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## CORPORATE GOVERNANCE PROJECT

Banca Generali S.p.A., with registered offices in Trieste, 4 Via Machiavelli

Website: [www.bancagenerali.com](http://www.bancagenerali.com)

Board of Directors

31 January 2012

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## DEFINITIONS

**General Shareholders' Meeting or GSM:** General Shareholders' Meeting of Banca Generali

**Banca Generali or Bank or Company or Parent Company:** Banca Generali S.p.A.

**BG SGR:** BG SGR S.p.A.

**BG FID:** BG Fiduciaria SIM S.p.A.

**GFM:** Generali Fund Management

**GENERFID: Generfid S.p.A.**

**Corporate Governance Code:** The Corporate Governance Code of listed companies approved in March 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A, as subsequently amended and extended.

**Civil Code:** the Italian Civil Code.

**Board of Auditors or Board:** Banca Generali's Board of Auditors

**Board or Board of Directors:** Banca Generali's Board of Directors

**New Supervisory Provisions:** Supervisory Provisions on the Organisation and Corporate Governance of Banks, adopted by order No. 264010 issued by the Governor of the Bank of Italy on 4 March 2008, as subsequently amended and extended.

**Banca Generali Group or Banking Group or Group:** The group controlled by Banca Generali.

**Corporate Governance Project:** This document, drawn up by Banca Generali pursuant to the New Supervisory Provisions which require banks to draw up a project setting forth the reasons underlying their choice of management and control model and illustrating their internal regulatory and organisational layout as per their instruments of incorporation and other internal documents.

**Bank of Italy Regulation:** Bank of Italy regulation adopted in accordance with CONSOB and ISVAP pursuant to Article 7, paragraph 2, of the Legislative Decree No. 231/07, laying down implementing provisions on organization, procedures and internal controls aimed at preventing the use of intermediaries and other entities engaged in financial activities for the purpose of money laundering and terrorist financing.

**Rules for Issuers:** The Rules approved by CONSOB resolution 11971 of 14 May 1999, as subsequently amended and extended.

**Articles of Association:** the Articles of Association of Banca Generali in force, as amended by the resolution of Shareholders' Meeting of 20 April 2011.

**TUF:** the Legislative Decree No. 58 of 24 February 1998, as amended (Consolidated Law on Finance).

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

## SECTION I

### SYSTEM OF ADMINISTRATION AND CONTROL

#### **1 - GENERAL CONSIDERATIONS ON THE CORPORATE GOVERNANCE SYSTEM**

Effective organisational and corporate governance structures are essential for the effective attainment of business objectives.

In the case of a bank, these structures assume even greater significance as a result of the very features of the banking business and the public interests protected under the regulatory framework.

Apart from pursuing the interests of the bank, the latter's organisational and corporate governance structures must also ensure sound and prudent management, a key target prioritised under regulatory provisions and subject to specific supervisory oversight.

Against this background, with a view to reinforcing minimum standards of organisation and corporate governance of banks, and ensuring "sound and prudent management" (article 56 of Legislative Decree 385/1993), by Governor's Provision No. 2640101 of 4 March 2008 entitled "Supervisory Provisions Concerning the Organisation and Corporate Governance of Banks" (hereinafter also referred to as supervisory provisions or new supervisory provisions), the Bank of Italy established a regulatory framework under which corporate governance is to play a central role in defining corporate strategies and risk assessment and management policies within the banking and financial industry.

The objectives of the aforesaid Bank of Italy Provision may be summarised as follows: (i) clear and distinctly defined functions and responsibilities; (ii) appropriate balance of powers amongst corporate organs; (iii) balanced composition of corporate organs; (iv) setting up an effective, comprehensive system of controls; (v) corporate risk management; (vi) promoting remuneration mechanisms in line with risk management policies and long-term strategies, and (vii) ensuring appropriate reporting mechanisms. In this context, the management of banks are called upon to play a key role in devising corporate governance layouts targeted at the attainment of the aforesaid objectives, taking due account of the specific corporate features of the bank in question.

Under the cited regulations, it is left up to individual banking institutions to concretely determine the most effective ways to ensure compliance with the regulatory framework in general, in accordance with the principle of proportionality and the implementing guidelines outlined by the Bank of Italy. In detail, the corporate governance choices concretely adopted by banks may vary in function of their size, organisational and operating features, the listing of their shares for public trading, and/or the international dimension of the group in question.

In pursuit of the objectives described above, the New Bank of Italy Provisions require banks:

(i) first and foremost, to opt for one of the three management and control systems contemplated in the Italian Civil Code (traditional, two-tier, single-tier), on the basis of in-depth self-assessment, taking due account of specific pertinent factors;

(ii) to approve a Corporate Governance Project setting forth the grounds underlying the choice of management and control system, whilst also illustrating the bank's internal regulatory and organisational layout as per its instruments of incorporation and other internal documents<sup>1</sup>.

The Corporate Governance Projects of banking groups, to be drawn up by the Parent Company, must also illustrate the ways in which effective and efficient operating procedures, checks and balances are to be implemented at group level, taking due account of the organisational layouts of subsidiaries.

In compliance with the aforesaid New Bank of Italy Provisions, this document, duly approved by the Board of Directors, was drawn up by Banca Generali with a view to first analysing, and then, in light of such analysis, illustrate the corporate governance solutions adopted by the Bank and its subsidiaries.

As a listed public company, Banca Generali already complied with a large number of not only requirements and/or recommendations set forth in the Bank of Italy's new supervisory provisions, but also the changes introduced for listed companies in Borsa Italiana's Corporate Governance Code.

This Corporate Governance Project was drawn up on the basis of in-depth self-assessment, in accordance with the following guidelines:

- **maintenance of the traditional management and control model**, both for the Parent Company and group companies, especially in light of the benefits arising from the said model in terms of stability over time;
- **fine-tuning/updating of certain operating mechanisms built into the management and control system**, through amendments aimed at ensuring that the Articles of Association, the Rules governing the proceedings of the Board of Directors and delegated powers are in line with the most recent regulatory reforms.

In striking a balance between the public's demand for strict compliance with regulations governing corporate governance and organisation — so as to ensure sound and prudent management — and the specific need for operating flexibility within the industry, apart from statutorily mandated provisions, their Articles of Association have also been extended to include only those additional clauses that must be cloaked with all-embracing *erga omnes* applicability and the rigidity and certainty that ensue from entrenchment in the Articles of Association, leaving other aspects for which flexibility is essential, to be regulated pursuant to specific internal instruments (such as, for instance, the Rules of the Board of Directors, the Internal Control Committee and the Remuneration Committee, the system of delegated

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<sup>1</sup> Under the New Bank of Italy Provisions the corporate governance project must be filed with the Bank of Italy, both during the incorporation phase — together with the application for authorisation — and whenever the prevailing management and control system is subjected to changes — as an attachment to the application for an assessment of the related amendment to the Articles of Association.

powers, the Corporate Governance Code, and the Organisational and Management Model within the meaning of Legislative Decree No. 231 of 2001).

## **2 – CHOICE OF MANAGEMENT AND CONTROL SYSTEM**

### **2.1 – Banca Generali S.p.A.’s Management and Control System**

Under the aforesaid Bank of Italy provisions banks are required, first and foremost, to opt for one of the three management and control systems contemplated in the Italian Civil Code (traditional, two-tier, single-tier), on the basis of in-depth self-assessment, taking due account of the following factors: ownership structure and the related level of access to money markets; size and complexity of operations; medium and long term strategic objectives; the group’s organisational structure.

In accordance with the above, on 21 April 2009, the Shareholders’ Meeting passed a resolution confirming the choice of the traditional management and control system on the grounds that it was, in concrete terms, best suited to ensuring operating efficiency and effective oversight within Banca Generali.

This decision is based on the proven stability of the model over time, as well as the following factors and considerations: (i) Banca Generali’s ownership structure, featuring direct corporate control by Assicurazioni Generali; (ii) the listing of the Company’s shares for public trading on the electronic stock exchange organised and managed by Borsa Italiana S.p.A.; (iii) the size of the bank and the banking group it heads; and (iv) the bank’s organisational structure, with staff functions centralised within the Parent Company so as to allow each group company to focus on its core business. In light of the Company’s ownership structure and the complexity of its and the Group’s operations, the traditional model, featuring two corporate organs, one in charge of operations and the other, oversight, which has always been implemented by the Company, was found to furnish the best solution for ensuring sound and prudent management.

Moreover, the traditional management and control system currently in place appears better suited than the single-tier or two-tier systems to ensuring an appropriate balance of powers and a clear distinction of strategic supervisory, operating and control functions, thereby avoiding overlapping roles as required under the New Bank of Italy Provisions. In compliance with regulations governing listed companies, provision has, furthermore, already been made for the representation of minority shareholders on the Board of Directors and the Board of Auditors, as well as for the appointment of independent directors, with a view to protecting the rights of minority shareholders and encouraging them to participate in company management.

Lastly, also favouring the decision to confirm the aforesaid model which, as noted above, was found to be the best suited to Banca Generali’s specific features, was the fact that none of the Company’s

shareholders or other stakeholders, in the broadest sense of the term, raised any objection whatsoever in such regard.

## **2.2 – Management and Control System of the Companies Belonging to the Banking Group**

As already noted, under the New Bank of Italy Provisions, the Corporate Governance Projects of banking groups, drawn up by the Parent Company, must specify and illustrate the procedures and policies adopted by group companies with a view to ensuring the implementation of effective and efficient operating procedures, checks and balances at group level.

The companies currently controlled by Banca Generali S.p.A., and part of the Banca Generali banking group include:

BG SGR S.p.A.

BG Fiduciaria SIM S.p.A.

Generfid S.p.A.

Generali Fund Management S.A. (a company under Luxembourg law).

Given its proven stability over time, the traditional management and control system was also deemed, in concrete terms, best suited to ensuring operating efficiency and effective oversight within the Italian group companies.

The subsidiary Generali Fund Management, organised under the laws of Luxembourg, on the other hand, has adopted the traditional model contemplated under the Luxembourg regulations applicable to the company which is consequently administered by the Board of Directors, with executive powers delegated to a Board member appointed to act as general manager and oversight tasks entrusted to an independent auditor.



## SECTION II

### CORPORATE LAYOUTS AND FINANCIAL STRUCTURE

#### 3 – CORPORATE LAYOUTS

##### **3.1 – Main Provisions of the Articles of Association That are Relevant to the Corporate Governance Project**

The Company's Articles of Association, as most recently amended by the Shareholders' Meeting on 20 April 2011) incorporate the principles entrenched in the cited supervisory instructions.

More specifically, it must be pointed out that:

(i) Article 13 of the Articles of Association vests the Ordinary Shareholders' Meeting with powers to approve: (a) policies regulating the remuneration of directors, employees, consultants and self-employed professionals serving the Company under relationships not entailing employment; (b) remuneration plans based on financial instruments, and c) transactions with related parties which the currently applicable law reserves to its competence;

(ii) Article 15 of the Articles of Association regulates the composition of the Board of Directors pursuant to a list voting system, and further establishes, through a reference to statutory provisions, the minimum number of independent directors and the applicable requirements of independence which are identical to those set forth under law and in the codes of conduct promoted by companies managing regulated markets or trade associations of which the Company is a member. The Article also refers to the Rules governing the Proceedings of Banca Generali's Board of Directors, with regard to the maximum number of appointments as company director or member of the Board of Auditors that, in accordance with the law in force, may be deemed compatible with the effective discharge of duties as a Director of the Company, providing for the application of different parameters depending on (a) whether the appointment held within Banca Generali is that of an executive or a non-executive director, and (b) the type of the companies in which other appointments are held (listed companies, large corporations). The Article also regulates the procedures for the appointment of the Board of Directors, requiring Board members to be appointed pursuant to the list voting system so as to ensure that qualified minorities are adequately represented;

(iii) Article 16 of the Articles of Association places special emphasis on the role of the Chairman of the Board of Directors, with a view to promoting the internal dialectic and ensuring that powers are adequately balanced, in line with the tasks assigned to him under the Italian Civil Code, including with regard to the organisation of Board meeting proceedings and the circulation of information;

(iv) In compliance with the principle entrenched in the aforementioned New Bank of Italy Provisions under which no corporate governance system entailing the attribution of responsibility for defining

policy and constantly overseeing the implementation of the same, on the one hand, and for business operations, on the other, to two different corporate bodies, may be deemed efficient unless the tasks and duties of each of the latter are clearly identified and distinguished, Article 18 of the Articles of Association specifies that the Board of Directors is in charge of strategic oversight, and defines the latter's powers. Moreover, in the interest of preserving a proper and constructive internal dialectic, the same article provides that the Board of Directors shall pass resolutions even at the motion of one of its members, other than the Chief Executive Officer, ordinarily vested with powers of recommendation. Pursuant to the article in question the proceedings of the meetings of the Board of Directors are subject to regulation pursuant to specific Rules published on the Company's website. In such regard, it must be pointed out that in order to ensure that the strategic oversight function is separated from business operations, as required under the above-mentioned Bank of Italy Provisions, the Bank's business operations have been placed under the responsibility of the Chief Executive Officer and the General Manager;

(v) Article 20 of the Articles of Association identify the Board of Statutory Auditors as the corporate body in charge of oversight functions, and therefore, charged with monitoring compliance with laws, regulations, and the Articles of Association as well as verifying proper business management and the appropriateness of the Bank's accounting and administrative layouts. In light of the crucial role these tasks play within supervisory framework, article 52 of Legislative Decree No. 385/1993 provides for the Board of Statutory Auditors to report to the Bank of Italy any and all actual or potential irregularities in the bank's management and/or violations of banking industry regulations, immediately upon becoming aware thereof. Furthermore, through a reference to applicable laws and regulations, the article establishes the maximum number of simultaneous appointments considered compatible with the discharge of duties as a member of the Company's Board of Statutory Auditors, as well as the requirements of professionalism that members of the latter must meet, especially in light of the Banca Generali's listing on the electronic stock exchange organised and managed by Borsa Italiana S.p.A. The article also lays down the procedures for the appointment of members of the Board of Statutory Auditors, ensuring, through the list voting system, that qualified minorities are represented on the said Board, in the person of its Chairman. Lastly, given that, pursuant to applicable regulations, statutory auditing has to be carried out by independent auditors, the article in question requires the Board of Statutory Auditors to liaise with the other persons and parties vested with oversight and control functions, in the discharge of its duties.

*(For further information on the provisions of the Articles of Association outlined above, as well as for an illustration of the other provisions of the Articles of Association incorporating the principles of the New Supervisory Provisions, see the related paragraphs of this Corporate Governance Project).*

### **3.2 – Appointment and Replacement of Members of the Board of Directors and the Board of Statutory Auditors, and Amendments to the Articles of Association**

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 called to approve the financial statements of the last financial year of said term and they are eligible for reappointment. In the case of appointment during the period of office, the mandate of the newly appointed members will expire with that of members already in office.

Board members must possess the legal requisites also, within the limits established by law, in terms of independence.

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 independent directors, 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) subject such definition to periodic self-assessment. The results of such analysis shall be provided to the shareholders in due time for the process of selection and nomination of candidates to take account of such indications.

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. 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 Italian 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 Legislative Decree no. 58 of 24 February 1998, 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, under pain of disqualification of the list. The lists must contain a number of candidates 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 are 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. Should the outgoing Board of Directors submit its own list, the independent directors shall express an opinion on the appropriateness of the candidates proposed by the outgoing Board in exercise of its discretion. The list submitted by the Board of Directors must be lodged with the Company's registered office and published on the corporate website together with the documentation as stated in the following paragraph, and be furthermore compliant with the terms and conditions established by applicable laws and regulations.

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 Italian 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 Legislative Decree No. 58 of 24 February 1998, 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) is entitled to vote for 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. 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.

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 leaving director and willing to accept office or, where this is not possible, with the appointment of the first eligible candidate who is willing to accept office, 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, either 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 Italian Civil Code, a director selected by the Board in accordance with the criteria established under law; the independent directors must express an opinion on the appropriateness of the candidate selected for co-option by the Board in exercise of its discretion. 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.

The same procedure applies to the Board of Statutory Auditors with the following variations:

- two Acting Auditors and one Alternate shall be drawn from the majority list;
- one Acting Auditor, who shall also assume the Chairmanship of the Board of Auditors, as well as an Alternate Auditor shall be drawn from the minority list unconnected with majority shareholders, that obtained the highest number of votes;
- in the case where only one list is submitted, the entire Board of Statutory Auditors is appointed from the said list, and the Chairman of the Board of Statutory Auditors shall be the first candidate on the said list;
- in the case where, during the 15 days prior to the meeting, only one majority list is duly submitted, the deadline for the filing of minority lists shall be extended by 5 days and the quorum for making such a filing shall be halved.

Upon the conclusion of the process of appointing company bodies, the Board of Directors (with the advisory support of the independent directors) shall conduct a thorough, formal review that the actual result of the appointment process corresponds to the qualitative and quantitative composition deemed optimal.

The Articles of Association are subject to amendment only by the Extraordinary Shareholders' Meeting, save in the cases where, under law or the Articles of Association, the Board of Directors may also approve such amendments. In such regard, it must be pointed out that pursuant to Article 18, paragraph 2, of the Articles of Association, the Board of Directors is vested with exclusive powers to pass resolutions on: (i) the setting up or closure of secondary offices, (ii) the appointment of Board members vested with powers of corporate representation and signature, (iii) mergers, in the cases permitted under law, and (iv), on the amendment of the provisions of the Articles of Association that may be incompatible with new imperative regulatory requirements.

In any event, pursuant to applicable regulations, any and all amendments to the Articles of Association must receive the prior approval of the Bank of Italy and are subject to disclosure and publication pursuant to the provisions governing listed companies.

### **3.3 – Participation in Shareholders' Meetings and Restrictions on Voting Rights**

Pursuant to article 10 of the Company's Articles of Association and article 22 of the Rules adopted by the Bank of Italy and by CONSOB with the Provision dated 22 February 2008, as subsequently amended, Shareholders with voting rights who can provide legal proof of their entitlement to vote may attend the Meeting.

The voting rights, attendant to any and all treasury stock held by the Company, are suspended.

### **3.4 – Functional Quorum for the Passage and Impugnation of Board and Shareholders' Resolutions**

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

The same applies to impugnation of Shareholders' and Board resolutions.

### **3.5 – Right of Withdrawal**

In departure from regulatory provisions, Article 7 of the Articles of Association provides that no right of withdrawal may be exercised by any shareholder who fails to vote on resolutions pertaining to: a) the extension of the term; b) the imposition or relaxation of restrictions on the circulation of shares.

### **3.6 – Corporate Representation**

Pursuant to article 22 of the Articles of Association, powers of representation and signature before the Courts, public authorities and third parties, are vested in the Chairman of the Board of Directors. Should the Chairman be absent or prevented from performing his duties, legal representation will lie with the Board member who replaces him pursuant to Article 16 of the Articles of Association.

Pursuant to the rule, unless otherwise provided for by delegation resolution, the Managing Directors and the General Manager may also act as legal representatives and may sign documents pertaining to their duties on behalf of the Company.

Moreover, other directors, employees and third parties may also be authorised to represent the Company for single acts or categories of acts, through the issue of general and special powers of attorney for single acts or categories of acts. In implementation of the above, and with a view to streamlining the proper performance of day-to-day operating tasks, the Company's Board of Directors approved a resolution investing company executives and 3rd and 4th level executives with powers to sign and execute several categories of deeds and documents on behalf and in the name of the Company. Specific powers of corporate representation are similarly vested in the heads of branch offices. The powers in question, duly delegated through formal powers of attorney filed with the relevant Office of the Registrar of Companies, are summarised in the Bank's "Register of Signatures" which is constantly updated to reflect changes in the types of powers subject to delegation and/or the persons vested with powers of corporate signature.

The Board of Directors also authorised that certain documents and correspondence be fully or partially signed through mechanical signature reproduction.

### **3.7 - Participation in Shareholders' Meetings and Related Rules**

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

The Shareholders' Meeting of 3 October 2006 approved its own Regulations (most recently amended by the Shareholders' Meeting on 20 April 2011), setting forth the procedures to be followed in order to ensure orderly proceedings.

The said Regulations are aimed at regulating the proceedings of ordinary and extraordinary Shareholders' Meetings, and ensuring the proper and orderly functioning of the same and, in particular, the right of each party entitled 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.

Pursuant to provisions contained in the Regulations of the General Shareholders' Meeting, shareholders with the right to speak have the right to speak on each one of the issues placed up for discussion and make proposals on them. Entitled shareholders intending to take the floor must request the same in writing from the Chairman, after the debate is opened following reading of the item on the agenda in respect of which the entitled shareholder in question wishes to speak, but before the Chairman declares the debate on such item closed. If the Chairman so authorises, requests to take the floor may be made by raising the hand. 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. 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. 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, announces the period of time available for the speech of each person with the right to speak, normally not less than five minutes and not exceeding ten minutes. When such period of time has expired, the Chairman may invite the person with the right to speak to conclude within another five minutes.



## **4 – FINANCIAL STRUCTURE**

### **4.1 - Structure of the Share Capital**

Banca Generali's subscribed and paid up share capital, as shown in the following table, amounts to Euro 111,676,183.00, divided into 111,676,183 ordinary shares of a par value of Euro 1.00 each.

	No. of shares	% of share capital	Listed (specify on which markets)	Rights and obligations
Ordinary shares	111,676,183	100	Listed on MTA organised and managed by Borsa Italiana S.p.A.	All the rights contemplated under the Italian Civil Code and Articles of Association.

Banca Generali holds treasury shares acquired in order to execute the Stock Granting Plans and Stock Option Plans reserved for financial advisors of the merged company Prime Consult SIM S.p.A and the Chairman of the Board of Directors of the merged Banca BSI S.p.A., respectively. The voting rights attaching to the said shares have been suspended pursuant to article 2357-*ter* of the Italian Civil Code.

The Extraordinary Shareholders' Meeting of 18 July 2006 approved a capital increase, in one or more tranches, in the maximum nominal amount of Euro 5,565,660.00, excluding option rights, pursuant to Article 2441, paragraphs 5 and 8, of the Italian Civil Code, to cover the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers" and the "Stock Option Plan for Banca Generali S.p.A.'s Employees". On the overall, the share capital increase entails the issue of no more than 5,565,660 ordinary shares with a par value of EUR 1.00 each, covering the two plans mentioned above, with no more than 4,452,530 and 1,113,130 of the newly issued shares covering the plans targeted at financial advisors and employees respectively, including in several tranches.

The General Shareholders' Meeting held on 21 April 2010 resolved to extend the final deadline for the completion of the aforesaid share capital increase to 30 November 2015.

On 21 April 2010, the Extraordinary Shareholders' Meeting also approved a further share capital increase of no more than Euro 2,500,000.00 in terms of face value, to be completed all at once or in several tranches, and not to be subjected to a rights offering, within the meaning of Article 2441, paragraphs 5 and 8, of the Italian Civil Code, for the purpose of covering the "Stock Option Plan for financial advisors and network managers of Banca Generali S.p.A. for the year 2010" as well as the "Stock Option Plan for Relationship Managers of Banca Generali S.p.A. for the year 2010". Overall, the share capital increase envisages the issuance of up to a maximum of 2.5 million ordinary shares of 1.00 euro each, at the service of the two new plans, of which respectively a maximum of 2.3 million euros in service of the plan reserved for financial advisors and private bankers, and a maximum of 0.2 million euros in service of the plan reserved for relationship managers, all of the above in one or more tranches, with the last being effected no later than 30 June 2017 .

For further information on the aforesaid share-based incentive plans, see the Information Document published, pursuant to Article 84-*bis* of the Rules for Issuers, on 2 April 2010. The Document is available for consultation on the corporate website ([www.bancagenerali.com](http://www.bancagenerali.com)) under *Corporate Governance- AGM*.

