (vii) presentation of revised complaints handling policy;
- (viii) public disclosures regarding transactions with related parties and connected parties;
- (ix) update of the European Regulation No. 679/2016 on the Data Protection Policy;
- (x) review of the Finance Regulation and creation of the related Process Limits and Escalation Regulation;
- (xi) update of Mario Griffo exposé.

In its meeting on 23 July 2018, the Committee examined the following issues:

- (i) check of the adequacy of the accounting policies followed in drawing up the condensed half-yearly financial statements;
- (ii) half-yearly report on litigation at 30 June 2018 and proposals for provisions for risks and impairment;
- (iii) report on the independent assessment of the Bank's system aimed at preventing the risk of online fraud;
- (iv) presentation of the Internal Fraud Policy;
- (v) presentation of the *tableau de bord* of the Compliance Department and Anti Money Laundering Department;
- (vi) presentation of the *tableau de bord* of the Risk and Capital Adequacy Department;
- (vii) presentation of the *tableau de bord* of the Internal Audit Department;
- (viii) *Framework Reputational Risk*;
- (ix) related party transactions and connected party transactions;
- (x) report within the meaning of Article 2.2.17 of the Internal Audit and Risk Committee Rules.

In its meeting on 30 July 2018, the Committee examined the following topics:

- (i) related party transactions and connected party transactions.

In its meeting on 11 September 2018, the following items were examined:

- (i) report on Consob communication concerning a request for detailed information on investment services and activities;

- (ii) assessment of interaction between CFO and CRO to define common guidelines;
- (iii) update of Mario Griffo exposé.

In its meeting on 1^o October 2018, the Committee examined the following issues:

- (i) report on the Bank of Italy remediation;
- (ii) monitoring of transactions for anti money laundering purposes: the Griffo case;
- (iii) the impact of the strategic lever risk.

In its meeting on 15 October 2018, the following aspects were examined:

- (i) Bank of Italy Communication disclosure concerning the adequacy of the anti-money laundering section;
- (ii) preliminary Tolerance estimates for the Risk Appetite Statement's primary indicators;
- (iii) report on a related party transaction.

In its meeting on 31 October 2018, the following aspects were examined:

- (i) half-yearly report on litigation at 30 September 2018 and proposals for provisions for risks and write-downs;
- (ii) preliminary Tolerance estimates for the Risk Appetite Statement's primary indicators;
- (iii) report on the Bank of Italy remediation;
- (iv) presentation of the *tableau de bord* of the Compliance Department and Anti Money Laundering Service;
- (v) presentation of the *tableau de bord* of the Risk and Capital Adequacy Department;
- (vi) presentation of the *tableau de bord* of the Internal Audit Department;
- (vii) Report on the internal renewal of the framework approval for Banca Generali Group Senior Manager unsecured loans.

In its meeting on 6 December 2018, the following aspects were examined:

- (i) update of Risk Appetite Statement;
- (ii) preliminary analysis of the strategic risk framework;
- (iii) update of the Policy for Guidelines for the management of credit risk mitigation (CRM) techniques;
- (iv) update of Conflict Policy;
- (v) report on the feedback on the Generfid inspection report;
- (vi) online fraud risk assessment;
- (vii) focus on the Internal Audit Remediation Model;
- (viii) transfer Pricing Policy.

The proceedings of each meeting, coordinated by the Chairman, were duly recorded in minutes.

All Committee members were present in all the meetings held in 2018.

The table 2 in attachment *sub 2)* hereto provides information on the attendance rate of each member at the Committee meetings.

The Internal Audit and Risk 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, and may also avail of outside consultants, if necessary. In order for the Committee to carry out its duties, a specific item of 75,000 euros was provided in the budget for the current year.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Board of Directors of Banca Generali adopted an organisational model for the Group's internal control system, under which so-called second- and third-tier control functions are centralised within the Parent Company, especially so as to meet the need for effective managerial, as well as technical-operating coordination that is as deep-reaching as the strong strategic coordination of group companies, achieved through the presence of representatives of the Parent Company on the governance and control bodies of subsidiaries.

As required pursuant to the Civil Code and the supervisory regulations for banks and, as recommended in the Corporate Governance Code, the Bank has therefore adopted an internal control system capable of continuously monitoring typical business risks.

The internal control system is a structured set of organisational functions, procedures and rules of conduct aimed at ensuring sound and proper corporate governance in line with pre-set targets, through adequate processes for identifying, measuring, managing and monitoring the main business risks. The system forms an integral part of the Company's operations and entails the involvement of all corporate structures and sectors, each of which is called upon to ensure constant and continuous risk monitoring, within the limits of its specific remit.

Within this framework, the Internal Control System fully complies with the provisions of Article 7 of the Corporate Governance Code and, moreover, is specifically designed to ensure sound and prudential corporate management of the Bank and the Banking Group, whilst at the same time reconciling the attainment of corporate targets, the proper and timely monitoring of risks and appropriate operating procedures.

Banca Generali S.p.A.'s Internal Control System was defined by the Company's Board of Directors and is regularly revised and amended to comply with the provisions of the Bank of Italy's Circular No. 285.

The Internal Control System consists of:

- (i) *checks involving the business lines*: systematic or periodic checks on samples of information, carried out by the heads of individual operating units with a view to ensuring the proper implementation of the activities effected by the same production structures, or incorporated into procedures, or performed as part of middle/back-office processes;
- (ii) *risk management checks*: checks carried out by the heads of individual operating units and the Risk and Capital Adequacy Department as part of the process of determining risk measurement methods, with a view to ensuring compliance with the thresholds assigned to the various operating functions, as well as in order to maintain the operations of individual production units in line with the risk/return targets set for specific types of risk (credit, market or operating risk);
- (iii) *compliance checks*: checks carried out by the Compliance Department on the compliance of transactions with statutory requirements, orders and instructions

imposed under supervisory authorities and the Company's self-regulatory provisions;

- (iv) *checks regarding money laundering*: checks carried out by the Anti-Money Laundering Service on the compliance of transactions with statutory requirements, orders and instructions imposed under supervisory authorities and the Company's self-regulations;
- (v) *internal auditing*: checks carried out by the Internal Audit Department with a view to ensuring the completeness, adequacy, functionality and reliability of the overall Internal Control System and ICT system, checking and performing on-site audits of the regular conduct of operations and the evolution of risks, while also supporting company bodies, the Board of Directors, the Board of Statutory Auditors, the Internal Audit and Risks Committee and Top Management in defining the structure of the internal control and corporate governance system, as well as propose possible improvements areas within risk management.

The Company's Internal Control System is structured to ensure proper disclosure of information and adequate oversight of all the Banking Group's activities, with a view to promoting fairness and transparency of processes, in both form and substance, whilst also ensuring: the efficiency, traceability and auditing of transactions, and more in general, of all management activities; the reliability of accounting and management data; compliance with laws and regulations, and the protection of the integrity of the Company's assets, especially in order to prevent fraud against the customers, the Company and the financial markets.

The key principles underlying the Company's Internal Control System include:

- > the separation of roles in the performance of the main tasks involved in individual production processes;
- > the traceability and constant visibility of choices;
- > objective decision-making with regard to individual operating processes.

Responsibility for the Internal Control System, pursuant to applicable regulations, resides with the Board of Directors that is in charge of: (i) establishing the guidelines, strategic orientation and risk management policies pertaining to the internal control system; (ii) approving the Bank's organisational structure, ensuring that tasks and responsibilities are clearly and properly assigned, and periodically checking the adequacy and effectiveness of the said structure, further ensuring that the main corporate risks are identified and appropriately managed, that the control functions are endowed with sufficient autonomy and independence within the Company's organisation, as well as with adequate resources to ensure the proper functioning thereof.

The Board of Directors, with the support of the Internal Audit and Risk Committee, also carries out periodic assessments of the functioning, effectiveness and efficiency of the internal control system, taking timely corrective action in case of shortcomings and/or anomalies in the performance of the checks themselves.

In accordance with supervisory provisions, the internal control functions are independent of the other business operating functions, and report directly to the Board of Directors and the Board of Statutory Auditors on the results of their own activity at regular intervals.

On 25 September 2003, the Board of Directors appointed Francesco Barraco Head of the Internal Audit Function, effective 1 October 2003. His remuneration is examined each year by the Board of Directors, with the support of the Remuneration Committee and in concert with the Board of Statutory Auditors, and is in line with market best practices.

The Internal Audit Department: (i) performs assurance activities and submit potential improvements to the corporate bodies, with specific reference to the RAF, the risk management process and its risk measurement and control tools, as well as audit advisory activities; (ii) directly reports the assessments and evaluations results to the corporate functions; (iii) promptly and directly forwards to the corporate bodies all the results of the audits that have detected any criticalities or highlighted major deficiencies; (iv) provides guidance to the concerned Areas, Divisions, Departments, Services and Organisational Units; (v) in drawing up procedures for managing and containing business risks, monitors the implementation of the said risk management procedures and measures, and, moreover, expresses its opinion on the effectiveness of the system in maintaining overall risk exposure within acceptable limits; (vi) submits the results of its activities to the Board of Directors, the Internal Audit and Risk Committee, the Chief Executive Officer and the Board of Statutory Auditors.

The Internal Audit Department performs said activities for Banca Generali and the Banking Group Companies, both under specific outsourcing agreements that govern the provision of the audit function, and in an institutional capacity as a function of the Parent Company of the Banking Group.

The auditing method, on which internal auditing activities are based, is defined under the Internal Audit Rules and the supervisory model, approved by the Board of Directors and constantly implemented in light of developments in oversight compliance and best auditing practices (CoSo Report, professional standards).

Pursuant to applicable regulations, on 24 June 2015, the Board of Directors appointed Fabio Benvenuti Head of the Compliance and Anti-Money Laundering Department, effective 1 July 2015. By resolution of the Board of Directors of 12 October 2017, Matteo Canali was appointed the new Head of the Compliance and Anti-Money Laundering Department in replacement of Fabio Benvenuti, transferred to another position within the Bank.

On 24 June 2015, the Board of Directors vested Antonio Bucci with responsibility for the Risk and Capital Adequacy Department, starting from 1 July 2015.

As already noted, in order to implement the Corporate Governance Code's recommendations regarding internal control and comply with the supervisory provisions in force, the Board set up within itself an Internal Audit and

Risk Committee in charge, among other tasks, of completing all the preparatory activities required for the Board to properly undertake its internal control tasks (for further information, see "**Internal Audit and Risk Committee**", above).

Moreover, with regard to risks, the Chief Executive Officer and General Manager may also avail of the advice of the Risks Committee established by Board resolution of 23 September 2008 with a view to coordinating the Banking Group's risk management and control system, and identifying and implementing appropriate risk containment measures.

As recommended by the Corporate Governance Code and in compliance with the Bank of Italy's supervisory provisions, Article 8 of the Board Rules requires the Board to:

- (i) define guidelines for the Internal Control and Risk Management System so that the primary risks affecting the Company and its subsidiaries are properly identified and adequately measured, managed and monitored, while also determining the degree to which such risks are compatible with a corporate management system consistent with the strategic goals identified;
- (ii) assess, with at least annual frequency, the adequacy of the Internal Control and Risk Management System with respect to the Company's characteristics and the risk profile assumed, as well as the effectiveness of the System;
- (iii) approve the working plans drafted by the Heads of the Compliance, Anti-Money Laundering, Internal Audit and Risk Management functions and review the periodic *tableau de bord* drafted by those functions;
- (iv) assess the results presented by the independent auditors in any recommendation letters and in reports on fundamental matters brought to light during the independent auditing process.

In addition, pursuant to Article 52-bis, paragraph 1, of the TUB, which states that "*banks and the related parent companies [to] adopt specific procedures for the internal reporting by employees of conduct or events that could entail a breach of the rules regulating the banking industry*", and having acknowledged the implementing provisions issued by the Bank of Italy with publication of Circular No. 285, the Board has developed a procedure for personnel to report internally acts or events that could constitute a breach of the rules governing banking activity (Whistleblowing Procedure).

In relation to the obligations provided for under the above procedure, the Head of the Compliance and Anti-Money Laundering Department, Matteo Canali, was appointed Whistleblowing Manager.

In managing and coordinating the Banking Group as its Parent Company, the Bank also exercises:

- a) strategic control over the development of various business areas in which the Group operates, and the risks arising from the own securities portfolio. This type of control is aimed at monitoring the expansion of the business operations of Group companies, and their policies in terms of mergers, de-mergers and acquisitions. Strategic coordination is ensured primarily through presence of a certain number of persons appointed by

the Bank's Board of Directors on the Board of Directors of group companies;

- b) operating control aimed at ensuring that the income statements, cash flows and balance sheet of both individual Group companies and the Group as a whole, are appropriately balanced. These checks are carried out mainly through the drawing up of plans, programmes and budgets (for each group company and for the Group as a whole) and by analysing the quarterly performance, interim results and annual financial state-

ments of each group company and of the Group as a whole, duly broken down by specific business sector, and with regard to the entire Group. Operations are coordinated by the Planning and Control Department, which liaises with the corporate bodies/functions of each of the subsidiaries;

- c) technical-operating control aimed at assessing the profiles of the various risks incurred by the Group as a whole as a result of the business operations of individual subsidiaries.

11.1 The Director in charge of the Internal Control and Risk Management System

The Board of Directors entrusted the Chief Executive Officer with the function of Executive Director in charge of overseeing the functioning of the internal control and risk management system.

The Chief Executive Officer defines, for the matters not falling within the Board of Directors' remit, operating policies and related risk control procedures, identifying and evaluating, including on the basis of management trends and departures from forecasts, any and all factors giving rise to risks. The Chief Executive Officer also assesses the functioning, effectiveness and efficiency of the internal control system, promoting the updating of the same from time to time.

The Chief Executive Officer shall, *inter alia*:

1. implement the corporate policies, strategic guidelines, Risk Appetite Framework and business risk governance policies defined by the Board of Directors, within the operational limits established by the latter, and with the contribution of the risk management function;
2. monitor on a continuous basis the implementation of the risk management process, ensuring its consistency with the risk appetite and risk governance policies, taking into account the changes in operating conditions both inside and outside the Bank;
3. facilitate the development and spread at all levels of the Bank of an integrated culture of risk;
4. ensure the information flows, as defined by the Board of Directors, aimed at ensuring that the corporate bodies and control functions are informed of the most relevant management events, including ensuring full knowledge and governability of risk factors and verification of compliance with the Risk Appetite Framework;

5. plan the actions necessary to ensure, on an ongoing basis, the completeness, adequacy, functionality and reliability of the internal control system, monitoring compliance with it on an ongoing basis;
6. ensure that the internal procedures, responsibilities and corporate structures and functions are defined, implemented and updated in order to avoid the unintentional involvement in money laundering and financing of terrorism; in this area, the Chief Executive Officer shall also: define the reporting procedure for suspicious transactions and other procedures aimed at ensuring the timely discharge of disclosure obligations to the authorities provided for in legislation governing money laundering and financing of terrorism; define the information flows aimed at ensuring that risk factors are known by all corporate structures involved and by the bodies with control responsibilities; approve training and education programmes of employees and external staff.

The head of the Internal Audit function reports directly to the Board of Directors, while second-tier control functions (the Compliance and Anti-Money Laundering Department and the Risk and Capital Adequacy Department) — previously under the direct responsibility of the Board of Directors — have been assigned to report directly to the Chief Executive Officer, while continuing to report “functionally” to the Board of Directors, to which they have direct access and with which they communicate without restrictions or intermediation.

With regard to the activity performed, the Internal Auditor directly reports to the Board of Directors, the Board of Statutory Auditors and the Internal Audit and Risk Committee.

11.2 Internal Auditor

On 25 September 2003, the Board of Directors appointed Francesco Barraco Director in charge of the Internal Control and Risk Management System and Head of the Internal Audit Function, with effect as from 1 October 2003.

The Internal Audit Department is an independent and objective function with assurance and advisory tasks intended, on the one hand, to supervise, from a third-tier standpoint and including through on-site checks, the regular course of operations and evolution of risks and, on the other, to assess the completeness, adequacy, functionality and reliability of the organisational structure and the other

components of the internal control system, as well as to inform the company bodies of possible improvements, in particular to the Risk Appetite Framework, risk management process, and risk measurement and control instruments.

The Internal Audit function is charged with constantly and independently verifying that the internal control system is always adequate, fully functional and operational. The Internal Audit function assesses and contributes to the improvement of the governance, risk management and control processes through a systematic professional approach.

The Internal Auditor:

1. is charged with verifying that the internal control system is always adequate, fully operational and functional; to that end, he verifies, both on an ongoing basis and in relation to specific needs, and in accordance with international standards, the suitability of the internal control and risk management system, through an audit plan approved by the Board of Directors and based on a structured process of analysis and prioritisation of the main risks;
2. is not to be assigned responsibilities for any operating department and not to be hierarchically answerable to the head of any operating department, including the administration and finance department;
3. is to be afforded direct access to any and all the information that may be useful for the performance of his duties;
4. is to be endowed with adequate resources for the performance of his assigned duties;
5. reports on his actions to the Internal Audit and Risk Committee, the Board of Statutory Auditors and the Board of Directors, preparing periodic reports containing adequate information about his activity, the manner in which risks are managed and compliance with the plans defined to contain those risks. Specifically, he expresses an opinion on the adequacy of the internal control and risk management system in ensuring an acceptable overall risk profile;
6. prepares reports on events of particular significance in a timely manner, forwarding them to the bodies mentioned above;
7. verifies the reliability of the systems in the context of audit plans;
8. has a budget to refer to for completing his tasks and activities and conducting special training, as required by the standards.

During the year, the Internal Audit activity covered in particular the safeguards associated with risks arising from IT and security processes, data protection, the processing of customers' orders, risk management (credit, liquidity, operating, anti-money laundering and fraud risks), investment services and administrative and accounting entries, with intervention at all levels of control with the responsible departments. The Internal Audit function also monitored the improvement paths for existing controls, which were initiated as a result of previous audits (follow ups).

Main features of the Company's risk management and internal control systems related to the financial reporting process (pursuant to Article 123-bis, paragraph 2, letter b), of TUF)

Foreword

With reference to the financial reporting process adopted by the Bank (the "**System**"), the risk management and internal control system is part of the Company's broader Internal Control and Risk Management System described in the previous section.

The System addresses the issues of internal control and risk management arising in respect of the financial reporting process, from an integrated perspective, with a view to identifying, assessing and containing the so-called finan-

cial reporting risks (i.e., risks of errors leading the annual financial statements, the condensed half-yearly financial statements, the consolidated financial statements and/or any other financial disclosures and filings to reflect a view of the balance sheet, income statement and/or cash flow that cannot be described as true and/or fair) to which the Company and the Group are exposed.

The System is thus intended to guarantee the reliability, accuracy and timeliness of financial reports. To this end, the Bank created a financial reporting risk model consisting of principles and rules that aim to guarantee an adequate administrative and accounting system, in part by ensuring the availability of operating procedures and instructions.

The **Manager** in charge of the Company's financial reports of Banca Generali works within this framework. The Manager is charged by Italian Law No. 262 of 28 December 2005 ("**Law 262**") with the critical task of ensuring the reliability of accounting documents and availability of adequate administrative and accounting procedures for listed companies based in Italy.

The Manager in charge of the Company's financial reports is responsible for defining the methodological and organisational aspects of adopting the financial reporting risk model within the Company and Group to the extent of the powers and means granted to him/her under paragraph 4 of Article 154-bis of TUF.

The financial reporting risk model adopted is based on a process developed by the Company in accordance with the following reference frameworks, which are generally recognised and accepted internationally:

- (i) the CoSO (Committee of Sponsoring Organisation of the Treadway Commission). *Internal Control – Integrated Framework*, released in 1992, which defines guidelines for assessing and developing an internal control system. With reference to the CoSO Framework, the model refers to the component of the internal control system concerning the processes of collection, processing and publication of financial information flows (financial reporting);
- (ii) COBIT (Control Objective for IT and Related Technology, built by the IT Governance Institute based on the CoSO Framework), which provides specific IT guidelines and can be used together with ITIL (Information Technology Infrastructure Library, a framework already used by the Group) and ISO/IEC 27001 (International Organisation for Standardisation/Information Electrotechnical Commission).

Within the Group, the financial reporting risk model has been extended to companies identified as relevant in the context of the model ("**Companies within the Scope of Application**"). In particular, the Companies within the Scope of Application adopt a financial reporting risk model that is consistent with the model used by the Company so as to create a uniform system throughout the Group. The models are then amended to incorporate the changes indicated from time to time by Banca Generali's Manager in charge of the Company's financial reports.

Key characteristics of the existing risk management and internal control system as it relates to the financial reporting process

The key characteristics of the financial reporting risk model adopted by Banca Generali are summarised below, with particular reference to: (A) phases of the model; (B) functions involved in the model and their respective roles, and information flows.

(A) Phases of the financial reporting risk model

The different phases of the financial reporting risk model were defined by the Company based on the reference framework identified. In detail, the model may be divided into the following phases: (i) identification and assessment of financial reporting risks, (ii) identification and assessment of controls for mitigating identified risks.

(i) Identification and assessment of financial reporting risks

To identify and assess financial reporting risks, the Company identifies the relevant Banking Group companies and significant information (consolidated accounts and company-wide processes), considering both quantitative and qualitative elements. The Companies within the Scope of Application are those that, in considering the relationships between assets, revenues and profit or loss of the individual companies and consolidated balances, exceed specific limits established by best market practice (in 2015, such companies accounted for nearly all of consolidated assets). In relation to the consolidated accounts, significance is determined based on the guidelines generally used in audit procedures. Processes are considered significant and therefore subject to analysis if, from an accounting perspective, they have a potential impact on the consolidated accounts. All processes involved in period-end reporting are included, in any event, in the scope of processes to be analysed. All significant processes must be subjected to testing at least on an annual basis. The scope of analysis is revised at least annually or when warranted by changes in the Group's structure.

(ii) Identification and assessment of controls for mitigating identified risks:

the financial reporting risk model includes the following types of controls: (a) company-level; (b) process-level; (c) information technology.

The structure of the controls is designed so as to allow adequate identification and assessment and is based on four main characteristics:

- (1) the performance time profile: the controls may be preventive or detective;
- (2) the mode of performance: manual or automatic;
- (3) the nature (namely the structural characteristics): authorisation, reconciliation, management review, etc.;
- (4) frequency (i.e., time interval of controls): weekly, monthly, quarterly, etc.

Control analyses include a phase in which the adequacy of the design (ToD) is evaluated and a phase in which the actual application (ToE) is evaluated according to specific methods for each type of control. If during the ToD and ToE phases shortcomings are identified in the management of financial reporting risk, the appropriate corrective measures or actions are determined. The implementation of corrective measures or actions is constantly monitored by the Manager in charge of the Company's financial reports.