There are no specific mechanisms for the exercise of the voting rights attendant to the shares held by employees pursuant to current Stock Option Plans.

The Company's shares are administered through the centralised electronic securities management system of Monte Titoli S.p.A. of Milan.

No securities bearing special rights of control have been issued.

#### **4.2 - Restrictions on the Transfer of Securities**

Apart from the current regulatory provisions on the ownership of shares in banks, there are no other restrictions on the transfer of shares in the Company, other than those indicated below, and pertaining to the stock granting plan reserved for specific financial advisors, and the stock option plan reserved for specific employees. In particular (i) the Stock Granting Plan provides that should the recipient intend to sell all or some of the granted shares, the said recipient must first inform Banca Generali thereof, since the latter retains the right to indicate a third-party purchaser at the same terms and conditions and at the market price; (ii) the Stock Option Plan provides that recipients of the plan be bound to reinvest at least 50% of the gains generated through any disposal of the shares acquired by virtue of exercise of stock options, in ordinary shares in Banca Generali S.p.A., and to hold the said investment in the latter company for at least twelve months following the date on which it was made.

#### **4.3 - Powers to Increase the Share Capital and Authorisation for the Acquisition of Treasury Shares**

The Board of Directors has not been empowered to increase the share capital within the meaning of section 2443 of the Italian Civil Code.

## **SECTION III**

### **BANCA GENERALI'S ORGANISATIONAL STRUCTURE**

#### **5 - BANCA GENERALI'S GOVERNANCE STRUCTURE**

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 Legislative Decree No. 385 of 1 September 1993 and related implementing provisions, Banca Generali has set up a governance system firmly grounded on the said principles.

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

Board of Directors;

Chairman of the Board of Directors;

Chief Executive Officer;

Remuneration Committee;

Internal Control Committee;

General Shareholders' Meeting;

Board of Statutory Auditors.

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

Responsibility for company management lies solely with the Board of Directors (the "Board").

The Board of Directors is appointed by the Shareholders' Meeting, for a three-year term. 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, one or more Joint General Managers and one or more Deputy General Managers, who together constitute the General Management.

The Remuneration committee expresses opinions and makes proposals. In particular, in accordance with the resolution of the Board of Directors of 23 June 2011, it also expresses opinions and submits non-binding proposals to the Board, pertaining to the remuneration packages of the Chairman of the Board, the Chief Executive Officer and General Manager, in addition to other professional figures capable of affecting the risk profile of the Bank and the heads of internal control functions.

The Internal Control Committee, also plays a consultative and recommendatory role, and is tasked with, pursuant to a resolution of the Board of Directors passed on 29 September 2010, (i) assisting the

Board of Directors on internal controls, (ii) issuing a consultative opinion on related party transactions, within the terms and procedures established by the Related Party Transaction Procedure approved by Banca Generali (Related Party Transaction), pursuant to applicable laws and regulations; as well as (iii) assisting the Board of Auditors, on legal accounting audits, pursuant to Legislative Decree 39 of 27 January 2010.

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

The Board of Auditors, appointed by the Shareholders' Meeting for a term of three years, is tasked with overseeing compliance with statutory requirements, applicable regulations and the Articles of Association, as well as with monitoring company management. The Board of Auditors is not responsible for auditing the Company's accounts, a task entrusted to Independent Auditors duly registered with the specific professional rolls set by the Italian market regulator, CONSOB, which exercises regulatory oversight in respect of the Company. 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 trends. 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.

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.

## **5 - THE BOARD OF DIRECTORS**

### **5.1 - Role of the Board of Directors**

In order to be deemed efficient from the standpoint of the principle of the balance of powers, in the case where the functions of strategic oversight and business management are discharged by separate corporate organs, the corporate governance system must distinctly specify the responsibilities of each of the two organs involved, clearly investing the first with duties of strategic policy-making and subsequent oversight of policy implementation, and the second with responsibility for company management.

Under Banca Generali's corporate governance system, responsibility for strategic oversight vests with the Board of Directors which is accordingly in charge of approving resolutions on the Bank's strategic policy and monitoring the implementation of the latter over time.

Pursuant to Article 18 of the Articles of Association, in implementing the principles of the surveillance regulations, the Board of Directors is vested with full powers of ordinary and extraordinary management of the Company. It has the authority to deliberate on all matters pertaining to the corporate purpose that are not reserved to the exclusive competence of the Shareholders' Meeting.

Decisions pertaining to the following matters are reserved to the sole competence of the Company's Board of Directors:

- a) establishing the general management policies, approving the Company's strategic guidelines, plans and transactions, as well as approving the industrial and financial plans of the Company, the transactions of considerable economic, equity and financial importance;
- 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 Executive in charge of drawing up the company's accounting documents, the determination of the powers and resources thereof, as well as the supervision of the tasks carried out by the same and the monitoring of actual compliance with administrative and accounting procedures;
- f) authorising company representatives and representatives of companies belonging to the Banking Group fulfilling managerial, executive and supervisory roles and other parties identified by law 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 branches; 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; carrying out periodic checks to ensure that tasks and responsibilities are clearly and coherently defined within the organisational structure;
- i) carrying out periodic checks to ensure 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;
- j) carrying out checks to ensure that the system of information flows is adequate, complete and timely;
- k) drawing up guidelines for the recruitment and internal placement of Company executives;

- l) carrying out checks to ensure that the remuneration and incentive systems applicable to persons in top managerial positions within the organisational structure, take due account of risk containment policies and are in line with the bank's long-term objectives, corporate culture and overall internal control and corporate governance system;
- m) 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, the duration, the powers and authority of said committees or commissions at the time they are set up;
- n) ongoing monitoring to ensure that the system of information flows amongst corporate organs is adequate, complete and timely;
- o) approving related party transactions, in accordance with the provisions set forth in the procedure adopted by the Company in compliance with applicable regulations governing related party 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 article 2364, paragraph 1, subparagraph 5 of the Italian Civil Code, with a resolution passed with the majorities contemplated in applicable regulations, and in accordance with the procedure adopted by the Company with regard to related party transactions.

The Board of Directors of the bank, which is the 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.

Moreover, under 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 as set forth by applicable law and amendments to the provisions of the Articles of Association that no longer comply with new and mandatory regulatory provisions.

Moreover, pursuant to the current regulatory framework governing companies providing investment services, the Board of Directors is also 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 Company's risk levels, profile, goals and strategies, defining corporate policies as well as policies of the business risk-management system and periodically checking that the same are properly implemented and in line with the development of business operations; (ii) ensuring that the remuneration and reward structure does

not increase corporate risks and is in line with long-term strategies; (iii) defining and approving the general outline of the Internal Capital Adequacy Assessment Process, and ensuring that the same is adjusted, where necessary, by the deadlines imposed under prudential supervisory provisions for banks. Article 18 of the Articles of Association further empowers the Board of Directors to delegate its powers, 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 every quarter, 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.

## **5.2 – Composition of the Board of Directors, and Requirements to Be Met by Board Members**

The composition of the Board of Directors plays a central role in the effective discharge of the tasks entrusted to it pursuant to law, supervisory instructions and the Articles of Association. The number of Board members must therefore be commensurate with the size and complexity of the bank's organisational structure, so as to ensure that the Board is capable of effectively overseeing all corporate operations from the standpoint of management and supervision. The Board of Directors must not be made up of too large a number of members.

From a qualitative standpoint, Board members must ensure a level of professionalism in line with the size and complexity of the bank's operations, and meet the requirements set forth in article 26 of Legislative Decree No. 385/1993, whilst also being able to dedicate sufficient time and resources to the discharge of their duties.

In order to ensure that the Board of Directors includes persons capable of ensuring that the role assigned to them is discharged effectively, the Board of Directors, with the advisory support of the independent directors, 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) subject such definition to periodic self-assessment. The results of the above analysis 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. Moreover, upon the conclusion of the process of appointing company bodies, the Board of Directors (with the advisory support of the independent directors) shall conduct a

thorough, formal review that the actual result of the appointment process corresponds to the qualitative and quantitative composition deemed optimal.

Pursuant to Article 15 of the Articles of Association, the Board of Directors' Rules establish the number of appointments — in compliance with the regulations in force from time to time — whilst considering to properly discharge his duties as Company Director.

The Board of Directors' Rules further provide that, in determining the total number of companies in which appointees to the Company's Board hold directorships or auditorships, no account may be taken of companies belonging to the Company's Group. 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 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 37, paragraph 1, letter d) of the Rules adopted by CONSOB with resolution No. 16191 of 29 October 2007, as amended and extended, as of the next General Meeting of Shareholders called to appoint a Board of Directors (scheduled for April 2012), the company's Board must be made up of a majority of independent directors.

The Board of Directors has yet to set up any internal committee to examine proposed appointments to the Board. This decision was based on the fact that the current regulatory framework, together with the Articles of Association that impose the mechanism based on voting lists, provide for sufficient transparency of the procedure for the proposal and selection of candidates.

The Banca Generali Board of Directors currently in office is made up of 10 directors and was appointed by the Shareholders' Meeting of 21 April 2009 pursuant to the list voting system; the said Board's term is due to expire on the date of the Shareholders' Meeting called for the approval of the financial statements for the year ended on 31 December 2011.

The table below lists the Board members and the office held at the date of preparation of the Draft Corporate Governance Code.

<b>Name and Surname</b>	<b>Office held</b>	
Giovanni Perissinotto	Chairman	
Giorgio Girelli	Chief Executive Officer	
Paolo BaessatoLuigi Arturo Bianchi (*)	Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1- <i>bis</i> of CONSOB Regulation 16191/2007	Member of the Remuneration Committee Chairman of the Internal Control Committee
Amerigo Borrini	Executive Director	
Paolo Baessato	Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1- <i>bis</i> of CONSOB	Member of the Internal Control Committee



	Regulation 16191/2007	
Andrea de Vido	Non-executive Director	Member of the Remuneration Committee
Attilio Leonardo Lentati	Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1- <i>bis</i> of CONSOB Regulation 16191/2007	Chairman of the Remuneration Committee Member of the Internal Control Committee
Angelo Miglietta	Non-executive Director	
Aldo Minucci	Non-executive Director	
Ettore Riello	Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1- <i>bis</i> of CONSOB Regulation 16191/2007	Member of the Internal Control Committee

(\*) On 10 May 2011, Professor Bianchi was co-opted Director, pursuant to Article 15, paragraph 14, of the Articles of Association and Article 2386 of the Italian Civil Code; after said date, he has been holding the aforementioned positions within the Remuneration Committee and the Internal Control Committee.

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.

Since the Company is an Italian bank, in compliance with article 26 of Legislative Decree No. 385 of 1 September 1993 and related implementing provisions (Regulation No. 161 issued by the Ministry of the Treasury, Budget and Economic Planning, on 18 March 1998), its Board members are selected on the basis of very high standards of professionalism and competency and must have acquired, on the overall, at least three years' experience (i) as a company director, corporate officer or high level executive; (ii) in professional practice in the banking, financial, real estate, insurance sectors or other fields pertinent to the Company's business; (iii) in academia, especially in the fields of law or economics; (iv) as a senior civil servant with public undertakings specialising in the banking, financial, real estate, insurance sectors, or with public administrations, bodies or undertakings that are not directly involved in the aforesaid sectors, provided that the job description pertaining to the position held entailed 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 Legislative Decree no. 385 of 1 September 1993 and article 147-*quinquies* 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 is up to the Board of Directors itself to ensure that its members meet the relevant requirements, within 30 days following its appointment, pursuant to the procedure set forth in the Bank of Italy's supervisory rules under which, to put it briefly, the Board of Directors, having heard the opinion expressed by the Board of Statutory Auditors in such regard on the basis of the latter's own findings, is required to verify, on the basis of suitable documents submitted by each Board member, that every one of them individually satisfies the relevant requirements and to approve a resolution attesting such satisfaction, with the abstention of the Board member concerned in each case.

On 11 May 2009, Banca Generali's Board of Directors last verified satisfaction of the relevant statutory requirements for its directors and officers, as well as for Professor Arturo Bianchi, who was co-opted to the Board on 10 May 2011, during the same meeting.

### **5.3 - Non-executive and Independent Directors**

As already noted, pursuant to Article 37, paragraph 1, subparagraph (d), of the Rules adopted by CONSOB with Resolution No. 16191 of 29 October 2007, as further amended and extended, as of the next General Shareholders' Meeting held to appoint the new Board (scheduled on April 2012) the Board of Directors must be made up of a majority of independent Directors.

The above-mentioned Rules also establish that the Board of Directors must also feature Independent Directors 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 sound and prudent management.

Four 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 Italian Legislative Decree No. 58/1998) and those of Article 37, paragraph 1, subparagraph (d) of the Regulation adopted by CONSOB Resolution No. 16191 of 29 October 2007, as further amended and extended.

Satisfaction of the requirements of independence was attested in a specific Board of Directors' resolution of 22 February 2011 (10 May 2011 for Professor Bianchi) and separately verified by the Board of Auditors. Both Boards examined the positions of individual Board members on the basis of suitable documents made available to the Company.

These checks are generally carried out at the time of the drawing up of the Board of Directors' Self-assessment Report, and whenever the Board of Directors deems fit in light of circumstances that could have a bearing on whether or not one or more Board members may be considered independent.

From amongst the directors, the following also meet the independence requirements for listed companies as specified in Article 37, paragraph 1, subparagraph (d) of the Regulation adopted by CONSOB Resolution No. 16191 of 29 October 2007, as further amended and extended:

- Paolo Baessato in office from 21/04/2009;
- Luigi Arturo Bianchi in office from 10/05/2011;
- Attilio Leonardo Lentati in office from 21/04/2009;
- Ettore Riello in office from 21/04/2009.

Moreover, pursuant to the Rules governing the Proceedings of the Board of Directors, the latter must be primarily made up of non-executive directors.

The aforesaid Rules define executive directors as:

- i) the Chief Executive Officers and Chairmen of the Company or a strategic subsidiary thereof, 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.

Non-executive directors act as a counter-balance to executive directors and the Bank's management, and encourage internal debate, provide useful input during the decision-making process, contribute their specific know-how and skills, and promote the adoption of decisions after thoughtful deliberation as a team. The tasks incumbent on non-executive directors are specified in the Rules governing the Proceedings of the Board of Directors.

#### **5.4 - Functioning of the Board of Directors**

Pursuant to Article 17 of the Articles of Association, Board meetings are to be held — in general — on a monthly basis.

The timetable of Board meetings is established on an annual basis.

It is published in the Annual Timetable of Corporate Events, as required under stock-exchange regulations. The publication of the *Corporate Calendar* is part of the broader process aimed at planning the Board proceedings of all group companies in concert amongst the Boards of Directors of the parent company and the subsidiaries, with a view to optimising the activity carried out by the said boards, in accordance with the general principles of efficiency and effectiveness entrenched in the Corporate Governance Code and the New Bank of Italy Provisions.

The functioning of the Board of Directors is regulated pursuant to the Rules governing the Proceedings of the Board of Directors of Banca Generali S.p.A.

The aforesaid Board Rules provide, inter alia, that:

- i) appointments to the Board of Directors 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, especially in light of the number of directorships or auditorships they may hold within other corporations, as well as their other professional activities, with special reference to positions entailing greater involvement in routine, day-to-day business management.
- ii) in order to enable Board members to make informed decisions and choices, the Chairman shall ensure that all of them are provided timely information on the items placed on the agenda of Board meetings, save in the case where this is not possible for reasons of confidentiality;
- 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 all the shareholders, in the medium-to-long term;
- iv) at least once a year, the Board of Directors shall express an opinion on (i) the appropriateness of its size; (ii) its composition; (iii) the suitability of its members to undertake their tasks, from the standpoint of their professionalism, time available, and where required, independence; (iv) the number of positions held by directors, with specific emphasis on those that require a high level of involvement in routine corporate management; (v) its own functioning and the functioning of Board committees; (vi) the appropriateness and effectiveness of the provisions contained in the Rules of the Board of Directors.

In compliance with the said provision, and the provisions of the Order issued by the Governor of the Bank of Italy on 4 March 2008, during the Board meeting held on 22 February 2011, the Board approved the “Self-assessment Report of the Board of Directors of Banca Generali S.p.A.” (the “Self-assessment”) drawn up taking due account of the outcome of the consultation forwarded by the Chairman of the Board of Directors to all Directors requesting the latter to express their opinions, on a voluntary basis and in strict confidence, on a series of matters related to the size, membership and operations of the Board of Directors, as well as the size and operations of the Board Committees.

Pursuant to the provisions set forth in the Articles of Association and the Rules governing the functioning of the Board of Directors, Board meetings shall be convened by the Chairman, by notice to be forwarded at least 5 days beforehand (save in emergency cases), containing a list of the items placed on the agenda, it being further understood that the Chairman shall be in charge of ensure that all Board

members receive timely and adequate information regarding the items placed on the agenda: more specifically, should the said items pertain to routine business, the related documents, if available, must generally be forwarded at least one day prior to the scheduled date of the Board meeting, save in the case where this is not possible for reasons of confidentiality. In the case of extraordinary business operations, the Chairman of the Board of Directors shall decide the nature and timing of disclosures to be made to Board members, on a case-by-case basis. Any and all items placed on the agenda must be supported by an illustrative report of the proposed resolution, or a detailed breakdown of any and all operating/balance sheet/statistical data involved. The Chairman of the Board of Directors shall ensure that analogous information is forwarded to the members of the Board of Statutory Auditors.

All company directors, members of the Board of Statutory Auditors, independent auditors and employees who come into possession of price-sensitive documents and information are also bound to comply with the confidentiality obligations imposed, in respect of the documents and information that form the subject-matter of Board resolutions, under the Code the processing of inside information, in line with market abuse regulations.

#### **5.5 - Chairman of the Board of Directors**

The Bank of Italy Order of 4 March 2008 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, including with regard to the Chief Executive Officer and the other executive directors, as well as discharging coordination and supervisory functions with a view to ensuring not only the smooth functioning of the Board of Directors and the Shareholders' Meeting, but also to facilitate the proper flow of information. According to the Bank of Italy, 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 the smooth functioning of the Board of Directors and the constant flow of information amongst Board members.

In accordance with the legal framework, in addition to the powers vested by law and the Articles of Association, on 21 April 2009 the Board has vested its Chairman, Giovanni Perissinotto, with 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 general business operations and laying down management policies in concert with the Chief Executive Officer;

2. laying down general guidelines for routine business operations;
3. overseeing relations with public bodies, shareholders and managing the Company's public relations in general;
4. promoting and coordinating the Company's communications strategies, enhancing the Company's public image and managing the Company's press and media relations.

Pursuant to the Articles of Association, in cases of particular urgency, the Chairman may take decisions falling within the purview of the of the Board of Directors (save in respect of matters over which the Board of Directors enjoys exclusive decision-making authority under law), subject to the obligation to inform the Board thereof in a timely manner at the first Board meeting following thereafter.

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 proper circulation of information.

## **5.6 – Chief Executive Officer**

Under Banca Generali's organisational structure, responsibility for operations vests with the Chief Executive Officer and the General Manager.

On 21 April 2009, the Board expressed the view that the appointment of both, a Chief Executive Officer and a General Manager, was warranted in light of the features and structure of the banking group which constitutes a banking hub specialising in the integrated distribution of financial, banking and insurance products. More specifically, the group's business operations include: (i) asset gathering from the distribution of its own and third-party banking products and services in Italy, especially though sales concluded outside the Bank's offices using networks of financial advisers through the parent company; (ii) asset management, entailing the promotion and management of assets pursuant to collective and individual asset management contracts, as well as of mutual funds and sub-funds of ICVCs through BG SGR, Generali Fund Management S.A., BG Fiduciaria SIM, BG Sicav and BG Selection Sicav; (iii) custodian capacity services through BG Fiduciaria SIM and Generfid. Since the group's various operations require unified management as well as the specific oversight of different sectors, a layout with both a Chief Executive Officer and a General Manager seems best suited to the group's features and related organisational needs.

In line with the Bank of Italy's guidelines, the Internal Rules as well as the resolutions through which the relevant powers are delegated in each case clearly specify the authority vested in the Chief Executive Officer and the General Manager, respectively, whilst also ensuring the unified management of business operations by rendering the General Manager hierarchically answerable to the Chief Executive Officer who is therefore placed in charge of coordinating all corporate functions, either directly or through the

General Manager. On 21 April 2009, the Board of Directors accordingly vested the Chief Executive Officer, Giorgio Angelo Girelli with the powers specified below, which were subsequently updated by the Board of Directors on 17 December 2009, following the merger of the subsidiary Banca BSI Italia into Banca Generali. In compliance with the Rules governing the Proceedings of the Board of Directors, the said powers are analytically defined, including through an indication of the limits thereof in terms of quantity and/or value, as well as the procedures to be followed for exercising the same, especially so as to enable the Board of Directors not only to precisely verify that the delegated powers have been properly availed of but also to exercise its own authority to impart instructions and subsume the powers and duties vested in subordinate corporate bodies and/or company officers.

The Chief Executive Officer, Giorgio Girelli, is accordingly vested with authority:

1. to oversee the implementation of Board resolutions by Company Management;
2. to prepare the strategic guidelines to be approved by the Board in respect of the bank's strategic planning and to lay down the guidelines to be followed by the General Manager;
3. to determine and orient, within the framework of the guidelines established by the Board of Directors, the Company's human resources management policies and to directly oversee the Company's internal control, corporate and legal affairs, human resources, external relations and investor relator departments;
4. at the behest of the General Manager, 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;
5. to liaise with any and all public authorities and bodies, the Bank of Italy, the Italian market regulator CONSOB, as well as any and all national and international entities and organisations, to effect any and all transactions with the Public Debt Office, the Italian investment organisation known as 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;
6. 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;
7. to ensure the Company's assets and financial resources meet any and all applicable regulatory requirements;

8. to forward to the Board, at the General Manager's request, his own opinions, proposals and recommendations regarding the strategic plan, the annual budget, the draft and consolidated financial statements;
9. to represent 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;
10. to open and close, in the Company's name and on the latter's behalf, current and securities deposit and management accounts of any nature, sort, type or kind whatsoever, with banks, post offices or other authorised custodians, to make deposits subjected to central management by the Bank of Italy as well as with bodies specialising in the administration of securities, negotiating and stipulating any and all related contractual terms and conditions;
11. to bring, defend and resist 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, make filings and motions, lodge complaints and claims, as well as withdraw the same, authorise appearance as the injured party in criminal proceedings, initiate insolvency proceedings as well as to proceed at arbitration and file quitclaim and/or settle any and all disputes up to the maximum amount of € 150,000.00 per dispute, without prejudice, however, to the provisions set forth in the following subparagraph in respect of lending;
12. to process and authorise the write-off of bad debts and to totally or partially write off any and all loans granted, with the consequent waiver of any and all guarantees acquired, as well as to issue any and all authorisations for the cancellation, subrogation, restriction, reduction and/or postponement of mortgages and/or liens and/or guarantees *in rem*, up to the threshold of € 50,000.00 per transaction, 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;
13. to foreclose loans and collect any and all monies or amounts due to the Company, issuing full redemptory receipt therefore;
14. to sign and execute any and all deeds necessary or useful for the registration of trademarks, patents and distinctive markings, with any and all the competent administration bodies;
15. to set up, transfer or shut down secondary offices, representative offices and branches;
16. within the framework of the budget approved by the Board, to cover the Company's current expenses;
17. within the framework of the approved budget and up to the threshold of € 200,000.00 for each individual asset, to acquire, dispose of, barter or otherwise exchange or transfer real estate and



personal property, including personal property 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;

18. within the framework of the approved budget, to negotiate and enter into, amend and terminate 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 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 € 200,000.00 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, 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), or payments required pursuant to law;
19. to enter into agreements and commit the Company to expenditure in connection with advertising and/or promotional initiations up to the ceiling of € 200,000.00 per contract and/or commitment;
20. 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 € 50,000.00 per transaction;
21. to establish guidelines for the granting of discounts, facilitations, reductions, etc. to customers, within the limits laid down by the Board from time to time;
22. to approve loans within the limits imposed under lending rules and regulations, from time to time;
23. to forward proposals for loans that exceed the limits of his powers, processing any and all related deeds and documents;
24. at the behest of the General Manager, and always within the framework of the pre-established budget and the guidelines issued by the Board of Directors in respect of company executives, to enter into, amend and terminate the employment contracts of individual employees, as well as to make decisions regarding the promotion, subjection to disciplinary measures and dismissal of the same;
25. within the limits of his delegated powers or with the approval of the relevant corporate organ, to operate the Company's accounts and effect any and all withdrawals in general, drawing the related cheques or other negotiable instruments, up to the extent of actual deposits;
26. 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;

27. within the limits of his delegated powers or with the approval of the relevant corporate organ, to approve 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;
28. to issue demand drafts;
29. to execute 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.;
30. to execute the transactions contemplated under Bank of Italy forms 145, 146, 147 and 148 dir.;
31. to sign, on the behalf and in the name of the Company, any and all ordinary correspondence and deeds pertaining to the exercise of delegated powers;
32. to concretely implement the provisions of subparagraphs (h), (i), (l) and (p) of Article 18 of the Articles of Association;
33. to exercise any and all powers conferred on him by the Board on an *ad hoc* or ongoing basis;
34. 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 aforesaid powers must be exercised in compliance with the general guidelines established by the Board of Directors and in accordance with strategic corporate policies adopted by the Group.