(a) Company-level controls

The goal of company-level controls is to ensure the existence of an organised, formal company structure designed to reduce the risk of improper conduct through adequate governance systems, standards of conduct based on ethics and integrity, efficient organisational structures, clarity in the assignment of powers and responsibilities, adequate risk management policies, employee disciplinary systems, efficient codes of conduct and fraud-prevention systems. Adequacy assessments focus on ensuring the existence and dissemination of the appropriate tools (such as policies, codes, rules, service rules, etc.) used to identify rules of conduct applicable to the corporate workforce. The next phase involves evaluating the actual application of the aforementioned rules.

(b) Process-level controls

Process-level controls are carried out at a more detailed level than company-level controls and are aimed at mitigating financial reporting risk through controls included in the Company's operating processes. Assessments of control adequacy are carried out by identifying company processes, determining the key controls used to manage financial reporting risk and evaluating the appropriateness of such controls in mitigating this risk. Efficiency assessments involve verifying the actual and correct execution of controls and the adequacy of related documentation.

(c) Controls on Information Technology (IT)

IT controls focus on processes associated with managing and handling information stored in the IT systems used to create the financial statements. Specifically, analyses are performed on controls concerning software purchases and maintenance, physical and logical security management, application development and maintenance, completeness and accuracy of system data, IT risk analysis and information system management. As for the applications used to create the financial statements in relation to business processes, as well as period-end reporting, analyses focus on evaluating the adequacy of controls as they pertain to the key best practices and reference frameworks used and on ensuring that controls remain functional according to standardised methodologies. The analyses also evaluate the efficiency of the main automatic controls (ITAC – IT Application Controls) performed by applications as part of major processes.

(B) The functions involved in the model, their roles and the information flows

Consistent with the internal control and risk management system adopted by the Company, the financial reporting risk model engages the corporate bodies and operating and control units in an integrated management approach based on the various levels of responsibility so as to guarantee the model's ongoing adequacy.

The Board of Directors, with the support of the Internal Audit and Risk Committee, ensures that the model enables the identification, assessment and control of major risks, at both the Company and Group level, through the definition of strategies and general internal-control and risk-management guidelines. In compliance with applicable legislation, the Board also ensures that the Manager in charge of the

Company's financial reports has the necessary means and powers to perform the duties assigned to him/her under Italy's Law 262.

The Manager in charge of the Company's financial reports is responsible for implementing, maintaining and monitoring the financial reporting risk model in compliance with the strategies defined by the Board of Directors. Accordingly, he/she is responsible for evaluating the adequacy and actual implementation of administrative and accounting procedures and their appropriateness to present a true and fair view of the assets, liabilities, profit or loss and financial position of the Company and Group. In fulfilling these responsibilities, the Manager in charge of the Company's financial reports is supported by a special unit (Law 262 Organisational Unit) that is charged with the task of coordinating all activities necessary for the correct performance of the duties assigned to him. The Unit also serves as a point of reference for the entire Group as regards the management of administrative and accounting risks through guidance and coordination activities, and the management of tests on key controls entrusted with independent auditors

Banca Generali's Regulations and Organisational Analysis Service is responsible for mapping the Company's processes, and therefore also the administrative and accounting processes of the Group companies; it ensures that the information and documentation pertaining to such processes is constantly kept up-to-date.

Through the application of a risk-oriented approach, the Internal Audit Department conducts periodic efficacy assessments on the procedures and their related controls, with regard to the administrative and accounting processes, the IT applications relevant for administrative and accounting purposes and ITAC controls (automatic controls). Every six months, the Internal Audit Department submits an assurance report to the Manager in charge of the Company's financial reports and the Internal Audit and Risk Committee.

11.3 Organisational Model pursuant to Legislative Decree No. 231/2001

Legislative Decree No. 231 of 8 June 2001 introduced the principle that corporations may be held liable for specifically listed offences committed or attempted in their interest and/or for their benefit by individuals entrusted with corporate representation, administration and management, or individuals subjected to the management or oversight of one of the latter.

The above-mentioned Decree provides for exemption from this form of liability in the case of entities which have adopted and effectively implemented organisational and management models designed to prevent the aforesaid offences.

The adoption of an Organisational and Management Model (hereinafter the "Model") is not an obligation, but a right, that the Company has decided to exercise in order not only to restructure and formalise, where necessary, a system of preventive checks aimed at avoiding conduct entailing administrative liability for the Company pursuant to the

The Compliance function is responsible for checking and assessing the appropriateness and effectiveness of administrative and accounting processes, with a view to ensuring compliance with any and all applicable regulatory provisions governing the performance of any and all the services offered by the Banking Group, especially so as to minimise the risk of non-compliance.

Process Owners (managers of the Company's and Group's Organisational Units) are in charge of managing one or more major processes in accordance with Law 262. They are responsible for ensuring that the documentation system put in place by the Group's dedicated units is consistent with actual operations. This is achieved by promptly communicating changes that have been made and implementing corrective actions designed to address any shortcomings found and ensuring the execution of self tests.

Furthermore, if key activities and/or controls that are the responsibility of a department other than that of the Process Owner are identified within a process, a Sub-Process Owner is appointed with the duty and responsibility of ensuring that operations are consistent with company procedure. This is achieved by identifying, formalising and continuously updating the portion within one's remit.

The Company also developed – through a special circular related to all Group companies – a documentation system that ensures that all corporate bodies and functions with specific tasks within the internal control and risk management system work together to complete their respective duties.

The activities, information and documents included in the financial reporting risk model are managed using IT applications that are shared with other control functions.

The Manager in charge of the Company's financial reports informs the Board of Directors on a regular basis about the activities carried out in exercising his/her functions.

above-mentioned Decree, but also to ensure the Company's own integrity, while also boosting the effectiveness and the transparency of corporate operations.

In line with its long-standing commitment to developing and implementing a corporate governance system compliant with the highest standards of business ethics pursued and also ensuring an efficient operating performance, the Bank adopted — by Board of Directors' resolution passed on 19 June 2006 — the Company's Organisational and Management Model, drawn up and implemented in light of the Company's specific operating conditions and requirements. The aforesaid Model must be constantly updated to bring it in line with any changes in the relevant regulatory framework. A copy of the Model is available on the website www.bancagenerali.com/site/en/home/about-us/corporate-structure/banca-generali.html.

Apart from meeting all the necessary formal requirements, the Model fully achieves, even in substance, the aforesaid

main goal underlying its adoption and aims at preventing from all types of offences contemplated in the aforementioned statutes. The Model is complemented by regulations and corporate rules, is made up of a structured set of principles, rules, provisions and organisational layouts pertaining to the management and oversight of business operations. It is contained in an illustrative document that sets forth the general rules that make it impossible for the offences to be committed without fraudulently violating the model.

In accordance with the provisions of the aforesaid Decree, the tasks of supervising compliance with the Model and updating the same must be entrusted to an independent and qualified body set up within the entity, and endowed with autonomous powers of initiative and oversight.

In this regard, the regulations applicable to the Company provide precise rules for the assignment of the role of Supervisory Board, which was previously based on internal assessments and the guidelines proposed by industry associations. According to Article 6, paragraph 4-*bis* of Legislative Decree No. 231/2001, as introduced by Article 14, paragraph 12, of Law No. 183 of 12 November 2011 (“Provisions for preparing the annual and multi-year state budget – 2012 Stability Law”), corporations are now authorised to assign this role to the Board of Statutory Auditors. In addition, Bank of Italy Circular No. 263 provides that the body with control function (i.e., the Board of Statutory Auditors in the governance system adopted by the Company) generally also carries out the functions of the supervisory board.

The Corporate Governance Code approved by the Borsa Italiana S.p.A. also shows a recommendation for assigning the tasks of the Supervisory Board to the Board of Statutory Auditors.

11.4 Independent Auditors

On 23 April 2015, the General Shareholders’ Meeting resolved to entrust the statutory auditing of the Company’s accounts for the years ended on 31 December 2015 through

In light of the foregoing, the Board of Directors of Banca Generali, on 1 April 2014, resolved to identify the Board of Statutory Auditors as the body entrusted with the Supervisory Board’s functions, concurrently attributing to the latter all necessary powers to carry out the aforesaid functions.

The General Shareholders’ Meeting of 23 April 2015 made the necessary amendments to allow perfect alignment between the legal requirements for being a member of a listed bank’s Board of Statutory Auditors and those required to perform a Supervisory Board’s functions, as well as to provide reciprocal grounds for removal of a Statutory Auditor and Supervisory Board member from office.

The Board meeting of 12 April 2018, after verifying the requisites regarding integrity and professionalism and the significant incompatibility situations for purposes of serving in office, appointed the Board of Statutory Auditors to perform the function of Supervisory Board, hence composed of the current members of the Board of Statutory Auditors, namely the Chairman of the Board of Statutory Auditors, Massimo Cremona, Acting Auditor Mario Francesco Anaclerio and Acting Auditor Flavia Daunia Minutillo.

Furthermore, the following remuneration was established for the members of the Supervisory Board:

- > 20,000 euros gross per year for the Chairman of the Supervisory Board, identified in the Chairman of the Board of Statutory Auditors;
- > 15,000 euros gross per year for each of the other members of the Supervisory Board, identified in the Acting Auditors.

In carrying out its tasks, the Supervisory Board is also to avail of the support of other corporate functions, especially the Compliance function.

to 31 December 2023 to the accounting firm BDO Italia S.p.A.

11.5 Manager in Charge of the Company’s Financial Reports

Article 154-*bis* of TUF, introduced by Law No. 262 of 28 December 2005, requires *inter alia*:

- a) the Manager in charge of the Company’s financial reports to issue a written statement attesting that any and all notices and information the Company discloses to the market in respect of its annual and/or interim financial reports correspond to the documentary results, books and accounting records;
- b) the Manager in charge of the Company’s financial reports and the delegated Administrative Bodies to issue a joint written statement to be attached to the annual financial statements, the condensed half-yearly financial statements, and, where applicable, the consolidated financial statements, certifying the appropriateness and effective implementation of all relevant accounting and administrative procedures during the accounting reporting period, as well as warranting that all the related accounting documents were prepared in accordance with the international accounting principles generally

accepted and applied within the European Union, and, accordingly faithfully reflect the contents of the Company’s accounting books and records, with the result that the said accounting documents may be deemed to provide a true and fair view of the balance sheet, income statement and cash flow statement of the Company and the Group. Moreover, with respect to the annual financial statements and the consolidated financial statements, the said written statement shall certify that the related Directors’ Report on Operations includes a reliable analysis not only of business trends and operating results, but also of the situation of the issuer and all the companies included in the scope of consolidation of the reporting entity, together with a description of the main risks and uncertainties to which they are exposed, as well as, in respect of the condensed half-yearly financial statements, that the related interim Directors’ Report comprises a reliable analysis of the information mentioned in paragraph 4 of Article 154-*ter* of TUF;

- c) the Board of Directors to oversee the appropriateness of the powers and resources made available to the Manager in charge of the Company's financial reports and the proper implementation of "administrative and accounting procedures."

Pursuant to Article 23, paragraph 3, of the Articles of Association, the Board of Directors, after consultation with the Board of Statutory Auditors, has the power to appoint and dismiss the Manager in charge of the Company's financial reports, in compliance with Article 154-*bis* of TUF, establishing the powers and resources of the same.

Paragraph 4 of the same Article provides that the said Manager shall be selected from amongst the company executives in possession of the following professionalism requisites:

- > professional experience for a suitable length of time or, in any event, of no less than three years, in activities of administration, management or control or professional activities in the banking, insurance and financial sectors; or
- > specific know-how in the field of financial reporting and accounting, in respect of listed issuers or their subsidiaries and in the management or oversight of related administrative procedures, acquired over at least five years of experience in positions of responsibility for operating structures within the company, the group or other comparable corporations or entities in terms of business sector and organisational structure.