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.

As required under applicable regulations, the duties to be discharged by the Chief Executive Officer, within the framework of his delegated operating powers and in accordance with the guidelines imparted by the Board of Directors in the performance of its strategic oversight functions, shall include the tasks of:

- implementing the company policies and company risk management system policies defined by the Board of Directors;
- checking the ongoing appropriateness of the risk management system;
- defining the information flows aimed at ensuring that corporate organs are kept abreast of significant management events;
- clearly defining the tasks and responsibilities of corporate structures and functions;

- ensuring that all the staff concerned are given timely notice of corporate policies and procedures;
- implementing the Internal Capital Adequacy Assessment Process (also referred to as ICAAP), ensuring that it is in line with the strategic policies and guidelines drawn up by the Board of Directors and meets the requirements imposed under the prudential supervisory rules for banks.

## 5.7 – Board Committees

In large and operationally complex companies, the New Bank of Italy Provisions recommend the establishment — within the body charged with the strategic supervision function — of special committees, even staffed by independent members (charged with examining, advising and proposing). The establishment of such committees is deemed to facilitate decision-making, especially in sectors of activity where conflicts of interest are most likely to arise.

In general, in order to ensure a coherent governance structure, the tasks of the committees and their composition must mirror those of the body within which they are established; their overall organisation must not entail any overlapping of responsibilities or impede decision-making processes.

In compliance with this recommendation set forth in the Bank of Italy Provisions and in exercise of its powers pursuant to Article 18, paragraph 3, subparagraph (o) of the Articles of Association, Banca Generali's Board of Directors endowed itself with the Remuneration Committee and the Internal Control Committee.

## 5.8 - Remuneration Committee

The Board of Directors has endowed itself with a Remuneration Committee made up of three non-executive directors two of whom are also independent; the Chief Executive Officer may be invited to attend Committee meetings, save during the discussion of matters regarding him.

The current Remuneration Committee was appointed by the Board of Directors on 21 April 2009 (subsequently the composition was changed by the Board of Directors on 10 May 2011, with the appointment of professor Luigi Arturo Bianchi to replace a member of the Committee who had resigned), and is made up as follows:

<b>Name and Surname</b>	<b>Office held</b>
Attilio Leonardo Lentati	Chairman of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1- <i>bis</i> of CONSOB Regulation 16191/2007
Luigi Arturo Bianchi	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1- <i>bis</i> of CONSOB Regulation 16191/2007
Andrea de Vido	Member of the Committee Non-executive Director

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. periodically assessing the appropriateness, overall coherence and concrete implementation of the general remuneration policy applicable to executive directors, directors assigned specific tasks and duties, and key management personnel;
2. submitting general recommendations on remuneration to the Board of Directors;
3. providing the Board of Directors with opinions on the determination of the criteria for the remuneration of professionals in a position to impact the Bank's risk profile, and directly overseeing the proper application of the said criteria;
4. providing the Board of Directors with non-binding opinions and recommendations on the determination of the emoluments of company top management, as well as managers tasked with internal control functions;
5. monitoring the proper implementation of the decisions made by the Board in respect of submitted proposals and recommendations;
6. providing the Board of Directors with opinions on the determination of severance indemnities to be offered in the event of termination in office ahead of the scheduled expiry of the term of appointment, assessing, where necessary, the effects of such termination on the rights accrued and accruing under share-based incentive plans;
7. providing the Board of Directors with advisory opinions and recommendations regarding proposed stock-option, stock-award or other stock-based incentive plans, further suggesting the goals to be pursued through the said incentive programmes and the assessment criteria to be used to evaluate success in attaining the said goals;
8. providing assessments — albeit without overstepping the bounds of their sphere of competence — on the attainment of performance objectives underlying access to incentive plans, and monitoring the evolution and implementation of approved plans, over time;
9. providing the Board of Directors with reports, recommendations and opinions, duly supported by grounds, as well as, with the timeliness necessary to allow for due preparation of Board meetings called to pass resolutions on matters pertaining to remuneration, a full account of the Committee's activities.

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

## 5.9 - Internal Control Committee

The Board of Directors has endowed itself with an Internal Control Committee made up of four Board members, all of whom are non-executive and independent pursuant to the Corporate Governance Code.

The Committee currently in office was initially appointed by the Board of Directors on 21 April 2009, and subsequently:

- on 29 September 2010, the Board of Directors increased from three to four the number of components of the Internal Control Committee, appointing Director Paolo Baessato as fourth member;
- on 10 May 2011, the Board of Directors appointed Luigi Arturo Bianchi as new member to replace a member who had resigned, further electing him as new Chairman of the Committee.

As a result, the Committee is currently made up as follows:

<b>Name and Surname</b>	<b>Office held</b>
Luigi Arturo Bianchi	Chairman Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1- <i>bis</i> of CONSOB Regulation 16191/2007
Paolo Baessato	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1- <i>bis</i> of CONSOB Regulation 16191/2007
Attilio Leonardo Lentati	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1- <i>bis</i> of CONSOB Regulation 16191/2007
Ettore Riello	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1- <i>bis</i> of CONSOB Regulation 16191/2007

The Board of Directors has determined that Professor Luigi Arturo Bianchi and Attilio Leonardo Lentati have accumulated appropriate experience in accountancy and finance.

Committee meetings are generally attended by the Chairman of the Board of Statutory Auditors as well as the Internal Audit and Compliance Managers; the Chief Executive Officer as well as other company employees and/or outside consultants may be invited to attend Committee meetings in light of the specific matters to be discussed.

Pursuant to the Board Resolution of 29 September 2010, the Committee is in charge of: (i) assisting the Board of Directors on internal controls, (ii) issuing a consultative opinion on related party transactions, within the terms and procedures established by the Related Party Transaction Procedure approved by Banca Generali (Related Party Transaction), pursuant to applicable laws and regulations; as well as (iii) assisting the Board of Auditors, on legal accounting audits, pursuant to Legislative Decree 39 of 27 January 2010.

With reference to the system of internal controls, assists the Board in laying down the guidelines of the internal control system, periodically checking the appropriateness and effectiveness of the same and ensuring that the Company's main risks (credit, financial and operating risks) are promptly identified and suitably managed, in concert with the specific corporate departments involved.

The Committee is also tasked with ensuring that the Board is provided with adequate information to make informed assessments and decisions in respect of the internal control system, the approval of the financial statements and half-yearly reports as well as in dealing with independent auditing firms. Within this framework, the Committee:

1. assists the Board in carrying out the tasks incumbent on the latter pursuant to the Corporate Governance Code of Listed Companies, in respect of the internal control system;
2. assesses the work programme prepared by Compliance, Internal Audit and Risk Management officers (which collectively make up the functions responsible for the Company's Internal Control System) and receives any periodic reports, for further submission to the Board of Directors for their approval;
3. assesses, together with the company executive in charge of drawing up the Company's corporate accounting documents and the independent auditors, the proper and uniform application of accounting policies throughout all Banca Generali Group Companies, for the purpose of preparing the consolidated financial statements;
4. reports to the Board of Directors on its activity and the adequacy of the internal control system at least once every six months, at the time the annual and half-yearly accounts are approved, expressing its opinion on matters delegated to it;
5. at the request of the Chief Executive Officer, expresses opinions on specific aspects pertaining to the identification of the main corporate risks, and the conception, setting up and management of the internal control system;
6. may be consulted on specific transactions directly or indirectly entailing a conflict of interests;
7. advises, upon request, the Chief Executive Officer, the Head of the Compliance Department, the Head of the Internal Audit Department and the Head of the Risk Management Department on issues or questions that must be dealt with before being submitted to the Board of Directors for its information and/or approval;
8. performs the other duties entrusted to it by the Board of Directors.

Regarding related party transactions, in compliance with the provisions set forth in the Regulation on related party transactions approved pursuant to CONSOB resolution No. 17221 of 12 March 2010, as further amended and extended by CONSOB Resolution No. 17389 of 23 June 2010 ("Regulations for Related Party Transactions"), and as required pursuant to the Related Party Transaction Procedure adopted by the Company, the Committee's tasks include:

1. in respect of Moderately Significant Related Party Transactions, as defined in the Related Party Transaction Procedure, expressing, in the manner and form and in accordance with the deadlines established in the Procedure for Related Party Transactions, 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;
2. in respect of Highly Significant Related-party Transactions, as defined in the Related Party Transaction Procedure, (i) it shall be involved in the phases pertaining to preliminary study and negotiation of the transaction in question, and shall be entitled to request and obtain information and/or put forward recommendations and observations to the persons and parties involved in the said phases; (ii) in strict compliance with the terms, conditions and procedures set forth in the Related Party Transaction Procedure, it shall issue a binding opinion on the transaction, duly accompanied by a statement of grounds, regarding whether or not it is in Banca Generali's interest to effect the transaction as well as the commercial attractiveness and substantive correctness of the related terms and conditions;
3. for the purpose of preparing and issuing the opinions in question, the Committee may avail of the advice of one or more experts of its choice, at Banca Generali's expense, up to the amount of the expense ceiling, if any, and in strict compliance with the terms and conditions set forth in the Related Party Transaction Procedure.

Furthermore, the Committee is also placed in charge of providing support to the Board of Auditors, at the latter's request, especially in the form of advice and assistance in conducting the functions required with regard to the statutory auditing of accounts pursuant to Legislative Decree No. 39 of 27 January 2010. More specifically, the Committee shall:

1. at the request of the Board of Statutory Auditors, 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 reports, with specific reference to the subject-matter of the appointments and the related economic terms and conditions, reporting its findings to the Board of Auditors;
2. 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 Auditors;
3. 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 Auditors;
4. undertake any and all further tasks that the Board of Statutory Auditors may entrust to it in respect of the statutory auditing of accounts.

The functioning of the Internal Control Committee is regulated by specific rules approved by 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.

## **6 – ORGANISATIONAL STRUCTURE**

### **6.1- General Considerations**

Given the peculiarities of the banking business, the corporate governance and internal control systems of banks are shaped and defined, to a large extent, by the organisational structure and related system of delegated powers in place within the banking institution, and subject to regulation pursuant to the Articles of Association, and more specifically, the Internal Rules. The said system is reflected, from a technical and operating standpoint, in the internal regulations and, in terms of corporate representation, in the so-called “powers of signature” (and in particular, the special powers delegated to employees).

Banca Generali’s system of delegated powers is defined in compliance with the principle entrenched in the said Supervisory Provisions, under which the Board of Directors is to be charged with strategic supervision and policy definition, whilst responsibility for operations (that is to say, the implementation of the policies defined by the Board of Directors in discharge of its strategic oversight function) is to be vested in executive bodies required to periodically report to the Board of Directors in respect of the activities undertaken in the performance of their assigned tasks.

In order to allow for the greatest possible attention to be focused on individual business areas, as well as the specialisation of production and marketing processes, whilst also ensuring that the banking group is administered with the necessary level of overall unified management, Banca Generali’s organisational structure is divided into Departments and Services each assigned specific tasks, including policy-making, coordination, control, support and services, in line with its specific mission and functional features.

The Heads of the various Departments and Services are tasked with reaching the targets set for each of the same, within the framework of general policy guidelines, including through the optimal use of the human and technical resources at their disposal.

Briefly out, Banca Generali is organised as follows:

The following are answerable directly to the Chief Executive Officer vested with overall responsibility for the company:

- the General Manager
- the Internal Audit Service



- the Legal and Compliance Department
- the Human Resources Department
- the External Communications Service
- the Investor Relations service
- Strategic & Financial Market Analysis.

The following are directly answerable to the Bank's General Manager who is vested with responsibility for the company's operations:

- the Vice Deputy General Manager
- the Deputy General Manager of the Private Banking Division
- the Operations Department
- the Loan Department
- the Sales Department
- the Marketing Department

The following are directly answerable to the Vice Deputy General Manager who is charge of drawing up the Company's accounting documents within the meaning of Article 154-*bis* of the Consolidation Law on Financial Intermediation:

- Administration Department
- Planning and Control Department
- the Organisation and Regulations Department
- the Finance Department
- the Development Coordination and IT Management Department
- the Risk Management Service
- the Presidio 262 O.U.
- the Trade Marketing O.U.

The Deputy General Manager of the Private Banking Division is directly responsible for:

- the Private Banking Division to which the following are answerable: the RM Network Department, the Investment Advisory Unit, the Sales Coordination and Private Services Coordination Unit, the Operating Support Unit, and the Private Marketing Unit.

The Bank's structure also includes the following officers:

- Delegate appointed by the Data Controller for the intents and purposes of data protection regulations (Legislative Decree no.196/2003);
- Employer's Delegate regarding occupational health and safety matters as well as environmental issues within the meaning of Legislative Decree No. 152/2006 and the Consolidation Law on Occupational Safety (Legislative Decree No. 81 of 9 April 2008 promulgated in implementation of Law no. 123/2007);

- Legal Representative's Delegate for the forwarding of suspect reports within the meaning of Article 41 of Legislative Decree No. 231 of 21 November 2007.

## **6.2- General Manager**

The General Manager shall execute the resolutions approved by the Board of Directors and the instructions imparted by the Chief Executive Officer to whom he is directly answerable.

Following the merger of Banca BSI Italia S.p.A into Banca Generali, on 17 December 2009, the Board of Directors extended the authority delegated to the General Manager Piermarino Motta by the Board of Directors on 10 January 2005, as follows:

1. to execute Board of Directors' resolutions within the framework of the instructions imparted by the Chief Executive Officer;
2. to undertake the routine day-to-day management of the Company's business operations, within the framework of the policies established by the Board of Directors and the instructions imparted by the Chief Executive Officer;
3. to analyse and assess any and all deeds and business propositions to be submitted to the Board of Directors, providing the latter with his opinion in such regard;
4. to attend Board meetings;
5. to organise the Company's operations, including the activities of offices other than those directly answerable to the Chief Executive Officer, on the basis of functional criteria that, by breaking down tasks and duties, provide for not only real-time and subsequent checks, but also, the determination of individual responsibilities, in all cases;
6. to determine the job description and assigned tasks of employees in service at offices other than those directly answerable to the Chief Executive Officer, in accordance with the guidelines established by the Board of Directors and the Chief Executive Officer;
7. to liaise with any and all public authorities and bodies, the Bank of Italy, the Italian market regulator CONSOB, as well as any and all national and international entities and organisations, to effect any and all transactions with the Public Debt Office, the Italian investment organisation known as 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;
8. 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;

9. to draw up proposals regarding the annual budget and strategic plan, the draft financial statements and the consolidated financial statements to be submitted to the Chief Executive Officer;
10. to define the Company's sales, marketing, and product policies as well as the remuneration policy to be applied to the network of financial advisers, within the limits of the budget approved by the Board of Directors, taking due account of the targets established by the latter and the instructions imparted by the Chief Executive Officer;
11. to define the policy for establishing the rates of interest receivable and payable, in compliance with the principle of the cost-effectiveness of transactions and the instructions imparted by the Chief Executive Officer;
12. to enter into, amend and terminate, on the Company's behalf, agency agreements with financial promoters, determining the related economic terms in accordance with the remuneration policy established as specified above;
13. to enter into, amend and terminate, on the Company's behalf, agreements, letters of appointment and contracts for the placement of banking, financial and insurance products and/or services;
14. to represent 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;
15. to open and close, in the Company's name and on the latter's behalf, current and securities deposit and management accounts of any nature, sort, type or kind whatsoever, with banks, post offices or other authorised custodians, to make deposits subjected to central management by the Bank of Italy as well as with bodies specialising in the administration of securities, negotiating and stipulating any and all related contractual terms and conditions;
16. to bring, defend and resist 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, make filings and motions, lodge complaints and claims, as well as withdraw the same, authorise appearance as the injured party in criminal proceedings, initiate insolvency proceedings as well as to proceed at arbitration and file claim and/or settle any and all disputes up to the maximum amount of € 100,000.00 per dispute, without prejudice, however, to the provisions set forth in the following subparagraph in respect of lending;
17. to process and authorise the write-off of bad debts and to totally or partially write off any and all loans granted, with the consequent waiver of any and all guarantees acquired, as well as to issue any and all authorisations for the cancellation, subrogation, restriction, reduction and/or postponement of mortgages and/or liens and/or guarantees in rem, up to the threshold of € 30,000.00 per transaction, 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 foreclose loans and collect any and all monies or amounts due to the Company, issuing full redemptory receipt therefore;
19. to sign and execute any and all deeds necessary or useful for the registration of trademarks, patents and distinctive markings, with any and all the competent administration bodies;
20. within the framework of the budget approved by the Board, to cover the Company's current expenses;
21. within the framework of the approved budget and up to the threshold of € 150,000.00 for each individual asset, to acquire, dispose of, barter or otherwise exchange or transfer personal property, including personal property 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;
22. within the framework of the approved budget, to negotiate and enter into, amend and terminate 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 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 € 150,000.00 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, 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), or payments required pursuant to law;
23. to enter into agreements and commit the Company to expenditure in connection with advertising and/or promotional initiations up to the ceiling of € 100,000.00 per contract and/or commitment;
24. 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 € 30,000.00 per transaction;
25. to approve loans within the limits imposed under lending rules and regulations, from time to time;
26. to forward proposals for loans that exceed the limits of his powers, processing any and all related deeds and documents;
27. to establish methods for the granting of discounts, facilitations, reductions, etc. to customers, within the limits laid down by the Board of Directors from time to time, in compliance with the guidelines set by the Chief Executive Officer;

28. to submit recommendations to the Chief Executive Officer for the conclusion, amendment and termination of the employment contracts of individual employees within the framework of the pre-established budget, together with proposals for the promotion, subjection to disciplinary measures and dismissal of executives and fourth level managers; to make independent decisions regarding the promotion, subjection to disciplinary measures and dismissal of any and all employees below the rank of fourth level executives;
29. within the limits of his delegated powers or with the approval of the relevant corporate organ, to operate the Company's accounts and effect any and all withdrawals in general, drawing the related cheques or other negotiable instruments, up to the extent of actual deposits;
30. 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;
31. within the limits of his delegated powers or with the approval of the relevant corporate organ, to approve 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;
32. to issue demand drafts;
33. to execute 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.;
34. to execute the transactions contemplated under Bank of Italy forms 145, 146, 147 and 148 dir.;
35. to sign, on the behalf and in the name of the Company, any and all ordinary correspondence and deeds pertaining to the exercise of delegated powers;
36. to exercise any and all powers conferred on him by the Board of Directors or the Chief Executive Officer on an *ad hoc* or ongoing basis;
37. to further delegate, even to third parties who are not company employees, one or more of the powers and tasks mentioned in the foregoing points, duly establishing the restrictions and limits, if any, to which the powers thus delegated are to be subject.

The aforesaid powers must be exercised in compliance with the general guidelines established by the Board of Directors and the guidelines set by the Chief Executive Officer and in accordance with strategic corporate policies adopted by the Group.

Pursuant to applicable regulatory provisions, in respect of any and all matters falling within the scope of his delegated powers, the General Manager shall also be in charge of:

- implementing the company policies and company risk management system policies defined by the Board of Directors and the Chief Executive Officer;
- checking the ongoing appropriateness of the risk management system;
- defining the information flows aimed at ensuring that corporate organs are kept abreast of significant management events;
- clearly defining the tasks and responsibilities of corporate structures and functions answerable to him;
- ensuring that all the staff concerned are given timely notice of corporate policies and procedures.

On 30 July 2008, the Board of Directors appointed Giancarlo Fancel Vice Deputy General Manager, vesting the same with the task of replacing the General Manager in the event of the latter's absence or unfitness, in addition to the powers already delegated to him as Deputy General Manager.

### **6.3 – Technical-operating Committees**

In discharging their functions, the Chief Executive Officer and the General Manager may avail of the assistance of certain Committees set up to act as a review panels tasked with analysing particularly significant operating issues.

In such regard, it is worth mentioning that the Board of Directors has set up the following technical-operating Committees:

#### *Managing Committee:*

The Managing Committee is an advisory body set up to assist company management by subjecting the Bank's most significant operating aspects to in-depth assessment, as a panel.

More specifically, the Managing Committee is tasked with:

- providing the Chief Executive Officer and the General Manager with his opinions on projects or corporate matters, ensuring the required inter-functional approach;
- evaluating the performance during each accounting period in terms of both sales and operations, assessing profitability by business segment (for instance, asset management, insurance products, brokerage, etc.), geographic area and customer category, whilst also monitoring key performance indicators (KPIs);
- assessing the service levels offered to the network and customers, whilst also identifying steps to be taken to ensure that high standards are maintained;
- evaluating the human resources situation;
- analysing and assessing progress achieved with the main projects underway;
- overseeing the management of the Banking Group's Information Technology Plan, laying down priorities and assigning available resources;

- examining proposals to be submitted to the Board of Directors for approval, where necessary.

#### *Loans Committee*

The Loans Committee is a corporate body endowed with independent decision-making powers, placed in charge of authorising loans pursuant to the procedures and within the limits imposed on its decisional autonomy under the Loans Rules.

#### *Intercompany Committee for Conflict of Interest Management*

The Intercompany Committee for Conflict of Interest Management, established following the entry into force of the MiFID directive, is in charge of overseeing the management of conflicts of interest and providing advice to the business units involved in conflict of interest management.

More specifically, the Intercompany Committee for Conflict of Interest Management:

- monitors Group Companies with a view to ensuring the proper identification and management of conflicts of interest, as well as devising adequate procedures and administrative and organisational measures for such purpose;
- is available for consultation by the various business units of Group Companies, involved in the identification and management of critical or atypical situations;
- reports, at least on an annual basis, to the Board of Directors in respect of critical areas and the activities carried out by Group Companies with regard to conflicts of interest, subjecting its findings to final approval.

#### *Risk Committee*

The Risk Committee is the company body charged with providing coordinated coverage of the Group's risk management and control system of the Group.

In such regard, the Risk Committee:

- bears specific responsibility for monitoring the Group's risks;
- is in charge of discussing and addressing specific operating issues pertaining to the management of risk containment measures;
- is vested with decision-making powers for identifying and implementing risk containment measures.

The Risk Committee discharges its functions on the basis of information, findings and conclusions forwarded to it by the Risk Management Service, the Loans Committee and the Compliance Service.

It is endowed with decisional autonomy to determine the remedial action to be taken in respect of any and all critical areas, shortcomings and/or irregularities discovered during the course of the checks and inspections carried out by the Risk Management Service and/or the Compliance Service (including, without limitation: the related action plan, the adjustments to be made to processes in order to avoid operating risks, the new products to be used for cash flow management purposes, etc).