The rule also states that the Manager in charge of the Company's financial reports must possess the integrity requisites provided for by current legislation for appointment to statutory offices, and that removal from office will ensue if these requisites cease to exist.

Pursuant to the Articles of Association, and having heard the opinion of the Board of Statutory Auditors, the Board of Directors appointed Tommaso Di Russo to serve as Manager in charge of the Company's financial reports, within the meaning of Article 154-*bis* of TUF, having ensured that he was fit and proper for such appointment within the meaning of Article 23 of the Articles of Association, and determining the powers and resources to be made available to him for the discharge of his assigned duties.

Tommaso Di Russo is the head of the CFO & Strategy Area (i.e., the area managing all the activities related to economic, commercial and strategic planning, those regarding finance issues and those of an accounting-administrative nature, as well as the 262 Organisational Unit) and is tasked with ensuring the proper and timely preparation of the Company and the Banking Group's accounts, as well as discharging related accounting and regulatory formalities, and drawing up financial reporting and tax compliance guidelines and policies in line with corporate strategies and targets.

The Board of Directors also granted Tommaso Di Russo, Head of the CFO & Strategy Area and assigned the role of Manager in charge of the Company's financial reports, the following powers, which are to be exercised, under his sole signature, in accordance with the general directives imparted by the Board of Directors and the guidelines established by the Chief Executive Officer and General Manager,

as well as in the context of the strategies of the Banking Group in question and budget plans, it being understood that the said powers will be extinguished upon the end of his term of office as Head of CFO & Strategy Area and Manager in charge of the Company's financial reports:

1. coordinating and supervising the activities of the Departments and Services that report to the Area under his purview, reporting to the Chief Executive Officer and General Manager on the results and activities of those departments and services;
2. implementing the Board of Directors' resolutions in the course of all activities falling within his remit, in accordance with the guidelines set by the Chief Executive Officer and General Manager;
3. with regard to the areas falling within his remit, proposing measures designed to ensure the optimal organisation of the activities of the Company's offices, on the basis of functional criteria that, by breaking down tasks, allow for concurrent and subsequent checks and, in any event, the determination of individual responsibilities;
4. recommending, with regard to the activities falling within his remit, the duties and assigned tasks of personnel at offices, in accordance with the guidelines established by the Board of Directors and the Chief Executive Officer and General Manager;
5. supporting the Chief Executive Officer and General Manager in drawing up proposals regarding the annual budget and strategic three-year plan;
6. supporting the Chief Executive Officer and General Manager in drafting proposals concerning the draft financial statements and consolidated financial statements, as well as interim financial reports;
7. as Manager in charge of the Company's financial reports, within the meaning of Article 154-*bis* of TUF, ensuring that any and all notices and information the Company discloses to the market in respect of its annual and/or interim financial reports are accompanied by a written statement issued by him that attests that the said notices and information correspond to the documentary results, books and accounting records;
8. as Manager in charge of the Company's financial reports, within the meaning of Article 154-*bis* of TUF, drawing up suitable administrative and accounting procedures for the preparation of the annual and consolidated financial reports, as well as any and all other financial notices;
9. as Manager in charge of the Company's financial reports, within the meaning of Article 154-*bis* of TUF, certifying, in a specific report drawn up in accordance with the form established by Consob and attached to the annual financial statements, the condensed half-yearly financial statements and the consolidated financial statements, the appropriateness and proper application of the procedures mentioned in the preceding point during the period of reference of the financial statements in question, further attesting that the latter provide a true and fair view of the balance sheet, profit and loss account and cash flow statement of the issuer and all the companies included in the scope of consolidation of the reporting entity;
10. certifying that the documents were drawn up in accordance with the international accounting principles applicable within the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002;

11. certifying that the Directors' Report on Operations attached to the annual financial statements and the consolidated financial statements includes a reliable analysis of the business trends, operating result and financial situation of the issuer and all the companies included in the scope of consolidation of the reporting entity, as well as a description of the main risks and uncertainties to which the latter are exposed;
12. certifying that the interim Directors' Report on Operations attached to the condensed half-yearly financial statements includes a reliable analysis of the information mentioned in Article 154-ter, paragraph 4, of TUF;
13. assuming any commitment, including of an economic nature, and undertake whatsoever else that may be necessary for discharging the tasks mentioned in Article 154-bis of TUF;
14. for the purposes of discharging the tasks and/or exercising the powers mentioned in Article 154-bis of TUF, availing of the support and collaboration of other corporate functions (including the Internal Audit Department), should intervention by the latter be deemed necessary or even merely useful towards such end;
15. recognising among "losses" all the expenses incurred by the Company due to employees' errors up to a maximum amount of 10,000.00 euros for each transaction performed autonomously, without prejudice to the provisions of the Finance Rules governing the management of the errors account, as in effect from time to time;
16. within the framework of the budget approved by the Board of Directors, covering the Company's current expenses;
17. representing the Company before any and all offices of the Financial Administration and effecting any and all tax filings and related formalities; resisting tax assessments and audits and settling tax disputes;
18. within the framework of the budget approved and up to the limits of his responsibilities, with a threshold of 100,000.00 euros for each individual asset, acquiring, disposing of or bartering moveable assets, including those subject to registration, as well as collecting amounts due by way of prices and delegating, in whole or in part, the payment thereof, and exercising the power to authorise payment by instalments with or without mortgage guarantees or hypothecation;
19. within the framework of the approved budget and within his remit, negotiating and entering into, amending and terminating lease agreements, tender agreements, as well as agreements for rental, maintenance, supply, insurance, carriage, loan for use, security and transport services for cash and cash equivalents, brokerage, intermediation, advertising, agency and deposit services, as well as to enter into commitments for the supply of tangibles, the acquisition of intangibles, and the provision of services rendered by third parties or consultants or other professionals, up to the ceiling of 100,000.00 euros per transaction, it being understood that, in the case of multi-year transactions the aforesaid ceiling shall apply on a per annum basis, provided that the said multi-year transactions do not extend over more than three years, and further provided that the aforesaid thresholds shall not apply to contracts with ordinary utilities companies providing essential services (electricity, telecommunications, etc.), or payments required pursuant to law;
20. as limited to use of the Company's accounts for transactions relating to i) supply arrangements for goods and services, ii) arrangements with individuals and iii) arrangements with legal persons outside SEPA, undertaking all transactions drawing on the Company's accounts and in particular making withdrawals in general, and where necessary writing the related cheques or equivalent instruments drawn on cash balances according to the following methods and limits:
 - i. by single signing authority for transactions up to 50,000.00 euros;
 - ii. by joint signing authority with another Department Head/Area for amounts of more than 50,000.00 euros and up to 100,000.00 euros;
 - iii. by joint signing authority with either the Chief Executive Officer/General Manager or Deputy General Manager for amounts over 100,000.00 euros.

Transactions relating to the following are excluded from the above methods and limits:

 - > intragroup arrangements;
 - > arrangements with banks, insurers, brokers and asset management companies;
 - > arrangements with clearing houses;
 - > arrangements included in the "accounts payable process";

which are subject to the limits and methods established by internal regulations in effect from time to time;
21. within the limits of his responsibilities, liaising with any and all public authorities and bodies, the Bank of Italy, Consob, as well as any and all national and international entities and organisations, effecting any and all transactions with the Public Debt Office, Cassa Depositi e Prestiti, the Bank of Italy, the manager of the electronic securities administration system, Monte Titoli, the Italian Inland Revenue Service, the Italian state railways, the Post Office, customs, energy and other utilities companies, and any and all other bodies, undertakings and corporations in general, making collection of any and all securities, monies and other receivables, and issuing valid receipt in respect of the same;
22. with the approval of the relevant corporate organ, approving loans, agreements for the rendering of any and all types of banking services, financing, exemptions from liability in the case of the loss, theft and/or destruction of securities and cheques, personal guarantees, including performance bonds, payment bonds, suretyships, and commitments to honour bills of exchange;
23. issuing demand drafts;
24. signing, on the behalf and in the name of the Company, any and all ordinary correspondence and deeds pertaining to the exercise of the powers assigned;
25. opening and closing current and securities deposit and management accounts of any kind whatsoever, with banks, post offices or other authorised custodians, making deposits subjected to central management by the Bank of Italy, as well as with centralised deposit bodies, stipulating any and all related contractual terms and conditions;
26. foreclosing loans and collecting any and all monies or amounts due to the Company, issuing full redemptory receipt thereof;
27. endorsing and issuing receipt for any and all securities, including, regardless of form, bills of exchange, cheques, money orders, securities and the like, as well as bills of lading and other deeds representing documentary credit, and equity and debt securities, and any and all other financial instruments and commercial pa-

per in general;

28. exercising the powers granted to him from time to time in the context of his responsibilities by the Regulations adopted by the Bank and all other powers granted to him on an ongoing basis or from time to time by the Board of Directors or the Chief Executive Officer and General Manager.

In order to fully comply with the regulation in ques-

tion, the initiative known as the FARG – Financial Accounting Risk Governance Project has been implemented since early 2007. The previous section “Key characteristics of the existing risk management and internal control system as it relates to the financial reporting process” provides further information on FARG.

11.6 Coordination amongst parties involved in the internal control and risk management system

Methods of coordination between the various parties involved in the internal control and risk management system have been established with the aim of avoiding overlapping and ensuring complete coverage of the various risks. Efforts to this end included the following:

- (i) setting up of the Risks Committee, a collegial body including the Chief Executive Officer and General Manager, the Deputy General Manager Wealth Management Markets & Products, the Heads of the control functions, the Head of the CFO & Strategy Area and the General Counsel;
- (ii) collegial meetings were planned between the Board of Statutory Auditors and the heads of control functions, also in conjunction with the preparation of the activity plan;
- (iii) a specific Circular was issued concerning the coordination of activities between Internal Audit, Compliance, Anti-Money Laundering and Risk Management

and all other control functions, with the aim of formulating an effective activity plan, while respecting the independent authority of each;

- (iv) the Boards of Statutory Auditors of Group companies periodically hold joint meetings;
- (v) the Board of Statutory Auditors participates in the meetings of the Internal Audit and Risks Committee and the Chairman of the Board of Statutory Auditors participates in the meetings of the Remuneration Committee and the Nomination Committee;
- (vi) the Board of Statutory Auditors has been acting as Supervisory Board since 1 April 2014;
- (vii) the various control functions perform the necessary analyses jointly on specific projects and subjects.

For information concerning the other parties involved in the internal control and risk management system, refer to Chapter 11, Internal Control and Risk Management System.

12. DIRECTORS' INTERESTS AND RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

In accordance with Article 2391-*bis* of the Civil Code, the Regulations containing provisions relating to transactions with related parties (adopted by Consob by resolution No. 17221 of 12 March 2010, as amended by resolution No. 17389 of 23 June 2010), Bank of Italy Circular No. 263 on risk assets and conflicts of interest of banks and banking groups with Connected Parties and Bank of Italy Circular No. 285, Banca Generali's Board of Directors has approved the first version of its "Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance", which entered into effect on 1 January 2011 and was last updated with effect from 15 May 2017. The procedure is intended to implement Consob and Bank of Italy regulations, by adopting, for all Banking Group companies, rules on Transactions with Related Parties and Connected Parties and Transactions of Greater Importance, governing the related investigation, approval, reporting and disclosure activities.

In detail, Bank of Italy Circular No. 263 introduced new industry-wide regulations governing risk-taking and conflicts of interest in respect of Connected Parties (Title V, Chapter 5, of the said Circular). These provisions are aimed at containing the risk that the closeness of certain persons to the Bank's decision-making centres could compromise the objectivity and impartiality of decisions pertaining to the approval of loans and other transactions involving the said persons, and potentially give rise to distortions in the resource-allocation process, expose the Bank to risks that are not adequately measured or monitored, and/or result in harm and losses to depositors and shareholders.

In pursuit of this objective, the aforesaid regulatory provisions include within the scope of the term "Related Parties", first and foremost, the company top management, main shareholders and other persons in a position to control or significantly influence the bank management, whether to be exercised individually or jointly with others. The regulatory provisions specify that conflicts of interest might emerge even in course of business and other dealings, especially industrial in nature, with subsidiaries or entities over which the Bank exercises significant influence, or in respect of which the Bank is significantly exposed pursuant to loans, and/or as a result of participating interests held in the same.

Under the aforesaid provisions, any related party and any and all persons thereto connected fall within the scope of the definition of the term "connected parties", all of which are subject to quantitative restrictions and procedural rules imposed under the said regulatory framework. The quantitative restrictions consist in the imposition of prudential limits on the amount of risk a bank or banking group may assume in respect of the said parties, it being understood that the related ceilings are differentiated on the basis of the type of related party in question, with a view to ensuring proportionality with the closeness of the ties and the repercussions of associated risks in terms of sound and prudent business management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk

activities carried out with related parties qualifying as non-financial entities. The regulatory framework is completed by supplementing prudential restrictions with procedural requirements entailing specific decision-making steps designed to ensure the proper allocation of resources and adequately protect third parties against undue harm and losses. Moreover, specific guidelines relating to organisational arrangements and internal controls enable the identification of corporate bodies' responsibilities and corporate functions' tasks with respect to the objectives of conflicts of interest prevention and management, as well as the obligations for identifying the Connected Parties and for monitoring exposures over time.

The Procedure applies to Related Party Transactions and Connected Party Transactions that:

- a) are to be effected in exercise of the Company's powers of management and coordination over subsidiaries within the meaning of Article 2359 of the Civil Code; and
- b) pursuant to the system of delegated powers currently in force, are subject to prior assessment and approval by the Company.

Authorisation must be obtained from the Company in any event for any and all Highly Significant Related Party Transactions or Connected Party Transactions to be effected by Italian or foreign subsidiaries within the meaning of Article 2359 of the Civil Code.

To ensure full and proper disclosure of any and all Related Party and Connected Party Transactions and Transactions of Greater Importance effected by the Company, the Procedure also requires:

- (i) the Company's Board of Directors to include an account of all related party and connected party transactions concluded during the year, including through subsidiaries, in the Directors' Report on Operations pursuant to Article 2428 of the Civil Code;
- (ii) the decision-making body through the Chief Executive Officer and General Manager to report to the Board of Directors, as well as the Board of Statutory Auditors in respect of the performance of any and all Moderately Significant Related Party and Connected Party Transactions and Transactions of Greater Importance, at least on a quarterly basis;
- (iii) the Chairman of the Board of Directors to ensure that adequate information on all Moderately Significant Related Party Transactions pertaining to the Board of Directors and all Highly Significant Related Party Transactions is made available not only to all Directors in compliance with Article 2381 of the Civil Code, but also to the Board of Statutory Auditors;
- (iv) the Board of Statutory Auditors to monitor compliance with the provisions of the above-mentioned Procedure and submit a report in such regard to the Shareholders' Meeting pursuant to Article 2429, paragraph 2, of the Civil Code and Article 153 of TUF.

Moreover, since Banca Generali belongs to the Generali Group, any and all transactions effected with related par-

ties of the parent company Assicurazioni Generali must be identified and managed in accordance with the provisions of the Procedures adopted by Assicurazioni Generali in such regard, with the result that in certain cases, the said transactions may be subject to prior approval by the Parent Company.

The Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance is available on the corporate website (www.bancagenerali.com), section “Corporate Governance – Corporate Governance System – Governance Policies”.

In order to duly implement the above-mentioned regulatory framework, on 18 December 2012, Banca Generali’s Board of Directors also approved the “Internal Policies Governing Controls of Risk Assets and Conflicts of Interest in Relation to Connected Parties”. These Policies were most recently updated by the Board of Directors on 9 May 2017.

The said “Policies”, *inter alia*:

- (i) require risk-appetite levels to be maintained in line with the strategic profile and organisational features of the Bank or Banking Group, it being understood that the risk appetite is also defined in terms of the maximum risk exposure towards connected parties that may be considered acceptable in light of regulatory capital requirements, taking due account of the cumulative risk assumed in respect of the sum total of connected parties;
- (ii) without prejudice to Banca Generali’s existing rules and regulations with regard to conflicts of interests, set forth specific provisions governing business dealings with connected parties, and the sectors of operations and types of economic relationships involved, which, whilst not necessarily entailing risk-taking, could give rise to conflicts of interest;
- (iii) regulate organisational processes designed to identify and individually list all connected parties, duly recording and quantifying any and all transactions effected with the same, at all stages of the relationship;
- (iv) require the implementation of checks and monitoring procedures designed to ensure that risks are properly assessed and managed throughout the course of dealings with connected parties, and that internal policies are appropriately designed and effectively enforced.

Obligations of Company Officers and Executives Pursuant to Legislative Decree No. 136 of TUB

With regard to the obligations binding on company officers and executives of banks, it must be borne in mind that pursuant to Article 136 of the TUB, “*all the persons tasked with administrative, managing and control functions within a bank are barred from assuming obligations and/or effecting, directly or indirectly, trading transactions of any nature or kind whatsoever with the bank where the aforementioned functions are performed, unless approved by resolution passed by the govern-*

ing body, unanimously and with the abstention of the persons concerned and with the unanimous vote of all the members of the control body, without prejudice to the obligations set forth by the Civil Code regarding the directors’ interests, as well as related party transactions.”

In order to ensure thorough oversight of situations that might give rise to a potential conflict of interest, Banca Generali took the appropriate measures, and in particular all company exponents are directly and personally informed, upon appointment, of the content of the legislation in question through a brochure entitled “Obligations of Bank Exponents – General Concepts”, which summarises applicable legislation and the pertinent interpretative guidance, as well as a “Declaration Form” that all company exponents are to compile and that satisfies both the Consob and Bank of Italy rules on Related Party and Connected Party Transactions and the prescriptions of Article 136 of TUB.

Moreover, it bears recalling that, in order to further control the above-mentioned areas and risks, Banca Generali adopted the application software Easy Regulation that enables: i) the identification and listing of Relevant Persons, whilst also allowing data pertaining to the same to be managed and processed; (ii) the identification of those Bank’s transactions that fall within the scope of the various internal and external regulations; (iii) the registration and monitoring of the said transactions; (iv) the identification of transactions subject to specific procedural requirements, whilst supporting the computerised management and processing of transactions that exceed a pre-set significance thresholds; (v) the production of personalised reports.

It must be pointed out that the process model selected by Banca Generali and supported by Easy Regulation is designed to ensure the streamlined, integrated and multi-regulatory management of Related Party and Connected Party Transactions, Transactions of Greater Importance and transactions with Company Officers and Executives pursuant to Article 136 of TUB.

Lastly, in compliance with the provisions set forth in the Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance, the Bank’s specific function, within the Corporate Affairs and Relations with Authorities Department, has been entrusted with the following main tasks: (i) updating the list of the persons and parties involved, after having identified the latter; (ii) managing decision-making procedures, information flows regarding the transactions, and relations with the Internal Audit and Risk Committee and the Board of Directors; (iii) managing internal and external transparency obligations with supervisory bodies; (iv) drawing up the reports to be filed under the aforesaid Consob and Bank of Italy regulations; (v) coordinating activities with relevant corporate functions of the Parent Company and Subsidiaries.

13. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors consists of three acting and two alternate Auditors, whose functions, duties and terms of office are defined by the law.

Pursuant to Article 20 of the Articles of Association, acting and alternate Auditors must possess the requisites required by law and are eligible for reappointment. Those whose situations are incompatible pursuant to law and persons who serve as company directors or officers in other companies beyond the thresholds established under applicable regulations may not be appointed to the Board of Statutory Auditors, and if so appointed, will fall from office. In addition to meeting all the eligibility requirements imposed under law for membership of the Board of Statutory Auditors, all the acting and alternate members of the Company's Board of Statutory Auditors must be free of criminal convictions for any of the offences listed in Legislative Decree No. 231/01 or any criminal offence whatsoever entailing wilful misconduct. Similarly, no member of the Company's Board of Statutory Auditors may stand indicted for any of the aforesaid offences and, if so indicted shall be deemed unfit to serve in office through to full and final acquittal. Dismissal from service on the Company's Supervisory Board for just cause, pursuant to resolution of the Board of Directors, shall entail forfeiture of the seat held on the Company's Board of Statutory Auditors. Forfeiture of or revocation from office of a Regular or Alternate Statutory Auditor, including as a result of a failure to satisfy the requisites of professionalism, integrity and independence, also determine the forfeiture of office as Supervisory Board's member.

The appointment of the Board of Statutory Auditors is made on the basis of the list of candidates, according to the procedure specified below.

Those shareholders who, alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company to submit lists of candidates for appointment of the Board of Directors, are entitled to submit a list. Currently, the percentage is 1%. Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of TUF as further amended, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) may contribute to the submission of only one list. In the event of breach, account will not be taken of the relative backing given to any of the lists.

The lists are made up of two sections: one for the appointment of the acting Auditors and the other for the appointment of the alternate Auditors. The lists contain a number of candidates no higher than the number of members to be elected, listed by progressive number. Each of the two

sections of the lists, save for those featuring less than three candidates, must present candidates in a manner that ensures gender balance. Each candidate may appear on only one list, upon penalty of ineligibility. Together with each list and within the term established for the filing of lists, the shareholders submitting the lists must also file the following documentation at the registered office: i) information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; (ii) exhaustive information on the personal and professional features of the candidates included in the list; (iii) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; (iv) the declarations in which each candidate accepts nomination and also certifies, under his own responsibility, the inexistence of causes of incompatibility and of ineligibility, as well as possession of the requisites which prevailing laws require for the office of Auditor of the Company. Within the term specified for the publication of the lists by the Company and in order to prove their entitlement to submit lists, shareholders shall file the documentation proving legal ownership of their shareholdings, in accordance with applicable laws and regulations, at the Company's registered office.

The lists, signed by the submitting shareholders, shall be filed at the Company's registered office no later than twenty-five days prior to the date set for the Shareholders' Meeting in first call. Furthermore, the list will be available at the Company's registered office, on the corporate website and in any and all forms required by applicable laws and regulations, no later than twenty-one days prior to the date set for the Shareholders' Meeting in first call. In the case where, by the aforesaid deadline, submission has been made of only one list or only of lists submitted by shareholders associated amongst themselves, the relevant statutory and regulatory provisions shall apply.

Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of article 122 of TUF as further amended, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) shall be entitled to vote for only one list.

The first two candidates on the list obtaining the highest number of votes and the first candidate on the list obtaining the highest number of votes from amongst the lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes shall be deemed elected acting Auditors; the first candidate on the list obtaining the highest number of votes and the first candidate on the list obtaining the highest num-

ber of votes from amongst the lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes shall be deemed elected alternate Auditors. In the case where the number of regular Auditors belonging to the gender less represented falls short of the threshold established under applicable statutory provisions, the candidates appearing in the regular Auditor section of the list obtaining the highest number of votes will be replaced following the order in which the candidates were presented for election.