The Risk Committee also plays an advisory and supportive role in coordinating projects aimed at the development of software designed to contain cash flow management and trading risks.

#### **6.4 – Tasks Assigned to the Various Functions of the Organisational Structure**

Apart from the General Manager (with regard to which, see the preceding paragraph), Banca Generali's organisational structure also includes the following functions briefly described below in terms of their respective assigned tasks and duties.

##### *Internal Audit Service*

The Internal Audit service is an independent function aimed on the one hand at checking, including through on-site inspections, the propriety of operations and risk trends, as well as, on the other hand, at assessing the functioning of the internal control system as a whole, and recommending to the Board of Directors and Top Management, any and all possible improvements in risk management policies, measurement tools and procedures.

The auditing system and related guidelines are subject to approval by the Board of Directors.

The Internal Audit Service is charged with constantly and independently verifying that the internal control system is completely adequate, fully functional and in perfect working order.

The Internal Audit Service is, accordingly, tasked with:

- checking and assessing the functionality of corporate procedures and systems, as well as the Generali Group's overall internal control system with a view to ensuring that all of the same are appropriate, effective and fully operational;
- examining risk management procedures, including those related to outsourced operations, overseeing the implementation of risk-abatement plans, as well as expressing an opinion on the extent to which the internal control system is effective in containing overall risk exposure within acceptable limits;
- examining requests to improve the Internal Control System originating with 2nd level control functions, supplementing such requests with its own records, and exercising supervision and coordination to ensure that planning activities are conducted effectively;
- periodically assessing risk trends, in consultation with 2nd level control functions and other corporate structure as well as expressing an opinion on the effectiveness and efficiency of the activities undertaken;
- assessing the adequacy of company's IT systems;
- undertake any and all the ongoing, periodical or random checks that may be necessary or useful for the proper discharge of its assigned tasks and functions, including through on-site inspections at the Banking Group's main or branch offices, as well as the offices of any and all persons and parties to which back-office and other activities may have been outsourced;



- putting forward recommendations based on the results of its findings, and ensuring the implementation of the same;
- adopting, implementing and, where necessary, updating a risk-based audit plan with a view to assessing the appropriateness and effectiveness of all control and oversight systems, processes, procedures and mechanisms;
- periodically reporting its findings in respect of the quality and appropriateness of 2nd level control functions to the Internal Control Committee, the Board of Directors and the Board of Auditors.

The Bank's internal control model and the breakdown of the tasks and activities entrusted to the Internal Audit Service are illustrated and described in detail in the related Rules and the Bank's Oversight Model, attached thereto.

#### *Legal and Compliance Department*

This Department is in charge of all the legal consultancy services available in-house within the Banking Group, whilst also undertaking tasks related to the functioning of the Company's corporate bodies, and minimising the risks of non-compliance of the Banking Group's processes and procedures, including the risk of money laundering and terrorist financing, with applicable regulations, especially with regard to the management of customer complaints.

The legal advice furnished by the Legal and Compliance Department therefore focuses not only on contracts and litigation, but also on the formalities to be completed in connection with the functioning of the Banking Group's corporate bodies, and on relationships with regulatory authorities, trade associations, outside entities and organisations, including with a view to providing operating support to the corporate structures contemplated under the Articles of Association.

The Legal and Compliance Department, is also in charge of :

- checking and assessing — on the basis of the action plan periodically drawn up by the Board of Directors — the appropriateness and effectiveness of organisational processes and procedures, with a view to ensuring compliance with any and all applicable regulatory provisions governing the performance of any and all services offered by the Banking Group, especially so as to minimise the risk of non-conformities;
- providing consultancy and advice on compliance with the statutory requirements and performance procedures applicable to investment services;
- collaborating in staff training with a view to preventing risks of non-compliance by promoting awareness of the rules and regulations to be followed in the performance of tasks, and encouraging a corporate culture based on principles of honesty, integrity and respect for both the spirit and the letter of the law;

- periodically submitting reports to corporate bodies in respect of its activities, especially the process testing carried out and related findings, as well as measures to be taken to remedy shortcomings and the concrete implementation thereof;
- authorising the issue and implementation of internal rules and regulations;
- defining the overall activity of selecting, arranging and analysing inspections of the distribution Network;
- overseeing the activities undertaken by the Distribution Network of Financial Advisors/Private Bankers/Relationship Managers, with a view to identifying, including in respect of specific irregularities, any and all abnormal behaviour, breaches of organisational processes and applicable regulations, including through inspections of the Organisational Units and Structures of the Main and Branch Offices, Private Centres and Branches, and any and all authorised Outsources, as well as subsequently monitoring the elimination of the anomalies found;
- periodically reporting to corporate bodies, the overall situation regarding complaints received by Banca Generali and its Subsidiaries, as per the information provided in such regard by the corporate function in charge of processing complaints;
- generally overseeing activities related to the Supervisory Body set up to monitor and maintain the Organisational and Management Model contemplated in Legislative Decree No. 231/2001.
- continuously monitoring that business procedures are consistent with the objective of preventing and combating the infringement of external laws and regulations and of self-regulations on money laundering and terrorist financing;
- managing, assessing and reporting the presence of suspicious transactions, effectively detecting other situations covered by the reporting requirement, as well as assessing the application of anti-money laundering obligations required by law (in accordance with Italian Legislative Decree No. 231/2007).

All the activities carried out by the Department in discharge of its compliance responsibilities are illustrated and described in detail in the Policy and in the specific Compliance Rules.

#### *Finance Department*

The Finance Department is responsible for:

- trading financial instruments on the Bank's own account and on behalf of customers;
- managing the Bank's treasury;
- administering the Bank's assets, optimising the use of cash balances arising from deposits by customers on the interbank market;
- performing any and all activities pertaining to the issue of bonds and the placement of the bonds of third parties;

- participation in public takeover bids as well as corporate mergers, acquisitions and stock swaps.

The Finance Department is also in charge of collecting, analysing and processing information pertaining to the Bank's assets, and managing the archives of contracts pertaining to transactions effected on markets.

All the activities undertaken by the Finance Department are illustrated and described in detail in the specific Finance Rules.

#### *Resources Department*

The Resources Department is responsible for the planning of the human resources of business units, the drawing up of remuneration policies in line with the market, and the administrative management of the Banking Group's employees.

Towards this end, the Resources Department:

- identifies strategic positions in light of the Bank's business model, pinpointing the technical skills required to cover the same;
- manages the human resources planning and the related budget;
- lays down the Group's targets in terms of human resources and remuneration;
- handles the administrative and record-keeping aspects of human resources management;
- liaises with the information-technology service provider in respect of administrative processes pertaining to the Bank's human resources.

The Resources Department is also in charge of the initial accompaniment, development, training, mobility and management of human resources, following up the latter during their professional careers within the Bank, whilst constantly sensitising employees to the Company's policies and culture through appropriate outreach plans and tools.

Lastly, the Resources Department is tasked with liaising with trade union representatives, and implementing policies focusing on internal and labour relations, in accordance with the guidelines established by the Chief Executive Officer and the General Manager.

#### *Public Relations Service*

The Public Relations Service is in charge of the dissemination and protection of the image of the Bank and its Subsidiaries in respect of the financial community and the general public.

In this sense, the Public Relations Service lays down the guidelines for the divulgence of information pertaining to the Banking Group outside the latter, and liaises with the media, organising interviews and press conferences, and publicising press releases disclosing the main news and information regarding the Company.

#### *Investor Relations Service*

The Investor Relations Service is tasked with managing relationships with institutional investors, analysts and financial intermediaries, and represents the Parent Company, Banca Generali within the domestic and global financial community.

The Investor Relations Service is also in charge of the timely and fair disclosure to the market, of true, clear, precise and exhaustive information on the Bank's financial results, objectives and strategies.

#### *Risk Management Service*

The Risk Management Service is tasked with identifying, measuring, evaluating and monitoring and reporting on all the types of risks (except compliance risk) to which the Banking Group is exposed in terms of its own assets, as well as providing relevant information and actively contributing to risk management with a view to maintaining risk levels within the limits indicated in the exposure profile and strategies established by the Board of Directors.

As a result, the Risk Management Service is responsible for:

- identifying, in concert with the relevant corporate functions, the risks other than compliance risks to which all Group companies are exposed in terms of their own assets, with specific emphasis on “first-pillar” risks (market, credit/counterparty and operating risks);
- measuring/assessing identified risks, in concert with the relevant corporate functions, through the development of adequate methods (rules of reference and best market practices) and the implementation of appropriate application software;
- monitoring the risks measured/assessed, laying down appropriate operating limits and devising processes and procedures for such purpose, with a view to maintaining risk levels within the limits indicated in the exposure profile and strategies established by the Board of Directors;
- providing appropriate information regarding the risks monitored, and devising a multi-level reporting system (Top Management, Middle Management, Business Units) providing for precise, complete and timely flows of information with a view to ensuring active risk management;
- verifying the consistency of risk measurement models with the operating processes in force at the Banking Group, ensuring they are adjusted as the business and operations develop;
- verifying the overall soundness of the adopted control model over time (including through backtesting), with special emphasis on its effectiveness in responding to the emergence of risks (using appropriate stress testing methods based on exceptional but plausible scenarios), and the efficiency of processes designed for the management of breaches of established operating limits and the implementation of related corrective action;
- verifying the consistency of the risk management systems implemented by Group Companies.
- preparing an annual Risk Management Plan to identify and monitor risk to the Banking Group.

All the activities undertaken by the Finance Department are illustrated and described in detail in the specific Risk Management Rules.

#### *262 Oversight Operating Unit*

The 262 Oversight O.U. acts as a point of reference, orienting and coordinating the management of all the Banking Group's administrative and accounting risks, for the intents and purposes of Law no. 262/2005.

In such context, the Operating Unit provides support to the Vice Deputy General Manager, in his capacity as the Executive in charge, within the meaning of Article 154 of the Consolidation Law on Financial Intermediation, of drawing up the Company's accounting documents, in establishing and updating the extent to which Law No. 262/2005 is applied to the corporate processes and procedures in place within the Banking Group Companies. Towards this end, the Operating Unit reports to the Vice Deputy General Manager and the Supervisory Body.

#### *Sales Department*

The Sales Department is entrusted with coordinating and developing the Network of Financial Advisers who do not fall under the private banking division, and, more specifically, is tasked with organising the same, especially with a view to fostering loyalty and sense of belonging to the Bank, whilst also ensuring that economic terms are appropriately balanced.

The Sales Department is therefore responsible for attaining the targets set in the Sales Plan, by orienting, coordinating and monitoring activities aimed at implementing the sales and marketing, recruitment and staff training plans falling within the Department's purview. The Sales Department is also tasked with ensuring adequate customer service levels throughout the Bank's various geographical areas of operation, by appropriately expanding or contracting the reference Distribution Network and the chain of Operating Points, in consultation with the relevant central Services and Departments.

#### *Private Banking Division*

The Private Division is in charge of coordinating and developing the Private Banker Network (financial advisors who are linked to the company by an agency contract) and, through the RM Network Department, the Relationship Managers Distribution Network (managers who are company employees), especially with a view to fostering organisation, loyalty and sense of belonging to the Bank, whilst also ensuring that economic terms are appropriately balanced.

The Division is therefore responsible for attaining the targets set in the Sales Plan, by orienting, coordinating and monitoring activities aimed at implementing the sales and marketing, recruitment and staff training plans. This Department is also tasked with ensuring adequate customer service levels throughout the Bank's various geographical areas of operation, by appropriately expanding or contracting the reference Distribution Network and the chain of Private Centres, Operating Points and Private Banking Branches, in consultation with the relevant central Services and Departments.

### *Marketing Department*

The Marketing Department designs and develops new products and services targeted at various customer segments in light of market trends and the Bank's market share, with a view to attaining sales targets and optimising the use of the Company's resources. Towards this end, the Department carries out market analysis and defines the Bank's medium-to-long term product development strategies, whilst also ensuring that the range of offerings is appropriately balanced.

The Marketing Department also assists the Sales Department and the Private Banking Department in reaching sales targets, by drawing up the Marketing Plan and implementing the latter to the extent falling within its purview.

The Department supports the management of the Parent Company in identifying new potential synergies that could be exploited within the Banking Group's range of product and service offerings, in light of developments in the Banking Group's business model.

Lastly, the Marketing Department takes part in sales projects and initiatives deemed to be of interest to the Banking Group and launched internally within the Generali Group, coordinating related public relations and overseeing implementation within the Bank and its Subsidiaries.

### *Operating Department*

The Operating Department is in charge of providing Customers and Distribution Networks with operational support.

In such context, the Department bears responsibility for :

- is responsible for Contact Centre activities in support of requests received from Customers and Distribution Networks, as well as the second-level processing of reports/complaints regarding transactions, submitted by Financial Advisors/Private Bankers and/or Customers;
- is responsible for all the activities required for opening and operating Current Accounts and Accounts under Administration, as well as the checks and reconciliation to be carried out in respect of Asset Management and Insurance contracts;
- is responsible for monitoring the proper processing of orders and instructions regarding Asset Management and Insurance products and the placement of Assets under Administration, whilst managing the related forms of payment;
- liaises with and monitors Product Companies and contractors entrusted with the performance of operating services falling within the Department's purview;
- supports, within the framework of the guidelines established by Company management, the Sales Department and the Private Banking Department, in defining the models of the Bank's local structures (Branches, Private Banking Centres, Private Banking Branches and Operating Points) aimed at ensuring effective geographical coverage, adequate customer service and an appropriate balance between the economic interests of Financial Advisors/Private Bankers, and the Bank, with

the result that the Department is also called upon to provide technical and logistical assistance to the Banking Group's various officers and peripheral structures (Branches, Private Banking Centres, Private Banking Branches and Operating Points), as well as to liaise with suppliers with a view to containing costs, coordinating activities related to the opening and closure of Branches, Private Banking Centres, Private Banking Branches and Operating Points;

- coordinates the activities of Branches, save those not belonging to the Private Department, with a view to boosting the efficiency of front-office and back-office functions, in line with applicable regulations and company policy, whilst also ensuring adequate customer service;
- identifies and manages the Banking Group's logistics and procurement requirements, liaising with suppliers and monitoring their performance.

The Parent Company has, moreover, appointed the head of the Operating Department as the Person of Reference to be contacted by customers for the purpose of exercising the statutory rights arising under Article 7 of Legislative Decree no. 196/03 (the Privacy Code).

#### *Loans Department*

The Loans Department is in charge of the processing of loan applications and the management of overdraft facilities granted by the Bank, pursuant to the provisions set forth in the specific Loans Rules, with a view to ensuring the quality of approved loans and maintaining the risk/return targets established by the Board of Directors.

The Department is accordingly responsible for defining the criteria applied to determine the credit-worthiness of Customers in respect of the various technical forms of credit available. The Loans Department also develops the Bank's lending policies, in accordance with prudential risk-containment criteria.

In such context, the Department is charged with undertaking all the activities related to assessing the credit-worthiness of Customers and approving applications for various forms of credit facilities.

The Department's tasks also include the oversight and monitoring of credit facilities granted to customers that could give rise to credit risks for the Bank, assessing the same and recommending the booking thereof as bad or non-performing loans, where necessary.

Lastly, pursuant to the Loans Rules, the Loans Department is required to periodically report to the Risks Committee and the Board of Directors in respect of decisions made with regard to the approval and management of loans, as well as the performance of anomalous credit facilities.

#### *Administrative Department*

This Department bears responsibility for the proper accounting and tax-related management of the Bank's operations, as well as compliance with reporting obligations towards Regulatory Authorities, the drawing up of the documents required for tax purposes and for preparing the financial statements, the

management of the centralised accounting and operating tasks to be carried out in respect of means of payment and collection on both, Italian and foreign markets.

The Department is also tasked with ensuring that all the formalities related to the trading transactions effected by the Finance Department (clearing, formalisation, etc.), and that agreements regulating the supply of services pertaining to the custody and administration of financial instruments, are properly performed.

The Administrative Department is charged with overseeing Pay-ins and activities related to the remuneration of the Distribution Networks, and the custody and administration of its own and Customers' financial instruments. Lastly, the Department is responsible for the entire administrative procedure leading up to the insertion of new Financial Advisers/Private Bankers into the Bank's marketing structure, as well as for the management of the existing sales force.

#### *Planning and Control Department*

The Planning and Control Department is involved in defining and monitoring the Bank's economic and sales targets with a view to increasing the Company's market share, and provides input for evaluating acquisitions, alliances, and, in general, the Bank's strategic projects, especially with regard to economic aspects and profitability.

In this context, the Planning and Control Department coordinates the collection of the data and information to be gathered from other internal organisational structures. but also, as a result, the annual budget process, defining both the targets for the accounting period underway, and the procedures to be followed in monitoring and interpreting interim data, especially with a view to recommending appropriate action, where necessary, in concert with the relevant Departments and Services and taking due account of the guidelines established by the Bank's management and set forth in the Strategic Plan. Within the purview of its function, the Planning and Control Department is required to report to management as appropriate, and draw up any and all the plans, studies and assessments the latter may request or require.

The Planning and Control Department provides support to the Sales Department and the Private Division for defining the sales budget in respect of the Distribution Networks, and compiles, analyses and presents interim sales figures and data, highlighting departures from forecasts, pinpointing the main reasons for the same and recommending corrective action, where necessary. Together with the Sales Department and the Private Department, the Planning and Control Department draws up the organisational rules regulating the Distribution Network and monitors compliance with the same, whilst also designing incentive plans aimed at promoting the attainment of sales objectives, and devising remuneration packages for new recruits, monitoring their performance. Within the context of the above, the Department is charged with ensuring that the related initiatives are coherent, in economic terms, with the Company's objectives, and contributing towards the determination of the



remuneration policies to be applied to the sales networks, checking the economic balance between the costs and proceeds of sales.

Lastly, the Planning and Control Department manages and develops relationships between the Parent Company and Subsidiaries, ensuring that the entire Banking Group is constantly united in its efforts to attain the Group's business and strategic objectives. As a result, the Department constantly keeps the management of Subsidiaries abreast of developments, especially through specific periodic reports. In such context, the Planning and Control Department also undertakes all the activities pertaining to entire Banking Group's budget processes, strategic planning and forecasting.

#### *Organisation and Regulations Department*

The Organisation and Regulations Department provides support to Company management in defining the organisational layout and operating procedures of Banking Group Companies, and in planning and implementing strategic corporate projects as well as any restructuring operations that may be required during the accounting period.

The Department supports the management of the Parent Company in identifying new potential organisational and structural synergies that could be exploited within the Banking Group.

The Organisation and Regulations Department also receives, throughout the Banking Group, potential updates and improvements suggested by users, sends them to the Development Coordination and IT Management Department for ascertaining the feasibility of the same, overseeing the planning and implementation thereof by the Company's IT service provider and/or other outside suppliers.

The Department is also charged with drawing up and updating the Banking Group's internal rules and procedures, and managing the internal regulatory instruments, together with the compendium of processes.

Lastly, the Organisation and Regulations Department bears responsibility for the planning and coordination of projects involving Subsidiaries, and, in such regard, is charged especially with fostering consensus amongst the various parties concerned and optimising synergies within the Group, whilst also monitoring the progress achieved in each case, liaising with the management of the relevant Group Companies and reporting to the management of the Parent Company in respect of the milestones reached, especially in light of the initial timetables of the projects in question.

#### *Development Coordination and IT Management Department*

The Development Coordination and IT Management Department ensures the efficient operation of application procedures and IT systems for the entire Banking Group, in support of organisational processes within the context of the management of operating risk.

The Department is also in charge of developing software and implementing the hardware and information technology required for completing the projects, in accordance with the Banking Group's corporate project development plan coordinated by the Law and Organisation Department.

Towards this end, the Development Coordination and IT Management Department liaises with the Banking Group's information-technology subcontractors for the purpose of, *inter alia*, drawing up a joint works schedule, and taking appropriate trouble-shooting action or other measures as may be necessary or useful in light of changes in priorities in terms of implementation.

## **6.5 - Executive in Charge of Drawing Up the Company's Financial Reports**

Article 154-*bis* of Legislative Decree No. 58 of 24 February 1998, 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 on the market in respect of its annual and/or interim financial reports corresponds to the documentary results, books and accounting records;
- b) the Manager in charge of the company's financial reports and the relevant administrative bodies appointed for such purpose, to issue a joint statement to be attached to the annual financial statements, the condensed half-yearly financial statements and, where applicable, the consolidated financial statements, attesting that adequate accounting and administrative procedures were properly applied during the period of reference and that the Company's financial statements reflect its actual books and accounting records, and provide a true and fair view of the balance sheet, profit and loss account and cash flow statement of the company and the Group;
- c) overseeing 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, shall appoint and dismiss the Manager in charge of the company's financial reports, in compliance with Article 154-*bis* of Legislative Decree No. 58 of 24 February 1998, 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 professional qualifications:

- suitable 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 auditing, 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 said Manager must furthermore meet the requirements of integrity imposed under regulations governing the assumption of corporate offices. Loss of the requisite of integrity determines fall from office.

On 24 January 2007, pursuant to the Articles of Association, and taking into consideration the opinion of the Board of Statutory Auditors, the Board of Directors appointed Giancarlo Fancel to serve, as of 1 February 2007, as Manager responsible for preparing the company's financial reports, within the meaning of Article 154-*bis* of Legislative Decree 58/1998, after having ensured that he was fit and proper for such appointment within the meaning of article 24 of the Articles of Association, and determining the powers and resources to be made available to him for the discharge of his assigned duties.

Giancarlo Fancel is the Vice Deputy General Manager in charge of coordinating the Planning and Control Department, the Administrative Department, the Organisation and Regulations Department, the Development Coordination and IT Management Department and Finance Department, 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.

Following the entry into force of Legislative Decree No. 195 of 6 November 2007 which implemented the Transparency Directive (2004/109/EC) and amended article 154-*bis* of Legislative Decree No. 58/1998, on 20 February 2008, the Company's Board of Directors revised the powers and responsibilities invested in Giancarlo Fancel as Manager in charge of the company's financial reports, in which capacity he is required:

- (i) to coordinate and oversee the activities of the Administrative and Planning & Control Departments, answering to the General Manager in respect of the results and activities of the same;
- (ii) to implement Board resolutions, in the course of all activities falling within his remit, in accordance with the guidelines imparted by the Chief Executive Officer and the General Manager;
- (iii) in the course of all activities falling within his remit, to recommend to the General Manager, 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, allows for concurrent and subsequent checks as well as the determination of individual responsibilities;
- (iv) as Manager responsible for preparing the company's financial reports, within the meaning of Article 154-*bis* of Legislative Decree 58/1998, to ensure 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, and attesting that the said notices and information corresponds to the documentary results, books and accounting records;

(v) as Manager responsible for preparing the company's financial reports, within the meaning of Article 154-*bis* of Legislative Decree 58/1998, to draw 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;

(vi) as Manager responsible for preparing the company's financial reports, within the meaning of Article 154-*bis* of Legislative Decree 58/1998, to certify, in a specific report 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 of the issuer and all the companies included in the scope of consolidation;

(vii) to certify 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;

(viii) to certify 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 making up the reporting entity, as well as a description of the main risks and uncertainties to which the latter are exposed;

(ix) to certify that the interim Directors' report on operations attached to the interim financial statements includes a reliable analysis of the information mentioned in article 154-*ter*, paragraph 4, of Legislative Decree 58/1998;

(x) to assume any commitment, including of an economic nature, and undertake whatsoever else that may be necessary or useful for discharging the tasks mentioned in 154-*bis* of Legislative Decree 58/1998;

(xi) for the purposes of discharging the tasks and/or exercising the powers mentioned in article 154-*bis* of Legislative Decree 58/1998, to avail 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.