In the case where only one list is submitted, the entire Board of Statutory Auditors is appointed from the said list.

Should no list be submitted, the Shareholders' Meeting shall appoint the Board of Statutory Auditors and the Chairman thereof by majority of the votes cast, in accordance with law.

In the event of votes being equal between two or more lists, the younger candidates will be elected until all the posts to be assigned have been filled.

The first candidate on the list obtaining the highest number of votes, from amongst those lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes on the overall shall be elected Chairman of the Board of Statutory Auditors. In the event of submission of a single list, the first candidate specified therein will take the chairmanship.

In the case of the death, resignation or forfeiture of an acting Auditor, the first alternate Auditor belonging to the

same list as the replaced Auditor will succeed him. Such alternate will succeed him for a period conterminous with the term of the other statutory Auditors in office at the time of his appointment as an Auditor. Should the outgoing Auditor be the Chairman of the Board of Auditors, his replacement on such Board shall also assume the Chairmanship of the Board of Auditors. In the case where it is not possible to proceed as indicated above and the procedure for the replacement of the members of the Board of Statutory Auditors fails to ensure gender balance on the same, the term of the entire Board of Statutory Auditors shall be deemed to have expired in full with immediate effect, and accordingly, a Shareholders' Meeting must be called to pass resolutions on the appointment of a new Board of Statutory Auditors pursuant to the voting list system set forth above.

The members of the Board of Statutory Auditors must be selected from amongst persons who have acquired, on the overall, at least three years' experience in:

- a) professional activities or permanent university teaching in legal, economic, financial and technical/scientific subjects strictly pertinent to the Company's business activities;
- b) senior management functions in public entities or public administration operating in sectors strictly pertinent to the Company's activity.

In such regard, Article 20 of the Articles of Association provides that: (i) fields and sectors closely related to the Company's business activities shall include all those mentioned in point (a) above pertaining to banking, and economic sectors closely related thereto; (ii) economic sectors closely related to banking shall include the credit, para-banking, financial and insurance sectors.

14. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (PURSUANT TO ARTICLE 123-bis, PARAGRAPH 2, LETTER D), OF TUF)

The Banca Generali's Board of Statutory Auditors currently in office was appointed by the General Shareholders' Meeting on 12 April 2018.

The Table 3 provided in Attachment 3 hereto lists the members of the Board of Statutory Auditors as of 31 December 2018, other information about them and their attendance at the meeting of the Board of Statutory Auditors.

The Shareholders' Meeting held on 12 April 2018 elected the members of the Board of Statutory Auditors based on two lists presented by the majority shareholder Assicurazioni Generali S.p.A. and by various undertakings for collective investment in transferable securities under the aegis of Assogestioni

The majority list submitted by Assicurazioni Generali S.p.A. included the following candidates: Mario Francesco Anaclerio, Flavia Daunia Minutillo and Giuseppe Alesio Verni and the following candidates for the position as Alternate Auditor Maria Maddalena Gnudi and Corrado Giammattei.

At the end of the Meeting's vote, the candidates on the list mentioned were elected with the favourable vote of 74.544% of the share capital present at the Meeting with voting entitlement and were appointed to the following offices: Mario Francesco Anaclerio and Flavia Daunia Minutillo, Acting Auditors and Maria Maddalena Gnudi, Alternate Auditor.

The list submitted under the aegis of Assogestioni indicated the name of Massimo Cremona as sole candidate to the position of Acting Auditor and Gianfranco Consorti to the position of Alternate Auditor. All candidates were elected by the affirmative vote of 24.968% of the shareholders present and entitled to vote at the Meeting and assumed the following roles: Massimo Cremona, Acting Auditor and Chairman of the Board of Directors, as per Article 20, paragraph 10 of the Articles of Association (the first candidate on the list obtaining the highest number of votes and the first candidate on the list obtaining the highest number of votes from amongst the lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes, shall be deemed elected), Gianfranco Consorti Alternate Auditor.

The current composition of the Board of Statutory Auditors fully reflects the rules on gender parity indicated in the applicable legislative and regulatory provisions. In general, regarding the Bank's adoption of diversity criteria and policies concerning the composition of Corporate Bodies, reference is made to the contents under 4.2. above.

Set out below is a brief profile of the auditors.

Massimo Cremona. Born in Busto Arsizio (Varese) on 3 April 1959, Massimo Cremona currently is Visiting Profes-

sor at the Economics and Commerce Faculty of the Università Cattolica del Sacro Cuore, in Milan. Previously, he was visiting professor at the Milan Università Statale, faculty of Law.

Widely published in Italy and abroad, he has been a Speaker at national and international seminars focusing on national and international taxation. A Founding and Managing Partner of the Law Firm Pirola Pennuto Zei & Associati, he currently runs his own private practice. His clientele includes large Italian and foreign groups primarily in the financial, banking and insurance industries. He serves on the Boards of Directors and Statutory Auditors of several major corporations including, without limitation, and companies belonging to the De Benedetti Group, the Bosch Group and the Ermenegildo Zegna Group.

Mario Francesco Anaclerio. Born in Genoa on 2 May 1973, he graduated in Economics and Commerce through the Cattolica University in Milan, is chartered accountant and registered with the list of Certified Auditors. He owns a chartered accountant firm in Milan, specialising in finance, business valuations, fairness opinions, appraisals and extraordinary operations, governance, internal auditing and organisational, management and control models pursuant to Legislative Decree No. 231/2001. He is a Statutory Auditor in several leading companies of the Atlantia Group, Bind Group, Saxo Bank Group and Bertola Group.

Flavia Daunia Minutillo. Born in Milan on 24 May 1971, she earned a degree in Economics and Commerce in 1995 before qualifying as a Certified Public Accountant and professional Dealer. She is a Founding Partner of the firm Simonelli Associati. Since 1998, she has served as acting auditor and Chairwoman of the Board of Statutory Auditors of banks, listed corporations, securitisation companies, trust companies, financial institutions, factoring companies, securities brokerages, asset management companies, holding companies as well as undertakings operating in the real estate, heavy industry, service and commercial sectors. In particular, she has served as Chair of the Board of Statutory Auditors of General Real Estate SGR since 2015, acting auditor of the listed corporation Molmed S.p.A., Fondo Strategico Italiano Investimenti S.p.A., the listed corporation Mondadori S.p.A., as well as Rizzoli Education S.p.A.

Maria Maddalena Gnudi. Born in Pesaro on 13 March 1979, she graduated with full marks with a degree in Economics and Business from the University of Bologna. A chartered accountant and auditor, she has been collaborating with Studio Gnudi since 2010, where she became a partner in 2011. She is an expert tax advisor with particular expertise in international taxation and transfer pricing. She is a member of the Board of Directors of ACB Group S.p.A. and an acting auditor in several company, including Intercos S.p.A. and Intercos Europe S.p.A

Gianfranco Consorti. Born in Atri (Teramo) on 7 July 1950, he graduated in Economics at the La Sapienza

University in Rome. He is a chartered accountant and is entered on the Register of Auditors. He joined Ernst & Young S.p.A. (at the time Arthur Young), Rome office, in 1976, where he became Partner in 1986. After performing a number of roles with increasing levels of responsibility including as partner responsible for auditing major national and international companies and groups and as national partner responsible in Reconta Ernst & Young for public sector audit and accounting organisation activities, he left Reconta Ernst & Young in July 2013, due to statutory obligations, to pursue a professional career as a professional chartered accountant, auditor and business consultant.

The Board of Statutory Auditors met 20 times in 2018. The average attendance of Statutory Auditors at Board of Directors' meetings in 2018 was 100.00%. The same number of meetings are planned for 2019. To date, 6 meetings have been held.

Under the Bank of Italy Provisions, the company body vested with control functions is required to periodically verify its own adequacy in terms of powers, functioning and composition, taking into account the scale, complexity and activities of the Bank. The provisions in question also require the members of the said control body to meet a level of professionalism in line with the size and operational complexity of the Bank, and to devote sufficient time and resources to discharging its duties, whilst also establishing that on the occasion of the appointment of company officers and periodically over time, the number of similar positions held must be verified and evaluated, with special attention to those requiring greater involvement in the ordinary course of company business. In light of the above, Article 20 of the Articles of Association establishes, by way of reference to applicable regulations, both the maximum number of other appointments a member of Banca Generali's Board of Statutory Auditors may simultaneously hold, and the requirements of professionalism to be met by the members of the said board.

In addition to the good standing and independence requisites and the grounds for incompatibility and non-electability provided for by special legislation and the Corporate Governance Code for listed banks, the statutory auditors must possess, or otherwise shall be removed, the following professionalism requisites: at least one acting auditor and one alternate auditor (and in any case the Chairman) must be registered in the register of auditors; anyone not having this requisite must have specific experience working: (a) in a professional capacity or as a university tenured professors of law, economics, finance or technical-scientific subjects closely related to the Company's business operations; (b) in an executive capacity, in the service of public bodies or public administrations operating in sectors closely related to the Company's core business.

Moreover, pursuant to the Bank of Italy Provisions, no member of the control body may hold any position within any body other than control bodies within other companies belonging to the group or financial conglomerate, and/or within companies in which the Bank holds, directly or indirectly, a strategic stake (that is to say, at least 10% of the share capital or voting rights at the Ordinary Shareholders' Meeting of the investee company, and 5% of the Banking Group's consolidated assets).

With reference to gender balance, the Articles of Association provide that in the case where the number of regular Auditors belonging to the gender less represented falls short of the threshold established under applicable statutory provisions, the candidates appearing in the regular Auditor section of the list obtaining the highest number of votes will be replaced following the order in which the candidates were presented for election. In the case of replacement of an Acting Auditor with an Alternate Auditor and the procedure for the replacement of Auditors fails to ensure gender balance, the term of the entire Board of Statutory Auditors shall be deemed to have expired in full with immediate effect.

Satisfaction of the relevant requirements is verified by the Board of Directors in accordance with applicable supervisory regulations as well as the provisions of the Corporate Governance Code.

Banca Generali's Board of Directors last verified satisfaction of the relevant statutory requirements for acting members of the Board of Directors on 20 and 23 April 2018.

All the members of Banca Generali's Board of Statutory Auditors have been chosen among the auditors registered in the register of public auditors; all the members of the Board of Statutory Auditors are independent within the meaning of both TUF and the Corporate Governance Code.

The Board of Statutory Auditors assessed the independence of its members on the first possible occasion after their appointment, specifying the assessment criteria actually applied, and notified the result of these checks to the Board of Directors. A similar assessment was recently updated, with a positive outcome, in the meeting of 7 February 2019.

When carrying out the above assessments it applied all the criteria specified in the Corporate Governance Code with reference to Directors' independence. The outcome of such assessments were published by issuing a press release.

The Statutory Auditors must also take into account Article 36 of Legislative Decree No. 201 of 6 December 2011, converted with amendments by Law no. 214 of 22 December 2011, and containing provisions regarding "interlocking personal shareholdings in the credit and financial markets", whereby it is prohibited for "*office holders in management, supervisory and control bodies and senior management in enterprises or groups of enterprises operating in the credit, insurance and financial markets to take on or perform similar offices in competing enterprises or groups of enterprises*" (known as the interlocking ban). Holders of incompatible offices must notify the option taken within a period of 90 days from appointment. At the end of such period, if this condition has not been met, they shall be removed from both offices. In this regard all the members of the Board of Statutory Auditors were found to comply with the prohibition of interlocking requirement.

A Statutory Auditor who, on his own account or for third parties, has an interest in a given Company transaction must inform the other Statutory Auditors and the Chairman of the Board promptly and exhaustively of the nature, origin and terms of his own interest. The same reporting obligations shall be binding on any Auditor falling within

the scope of the cases contemplated in Article 136 of TUB, in which case the said rules shall apply.

The Board of Statutory Auditors has monitored the independence of the independent auditors, in terms of both compliance with the relevant requirements, and the nature and volume of non-auditing services rendered to the Company and its subsidiaries by the said independent auditors and entities belonging to the same network.

Given that, pursuant to statutory requirements, non-auditing services must be entrusted to an independent auditor, Article 20 of the Articles of Association vests the Board of Auditors with the power/duty to liaise with the other persons and parties with oversight responsibilities; forms of ongoing coordination have been developed to serve this purpose, entailing, *inter alia*, the scheduling of specific meetings especially for periodic exchanges of information and views between the Board of Auditors and the independent auditors. In respect of these issues the Board of Statutory Auditors may, if it deems fit, also avail of the advice and support of the Internal Audit and Risk Committee, as contemplated in the relevant Committee Rules.

Moreover, the Parent Company's control body must operate in close collaboration with its counterparts within subsidiaries. In performing its duties, the Board of Statutory Auditors coordinated its efforts with the Internal Audit and

Risk Committee and the control units (compliance, anti money laundering, internal audit and risk management). In this regard please refer to the paragraph on information flows and coordination among different Company bodies described herein.

The Chairman of the Board of Directors ascertained that the Auditors, after their appointments, could participate in initiatives aimed at providing them with an adequate knowledge of the business sector in which the Issuer operates, of the corporate dynamics and the relevant evolutions, as well as the relevant regulatory framework. In this context he involved members of the Board of Statutory Auditors in the induction meeting and informal meetings held during 2018 (see paragraph 4.2 for details of the meetings).

During 2018 the Board of Statutory Auditors independently held numerous and specific topical meetings with the Bank's management and particularly with the heads of the control functions and with the independent auditors in order to examine a number of topics and foster full knowledge of the Bank's situation.

The remuneration of the Statutory Auditors is commensurate with the commitment required, the importance of the role covered, as well as the Bank's characteristics in terms of size and sector.

15. INVESTOR RELATIONS

Banca Generali feels that it has a specific interest — as well as a duty towards the market — to engage in ongoing dialogue, based on a mutual understanding of roles and responsibilities, with its Shareholders, in general, as well as with institutional investors, such dialogue being placed within the framework of procedures for the public disclosure of corporate information and documents.

In particular, the Company seizes the opportunity of the shareholders' meetings to inform the Shareholders of information about the Company and its prospects; obviously, this is in compliance with the inside information rules and hence, should it be necessary, disseminating this information to the market at the same time.

The management of daily relations with Shareholders is entrusted to the Corporate Affairs and Relations with Authorities Department within the General Counsel Area.

The Investor Relations Service is in charge of liaising with institutional investors.

INVESTOR RELATIONS

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The Company uses its website to allow the public to consult constantly updated information regarding the Company, its products and services.

Apart from a presentation and historical overview of the Company and the Group, the website hosts the most significant documents pertaining to Corporate Governance, all the press releases on the main corporate events, as well as financial and accounting data.

The website also presents the Calendar of Events indicating the dates of meetings of Corporate Organs, such as Shareholders' and Board meetings called for the approval of the draft annual financial statements, the consolidated financial statements, the half-yearly condensed report and interim reports, as well as for making decisions in respect of purely financial matters.

In order to ensure the transparency and effectiveness of the information disclosed to the public, the website is constantly and timely updated.

16. GENERAL SHAREHOLDERS' MEETINGS (PURSUANT TO ARTICLE 123-bis, PARAGRAPH 2, LETTER C) OF TUF)

The procedures governing the conduct of Shareholders' Meetings are regulated by the Articles of Association and the Regulations of the Shareholders' Meeting.

The condition of shareholder implies acceptance of the Memorandum of Association and of the Articles of Association.

The Shareholders' Meeting is the body that expresses the Company's will through its resolutions. Resolutions adopted by Shareholders' Meeting in compliance with the law and the Articles of Association are binding on all shareholders, including those who are absent or dissenting

The Shareholders' Meeting may be held at the registered office or at another venue, provided that it is in Italian territory. The Shareholders' Meeting is convened by the Board of Directors. Shareholders are called through published notice, under the terms and conditions required by applicable laws and regulations. The Shareholders' Meeting is called whenever the administrative body deems necessary and advisable or upon request of the Board of Statutory Auditors or of the shareholders, in accordance with the law, or in the other cases in which call of the Shareholders' Meeting is obligatory pursuant to law. The ordinary Shareholders' Meeting must be called at least once a year within 120 days of closure of the financial year. This deadline may be extended to 180 days where certain legal conditions are met.

In the cases provided by law, those shareholders who, alone or in conjunction with others, represent at least the percentage of share capital envisaged by current applicable regulations, are entitled to request call of the Shareholders' Meeting. Those shareholders who, alone or in conjunction with others, represent at least one fortieth of the share capital are entitled to request, in compliance with laws in force, integration of the list of items on the agenda.

The notice of call may specify the date of a second or third call, in the event that the Meeting does not prove to be legally constituted.

The persons or parties entitled to participate in the Shareholders' Meeting, in accordance with applicable laws, may participate in the Shareholders' Meeting, provided that they prove their entitlement pursuant to the law and that the notice from the intermediary responsible for keeping the accounts regarding the shares, in replacement of the deposit giving entitlement to attend the Shareholders' Meeting, has been received by the Company by the end of the third trading day prior to the date set for the first call of the Meeting, in accordance with Article 83-sexies, paragraph 4, of TUF, after the terms specified above, provided that it arrived within the start of the Shareholders' Meeting specifically called.

Shareholders may be represented by others in the Shareholders' Meeting, in accordance with the provisions of the law. In compliance with the provisions of Article 135-un-

decies of TUF, the Company has appointed a representative for the exercise of voting rights.

Legal provisions are observed with regard to the validity of Shareholders' Meetings and their resolutions.

Ordinary and extraordinary Shareholders' Meetings are attributed all the powers to which they are respectively entitled pursuant to current regulations. The Ordinary Shareholders' Meeting shall also establish the remuneration due to the organs it appoints. The said Shareholders' Meeting may provide for a lump-sum amount covering the remuneration of all company directors, including those vested with specific tasks, such lump-sum amount being subject to distribution amongst individual directors pursuant to the determinations of the Board of Directors. The Shareholders' Meeting shall also approve the remuneration policies and compensation plans based on financial instruments, to be implemented in favour of company directors, employees, and outside collaborators other than company employees. In respect of related party and connected party transactions, pursuant to the procedure adopted by the Company in such regard, the Shareholders' Meeting is vested with the decision-making powers assigned to it under applicable regulations. In emergency situations arising from corporate crises, any and all related party and connected party transactions subject, under law, to shareholder approval, may only be effected pursuant to shareholder resolutions passed in accordance with the terms, conditions, procedures and deadlines imposed under applicable regulations and the aforesaid Procedure adopted by the Company.

Under the Article 18 of the Articles of Association, the Board of Directors is exclusively qualified to deliberate on matters pertaining to the setting up or closing down of secondary offices, indication of which Directors may represent the Company and use the company signature, mergers, in the cases permitted by law, amendments to the provisions of the Articles of Association that no longer comply with new and mandatory regulatory provisions.

All the directors attended the latest General Shareholders' Meeting on 12 April 2018. On that occasion, the Board reported in respect of completed and scheduled activities and ensured that all Shareholders were provided adequate information on all pertinent matters so as to enable them to make informed decisions. The Remuneration Committee informed all Shareholders on the activities it performed in respect of remuneration policies.

Regulations of the Shareholders' Meeting

Pursuant to article 23 of the Board of Directors' Rules, the Company encourages Shareholders to attend all Shareholders' Meetings.

The Board shall report to the Shareholders' Meeting in respect of completed and scheduled activities and shall ensure that all Shareholders are provided adequate informa-

tion on all pertinent matters so as to enable them to make informed decisions about the items placed on the agenda of Shareholders' Meetings.

In compliance with the recommendations of the Code, the Shareholders' Meeting approved its own Regulations (most recently amended by resolution of the General Shareholders' Meeting on 20 April 2011), setting forth the procedures to be followed in order to ensure orderly proceedings. The Regulations of the General Shareholders' Meeting are available for consultation at the Company's registered offices as well as on its website, under the section "*Corporate Governance-AGM-Attending the AGM*".

The Rules are aimed at regulating the proceedings of ordinary and extraordinary Shareholders' Meetings, and ensuring the proper and ordered functioning of the same, and in particular, the right of each shareholder to take part and express an opinion on the items under debate. The Rules, therefore, constitute a valid tool for ensuring the protection of the rights of all the Company's shareholders and the proper approval of shareholders' resolutions.

In particular, persons entitled to attend have the right to speak on each one of the items on the agenda or placed up for discussion and make proposals on them.

Pursuant to Article 127-ter of TUF, shareholders are entitled to submit questions regarding the items placed on the Agenda even before the Shareholders' Meeting. Questions submitted prior to the Shareholders' Meeting shall be answered at the very latest during the course of the Shareholders' Meeting itself, even by treating several questions regarding the same subject-matter as a single query.

Entitled Attendees who intend to take the floor shall submit a written request to the Chairman, after the items on the agenda have been read out and before the Chairman

has declared closed the discussion on the item subject to the request to speak.

If the Chairman so authorises, requests to take the floor may be made by raising the hand.

In the case where written requests to take the floor are required, the Chairman shall grant the floor in accordance with the order in which requests to speak were received. In the case where requests to take the floor are made by the raising of hands, the Chairman shall grant the floor to the person who first raises his hand; in the case where it is not possible to determine precisely which person was the first to raise his or her hand, the Chairman shall grant the floor in accordance with the order established by the Chairman himself, at his sole discretion.

The Chairman and/or, on his invitation, the Directors and the Statutory Auditors, respond to entitled attendees according to their areas of expertise or when deemed useful by the Chairman, after the speech of each one or after all speeches have been given on each item of the agenda, taking due account of any and all questions raised by shareholders prior to the Shareholders' Meeting and left unanswered until the latter. Persons with the right to speak have the right to make one speech on each item on the agenda, except for a reply and a statement of vote, each of a duration of no more than five minutes. The Chairman, taking into account the issue and the importance of the single items on the agenda as well as the number of persons requesting the floor and any and all questions raised by shareholders prior to the meeting and left unaddressed by the Company, shall announce the period of time available for each Entitled Attendee to take floor, such time, as a general rule, being established at no less than five and no more than ten minutes for each speaker. When such period of time has expired, the Chairman may invite the entitled attendee to conclude within another five minutes.

17. OTHER CORPORATE GOVERNANCE PRACTICES (PURSUANT TO ARTICLE 123-bis , PARAGRAPH 2, LETTER A) OF TUF)

Further information of corporate governance practices is provided in the relevant individual paragraphs of this Report.

18. CHANGES SINCE THE END OF THE FINANCIAL YEAR OF REFERENCE

No changes were brought to the corporate governance structure since the end of the financial year and up to the date of this Report.

19. CONSIDERATIONS ON THE LETTER OF 21 DECEMBER 2018 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

On 21 December 2018, the Chairman, the CEO and the Chairman of the Board of Statutory Auditors, received the letter of the Chairman of the Corporate Governance Committee Patrizia Grieco, together with the annual Report on the application of the Corporate Governance Code for listed companies (the “**Letter**”).