In order to fully comply with the article in question, in early 2007, the Company launched an initiative known as the FARG – Financial Accounting Risk Governance Project, (except compliance risk) the management of which was entrusted to a project-specific structure charged with centrally coordinating all the related activities and supporting project-related worksites specifically established for such

purpose. The project-specific structure has so far determined the scope of the analysis and the methods to be followed, and has also drawn up timetables and assigned budgets for attaining targets.

Given the complex structure of the banking group headed by the Company, the scope of the analysis in terms of significant companies and information, was determined on the basis of risk assessment that took account of both the quantitative and qualitative elements related to the Company's risk profile as defined by internal and external factors.

The appropriateness of administrative and accounting procedures was assessed using a process established by the Company on the basis of the Internal Control – Integrated Framework model drawn up by the Committee of Sponsoring Organisation of the Treadway Commission, which is generally accepted as a reference framework worldwide.

Project-specific activities were broken down into:

- “Appropriateness assessment”: aimed at assessing the appropriateness of administrative and accounting procedures in the light of the features of the Company and the group;
- “Effectiveness assessment”: aimed at ensuring the continued effectiveness and proper implementation of the administrative and accounting procedures in question, during the period of reference.

## **7 – BODIES WITH CONTROL FUNCTIONS**

### **7.1 - The Board of Auditors**

Under the traditional Board model favoured by the Bank, control functions are entrusted to the Board of Auditors. The Supervisory Provisions highlight the importance of the scope of the tasks falling within the remit of the internal control function, including the oversight of compliance with statutory and regulatory provisions and the Articles of Association, and responsibilities for enforcing sound business management practices and monitoring the appropriateness of the bank's administrative and accounting structures. In light of the crucial role these tasks play within the regulatory and supervisory framework, article 52 of Legislative Decree No. 385/1993 provides for a functional link to be established between the Board of Auditors and the Bank of Italy, under which, the Board of Auditors is required to report to the Bank of Italy any and all actual or potential irregularities in the bank's management and/or violations of banking industry regulations, immediately upon becoming aware thereof. As required under the Bank of Italy Provisions, this requirement is entrenched in the Articles of Association, at Article 20.

Under the New Bank of Italy Provisions, the corporate body is also vested with control responsibilities is also required to monitor the functionality of the internal control system as a whole, verifying the effectiveness of all the structures and functions involved in the control system and adequately

coordinating the same, as well as recommending remedial action aimed at correcting shortcomings and irregularities, where necessary.

In carrying out the checks and inspections falling within its purview, the Board of Auditors may avail of input from the Bank's internal control functions, all of which are required to report to the said Board either periodically and/or in particular circumstances, as specified in detail in the specific Circular regulating reporting obligations towards Corporate Bodies.

The Board of Auditors is also charged with monitoring the appropriateness of the risk management and containment system, as well as the appropriateness and regulatory compliance of its Internal Capital Adequacy Assessment Process (ICAAP).

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 auditor. In respect of these issues the Board of Auditors may, if it deems fit, also avail of the advice and support of the Internal Control 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. To ensure compliance with the above, Banca Generali has not only ensured that members of the Parent Company's Board of Auditors also sit on the Boards of Statutory Auditors of subsidiaries, but also organised periodic joint meetings of the Boards of Statutory Auditors of all the Companies belonging to the Banking Group.

Under the New Bank of Italy Provisions, the corporate body is also 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 corporate body vested with control functions 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 their 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 current business of the Company. 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 Auditors may simultaneously hold, and the requirements of professionalism to be met by the members of the said board.

In addition to meeting the requirements of personal integrity and independence and not labouring under any of the causes of unfitness or disqualification contemplated under special regulations and the Corporate Governance Code for Listed Banks, members of the Board of Auditors must also satisfy the requirements of professionalism set forth below, under penalty of forfeiting their appointments: at least one Acting Auditor and one Alternate (and in all cases, the Chairman) must be enrolled with the Order of Certified Public Accountants and Auditors, it being understood that any and all members of the Board of Auditors who fail to meet this requirement, must have experience (a) in a professional capacity or as a tenured university professor 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).

In order to ensure that the Board of Statutory Auditors includes persons capable of ensuring that the role assigned to them is discharged effectively, the Board of Directors, with the advisory support of the independent directors, shall (i) define in advance the professional expertise required to achieve this result, (ii) define the qualitative and quantitative composition of the Board of Statutory Auditors (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) subject such definition to periodic self-assessment. The results of the above analysis 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.

Moreover, upon the conclusion of the process of appointing, the Board of Directors (with the advisory support of the independent directors) shall conduct a thorough, formal review that the actual result of the appointment process corresponds to the qualitative and quantitative composition deemed optimal.

The control body is required to report to the Board of Directors, the Chief Executive Officer and top company management, any and all shortcomings and irregularities that emerge, recommending appropriate organisational measures and verifying the effectiveness of the latter over time.

Banca Generali's Board of Auditors is made up of three Acting Auditors and two Alternates, the powers, duties and terms of appointment of which are regulated pursuant to applicable statutory provisions, the Articles of Association and the regulatory framework of reference.

Banca Generali's current Board of Auditors which was appointed by the Shareholders' Meeting of 21 April 2009, and extended by Shareholders' Resolution of 23 November 2009 with regard to an Alternate Auditor, is to remain in office through to the date of approval of the financial statements for the year ended on 31 December 2011. The said Board of Auditors is made up of the following members:

<b>Name and Surname</b>	<b>Office held</b>
Giuseppe Alessio Verni	Chairman
Alessandro Gambi *	Acting Auditor
Angelo Venchiarutti	Acting Auditor
Luca Camerini	Alternate Auditor
Anna Bruno	Alternate Auditor

\*As of 8 May 2009, Alessandro Gambi replaced an Acting Auditor who had resigned from office

Satisfaction of the applicable requirements must be verified by the Board of Directors in accordance with the procedures set forth in Bank of Italy regulations and in the Corporate Governance Code. The Board of Statutory Auditor independently verifies that the relevant requirements are met.

All the members of Banca Generali's Board of Auditors must be enrolled with the Order of Certified Public Accountants and Auditors, save for one member who must, in any event, meet the requirements of professionalism referred to above; all the members of the Board of Auditors must also be independent within the meaning of both Legislative Decree No. 58/1998 and the Self-regulatory Code. Banca Generali's Board of Directors last verified satisfaction of the relevant statutory requirements for acting members of the Board of Directors on 11 May 2009. The Board of Auditors assesses the independence of its members on an annual basis, and last assessment was carried out at its meetings on 22 February 2011.

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.

## **7.2- Independent Auditors**

In light of the regulatory framework following the entry into force of the Italian Legislative Decree 303/2006, the Ordinary Shareholders' Meeting held on 24 April 2007 extended the appointment of the auditing firm Reconta Ernst & Young S.p.A., appointed with the resolution passed at the Shareholders' Meeting of 18 July 2006, to the date of approval of the financial statements for the year ending 31 December 2014. As a consequence of this extension, the total number of consecutive years subject to



auditing is nine, and, therefore, in compliance with the provisions of Article 17, of Legislative Decree 39 of 27 January 2010.

The manager in charge of the auditing appointment is Mr Stefano Cattaneo.

Pursuant to Article 20 of the Articles of Association, the independent auditor is required to periodically report to and exchange information with the Board of Auditors at meetings specifically scheduled for such purpose.

## SECTION IV

### ORGANISATIONAL STRUCTURE OF THE BANKING GROUP

#### **8 – ORGANISATIONAL LAYOUT OF THE BANKING GROUP**

##### **8.1 – Organisation of the Banking Group**

In order to ensure effective and efficient management and control systems throughout the Banking Group, all the companies belonging to the latter are closely integrated with the Parent Company, without prejudice to the full applicability of the principle of separation, imposed under applicable regulations on Italian asset management companies belonging to a banking group.

This integration is especially evident in:

- i) the ownership structure: all the subsidiaries are fully owned by Banca Generali S.p.A. (save for Generali Fund Management S.A. in which Banca Generali holds a 51%);
- ii) the composition of the governing and control bodies of the subsidiaries, whose members include various officers of the Parent Company (without prejudice to compliance with the rules established for the Italian Group's SGR) 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 in any way, 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 devised for the subsidiaries, featuring the centralisation of certain key functions within the Parent Company.

As the Parent Company vested with the powers of management and coordination specified in the Italian Civil Code, and developed in greater detail in Articles 59 et seq. of Legislative Decree no. 385/1993 and Title I, Chapter of Bank of Italy Circular no. 229 of 21 April 1999, 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 monitor ongoing compliance with Bank of Italy instructions and provisions within all Group companies.

The Articles of Association of the Parent Company and each and every Group company contain clauses aimed at rendering the aforesaid layout at Group level is clear and coherent even in respect of third parties. More specifically:

(a) pursuant to Banca Generali's Articles of Association (i) the Company's corporate object includes, as part of its management and coordination functions, the laying down of the procedures to be followed by Group companies in the interest of Group stability, in implementing and complying with instructions imparted by the Bank of Italy; and (ii) the Parent Company's Board of Directors is vested with exclusive decision-making powers in respect of the acquisition and disposal of participating interests, and the determination of the criteria underlying the coordination and management of Group companies and compliance with Bank of Italy instructions;

(b) The Articles of Association of each Group Company make specific mention of (i) the fact that the company in question belongs to the Banking Group; (ii) the company's obligation to comply with the procedures established by the Parent Company in exercise of its management and coordination functions, with a view to ensuring compliance with instructions imparted by the Bank of Italy in a manner that promotes stability at Group level; (iii) the obligation, binding on the company's directors, to provide the Parent Company with any and all information the latter may request or require for the purpose of establishing the aforesaid procedures.

With specific reference to the Italian asset management company belonging to the banking group, any and all related powers of orientation and coordination shall be exercised in compliance with the instructions imparted by the Bank of Italy on 3 November 2009 "Supervisory Instruction in respect of powers of orientation and coordination exercisable by the parent company of a banking group over asset management companies belonging to the said group" aimed at promoting the balanced exercise of the powers of orientation and coordination invested in the parent company in respect of the asset management company belonging to the group, in light of the need to safeguard and enhance the ability of asset management companies to act in the sole interest of investors (so-called "independence of the asset management company" – see Article 40 of the Consolidation Law on Finance). In such context, the provisions set forth in the Consolidation Law on Finance with regard to the independence of asset management companies must be deemed to impose an external limit on the exercise of the parent company's powers of orientation and coordination.

Accordingly, the parent company has clearly established the group's objectives, strategies and policies in respect of the sector in question, taking due account of both the need to ensure all unitholders adequate service levels, on the one hand, and, on the other, the strategic, reputational and operating risks associated with asset management. More specifically, in exercising its powers of orientation and coordination in respect of BG SGR, Banca Generali shall ensure that the subsidiary asset management company is (i) endowed with the resources required to efficiently provide asset management services;

(ii) structured into the group in a manner that prevents the asset management company from being unduly influenced by the group's distribution networks; (iii) afforded full independence in determining investment strategies and processes, sales policies and in selecting the depository bank of the funds under management; (iv) operated and managed pursuant to the best corporate governance practices (taking due account of any and all corporate governance codes), with specific reference to the membership of its corporate bodies, the professionalism of its executives, the number and responsibilities of independent directors, and the balance between executive and non-executive directors.

## **8.2 – Organisational Structure of the Banking Group**

More specifically, pursuant to Article 61 of Legislative Decree No. 385/1993, the Parent Company exercises, in respect of the Italian and overseas financial undertakings included in the Banking Group's reporting entity, oversight at various corporate levels and covering: (i) strategic policy; (ii) operations, using a unified system to monitor the performance of all subsidiaries; (iii) operating-technical functions, as a result of the high degree of centralisation of key tasks within Banca Generali (including company administration, internal auditing, planning and control of operations, risk management, compliance, advice and support in respect of human resources management as well as legal and corporate matters). The subsidiary based in Luxembourg is subjected to a largely similar corporate governance layout, featuring the appointment of independent auditors belonging to the same international network as the independent auditors in charge of auditing the accounts of the other Group companies.

In order to allow for the greatest possible attention to be focused on individual business areas, whilst also promoting the specialisation of production and marketing processes, and ensuring that the banking group is administered with the necessary level of overall unified management, Banca Generali's organisational structure is divided into Departments and Services, each with its own responsibilities in terms of policy-making, coordination, control, support and services, depending on its specific mission and functional features.

As already noted, these organisational units are assigned specific functions, described in detail in the Internal Rules approved by Banca Generali's Board of Directors including on behalf and in the name of the subsidiaries belonging to the Banking Group, with a view to taking the fullest advantage of the specialist know-how concentrated within the Parent Company, and to maximising the economies of scale arising from the centralisation of certain structures. Centralised services are rendered pursuant to specific outsourcing contracts entered into with individual subsidiaries, laying down the terms, conditions, content, operating limits, service levels and reporting obligations involved in each case.

In any event, all the centralised services are rendered in strict compliance with applicable regulations, and do not involve activities reserved under law to persons enrolled with professional orders or associations.

As a result, (i) on the one hand, subsidiaries are left free to focus on the activities related to their respective core business operations, and that is to say, in the case, respectively of:

**BG SGR**, the provision of asset management services in Italy;

**BG Fiduciaria SIM**, the supply of asset management services, in respect of investments in both securities and funds, primarily as a trustee;

**Generfid**, the supply of standing fiduciary services, i.e., the administration of securities held by the company under trusteeship, and the execution of the orders and instructions imparted by customers;

**Generali Fund Management S.A.**, the management and administration of Luxembourg SICAVS and mark-to-market products,

whilst, on the other, also allowing for (ii) uniformity and coherence in the performance of the aforesaid centralised services throughout all Banking Group companies, given that all the related tasks are carried out by a single corporate department within the Parent Company.

More specifically, the centralisation of internal control functions (internal audit, compliance and risk management) within the Parent Company Banca Generali provides for, inter alia, the uniform application of checks and balances based on exactly the same criteria, throughout all Banking Group companies, thanks especially to the fact that all of the latter are subjected to identical reporting obligations in respect of irregularities. Such a system also allows for the centralisation of tasks aimed at ensuring compliance with CONSOB transparency regulations and codes of conduct in dealing with customers (see Article 5, paragraph 3, of Legislative Decree no. 58/1998 and Regulation no. 11522/1998), and at pinpointing irregularities in the supply of services.

### **8.3 – Rules Regulating Relationships Amongst Companies Belonging to the Banking Group**

The relationships between Banca Generali and Banking Group companies, as well as relationships amongst the latter, all of which must be subject to uniform organisational and operating rules conforming, inter alia, with the applicable Supervisory Instructions for Banks, are regulated pursuant to specific Group Rules approved by the Board of Directors with a view to laying down the institutional procedures governing the functioning of the Banca Generali Group and intercompany relations, in compliance with the aforesaid Supervisory Instructions.

The Banca Generali Group Rules are, accordingly, aimed at:

(i) ensuring a level of integration in line with the pursuit of shared strategic policies, with a view to enhancing value and, in any event, in manner respectful of the legal autonomy of the various companies

belonging to the Banking Group, as well as best business practices, especially with regard to corporate governance;

(ii) optimising the synergies arising from working as a Group, highlighting the strengths of individual Group companies.

Unified governance of the Banca Generali Group is achieved thanks to compliance with a set of basic principles underlying all the Group's operations and set forth in Chapter 2 of the aforesaid rules, as well as the centralisation of policy-making, governance and support roles within the competent functions of the Parent Company through the identification of the precise responsibilities of the latter, and therefore of the other group companies within a framework under which mutual responsibilities and commitments are clearly defined.

The Rules in question also lay down the operating procedures through which the Parent Company exercises its policy-making, governance and support functions in respect of the banking group, providing for specific policy-making, governance and support instruments, institutional mechanisms of functions (obligation with regard to mergers and acquisitions, delegated powers, relations with the Bank of Italy and other regulatory authorities, etc), as well as specifying the activities to be centralised within the Parent Company.

With regard to its institutional role pursuant to applicable regulations, in exercising its powers of management and control, the Parent Company issues to subsidiaries, from time to time, the procedures to be followed in order to ensure compliance with the general and specific instructions imparted by the Ban of Italy in the interest of the stability of the Group. The Directors of the subsidiaries are bound to comply with the procedures established by the Parent Company for such purpose.

In order to allow for the Parent Company to properly discharge its management and coordination functions, the subsidiaries are required to provide Banca Generali with any and all news, data or information that may be relevant for such purpose.

Through resolutions passed by its own corporate bodies and implementing measures established by its own organisational units, the Parent Company adopts risk management procedures and internal control mechanisms targeted at each area of activity relevant to the banking group as a whole, providing for the coordinated and unified management of the various enterprises of the banking group with a view to ensuring compliance with the supervisory requirements entrenched in applicable regulations. Internal control mechanisms include appropriate procedures for measuring, monitoring and containing risks; the Parent Company and each company belonging to the Banking Group are required to ensure that the said mechanisms are constantly adjusted to suit current requirements.

The corporate bodies in charge of strategic supervision, management and control within each group company, must be kept up to date with the management policies defined by the Parent Company's top management that they are tasked with implementing, each to the full extent of its purview, taking due

account of the interests of the group company in question, in a manner coherent with the company profile of the latter, as delineated in light of the risk management policies and strategies established by the Parent Company.

Towards such end, the Parent Company must notify all the companies belonging to the Banking Group of:

- (i) strategic and operating guidelines as well as any and all further instructions to be complied with;
- (ii) decisions made in respect of authorisations or opinions requested by one or more group companies on specific issues;
- (iii) changes in its layout in terms of structure, powers and appointments, in the event such changes entail repercussions for the subsidiaries;
- (iv) information of general interest to the Banking Group as a whole, or of specific relevance to one or more subsidiaries.

Each company belonging to the Banking Group is bound to:

- (i) provide the Parent Company with any and all the information and data the latter may request or require in the discharge of its functions, and especially for the purpose of ensuring compliance with statutory obligations and/or supervisory requirements;
- (ii) send the Parent Company copies of the minutes of any and all resolutions passed by its corporate organs and to obtain the Parent Company's opinion or prior consent before taking any action whatsoever in respect of matter subject to such obligation, and regulated in detail in the aforesaid Group Rules;
- (iii) comply with any and all rules, policies and checks laid down by the relevant functions of the Parent Company, Banca Generali.

## **9 – ORGANISATIONAL LAYOUT OF THE BANKING GROUP**

The guidelines underlying the organisational layout of subsidiaries, outlined below, must be read in light of the foregoing considerations on the organisation of the Banking Group as a whole.

### **9.1 - BG SGR S.p.A.**

With respect to this subsidiary, it bears remarking that:

- (i) the sale of the business unit responsible for the Italian funds, organised and managed by BG SGR, to Generali Investments SGR S.p.A., also subject to control by Assicurazioni Generali S.p.A., was approved by resolution of the Board of Directors of 27 September 2011. The three harmonised open-ended mutual funds under the BG Focus name, which continue to be distributed by Banca Generali, are among those attributable to the business unit. The transaction was authorised by the Bank of Italy

in Notice No. 957154/11 of 21 November 2011 and will enter into effect on 1 April 2012. Effective that same date, BG SGR will also cease to act as manager of the Alto Funds promoted by Generali Investments Italy SGR;

(ii) as a consequence of the above transaction, on 14 December 2011 the Board of Directors of Banca Generali and the Board of Directors of BG SGR approved the plan for the merger of BG SGR into Banca Generali. The merger transaction is contingent upon prior authorisation from the Bank of Italy Pursuant to Article 57 of the TUB and will allow extensive process optimisation to be achieved by exploiting the integration of portfolio management activity into the Bank's structure. The merger will take place in simplified form pursuant to Article 2505 of the Italian Civil Code and is expected to enter into effect on 1 September 2012 (or another date to be indicated in the merger deed), with retroactive effect for accounting and tax purposes from 1 January 2012.

The company has currently adopted a traditional management and control model. Most of the members of the company's Board of Directors are non-executive directors, and one of them also meets the requirements of independence set forth in the Independence Protocol for Italian asset management companies.

Especially to ensure compliance with the provisions of the Bank of Italy Order of 4 March 2008, the Chairman of the Board of Directors is charged with coordinating and overseeing the proceedings of Board of Directors' and General Shareholders' meetings and is not vested with any powers whatsoever in respect of business operations. The said Chairman is also vested with powers of corporate representation before third parties and the courts.

The organisational structure of BG SGR has been subject to restructuring with a view to ensuring compliance with the instructions imparted by the Bank of Italy on 3 November 2009, in respect of powers of orientation and coordination exercisable by the parent company of a banking group over asset management companies belonging to the said group, thereby confirming the organisational choice of centralising staff functions (internal audit, compliance, support to the legal and corporate affairs function, as well as the human resources management and planning and internal control functions, product regulation) within the Parent Company Banca Generali with a view to allowing the subsidiary to focus its efforts on activities that constitute its core business. In such context, the Board of Directors concluded that the human, technological and financial resources made available to the asset management company, were sufficient to ensure the efficient performance of asset management services in light of the group's objectives. With regard to corporate functions outsourced to the Parent Company, the Company's Board of Directors confirmed that current arrangements fully comply with all the requirements imposed under the new regulatory framework, and do not compromise the asset management company's decision-making independence from the Parent Company.



The organisational structure revolves around the figure of the General Manager, identified as the company's chief executive, vested with the following powers.

Within the framework of strategic group policy and the general guidelines imparted by the Board of Directors, the General Manager oversees and coordinates the start-up phase of the company's business and the implementation of Board of Directors' decisions.

In this context, the General Manager is vested with authority:

1. to implement the resolutions passed by the Board of Directors, taking any and all action he may deem necessary or useful for such purpose;
2. to take charge of Company management and the performance, pursuant to Article 3 of the Articles of Association, of asset management services and the other activities mentioned in the cited article, ensuring that all of the above is conducted in a manner respectful of the objectives, corporate strategies and investment policies defined by the Board of Directors;
3. to orient company management and organisation for which he is responsible;
4. to prepare, in concert with the Chairman, the strategic guidelines set by the Board in respect of the company's strategic planning and to lay down the guidelines to be followed by the company departments;
5. to determine and orient human resources management policies, within the framework of the guidelines established by the Board of Directors and in concert with the Chairman, making recommendations to the Board of Directors in respect of the company's organisational structure;
6. to directly oversee the management of all corporate functions, apart from internal control;
7. to establish the breakdown of the tasks assigned to each corporate department, on the basis of functional criteria that, by defining spheres of competence, allow for concurrent and subsequent checks and balances, and in any event, the determination of individual responsibilities;
8. also at the behest of the people in charge 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;
9. to ensure the Company's assets and financial resources meet any and all applicable regulatory requirements;
10. to submit to the Board of Directors recommendations regarding the strategic plan, the annual budget and the draft financial statements;
11. to recommend to the Board of Directors, the setting up/management of Funds of any nature or kind whatsoever, as well as the launching of new asset management products;
12. in accordance with the management policies established by the Board of Directors, to oversee and orient asset management services, the promotion and management of Funds and collective investment schemes and the undertaking of whatever may be necessary in connection with services

and business operations in general, taking action, either directly or by delegating the related tasks to subordinates, to ensure that choices are properly made, transactions correctly effected and everything is done as it should be to secure the best possible outcome of business operations, in strict compliance with applicable regulations, the rules governing the collective investment schemes in question, the asset management contracts entered into with clients, as well as any and all instructions imparted by the latter;

13. to receive any and all amounts due from unitholders of the Funds/UCITs, and/or clients availing of asset management services, as well as to sign the related certificates of entitlement, issue receipts and execute any and all related deeds and documents;
14. to invest in financial instruments of any nature or kind whatsoever, as well as in other financial assets, any and all the amounts paid by unitholders and/or asset management clients, buying, selling or exchanging shares of all types, whether listed on a regulated market or otherwise, whilst also subscribing capital increases or trading related option rights, bonds of all types, gilt-edged securities and, in general any and all other financial assets, signing the related trade notes and any and all related deeds and documents, as well as issuing receipts, discharges and redemptions to entitled parties in the required manner and form, and always in strict compliance with applicable regulations, the rules governing the UCITs in question, the asset management contracts entered into with clients, as well as any and all instructions imparted by the latter;
15. to oversee and orient product development and research, as well as the undertaking of risk management activities;
16. in concert with the Chairman and subsequently reporting in such regard to the Board of Directors, to approve investment/divestment decisions and other transactions in financial instruments using the Company's liquidity balances and assets, save for transactions involving mergers and acquisitions;
17. to open and close current and securities deposit and management accounts of any nature, sort, type or kind whatsoever, with banks or other authorised custodians, to make deposits subjected to central management negotiating and stipulating any and all related contractual terms and conditions;
18. to negotiate and determine the terms and conditions underlying any and all relationships with clearing banks appointed in respect of transactions effected by mutual funds and/or UCITs or ordered by asset management clients, and to impart any and all instructions he deems fit to the aforesaid bank for the execution of transactions regarding the funds, UCITs and/or clients' assets under management;
19. to effect any and all transactions on any and all accounts of any nature or kind whatsoever held by the Company, as indicated above, and, in particular, to effect withdrawals in general, and for such purpose, to draw cheques or related financial instruments against bank deposits, to endorse and

issue receipt for cheques, money orders, bills of exchange and similar instruments, with powers of substitution;

20. to open and close current accounts and accounts for the custody and administration of securities held on behalf of third parties, with authorised depositaries as well as centralised deposit bodies, in compliance with applicable regulations, effecting on such accounts any and all transactions, including, without limitation, imparting instructions for charging/crediting the accounts, transferring securities, offsetting securities, as well as currency holdings on behalf of clients; to issue receipts of deposits of securities to clients; to effect any and all transactions necessary for the performance of all clearing activities, as well as transactions involving financial instruments held under management; to deposit and withdraw securities and financial instruments, issuing due receipt therefor, with, in respect of the authority last mentioned, full powers of substitution;
21. within the framework of the guidelines established by the Board of Directors, to enter into agreements, contracts and covenants, including with institutional investors and professional operators, Italian asset management companies, ICVCs, brokerage firms, Banks, Pension Funds, Depository and Correspondent Banks, market counterparties, financial consulting firms, and in general, any and all persons and parties directly or indirectly involved in the asset management production process, establishing the related economic terms and granting discounts, rebates, preferential payment terms, etc., where warranted;
22. to liaise with any and all public authorities and bodies, the Bank of Italy, the Italian market regulator CONSOB, as well as any and all national and international entities and organisations, to effect any and all transactions with the Public Debt Office, the Italian investment organisation known as 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;
23. 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;
24. to represent the Company, including on behalf of Funds, at Shareholders' and/or Bondholders' Meetings, and at meetings of trade associations or consortia, delegating, if necessary, the task last mentioned to employees and/or third parties, and issuing to the latter specific instructions in such regard;
25. to represent the Company before any and all social security, insurance and labour institutions, discharging any and all obligations arising under applicable regulations, especially with regard to

insurance, indemnities and contributions howsoever due; to sign statements, complaints, petitions and pleadings; to issue and sign any and all statements pertaining to employees and issued for insurance, social security and/or tax purposes, pursuant to laws, regulations and agreements;

26. to bring, defend and resist 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, make filings and motions, lodge complaints and claims, as well as withdraw the same, authorise appearance as the injured party in criminal proceedings, initiate insolvency proceedings as well as to proceed at arbitration and file quitclaim and/or settle any and all disputes up to the maximum amount of € 20,000.00 per dispute;
27. to foreclose loans and collect any and all monies or amounts due to the Company, issuing full redemptory receipt therefor;
28. to sign and execute any and all deeds necessary or useful for the registration of trademarks, patents and distinctive markings, with any and all the competent administration bodies;
29. to sign all the deeds required for the protection, acquisition and exercise of the company's rights, applications for permits and authorisations, complaints, petitions, correspondence and documents addressed to any public or private body or administrative, financial or judicial authority;
30. within the framework of the budget approved by the Board, to cover the Company's current expenses;
31. within the framework of the budget approved by the Board of Directors and up to the threshold of € 100,000.00 for each individual asset, to acquire, dispose of, barter or otherwise exchange or transfer personal property, including personal property 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;
32. within the framework of the budget approved by the Board of Directors, to negotiate and enter into, amend and terminate 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 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 € 100,000.00 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;

33. to write-off amounts due to the Company from employees as a result of errors not due to wilful misconduct or gross negligence, up to the ceiling of € 10,000.00 per transaction;
34. within the framework of the budget approved by the Board of Directors and in concert with the Chairman, to enter into, amend or terminate individual employment contracts not pertaining to fourth level executives or managers, and further making decisions in respect of the promotion, subjection to disciplinary action or dismissal of employees;
35. In concert with the Chairman, to submit to the Board of Directors proposals pertaining to the recruitment, career advancement, disciplinary measures and dismissals in respect of level IV executives and managers;
36. to sign, in the name and on behalf of the Company, any and all routine correspondence as well as any and all deeds and documents pertaining to the exercise of his powers severally;
37. to exercise any and all powers conferred on him by the Board on an *ad hoc* or ongoing basis;
38. 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.

These powers must be exercised within the framework of the general guidelines imparted by the Board of Directors and group strategies, and are deemed to expire upon loss of office as General Manager, without prejudice to prior revocation.

The Board has moreover required the General Manager to report on the most significant decisions taken in the discharge of his functions at the Board of Directors' meeting immediately following thereafter.

Pursuant to Article 20 of the Articles of Association, the General Manager shall further be entrusted with discharging the safety functions and tasks incumbent on Employers pursuant to Legislative Decree No. 81 of 9 April 2008, as further amended and extended, as well as any and all occupational health and safety regulations in force from time to time, in respect of any and all the workplaces pertaining to BG SGR, and shall accordingly also be vested with full decision-making authority regarding any and all operations and expenses that may be necessary or useful to ensure strict compliance with any and all the obligations and requirements imposed on the company under the aforesaid legislative decree, and especially Articles 17 and 18 thereof.

The following persons and parties shall be answerable to the General Manager:

- the Investment Department, in charge of both the management of mutual funds and the rendering of asset management services. Within the framework of strategic group policy and the general guidelines imparted by the Board of Directors transmitted to him through the General Manager, the Head of the Investment Department is vested with the powers listed below in respect of asset allocation, front-

office operations, and analysis and studies focusing on markets, issues and products to the exclusion of offerings promoted outside the company premises and using remote communications techniques:

- 1) to implement the resolutions passed by superior bodies in respect of the Assigned Activities;
- 2) to take charge of the management of clients' assets, as well as the funds and the collective investment scheme, and to undertake whatever may be necessary or useful for such purpose within the framework of the Assigned Activities, and taking due account of the management policies established by the Board of Directors and the instructions imparted by the General Manager, taking action, either directly or by delegating the related tasks to subordinates, to ensure that choices are properly made, transactions correctly effected and everything is done as it should be to secure the best possible outcome of business operations, in strict compliance with applicable regulations, the rules governing the UCITs in question, the asset management contracts entered into with clients, as well as any and all instructions imparted by the latter;
- 3) to receive any and all amounts due from unitholders of the Funds/UCITs, and/or clients availing of asset management services, as well as to sign the related certificates of entitlement, issue receipts and execute any and all related deeds and documents;
- 4) to invest in financial instruments of any nature or kind whatsoever, as well as in other financial assets, any and all the amounts paid by unitholders and/or asset management clients, buying, selling or exchanging shares of all types, whether listed on a regulated market or otherwise, whilst also subscribing capital increases or trading related option rights, bonds of all types, gilt-edged securities and, in general any and all other financial assets, signing the related trade notes and any and all related deeds and documents, as well as issuing receipts, discharges and redemptions to entitled parties in the required manner and form, and always in strict compliance with applicable regulations, the rules governing the UCITs in question, the asset management contracts entered into with clients, as well as any and all instructions imparted by the latter;
- 5) in concert with the General Manager and within the framework of the economic terms and conditions established by the latter, to enter into agreements, contracts and covenants, including with institutional investors and professional operators, Italian asset management companies, SICAVs, brokerage firms, Banks, Pension Funds, Depositary and Correspondent Banks, market counterparties, financial consulting firms, and in general, any and all persons and parties directly or indirectly involved in the asset management production process;
- 6) in concert with the General Manager, to open and close current accounts and accounts for the custody and administration of securities held on behalf of third parties, with authorised depositaries as well as centralised deposit bodies, in compliance with applicable regulations, effecting on such accounts any and all transactions, including, without limitation, imparting instructions for charging/crediting the accounts, transferring securities, offsetting securities, as well as currency

holdings on behalf of clients; to issue receipts of deposits of securities to clients; to effect any and all transactions necessary for the performance of all clearing activities, as well as transactions involving financial instruments held under management; to deposit and withdraw securities and financial instruments, issuing due receipt therefor, with, in respect of the authority last mentioned, full powers of substitution;

- 7) to orient the management and organisation of the Department placed under his charge, and for the functioning and efficiency of which he is responsible, recommending to the General Manager, the breakdown of the tasks assigned to individual units of his corporate Department, on the basis of functional criteria that, by defining spheres of competence, allow for concurrent and subsequent checks and balances, and in any event, the determination of individual responsibilities;
  - 8) to recommend to the General Manager action to be taken in respect of the staff of the Department placed under his responsibility;
  - 9) to exercise any and all powers conferred on him by the Board of Directors or the General Manager on an *ad hoc* or ongoing basis;
  - 10) to sign company correspondence and other corporate deeds and documents falling within the scope of the powers he is authorised to exercise under his sole signature;
  - 11) 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 Operations Department, in charge of administrative and operating functions. Within the framework of strategic group policy and the general guidelines imparted by the Board of Directors transmitted to him through the General Manager as well as the instructions imparted to him directly by the latter, the Head of Operations Department is vested with the powers listed below in respect of the administrative management of the company and the execution of orders placed by clients:
- 1) to implement the resolutions passed by superior bodies in respect of the Assigned Activities;
  - 2) in concert with the General Manager, to open and close current and securities deposit and management accounts of any nature, sort, type or kind whatsoever, with banks or other authorised custodians, to make deposits subjected to central management negotiating and stipulating any and all related contractual terms and conditions;
  - 3) in accordance with pertinent decisions made by the relevant corporate function, to effect any and all transactions on any and all accounts of any nature or kind whatsoever held by the Company, as indicated above, and, in particular, to effect withdrawals in general, and for such purpose, to draw cheques or related financial instruments against bank deposits, to endorse and issue receipt for cheques, money orders, bills of exchange and similar instruments, with powers of substitution;

- 4) in accordance with the instructions imparted by the General Manager or the Investments Manager, to open and close current accounts and accounts for the custody and administration of securities held on behalf of third parties, with authorised depositories as well as centralised deposit bodies, in compliance with applicable regulations, effecting on such accounts any and all transactions, including, without limitation, imparting instructions for charging/crediting the accounts, transferring securities, offsetting securities, as well as currency holdings on behalf of clients; to issue receipts of deposits of securities to clients; to effect any and all transactions necessary for the performance of all clearing activities, as well as transactions involving financial instruments held under management; to deposit and withdraw securities and financial instruments, issuing due receipt therefor, with, in respect of the authority last mentioned, full powers of substitution;
- 5) to receive any and all amounts due from unitholders of the Funds/UCITs, and/or clients availing of asset management services, as well as to sign the related certificates of entitlement, issue receipts and execute any and all related deeds and documents;
- 6) within the framework of the budget approved by the Board of Directors and up to the threshold of € 50,000.00 for each individual asset, to acquire, dispose of, barter or otherwise exchange or transfer personal property, including personal property 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;
- 7) within the framework of the budget approved by the Board of Directors, to negotiate and enter into, amend and terminate 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 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 € 50,000.00 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;
- 8) 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;
- 9) to represent the Company, including on behalf of Funds, at Shareholders' and/or Bondholders' Meetings, and at meetings of trade associations or consortia, delegating, if necessary, the task last



mentioned to employees and/or third parties, and issuing to the latter specific instructions in such regard;

- 10) to discharge any and all formalities pertaining to taxes, levies and contributions of any nature or kind whatsoever, with authority in such regard, to make and constitute guarantee deposits, sign statements, complaints, petitions and pleadings, and obtain and grant personal surety bonds in respect of tax debts;
- 11) in accordance with the instructions of the General Manager, to effect any and all transactions with the Public Debt Office, the Italian investment organisation known as 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;
- 12) collect any and all monies or amounts due to the Company, issuing full redemptory receipt therefor;
- 13) in accordance with the instructions imparted by the General Manager, to sign all the deeds required for the protection, acquisition and exercise of the company's rights, applications for permits and authorisations, complaints, petitions, correspondence and documents addressed to any public or private body or administrative, financial or judicial authority.

The Asset Management Company shall enjoy full independence in respect of the products to be developed (such independence being ensured by two specific corporate functions, the Marketing O.U. and the Product Development O.U.) and shall independently establish its own investment policies and processes, in accordance with duly formalised procedures.

The General Manager is required to periodically report to the Board of Directors and the Board of Statutory Auditors in respect of the activities undertaken in exercise of his delegated powers, as well as the company's overall performance. Within such context, specific reports must be submitted regarding: i) business trends ii) trends of assets; iii) performances; iv) status of litigation brought by or against the company; v) activities carried out by the control functions. Interim reports, drawn up, inter alia, for the purposes of the consolidated financial statements, are subject to approval by the Board of Directors on a quarterly basis. These reporting flows are technically supported by specialist functions within the Parent Company, in accordance with methods applied by all Group companies.

The company has outsourced the task of calculating its NAV to the depository bank which is also entrusted with liaising with unitholders of funds, on the basis of a specific contract defining performance times and service levels.

Risk management activities in respect of funds and assets under management, are outsourced to Generali Fund Management S.A., whilst institutional risks are managed by the Parent Company Banca Generali.

Given the significance of the activities it outsources, the Operations Department is endowed with an outsourcing control function in charge of monitoring the prompt and proper performance of the outsourced activities, as well as compliance with contractually established service levels.

## **9.2 - BG Fiduciaria SIM S.p.A.**

The company has adopted a traditional management and control model. The Chairman of the Board of Directors is charged with coordinating and overseeing the proceedings of Board of Directors and General Shareholders' meetings. The said Chairman is also vested with powers of corporate representation before third parties and the courts.

BG Fiduciaria SIM's organisational structure therefore confirms the organisational choice of centralising staff functions (internal audit, compliance, support to the legal and corporate affairs function, as well as the human resources management and planning and internal control functions, product regulation) within the Parent Company Banca Generali with a view to allowing the subsidiary to focus its efforts on activities that constitute its core business, and in particular, the portfolio management, mainly as a fiduciary.

The organisational structure revolves around the figure of the Managing Director, vested with managerial authority, and more specifically, full powers:

1. to implement the resolutions passed by the Board of Directors, taking any and all action he may deem necessary or useful for such purpose;
2. to accept appointments of trusteeship and fiduciary administration, negotiating, establishing and effecting any and all related transactions, including the purchase and sale of financial instruments, participating interests, and securities in general, signing any and all deeds and documents as may be necessary or useful for such purpose;
3. in the sole interest of the assets under management, to receive any and all amounts due from Clients, and to sign the related certificates of entitlement, issue receipts and execute any and all related deeds and documents;
4. in the sole interest of the assets under management, to invest the amounts received from Clients, in financial instruments of any nature or kind whatsoever, acquiring and exercising the rights thereto attendant, in accordance with the operating guidelines established by the Board of Directors;
5. to represent the Company at Shareholders' Meetings of other corporations and bodies, exercising all the related rights, including by delegating such task to third parties by proxy;

6. to negotiate and determine the terms and conditions underlying any and all relationships with clearing banks appointed in respect of transactions ordered in respect of assets under management, and in particular, to open and close current and securities deposit accounts of any nature or kind whatsoever, establishing the related interest rates and commissions, and imparting any and all instructions he may deem fit to the depository bank for the execution of any and all transactions pertaining to the assets held under management by the Company, and in such regard, to take or cause the depository bank to take any and all action as may be necessary or useful for:
- depositing with third parties, under custody or administration, public and private securities and financial instruments in general;
  - effecting withdrawals through instructions or the drawing of cheques, without limitation in terms of amount;
  - trading, endorsing and effecting collection on payment orders and bills, postal and telegraphic money orders, cheques, Treasury Bills, collection orders, bills of exchange, including IOUs or accepted drafts, and any and all other securities or financial instruments, signing any and all the related documents, endorsements and/or receipts;
  - to negotiate bank advances on securities with any and all banks, funds, credit companies or institutions, or financial bodies, in general, within the limits established under law;
  - to provide guarantees *in rem* on personal property as well as to stand surety, solely within the framework of the fiduciary appointments received, and after acquiring adequate counterguarantees issued by banks or insurance companies, or supported by government bonds;
  - to sign any and all related documents and withdraw any and all securities pledged by way of collateral;
  - to collect any and all amounts due by way of interest, payments on coupons, dividends on shares, and in general, the proceeds of the assets under management; to withdraw securities and financial instruments placed in deposit; to report securities certificates that are lost or destroyed, take action to ensure the amortisation thereof, as well as to obtain replacement certificates, issuing due receipt for the same;
  - to reach settlements, including with regard to the offsetting of accounts, granting rebates and discounts, where warranted;
  - to cash and make collection of any and all receivables, amounts, securities, and financial instruments in general, in terms of both the principal thereof and any and all interest and ancillary charges due, issuing the related receipts and discharges;
  - to lease from financial institutions and third-party depositories in general, security deposit boxes, safes and closed compartments;

- to request and accept, negotiating all the related terms and conditions, the opening of credit lines on current accounts and in general, short-term credit facilities with financial institutions;
7. to file before any and all judicial authorities, declarations as a third-party subjected to attachment or garnishment, in respect of the rights accruing to Clients on the assets under custody or administration;
  8. to effect, in general, whatsoever he may deem fit to ensure the smooth performance of asset management activities in strict compliance with any and all applicable statutory provisions, instructions imparted by the supervisory authorities and the fiduciary agreements;
  9. to determine and orient human resources management policies, within the framework of the guidelines established by the Board of Directors, and in particular:
    - to enter into, amend and terminate the employment contracts of individual employees at all levels below those of company fourth level executives or managers, making decisions regarding the promotion, subjection to disciplinary measures and dismissal of the same, under joint signature with another Company Director;
    - to submit to the Board of Directors proposals pertaining to the recruitment, career advancement, disciplinary measures and dismissals in respect of level IV executives and managers;
    - to sign any and all deeds, documents and correspondence pertaining to regulations regarding human resources and labour issues, with specific regard to insurance, indemnities, taxes, levies and withholdings;
  10. to submit to the Board of Directors recommendations regarding the strategic plan, the annual budget and the draft financial statements;
  11. to ensure the Company's assets and financial resources meet any and all applicable regulatory requirements;
  12. within the framework of the budget approved by the Board, to cover the Company's current expenses;
  13. within the framework of the approved budget, to negotiate and enter into, amend and terminate 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 procurement of services rendered by third parties or consultants or other professionals, up to the ceiling of € 100,000.00 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;

14. to bring, defend and resist 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, make filings and motions, lodge complaints and claims, as well as withdraw the same, authorise appearance as the injured party in criminal proceedings, initiate insolvency proceedings as well as to proceed at arbitration;
15. to file quitclaim and/or settle any and all disputes up to the maximum amount of € 50,000.00 per dispute;
16. to sign any and all deeds, documents and ordinary correspondence pertaining to applicable regulations with a view to ensuring compliance with statutory and regulatory reporting obligations, especially those imposed by the authorities in charge of overseeing financial intermediaries; to complete any and all formalities regarding taxes, levies and contributions in general, making payment of advance or guarantee deposits where necessary, and signing, for such purpose, any and all statements, complaints, petitions and pleadings, obtaining and providing payment bonds any and all guarantees in respect of amounts payable by way of taxes; to transfer funds amongst the Company's various bank and post office accounts; to order payments to third parties on the Company's bank accounts, including using overdraft facilities, exclusively in order to cover amounts payable by way of salaries and wages, professional fees, social security contributions and dues of all kinds arising from specific contractual commitments assumed by the Company; to collect any and all monies or other assets due to the Company for any reason or cause whatsoever, regardless of the related means of payment, issuing valid receipt therefor;
17. to execute before any and all public administrations, bodies and offices, any and all deeds and transactions required to obtain permits, concessions and authorisations in general, and to discharge any and all related formalities;
18. to effect any and all transactions before any and all public and private offices, the Italian investment body known as "Cassa Depositi e Prestiti" as well as post and telegraph offices, for the clearance and/or withdrawal of goods, packages and mail on deposit, securities, registered and insured letters, issuing the related receipts;
19. to sign non-binding notices addressed to third parties, accounting notes, information statements, statements of account and accounting documents;
20. to endorse for collection, bank and postal cheques and demand drafts, postal and telegraphic money orders and bills;
21. to appoint and dismiss attorneys-in-fact charged with specific tasks or categories of tasks.

The Managing Director is required to report on the most significant decisions taken in the discharge of his functions, at the first Board of Directors' meeting following immediately thereafter.

Pursuant to Article 19 of the Articles of Association, the Managing Director shall further be entrusted with discharging the safety functions and tasks incumbent on Employers pursuant to Legislative Decree No. 81 of 9 April 2008, as further amended and extended (hereinafter, the “Decree”), as well as any and all occupational health and safety regulations in force from time to time, in respect of any and all the workplaces pertaining to BG Fiduciaria SIM S.p.A., and shall accordingly also be vested with full decision-making authority regarding any and all operations and expenses that may be necessary or useful to ensure strict compliance with any and all the obligations and requirements imposed on the company under the Decree, and especially Articles. 17 and 18 thereof.

The Managing Director is required to periodically report to the Board of Directors and the Board of Statutory Auditors in respect of the activities undertaken in exercise of his delegated powers, as well as the company’s overall performance. Within such context, specific reports must be submitted regarding: i) business trends ii) trends of assets; iii) performances; iv) status of litigation brought by or against the company; v) activities carried out by the control functions. Interim reports, drawn up, inter alia, for the purposes of the consolidated financial statements, are subject to approval by the Board of Directors on a quarterly basis. These reporting flows are technically supported by specialist functions within the Parent Company, in accordance with methods applied by all Group companies.

The following are directly answerable to the Managing Director:

- the Investment Department, in charge of portfolio management;
- The Operations Department, in charge of administrative and operating functions.

The Company has entered into a contract for investment consultancy services with the Group’s Italian asset management company, BG SGR, with a view to benefiting from the expertise and know-how of the latter company, in defining and shaping management policies.

Risk management activities in respect of funds and assets under management, are outsourced to Generali Fund Management S.A., whilst institutional risks are managed by the Parent Company Banca Generali.

### **9.3 – Generfid S.p.A.**

The company has adopted a traditional management and control model. The Chairman of the Board of Directors is charged with coordinating and overseeing the proceedings of Board of Directors and General Shareholders’ meetings. The said Chairman is also vested with powers of corporate representation before third parties and the courts.

Generfid S.p.A.’s organisational structure therefore confirms the organisational choice of outsourcing staff functions, by centralising them within the Parent Company (support for the legal and corporate

affairs department, support for the administrative department, and for preparing the financial statements), with a view to allowing the subsidiary to focus its efforts on activities that constitute its core business, and in particular, the fiduciary custody of investments.