With reference to the “Recommendations of the Committee for 2019” indicated at the foot of Patrizia Grieco’s letter, it is reported that these have been brought to the attention of the Board of Directors and the competent Committees and have been considered, also at the self-assessment stage, in order to identify possible governance developments or to fill any gaps in the application or explanations provided. In particular, the annual meeting of non-executive Directors of 23 January 2019, and the meetings of the Nomination, Governance and Sustainability Committee held on 5 December 2018 and 5 February 2019 discussed the matters mentioned in the aforementioned Recommendations and in particular the pre-Board meeting disclosure and the times for making material available to directors, evaluating the Directors’ independence criteria and the board review.

In this regard, 2017 saw the start of a process to improve the functioning of the Board of Directors’ meetings, seeking to meet the needs expressed by the Board and the Committees, with the contribution of the competent Bank

structures. This has resulted in several measures that are set out below by way of example and not limited to:

- > introduction of the recording of meetings in order to facilitate and make the preparation of minutes more punctual;
- > gradual bringing forward the times for sending Board documentation to Directors/Statutory Auditors;
- > Executive Summary prepared for all the proponent structures, so as to facilitate the analysis of documentation by Directors.

Lastly, given that the Letter and the Report are an important parameter for evaluating the level of adherence to what can be defined as best practices, the Board of Directors, together with the Board of Statutory Auditors, during the Board meeting held on 7 February 2019, discussed and analysed the topics represented in the recommendations formulated in the Letter, maintaining that Banca Generali is, for the most part, currently in line with the “Recommendations of the Committee for 2019” and indicated at the foot of Patrizia Grieco’s Letter.

Milan, 15 March 2019

The Board of Directors

Annex 1 – Information on company ownership

Table 1 – Structure of the share capital

	NO. OF SHARES	% OF SHARE CAPITAL	LISTED (SPECIFY ON WHICH MARKETS)/NOT LISTED	RIGHTS AND OBLIGATIONS
Ordinary shares	116,851,637	100	Listed on the electronic share market (MTA) of Borsa Italiana S.p.A.	All the rights contemplated under the Civil Code and the Articles of Association
Shares with multiple voting rights	-	-	-	-
Shares with limited voting right	-	-	-	-
Shares without voting right	-	-	-	-
Other	-	-	-	-

Other financial instruments (giving right to underwrite newly issued shares)

	LISTED (SPECIFY ON WHICH MARKETS)/NOT LISTED	NO. OF OUTSTANDING INSTRUMENTS	CATEGORY OF SHARES IN SERVICE OF THE CONVERSION/ EXERCISE	NO. OF SHARES IN SERVICE OF THE CONVERSION/ EXERCISE
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

Significant shareholdings

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY CAPITAL	% OF VOTING CAPITAL
Assicurazioni Generali S.p.A.	Generali Italia S.p.A.	33.0109	33.0109
	Generali Vie S.A.	9.5078	9.5078
	Genertellife S.p.A.	4.8173	4.8173
	Alleanza Assicurazioni S.p.A.	2.4008	2.4008
	Genertel S.p.A.	0.4347	0.4347

The table does not provide the parties who are exempt from disclosure obligation pursuant to Article 119-bis of Consob Issuers' Rules.

Annex 2 – Board of Directors’ and Committees’ structure

BOARD OF DIRECTORS (AS OF 8 MARCH 2019)

OFFICE HELD	MEMBER	YEAR OF BIRTH	DATE OF FIRST APPOINTMENT *	IN OFFICE FROM	IN OFFICE UNTIL	LIST **
Chairman	Giancarlo Fancel	1961	23.04.2015	12.04.2018	Shareholders' Meeting to approve the fin. statements as of 31.12.2020	M
Chief Executive Officer α	Gian Maria Mossa	1974	20.03.2017	12.04.2018	Shareholders' Meeting to approve the fin. statements as of 31.12.2020	M
Director	Giovanni Brugnoli	1970	24.04.2012	12.04.2018	Shareholders' Meeting to approve the fin. statements as of 31.12.2020	M
Director	Azzurra Caltagirone	1973	23.06.2016	12.04.2018	Shareholders' Meeting to approve the fin. statements as of 31.12.2020	M
Director	Cristina Rustignoli	1966	23.06.2016	12.04.2018	Shareholders' Meeting to approve the fin. statements as of 31.12.2020	M
Director	Anna Gervasoni	1961	24.04.2012	12.04.2018	Shareholders' Meeting to approve the fin. statements as of 31.12.2020	M
Director	Massimo Lapucci	1969	23.04.2015	12.04.2018	Shareholders' Meeting to approve the fin. statements as of 31.12.2020	M
Director	Annalisa Pescatori ⁽¹⁾	1964	23.04.2015	12.04.2018	Shareholders' Meeting to approve the fin. statements as of 31.12.2020	M
Director	Vittorio Emanuele Terzi ⁽²⁾	1954	23.04.2015	12.04.2018	Shareholders' Meeting to approve the fin. statements as of 31.12.2020	M

α This symbol indicates the person who holds the main responsibility for the management of the Issuer (Chief Executive Officer or CEO).

* Date of first appointment of each Director means the date when the Director was appointed for the first time (ever) to the Board of Directors of the Issuer.

** This column shows the list from which each Director was elected ("M": majority list; m: minority list; "BoD": list submitted by the Board of Directors).

*** This column shows the number of directorships or auditorships held by the interested person in other companies listed on regulated markets, including foreign, in financial, banking and insurance companies or large corporations. The complete list of directorships and auditorships is given in this Report under Paragraph 4.1.

(*) This column shows the attendance to the meetings of the Board of Directors and Committees in the period from 1 January 2018 to 31 December 2018 (No. of times in attendance / number of meetings held during the actual period of office of the Director during the financial year).

(**) This column shows the position of the Director within the Committee: C: Chair; M: member.

(1) Annalisa Pescatori was a member of the Remuneration Committee until 11 April 2018 and has been a member of the Nomination, Governance and Sustainability Committee since 12 April 2018.

(2) Vittorio Emanuele Terzi was a member of the Nomination, Governance and Sustainability Committee until 11 April 2018 and has been a member of the Remuneration Committee since 12 April 2018.

Directors who left office during the reference year

BOARD OF DIRECTORS

OFFICE HELD	MEMBER	YEAR OF BIRTH	DATE OF FIRST APPOINTMENT	IN OFFICE FROM	IN OFFICE UNTIL
-					
-					
-					

Number of Meetings held during reference year

Board of Directors: 17

Internal Audit and Risk Committee: 17

Remuneration Committee: 8

Nomination, Governance and Sustainability Committee: 11

Necessary quorum for minorities to submit voting lists for the election of one or more members (pursuant to Article 147-ter of TUF): 1%

BOARD OF DIRECTORS (AS OF 8 MARCH 2019)					INTERNAL AUDIT AND RISK COMMITTEE	REMUNERATION COMMITTEE	NOMINATION, GOVERNANCE AND SUSTAINABILITY COMMITTEE				
EXEC.	NON- EXEC.	INDEP. PURSUANT TO ART. 16 OF CONSOB TO THE REGULATION CODE AND TUF	INDEP. PURSUANT TO ART. 16 OF CONSOB TO THE REGULATION NO. 20249/17.	NUMBER OF OTHER OFFICES ***	ATTENDANCE TO THE BOARD OF DIRECTORS' MEETINGS (*)	MEMBER (**)	NO. OF SHARES HELD (*)	MEMBER (**)	NO. OF SHARES HELD (*)	MEMBER (**)	NO. OF SHARES HELD (*)
	X			6	17/17 (100%)						
X				2	17/17 (100%)						
	X	X	X	-	17/17 (100%)			C	8/8 (100%)	M	11/11 (100%)
	X			4	14/17 (82%)						
	X			5	16/17 (94%)						
	X	X	X	4	17/17 (100%)	C	17/17 (100%)	M	8/8 (100%)		
	X	X	X	2	17/17 (100%)	M	17/17 (100%)			C	11/11 (100%)
	X	X	X	1	17/17 (100%)	M	17/17 (100%)		4/4 (100%)	M	7/7 (100%)
	X	X	X	2	17/17 (100%)	M	17/17 (100%)	M	3/4 (75%)		4/4 (100%)

BOARD OF DIRECTORS					INTERNAL AUDIT AND RISK COMMITTEE	REMUNERATION COMMITTEE	NOMINATION, GOVERNANCE AND SUSTAINABILITY COMMITTEE					
LIST (M/N)	EXEC.	NON- EXEC.	INDEP. PURSUANT TO ART. 16 OF CONSOB TO THE REGULATION CODE AND TUF	INDEP. PURSUANT TO ART. 16 OF CONSOB TO THE REGULATION NO. 20249/17.	NUMBER OF OTHER OFFICES 2	ATTENDANCE TO THE BOARD OF DIRECTORS' MEETINGS (II)	MEMBER	NO. OF SHARES HELD	MEMBER	NO. OF SHARES HELD	MEMBER	NO. OF SHARES HELD

Annex 3 – Statutory auditors’ structure

BOARD OF STATUTORY AUDITORS (AS OF 8 MARCH 2019)

OFFICE HELD	MEMBER	YEAR OF BIRTH	DATE OF FIRST APPOINTMENT *	IN OFFICE FROM	IN OFFICE UNTIL
Chairman	Massimo Cremona	1959	23.04.2015 ⁽¹⁾	12.04.2018	Shareholders' Meeting to approve the fin. statements as of 31.12.2020
Acting Auditor	Mario Francesco Anaclerio	1973	23.04.2015	12.04.2018	Shareholders' Meeting to approve the fin. statements as of 31.12.2020
Acting Auditor	Flavia Daunia Minutillo	1971	23.04.2015	12.04.2018	Shareholders' Meeting to approve the fin. statements as of 31.12.2020
Alternate Auditor	Maria Maddalena Gnudi	1979	21.04.2016	12.04.2018	Shareholders' Meeting to approve the fin. statements as of 31.12.2020
Alternate Auditor	Gianfranco Consorti	1950	12.04.2018	12.04.2018	Shareholders' Meeting to approve the fin. statements as of 31.12.2020

* Date of first appointment of each Statutory Auditor means the date when the Statutory Auditor was appointed for the first time (ever) to the Board of Statutory Auditors of the Issuer.

** This column shows the list from which each Statutory Auditor was elected (M: majority list; m: minority list).

*** This column shows the attendance of the Statutory Auditors to the meetings of the Board of Statutory Auditors in the period from 1 January 2018 to 31 December 2018 (No. of times in attendance / number of meetings held during the actual period of office of the interested party during the financial year).

**** This column shows the number of directorships or auditorships held by the person pursuant to Article 148-bis of TUF and the related implementing provisions set forth by Consob's Issuers' Rules. The complete list of directorships and auditorships is published by Consob on its website pursuant to Article 144-*quinquiesdecies* of Consob's Rules for Issuers.

(1) Massimo Cremona, appointed Alternate Auditor by the Shareholders' Meeting held on 23 April 2015, replaced Ettore Maria Tosi on 30 June 2015 in the position of Chairman of the Board of Statutory Auditors, following the latter's resignation.

Leaving auditors during reference year

Number of Meetings held during reference year: 20

Necessary quorum for minorities to submit voting lists for the election of one or more members (pursuant to Article 148 TUF): 1%

BOARD OF STATUTORY AUDITORS (AS OF 8 MARCH 2019)

LIST (M/m) **	INDEPENDENT AS PER CODE	ATTENDANCE TO THE BOARD OF STATUTORY AUDITORS' MEETINGS ***	NUMBER OF OTHER OFFICES ****
m	X	19/20	33
M	X	20/20	12
M	X	19/20	11
M	X	/	8
m	X	/	9

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 00833240328

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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