Decision-making authority in respect of business operations is invested in the Chairman and one other Board member, as follows:

- the Chairman is vested with full corporate powers, to be exercised, save in respect of the matters mentioned in point 2 below, under his sole signature:

1. to maintain and sign company correspondence and any and all other documents that must bear the company's signature and that pertain to business operations covered by the powers delegated pursuant hereto;
2. within the framework of the approved budget, under his sole signature, in the event of transactions of an amount not exceeding € 15,000.00, and under joint signature with another Director, in the event of transactions of an amount exceeding € 15,000.00, but in any event, not exceeding € 100,000.00, to buy and sell, including pursuant to agreements for ongoing or periodic supplies, exchange, import and export, products and services pertaining to company operations, as well as plant and machinery and capital goods, in general, establishing prices, terms and conditions, as well as agreeing arbitration clauses, signing the related deeds and contracts and approving discounts and instalment payment terms, where warranted; to enter into and sign utilities contracts of any nature or kind whatsoever;
3. to execute instructions imparted by customers, effecting for such purpose as any and all banking transactions and opening accounts with any and all Banks or other Financial Institutions in Italy; to open, change and close postal accounts, effecting any and all lawful transactions on the same, including withdrawals and the issue of money orders; to deposit cash and securities and enter into factoring and collateralised loan agreements; to effect withdrawals and deposits on the company's accounts, even overdrawing the latter to full extent of any and all overdraft facilities granted to the company; to draw and endorse bank cheques, issue and endorse bills of exchange, draw, accept and/or endorse demand drafts and other financial instruments whether in favour of the bearer or a specific payee, as well as request the issue of cashier's cheques; to effect any and all formalities and sign any and all documents and agreements pertaining to the insurance and financing of lending activities;

- the Managing Director was vested with the following powers to be exercised in accordance with the general guidelines established by the Board of Directors and in line with group strategies, and under his sole signature (without prejudice to the provisions of point 9 above, which require the related powers to be exercised under joint signature with another company director):

1. to implement any and all Board resolutions;

2. to oversee business management on the whole, especially with a view to ensuring compliance with the guidelines imparted by the Board of Directors;
3. to prepare the draft budget to be submitted to the Board of Directors, the draft financial statements and the interim reports to be submitted to the Board of Directors;
4. to maintain and sign company correspondence and any and all other documents that must bear the company's signature and that pertain to business operations covered by the powers delegated pursuant hereto;
5. to represent the company before the Public Administration, Government Offices, Local Offices, Chambers of Commerce, state-sponsored and social security bodies, trade unions and labour organisations, as well as employers' associations;
6. to sign applications, petitions and documents of any nature or kind whatsoever, and to enter into contracts and covenants covered under the powers delegated;
7. to make and withdraw advance and guarantee deposits with Ministries, Public Debt offices, the public investment body known as "Cassa Depositi e Prestiti", the Internal Revenue Service, Customs Officers, Municipalities, Provinces, Regions and any and all other public offices and bodies;
8. to enter into, amend and terminate agreements for the lease of automobiles and other personal property, including finance lease agreements featuring annual instalment payments of no more than € 15,000.00.
9. within the framework of the approved budget, under his sole signature, in the event of transactions of an amount not exceeding € 15,000.00, and under joint signature with another Director, in the event of transactions of an amount exceeding € 15,000.00, but in any event, not exceeding € 100,000.00, to buy and sell, including pursuant to agreements for ongoing or periodic supplies, exchange, import and export, products and services pertaining to company operations, as well as plant and machinery and capital goods, in general, establishing prices, terms and conditions, as well as agreeing arbitration clauses, signing the related deeds and contracts and approving discounts and instalment payment terms, where warranted; to enter into and sign utilities contracts of any nature or kind whatsoever;
10. to demand payment of any and all amounts due to the company for any reason or cause whatsoever, issuing valid receipt for any and all monies received by way of part or final payment, as the case may be;
11. to withdraw from Post Offices, the railways and/or transport companies effecting carriage by road, air and/or sea, registered and insured letters, packages, mail in general and diverse goods and objects, issuing the related receipts and discharges;



12. to open and close, on behalf and in the name of the company, current, deposit or other accounts with any bank, as well as postal accounts, discharging any and all formalities required for the operation thereof, effecting any and all lawful transactions on the same, including withdrawals and the issue of money orders; to deposit cash and securities and enter into factoring and collateralised loan agreements; to effect withdrawals and deposits on the company's accounts, even overdrawing the latter to full extent of any and all overdraft facilities granted to the company; to draw and endorse bank cheques, issue and endorse bills of exchange, draw, accept and/or endorse demand drafts and other financial instruments whether in favour of the bearer or a specific payee, as well as request the issue of cashier's cheques; to effect any and all formalities and sign any and all documents and agreements pertaining to the insurance and financing of lending activities;
13. to execute instructions imparted by customers, effecting for such purpose as any and all banking transactions and opening accounts with any and all Banks or other Financial Institutions in Italy; to open, change and close postal accounts, effecting any and all lawful transactions on the same, including withdrawals and the issue of money orders; to deposit cash and securities and enter into factoring and collateralised loan agreements; to effect withdrawals and deposits on the company's accounts, even overdrawing the latter to full extent of any and all overdraft facilities granted to the company; to draw and endorse bank cheques, issue and endorse bills of exchange, draw, accept and/or endorse demand drafts and other financial instruments whether in favour of the bearer or a specific payee, as well as request the issue of cashier's cheques; to effect any and all formalities and sign any and all documents and agreements pertaining to the insurance and financing of lending activities.
14. to receive and sign for acceptance appointments as trustee charged with the fiduciary custody of securities of any nature or kind whatsoever, ensuring execution, on the behalf of customers, of instructions received from the latter pursuant to the fiduciary appointments in question;
15. to sign confidential statements pertaining to the return and/or regularisation of capital overseas;
16. to represent the company in transactions effected for the purchase/sale, for its own account or on behalf of the clients, of personal property, including chattels subjected to registration;
17. to assess and make decisions regarding applications for trust transactions, authorising the company to act as trustee or protector as well as to discharge any and all tasks and formalities as may be necessary or useful in such regard;
18. to represent the company at the ordinary and extraordinary shareholders' meetings of corporations in which the company is a shareholder, either directly or by way of fiduciary appointment;
19. to appoint, on the company's behalf, proxies to represent the company's interests at individual ordinary and/or extraordinary shareholders' meetings of corporations in which the company is a shareholder, either directly or by way of fiduciary appointment;

20. to represent the company in transactions effected for acquiring participating interests in listed and unlisted corporations;
21. to discharge any and all formalities of any nature or kind whatsoever, regarding direct and indirect taxes, levies, social security contributions and other charges, sign any and all forms and questionnaires, as well as statements pertaining to direct or indirect taxes (including the filings and reports and any and all other deed and documents required to comply with the Value-added Tax regulations), collect refunds, including on interest, issuing all the related receipts;
22. to represent the company in its relationships with any and all tax officials, at state or local level, including overseas;
23. to recruit and dismiss non-executive staff, determining the related economic terms and conditions within the framework of the applicable collective bargaining agreement and the Group's standards;
24. to enter into private or mandatory insurance contracts with a term of no more than twelve months, signing the related policies, as well as to amend any and all insurance contracts in force, withdraw from the same, and in the case of a claim, reach a settlement on the indemnity due by the insurer, issuing valid receipt for the amount collected;
25. to authorise discounts and/or exemptions from the economic terms and expenses applicable to customers up to a ceiling of EUR 15,000.00;
26. 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 Managing Director is required to periodically report to the Board of Directors and the Board of Statutory Auditors in respect of the activities undertaken in exercise of his delegated powers, as well as the company's overall performance. Within such context, specific reports must be submitted regarding: i) business trends ii) trends of assets. Interim reports, drawn up, inter alia, for the purposes of the consolidated financial statements, are subject to approval by the Board of Directors on a quarterly basis. These reporting flows are technically supported by specialist functions within the Parent Company, in accordance with methods applied by all Group companies.

The Managing Director shall report to the Fiduciary Organisational Unit and the Administrative Organisational Unit, regarding any and all matters falling within their respective spheres of competence, in connection with the routine operation of the Fiduciary Company.

#### **9.4 – Generali Fund Management S.A.**

The company has adopted a traditional management and control model, pursuant to the laws of Luxembourg.

In compliance with the relevant provisions of Luxembourg law (Article 78(1)(b) of Law dated 20 December 2002) the organisational structure is made up of two resident executive managers to whom the following other corporate functions are answerable:

- marketing of ICVCs,
- Secretariat, General Services and Outsourced Control functions;
- Compliance e Risk Management functions,
- front-office operations pertaining to asset management services rendered in respect of ICVCs.

After Generali Investments Luxembourg S.A. was merged into the company, the latter's organisational structure was extended with the introduction of two new functions:

- Business Support tasked with seconding the Marketing function; and
- Product Management, charged with the follow-up of the prospectuses of all the Generali Group's UCITs managed by the new entity.

In accordance with Luxembourg law, Generali Fund Management S.A. has outsourced a series of tasks and operations to the Parent Company as far as the compliance activity is concerned, and to specialist outside companies, including, in particular, (i) CACEIS Bank Luxembourg, appointed transfer agent in respect of the Mutual Funds and further tasked with central administration operations and the maintenance of the shareholders' register; ; (ii) a specialist contractor, tasked with installing and monitoring the proper functioning of network infrastructure as well as providing assistance in respect of not only both, hardware (servers and PCs) and software (office automation and e-mail), but also security (firewalls and anti-virus) and disaster recovery systems; (iii) a specialist firm, placed in charge of managing human resources, payroll and social-security contributions; (iv) a specialist consultancy firm, charged with internal control activities (that are in any event coordinated by the corresponding function within Banca Generali, pursuant to applicable supervisory regulations).

Staff in charge of outsourcing control duly monitor outsourced tasks with a view to avoiding any and all risks, especially to the group's reputation, and undertake all the coordination activities required to monitor and boost the effectiveness of the oversight of outsourced functions.

Auditing functions are entrusted to a firm of independent auditors.

## SECTION V

### INTERNAL CONTROLS AND MANAGEMENT OF CONFLICTS OF INTEREST

#### **10 - THE BANKING GROUP'S INTERNAL CONTROL SYSTEM**

##### **10.1 – The General Principles Underlying the Internal Control System**

Under the organisational model of the group's internal control system, so-called second and third level control functions are centralised within the Parent Company, especially so as to meet the need for 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 Italian Civil Code and the supervisory regulations for banks and, as recommended in the Corporate Governance Code, the Bank has adopted an internal control system capable of continuously monitoring typical business risks.

The internal control system is thus 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 sphere of competence.

Within this framework, Banca Generali has set up an internal control system, fully compliant with the provisions of Article 7 of the Corporate Governance Code for Listed Companies and, moreover, specifically designed to ensure the sound and prudent corporate management of the bank and the banking group, whilst at the same time reconciling the attainment of corporate targets with the proper and timely monitoring of risks and appropriate operating procedures.

Banca Generali S.p.A.'s Internal Control System was most recently updated by the Board of Directors on 24 January 2008 (with effect as of 1 March 2008) with a view to bringing the same in line with new regulations introduced through the provisions for the implementation of MiFID in Italy, most recently amended with resolution of the Board of Directors on 7 November 2011.

Pursuant to the said provisions and applicable supervisory regulations, it is made up of:

- (i) checks involving the business line: systematic or periodic checks on samples of information, carried out by the heads of individual operating units with a view to ensuring the proper completion of the transactions 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 by the Risk Management 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 departments, 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 risk, market risk, operating risk);
- (iii) compliance checks: checks carried out by the Compliance Department on the conformity of transactions with statutory requirements, orders and instructions imposed under supervisory authorities and the Company's self-imposed rules of conduct;
- (iv) internal audit services: checks carried out by the Internal Audit Department with a view to ensuring, also through on-site inspections, the propriety of the Company's operations, risk trends, the overall functioning of the internal control system, whilst at the same time identifying abnormal trends, breaches of procedure and regulations, as well as assessing the effectiveness of internal checks and balances.

The Bank's Internal Control system is structured to ensure proper disclosure of information and adequate oversight of all the Group's activities, with a view to promoting fairness and transparency, in both form and substance, whilst also ensuring the efficiency, traceability and auditing of transactions, and more in general 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 Company and the financial markets.

The key principles underlying the Bank'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 resides with the Board of Directors that is in charge of: establishing the guidelines, strategic orientation and risk management policies pertaining to the internal control system; 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 Company's control structures 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 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.

The Chief Executive Officer defines 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, and assesses the functioning, effectiveness and efficiency of the internal control system, promoting the updating of the same as may be necessary or useful, from time to time.

Pursuant to supervisory regulations, internal control functions must be independent of other operating functions, and report directly to the Board of Directors and Board of Statutory Auditors, on a periodic basis, in respect of the outcome of its activities.

With regard to the Group's Internal Control System, within the framework of its management and coordination functions in respect of the group, the Parent Company exercises:

- a) strategic control over the development of various business areas in which the Group operates, and the risks arising from the range of business activities conducted. 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 Boards of Directors of group companies;
- b) operating control aimed at ensuring that the income statements, cash flow and balance sheets of both individual group companies and the group as a whole are appropriately balanced. These checks are carried out preferably 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 statements of each group company and 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. Technical-operating checks are coordinated by the Parent Company's Internal Audit function.

The Board of Statutory Auditors, in its capacity as the control body pursuant to law, as well as by virtue of its supervisory role, and the Internal Control Committee, vested with an advisory and recommendatory role, discharge their respective verification and assessment functions in respect of the "Group's internal control system", availing of the support of the Parent Company's other corporate bodies and functions in charge of coordinating and supervising the Group.

The general principles set forth above apply to the Group's Bank as well as the other subsidiaries, duly subject to the limitations and adaptations required in light of the organisational and operating peculiarities marking the said entities as a result of their specific core business sector (banking, finance, etc).

## 10.2 – Bodies and Functions of the Internal Control System

In line with the Bank of Italy's Supervisory Instructions and the principles set forth in the Corporate Governance Code for Listed Companies, the Internal Control System is made up of the corporate bodies, company officers and internal functions specified below with a description of the main internal control responsibilities of each:

### *Governing<sup>2</sup> and Control Bodies<sup>3</sup>*

- the Board of Directors which, as part of its broad corporate governance responsibilities, approves, including at group level, strategic orientation, risk management policies, and the layout of the internal control systems of the Company and the Group;
- the Board of Statutory Auditors which, as the control body, monitors compliance with statutory and regulatory provisions, the Articles of Associations, best practices in terms of business administration, as well as the appropriateness of the Bank's organisational and accounting structures;
- the Internal Control Committee which as the body in charge providing advice and putting forward recommendations, assists the Board of Directors in the discharge of the tasks entrusted to the latter in respect of the Internal Control System, and, more specifically, in assessing the efficiency and appropriateness of the said system;
- the Supervisory Body within the meaning of Legislative Decree no. 231/2001 which oversees the functioning of and compliance with the 231 Organisational Model as well as the updating of the same.

### *Top management and Technical-Operating Committees*

- the Chief Executive Officer, charged — as part of his broader managerial responsibilities — with overseeing the implementation of the guidelines and instructions imparted by the Board of Directors in respect of the Group's risk management and internal controls;
- the General Manager, tasked — as part of his broader managerial responsibilities, especially with regard to the operations of the Company — with drawing up the measures to be implemented to ensure the maintenance of an effective and efficient internal control system commensurate with the risks associated with business operations;
- the Risks Committee, in its capacity as a technical-operating committee charged with supporting the Chief Executive Officer and the General Manager in ensuring the coordinated monitoring of the risk management and control system implemented by the Banking Group, as well as in identifying and managing the implementation of risk-containment measures;

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<sup>2</sup> The concept of "corporate governance" is illustrated with reference to the definitions of "strategic supervision" and "management" in the Bank of Italy Order on corporate governance, dated 4 March 2008

### *Internal Audit*

- the Internal Auditor, within the meaning of Law no. 262/05, tasked with defining and maintaining an organisational and control model focusing on the Group's financial information, with a view to ensuring the reliability and accuracy of accounting data and management information;
- the Compliance Function, entrusted with the task of managing and monitoring the risk of non-compliance with regulations at Group level, including money laundering and terrorist financing;
- the Risk Management Department charged with measuring and monitoring the Group's exposure to various types of risk, including market, credit, interest-rate, liquidity and operating risks;
- the Internal Audit Department charged with ensuring that the Internal Control System of the Company and the Group on the whole is adequate and in good working order;

### *Other corporate functions*

- the heads of corporate organisational units (Departments, Services, Offices, Branches, etc.) charged with implementing the line checks required under existing procedures or necessary for the effective monitoring of the risks associated with the business operations effected within each unit.

## **10.3- Information Flows**

The results of checks form the subject-matter of an articulated reporting system and information flows targeted at regulatory authorities, executive officers, directors and corporate bodies charged with administrative, executive and advisory/recommendatory functions (Board of Directors, Internal Control Committee, Chief Executive Officer, General Manager) as well as Control Bodies (Board of Statutory Auditors and Independent Auditor), and regulated pursuant to rules governing the frequency and content thereof established in light of sector-specific requirements and internal provisions, taking due account of the spheres of competence of each of the corporate officers and/or bodies involved. These information flows are summarised and defined in the Circular regulating reporting obligations towards corporate bodies.

More specifically, the Board of Directors is required to assess the internal control system, especially on the basis of the following reports:

- periodic reports on the results of risk management, compliance and internal auditing activities, including at group level;
- half-yearly reports of the Internal Control Committee;
- year-to-date annual report drawn up by the Compliance Department;
- year-to-date annual report drawn up by the Risk Management Department;
- year-to-date annual report drawn up by the Internal Audit Department;



- yearly activity plan of the Compliance function;
- yearly activity plan of the Risk Management function;
- yearly activity plan of the Internal Audit function;
- year-to-date annual report on the group-level internal control system, drawn up by the Internal Audit Department.

## **11- ORGANISATIONAL AND MANAGEMENT MODEL WITHIN THE MEANING OF ITALIAN LEGISLATIVE DECREE No. 231/2001**

### **11.1 – Model Adopted and the Supervisory Body**

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 aforementioned 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 or duty, 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 preventing conduct entailing administrative liability for the Company pursuant to the aforementioned Decree, but also to ensure the Company’s own integrity, and to boost the effectiveness and the transparency of corporate operations.

On 19 June 2006, the Board of Directors approved the Company’s Organisational and Management Model, drawn up in light of the Company’s specific operating conditions and requirements. Such model is periodically updated to keep it in line with applicable regulations.

Apart from meeting all the necessary formal requirements, the Model fully achieves, even in substance, the aforesaid main goal underlying its adoption. The Model is made up of a structured set of principles, rules, provisions and organisational layouts pertaining to the management and oversight of business operations, and 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 task 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.

The Company has therefore set up a panel to act as a Supervisory Board (reporting to the Board of Directors), defining the tasks and functioning thereof. The Company has opted to appoint to the said Supervisory Board, persons who hold positions within the Company's organisational structure, that, for technical and/or organisational reasons, enable them to make meaningful contributions to performing the tasks and attaining the goals of the Supervisory Board.

Accordingly, the Board of Directors has decided that the Company's Supervisory Board shall consist of a panel made up of a non-executive Director, the Head of the Legal Affairs Department and the Head of the Internal Audit department.

The make-up of the current Supervisory Body, the members of which are specified in the table below, was approved by the Board of Directors on 21 April 2009:

<b>Name and Surname</b>	<b>Office held</b>
Aldo Minucci	Non-executive Director, Chairman
Francesco Barraco	Internal Auditor
Cristina Rustignoli	Head of the Legal and Compliance Department

In carrying out its tasks, the Supervisory Board is to avail of the support of other corporate departments.

## **12 – CONFLICT OF INTEREST MANAGEMENT**

### **12.1 – Internal policy aimed at identifying, preventing, containing and managing conflicts of interest in the rendering of investment and/or ancillary services**

The issue of conflicts of interest with regard to the various areas of business operations (approval of loan applications, investment services, etc), has been prudentially approached by the Bank and Banking Group Companies.

With regard to obligations pertaining to conflicts of interest, the so-called MiFID Directive (no. 2004/39/EC) and related implementing regulations, especially the Regulations issued by the Bank of Italy and CONSOB pursuant to Article 6, paragraph 2-*bis*, of the Consolidation Law on Financial Intermediaries (the so-called Joint Regulations), require intermediaries to adopt all reasonable measures to identify and manage potentially harmful conflicts of interest, so as to prevent the same from negatively impacting client interests.

More specifically, under the aforesaid Directive, intermediaries providing investment and ancillary services are required to:

- identify the circumstances that give rise or could give rise to conflicts of interest that might seriously damage the interests of one or more clients;

- implement suitable procedures and measures for managing conflicts of interest;
- disclose the general nature and/or sources of conflicts of interest to the client in all cases where the organisational or administrative arrangements made to manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to client interests will be prevented;
- maintain and periodically update a register of the types of investment or ancillary services in respect of which a conflict of interest that could seriously damage the interests of one or more clients, has arisen or could arise.

Pursuant to Article 24 of the Joint CONSOB-Bank of Italy Rules, in identifying the conflicts of interest that could arise in the course of providing investment and ancillary services, and whose existence may damage the interests of a client, intermediaries must take into account, by way of minimum criteria, the question of whether the intermediary or a relevant person, or a person directly or indirectly linked by control to the intermediary:

- a) could have secured a financial benefit or avoided a financial loss, to the detriment of the Client;
- b) hold an interest in the outcome of the service rendered to the Client, that is distinct and separate from the Client's interest;
- c) has any incentive whatsoever to place the interests of Clients other than the Client to whom the service was rendered, above those of the latter;
- d) engages in the same business as the client;
- e) receives or could receive from a person other than the Client, an inducement in relation to a service provided to the Client.

Banca Generali's Board of Directors has therefore approved a specific internal policy aimed at identifying, preventing, containing and managing conflicts of interest in the rendering of investment and/or ancillary services.

In light of the above, the conflicts of interest identified in the policy represent situations in which, at the time investment and/or ancillary services and/or other investment activities, or a combination thereof, are undertaken, the investor's interest could be damaged to the benefit of the investment firm, its executives, employees, or tied agents, or to the benefit of another client.

The Bank of Italy's rules on conflict of interest management are based on four basic principles:

- (i) a duty of identification: Banking Group Companies must identify the specific circumstances in which a conflict of interest seriously detrimental to one or more clients, arises or could arise, during the performance of investment activities and ancillary services;
- (ii) a duty of organisation: a duty to comply with organisational requirements: Banking Group Companies must lay down operating procedures and organisational requirements aimed at managing the conflicts identified;

(iii) a duty of disclosure: in the case where the organisational and administrative requirements implemented to manage certain types of conflicts of interest, are found to be unsuited to sufficiently avoiding the risk of harm to clients' interests, with a reasonable degree of certainty, before effecting any transactions on behalf of clients, all Banking Group Companies shall be bound to give clients written notice providing a detailed account of the nature and source of potential conflicts of interest, so as to enable clients to make informed decisions in respect of the services rendered, taking due account of the context in which the conflicts of interest may arise;

(iv) a duty to act honestly and fairly: in performing investment activities and/or ancillary services, all Banking Group Companies shall be bound to act in a professional, fair and proper manner so as to serve their clients' best interests.

All staff in charge of rendering investment or ancillary services to clients within the framework of the Bank's various operating units, as well as the Heads of the said operating units, are bound, up to the limits of their respective responsibilities and job descriptions, to identify conflicts of interest that could arise between the Bank or a Relevant Person (or persons linked thereto by a relationship of direct or indirect control) and a client or clients, or, otherwise, amongst clients, and that could prove significantly detrimental to the interests of one or more clients.

In order to identify conflicts of interest, all the relevant staff and their respective managers must take into account whether the Bank or a Relevant person:

a) could have secured a financial benefit or avoided a financial loss, to the detriment of the client, it being however understood that for the intents and purposes of the above-mentioned regulations and Policy, a conflict of interest cannot be deemed to arise, on the one hand, merely because the Bank or one or more of the other persons mentioned above could secure a benefit, unless, at the same time, there is a material risk of damage to client interests, or on the other, only on the grounds that a benefit could accrue or a loss be avoided for a client towards which the Bank has obligations, unless, at the same time, there is a material risk that another client could sustain losses as a result thereof;

b) held an interest in the outcome of the service rendered to the client, that is distinct and separate from the client's interest.

The organisational and operating structure adopted is based on general and specific measure for conflict management.

More specifically, general conflict management measures include:

*Information barriers:* the Bank has implemented measures aimed at eliminating information and data exchanges between persons involved in activities deemed potentially in conflict. As a general rule, information and documents pertaining to activities in conflict may only be made available to staff in charge of other activities with prior authorisation from the managers involved and only for specific, well-substantiated reasons;

*Measures aimed at eliminating or containing undue influence* the Bank has subjected all Significant Persons to a general ban on exercising undue influence, requiring them, in other words, to refrain from basing the decisions and action taken in their official capacities, on undue interference by a person or party bearing a conflicting interest. Any and all Significant Persons who feel they have been subjected to undue influence in the performance of their assigned tasks, may report the same, including in anonymous form, to the Compliance department;

*Separate oversight:* the persons involved in activities that could give rise to conflicts of interest have been rendered hierarchically answerable for their actions to separate managers, without prejudice to the ultimate responsibility of the Bank's top management and the supervisory functions in charge of overseeing business operations on the whole. Each area of the Bank's business operations is, in fact, placed under the responsibility of a different manager who reports directly to the Bank's top management;

*Independent remuneration:* remuneration policies are shaped pursuant to rules designed to eliminate any direct connection whatsoever between the remuneration received by persons labouring under a conflict of interest. The incentive systems adopted are based on either the specific performance of the business sector within which employees and collaborators (financial advisors) work, or the overall performance of the Bank as a whole;

*Insider Register and rules for the management of Internal Dealing* pursuant to applicable regulatory requirements, the Bank has established specific rules governing the circulation of inside information, the management of the Insider Register, as well as the management of transactions involving shares issued by the Bank. These rules are also intended to reinforce the Bank's conflict of interest management procedures.

Specific conflict of interest management procedures include:

*Assessment of the appropriateness of transactions ordered:* The Bank's investment services may only be provided subject to the positive outcome of appropriateness/adequacy tests carried out within the framework of a specific assessment model. Moreover, the client's decision to avail of the consultancy service, or the mere issue of sufficient information, renders the Bank duty-bound to also assess the appropriateness of transactions ordered by the client. The Bank shall not proceed with the execution of any transactions ordered by clients and subsequently found to be "inappropriate";

*Best Execution:* as required under current regulations, the Bank has implemented organisational measures aimed at ensuring that orders are executed or forwarded at the most favourable terms for the client, including with a view to further strengthening existing conflict of interest management procedures. In fact, the Bank has established that overall consideration (arising from the combination of the price of the financial instrument and the costs borne by the client), is to be the main factor to be taken into account with regard to Best Execution. In pursuit of best execution, in some cases the Bank may also prioritise the following further factors, which, in light of the size (in terms of the quantities to be traded

and their estimated value), and the features of the trading order to be executed (for instance, whether or not the financial instrument in question is listed), are taken into account: the speed and probability of execution and settlement, liquidity and thickness, size of the order, completeness of the offer at the various stages of execution. The Bank prioritises other factors of best execution, apart from the immediate considerations of price and cost, only in cases where the said factors are instrumental in securing the best possible outcome in terms of the overall consideration for the retail client.

## **12.2 – Obligations of Company Officers and Executives Pursuant to Article 136 of Legislative Decree No. 385/1993**

With regard to the obligations binding on company officers and executives of banks and companies belonging to banking groups, it must be borne in mind that pursuant to Article 136 of the Consolidation Law on Banking (Legislative Decree No. 385/1993), the said persons are barred from assuming obligations and/or effecting trading transactions of any nature or kind whatsoever, with the bank or banking group companies which they served. By the same token, company officers and executives charged with administrative, managerial and control functions within a banking group company, may not effect any of the said transaction with the companies within which they discharge such functions, or any loan transactions whatsoever with another company or bank belonging to the same banking group as the company or companies within which they serve. This prohibition may be lifted only by Board resolution passed unanimously as well as with the approval of all the members of the control body, and the prior consent of the Parent Company in the case of transactions to be effected with any of the companies belonging to the banking group.

Pursuant to law No. 262 of 28 December 2005 “Provisions for the protection of investors and for regulating financial markets”, the requirement of prior consent was extended to obligations entered into with: (i) companies controlled by the relevant corporate officers or executives of the bank or other banking group company; (ii) companies within which the same corporate officers or executives discharge administrative, managerial and control functions; (iii) the subsidiaries and/or parent companies of any of the aforesaid companies. However, pursuant to the amendments introduced by Legislative Decree No. 303 of 29 December 2006, “Coordination with Law No. 262 of 28 December 2005, of the Consolidation Law on Banking and Credit and the Consolidation Law on Financial Intermediation”, the scope of Article 136 of Legislative Decree No. 385/1993 was narrowed with the lifting of the requirement of prior Board authorisation for obligations entered into between companies belonging to the same banking group, or between banks belonging to the same banking group, in the case of transactions effected on the inter-bank market.

In order to constantly monitor situations that could give rise to potential conflicts of interest, Banca Generali has adopted the specific measures and precautions listed below.

At the time of their appointment, all company officers and executives are directly and personally made aware of the contents of the regulations in question, through a summary brochure of the obligations arising under the current regulatory framework as well as a “Personal Data Sheet” to be filled in by company officers and executives, specifying the positions they hold and the relationships relevant for the intents and purposes of Article 136 of the Consolidation Law on Banking.

Custom-designed purpose-specific software is used to record all the information contained in the personal data sheet, as most recently updated.

Regulatory compliance is monitored — with a view to preventing conflicts of interest (by subjecting transactions effected by persons vested with powers of business administration, management or control, using the monies, assets or guarantees of the Bank or group companies, to specific assessment by the Bank’s governing and control bodies) — through specific computerised processes that prevent the transactions in question from being completed unless all related regulatory procedures and formalities are strictly complied with.

### **12.3 - Transactions with Related Parties**

In compliance with the provisions set forth in Article 2391-*bis* of the Italian Civil Code and Article 4 of the Regulation on Related Party Transactions (approved pursuant to CONSOB Resolution No. 17221 of 12 March 2010, as further amended and extended by CONSOB Resolution No. 17389 of 23 June 2010), on 5 November 2010, Banca Generali’s Board of Directors — after hearing the opinion of the Internal Control Committee set up within the Board of Directors and made up of independent directors — approved procedures aimed at ensuring the transparency as well as the procedural and substantive correctness of related party transactions (the “Related Party Transaction Procedure” or merely the “Procedure”).

The Related Party Transaction Procedure regulates transactions effected with counterparties that qualify as “related parties” within the meaning of the aforementioned CONSOB Resolution No. 17221, which defines the same as any person or party that:

- (a) directly or indirectly, including through subsidiaries, trust companies and third party intermediaries
  - (i) controls, is controlled by, or is under joint control with the Company;
  - (ii) has an interest in the entity that gives it significant influence over the entity;
  - (iii) exercises control over the Company jointly with other persons or parties;
- (b) is an associate of the Company;
- (c) is a joint venture in which the Company is a venturer;
- (d) is a member of the key management personnel, with strategic responsibilities, of the Company or its parent;
- (e) is a close member of the family of any of the parties mentioned in paragraphs (a) or (d) above;

(f) is an entity company over which a person or party falling within the scope of points (d) or (e) above exercises sole or Joint Control or Significant Influence, or in which the said person or party directly or indirectly holds a significant stake bearing no less than 20% (twenty percent) of the voting rights;

(g) is an Italian or foreign supplementary, collective or individual pension fund set up in favour of the employees of the Company or any of the latter's related parties.

The Procedure establishes first and foremost that any and all duties and responsibilities in respect of Highly and Moderately Significant RP Transactions, respectively, assigned under the said CONSOB Resolution to what the latter refers to as the "committee", shall be entrusted to Banca Generali's Internal Control Committee, subject to appropriate mechanisms for the replacement of any and all committee members who may also qualify as related parties.

The procedure defines the term "Related Party Transaction" as any transaction entailing a transfer of resources, services or obligations between related parties, whether for valuable consideration or otherwise, and lays down provisions governing decision-making powers, the requirement to justify the approval of such transactions on the basis of grounds set forth in writing, and the documents to be prepared depending on the type of related party transaction in question. More specifically:

(i) Moderately Significant RP Transactions — falling short of the threshold defining Highly Significant RP Transactions — must be approved by the relevant corporate officers as established pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Committee in such regard. The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions;

(ii) Highly Significant RP Transactions — exceeding the threshold of (a) 5% of at least one of the significance indices included in Schedule 1 to the aforesaid CONSOB Resolution No. 17221, or (b) 2.5% of any of the said indices in the event the transaction is to be effected with the Parent Company being a listed company or undertakings related to the Parent Company and therefore in turn related to the Company — must be approved by the Board of Directors. The Internal Control Committee, or one or more of its members specifically entrusted with such task, shall be involved in the negotiation and preliminary assessment of the transactions in question, on the basis of timely and complete information made available to the same. The aforementioned Committee may, through its Chairman or delegates, forward requests for information and submit its views to the delegated corporate bodies and officers and other persons in charge of negotiating or assessing the proposed transaction. The Board of Directors shall pass the related resolution on the basis of the documents underlying the preliminary assessment as well as the Committee's binding favourable opinion. The Board resolution in question shall include a statement of the grounds supporting the advisability of the transaction taking due



account of the Company's interest in effecting the same, as well as the fairness and substantive propriety of the transaction and the related terms and conditions. In departure from the above rule, the Board of Directors may approve a Highly Significant RP Transaction, despite an unfavourable opinion by the Committee in such regard, provided that: (i) the Ordinary Shareholders' Meeting authorises the transaction in question; and (ii) in the event the Unrelated Shareholders present at the Shareholders' Meeting at the time of the related ballot hold more than 10% of the sum total of the voting rights, a majority of the said Unrelated Shareholders do not vote against the related motion.

The aforesaid procedural rules shall not however apply to the transactions excluded from the scope of the abovementioned CONSOB Resolution No. 17221 (without prejudice to the public disclosure obligations imposed under Article 114 of TUF) as well as the following Related Party Transactions:

(a) Low-value Related Party Transactions, and that is to say: (i) unsecured loans of up to 350,000.00 euros, (ii) loans secured by guarantees in rem and amounting to no more than 500,000.00 euros, (iii) agreements for the performance of works and services, including professional and consultancy services involving the management and development of business operations, entailing amounts of no more than 500,000.00 euros, (iv) the acquisition and disposal of real property rights and for the rent-free use of real estate with a value of no more than 500,000.00 euros, (v) any and all other transactions not subject to mandatory Board approval and featuring a value of no more than 500,000.00 euros;

(b) share-based remuneration plans approved by the General Shareholders' Meeting within the meaning of Article 114-*bis* of the TUF, and related implementing transactions;

(c) resolutions regarding the remuneration of directors entrusted with specific tasks in cases where the said remuneration is not included in the overall amount awarded pursuant to Article 2389, paragraph 3 of the Italian Civil Code, as well as resolutions determining the remuneration of Key Management Personnel, provided that all of the remuneration in question is determined pursuant to specific remuneration policies adopted by the Company and drawn up with the involvement of a committee made up entirely of non-executive Board members the majority of whom must also be independent directors, as well as illustrated in report submitted to the approval or the consultative vote of the Shareholders' Meeting;

(d) Ordinary Transactions and any and all related financial activities, falling within the category of transfers of resources concluded at arm's-length or standard terms, in the normal course of day-to-day business operations – including, with regard to transactions to be effected through subsidiaries within the meaning of Article 2359 of the Italian Civil Code. Towards such end, arm's-length or standard terms are to be deemed the conditions usually applied in the general course of business to unrelated parties in respect of transactions of a similar nature, size and risk, or otherwise, conditions based on rates regulated under fixed prices or applicable to parties to which the Company is obliged under law to apply specific prices;

(e) transactions with or between Subsidiaries, including jointly, as well as transactions with Associates, provided that none of the Company's other related parties holds any interest in the Subsidiaries or Associates in question, with the result that it would stand to benefit from the transfer of resources contemplated under the proposed transaction or transactions. A Significant Interest is said to arise when an entity that controls or otherwise exercises a dominant influence over the Company, at the same time, holds, in the Subsidiary or Associate Company which is the counterparty to the proposed transaction, a shareholding that, considered together with the stake it owns in the Company, would result in advantages to the entity in question, in the event the transfer of resources contemplated under the proposed transaction were to take place.

Furthermore, any and all Related Party Transactions falling within the scope of Article 136 of TUB, shall be subject to the regulatory framework incorporated within the said law.

This Procedure also envisages that authorisation must be obtained from the Company in any event for any and all Highly Significant RP Transactions to be effected by Italian or foreign subsidiaries within the meaning of Article 2359 of the Italian Civil Code, as well as any and all transactions falling within the scope of Article 136 of TUB.

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

- (i) the Company's Board of Directors to include, in its report on operations pursuant to article 2428 of Civil Code, an account of all related party transactions concluded during any financial year, including through Subsidiaries;
- (ii) the Chief Executive Officer shall report to the Board of Directors as well as the Board of Auditors in respect of the conclusion of any and all Moderately Significant RP Transactions, at least on a quarterly basis;
- (iii) the Chairman of the Board of Directors shall ensure that adequate information on all Moderately Significant RP Transactions pertaining to the Board of Directors and all Highly Significant RP Transactions without exception, is made available not only to all Directors in compliance with Article 2381 of the Italian Civil Code, and also to the Board of Statutory Auditors;
- (iv) the Company's Board of Statutory Auditors shall monitor compliance with the provisions of the Code and shall submit a report in such regard to the Shareholders' Meeting mentioned in section 2429, paragraph 2, of the Italian Civil Code.

Moreover, since Banca Generali belongs to the Generali Group, any and all transactions effected with related parties 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 are subject to prior approval by the Parent Company.

## 12.4 – Internal Dealing

In accordance with the provisions of Article 114, paragraph 7 of the Consolidation Law on Financial Intermediation, as well as Articles 152-sexies et seq. of the Rules on Issuers, on 18 July 2006, the Board of Directors approved a code of conduct in respect of internal dealing (the “Code on Internal Dealing”) which was subsequently amended by Board resolution of 20 February 2008.

The said Internal Dealing Code defines “Relevant Persons” (which include, in particular, the members of the Board of Directors and the Board of Statutory Auditors of the Issuer, persons performing managerial responsibilities within the Company as well as the independent auditors), and persons closely associated therewith, who are bound to give notice to the Company, CONSOB and the public, any and all Significant Transactions involving shares issued by the Issuer or other financial instruments thereto related, that they may effect, including through third party intermediaries.

The Internal Dealing Code identifies as significant transactions any and all purchases, sales, subscriptions, exchanges or barter of Banca Generali shares or financial instruments linked to shares, effected, including through third party intermediaries, by Relevant Persons and Persons closely associated with Relevant Persons.

On the other hand, the definition of Significant Transactions excludes transactions:

- (i) amounting, on the overall, to no more than 5,000.00 (five thousand/00) euros per calendar year, taking into account, for the purposes of determining whether or not the said threshold has been exceeded, all the transactions effected during the twelve months immediately following the date of the last transaction;
- (ii) effected free of charge, such as gifts and legacies, and the assignment free of charge of shares and subscription rights as well as the exercise of any and all such rights deriving from stock option plans, it being understood that, in all the cases contemplated in this point, any subsequent re-sale must be deemed to fall within the scope of the Code;
- (iii) effected between Relevant Persons and Persons closely associated with Relevant Persons;
- (iv) effected by the Company and its subsidiaries.

The Internal Dealing Code also contains rules governing the management, handling and disclosure of information pertaining to the said transactions.

Pursuant to the Internal Dealing Code, no Significant Transactions (as defined in the Code) may be effected during the 30 days immediately preceding the scheduled dates of any and all Board meetings called (i) to examine the draft separate and consolidated financial statements or condensed half-year financial statements; and (ii) to formulate the proposal for the distribution of dividends, and within the 15 days immediately preceding the scheduled dates of the Board meetings called to examine the quarterly reports as at 31 March and 30 September of each year. The aforesaid Code, furthermore,

empowers the Board of Directors to further prohibit or restrict purchases, sales, exchanges or other transactions entailing a transfer of title in shares issued by the Company or in financial instruments linked to the said shares, by the said relevant persons, including through third party intermediaries, during specific periods of the year and/or on occasions marking specific events in the Issuer's corporate life.

## **12.5 - Handling of Confidential Information**

Pursuant to article 114 and article 115-*bis* of TUF, as well as Articles 65-*duodecies et seq.*, and 152-*bis et seq.* of CONSOB Regulation No. 11971/99 as further amended, on 18 July 2006, the Board approved the rules of conduct to be followed in the management and public disclosure of inside information (the "Code on Inside Information").

The Code on Inside Information is aimed at regulating the obligations of 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. More specifically, the Code on Inside Information sets forth specific provisions for the handling of corporate information, with a view to: (i) preventing the abuse of information and market manipulation; (ii) regulating the handling and processing of inside information, as well as (iii) establishing the disclosure, both within the company and to the public, of documents and information pertaining to the Company and/or its subsidiaries, with specific reference to inside information. The Code on Inside Information is also designed: (i) to ensure the timely, complete and adequate processing of inside information, with a view to avoiding asymmetrical information; and (ii) to protecting the market and investors through adequate disclosure of the events involving the Company, with a view to enabling investors to make informed investment decisions.

The procedures 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, and the employees of the Company 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").

In handling the confidential information of which they may become aware in the course of their duties, company executives and insiders are bound to exercise the utmost confidentiality and implement any and all suitable precautions so as to allow the said information to be circulated within the Company and amongst subsidiaries without any breach of the confidentiality thereof.

The aforesaid persons are barred from issuing interviews to the press and media, or in general, any declarations containing Inside Information not included in documents already disclosed to the public.

Any and all relationships with financial analysts and institutional investors entailing the disclosure of Inside Information must take place solely through the Investor Relations department, following authorisation from the Chief Executive Officer, whose responsibilities include the procedures for managing Inside Information pertaining to the Company and its subsidiaries, relations between the Company and institutional investors as well as press relations, availing for such purpose of the support and assistance of the Public Relations department.

The Company also set up the Insider Register pursuant to article 115-*bis* of Legislative Decree 58/1998, also establishing the procedure for updating such Register.

## **SECTION VI**

### **REMUNERATION MECHANISMS**

#### **13- THE REMUNERATION SYSTEM**

##### **13.1 – Guidelines Underlying the Remuneration System**

The criteria underlying remuneration and incentives for the management of the Bank, as well as its subsidiaries, are in line with the general principles of correlating remuneration with economic results, and ensuring coherence with strategies and risk exposure, so as to avoid incentives that are in conflict with the company's long-term interests, as, moreover, required pursuant to the cited Bank of Italy Order of 4 March 2008.

The Bank of Italy, through the above-mentioned provision, also requires banking sector operators to adopt and implement remuneration mechanisms that are in line with risk-management policies and long-term strategies. Towards such end, under the regulations, in addition to establishing the remuneration due to the members of the corporate organs it appoints, the Ordinary Shareholders' Meeting must also approve the remuneration policies applicable to directors, and employees, as well as outside consultants and collaborators other than employees. Accordingly, on 20 April 2011, including pursuant to the clarification published by the Bank of Italy on 19 February 2009, and as required under the Order issued by the Governor of the Bank of Italy on 4 March 2008, the Shareholder's Meeting not only acknowledged receipt of the notice regarding the implementation in 2010 of Remuneration Policies defined, in accordance with applicable regulations, with a view to promoting prudent risk management and aligning the long-term interests of shareholders and management, but also approved certain amendments to the Remuneration Policies applicable to directors, employees, as well as outside consultants and collaborators other than employees so as to bring the same in line with the recommendations issued by the Governor of the Bank of Italy on "Remuneration and Incentive Systems" and set forth in Order No. 321560 of 28 October 2009 and the Provision of the Bank of Italy dated 30 March 2011 (entered into force on 8 April 2011), setting forth provisions transposing into the Italian regulatory framework, the Capital Requirements Directive III (so-called CRD III) which lays down harmonised community regulatory framework in respect of the remuneration and incentive systems for banks and investment firms.

In implementing its remuneration policies, Banca Generali aims at ensuring the greatest possible convergence of the long-term interests of the banking group's shareholders and management, especially by focusing on careful corporate risk management and commitment to long-sighted strategies. The remuneration package consists of fixed components and variable components. The variable component of the remuneration relative to the fixed component increases in percentage terms the greater the

strategic importance of the position to which the remuneration refers (this does not normally exceed 10% for the professional areas and middle managers; for top managers responsible for commercial operating units it may reach at most 60%, when the objective results assigned have been achieved in full).

In 2010, a system for the deferral of the disbursement of 40% of the accrued bonus was introduced for the Generali Banking Group's key management personnel and all other managers who earn a bonus in excess of € 75,000. In further detail, 60% of the amount owed will be paid immediately after the Board of Directors verifies the earnings and financial results for the year in question, 20% after the results for the following year have been verified and the remaining 20% after an additional year.

In 2010, in order to link the variable pay of management personnel even more closely to long-term performance indicators, and in order to also take account of current and prospective risks, the cost of capital and the cash required to meet the needs of the activities undertaken, accrual of bonuses will be linked not only to the effective results achieved by each manager, but also to an access gate common to the Banking Group's entire staff.

Remuneration patterns are closely monitored, including with regard to reference markets, by applying the HAY point-factor job evaluation system to assess the remuneration mechanisms applicable to the main executive and professional positions.

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

The aim of the recurring variable components of remuneration and long-term incentives (such as stock option plans, stock granting schemes and deferred bonus systems), on the other hand, is to balance directly the interests of the shareholders and those of management.

A Management by Objectives mechanism, consistent with the achievement of the operating and financial results indicated by the budget for the reference year and with indicators reflecting the weighting of business risks, is used for the Managing Director and Executives. The Management by Objectives system is linked to the Balanced Scorecards principle. The variable remuneration is hence linked on a straight-line basis to the degree to which the individual objectives are achieved, with a minimum access threshold.

The remuneration of the Managing Director is accordingly comprised of a recurrent fixed component and a variable component linked to the attainment of pre-set performance targets, without any guaranteed minimum.

The remuneration due to non-executive directors is calculated on the basis of fixed remuneration established by the General Shareholders' Meeting and therefore may not be linked to the Company's

performance, and non-executive directors may not participate in share-based incentive plans. Non-executive directors are paid a fixed fee as established by the Shareholders' Meeting.

### **13.2 – Stock Option/Stock Granting Plans**

In order to motivate executive directors and key managers to strive to attain strategic corporate targets, on 24 May 2006, Banca Generali approved a Stock Granting Plan for the Chief Executive Director and the General Manager, with a view to bring their personal interests in line with the goal of creating value for the Company's shareholders. The Plan awards the Chief Executive Officer a maximum number of 389,596 ordinary shares in the Company of a face value of € 1.00 each, or such lower number of shares that — on the basis of Offer Price — amount, on the overall, to no more than € 4,000,000.00, whilst also awarding the General Manager 278,284 ordinary shares in the Company of a face value of € 1.00 each, or such lower number of shares that — on the basis of Offer Price – amount, on the overall, to no more than € 3,000,000.00. All of shares were granted in 2010. Furthermore, on the same date, 24 May 2006, the Board approved two stock option plans, both subjected to the condition precedent of the commencement of trading of shares in the Company on the electronic share market (such condition precedent having been met on 15 November 2006): (i) the first of these is reserved to employees of Banca Generali Group companies, whilst (ii) the second is reserved to Banca Generali's financial advisors, area managers and business managers.

In order to cover the aforesaid Stock Option Plans, on 18 July 2006, the Company's Extraordinary Shareholders' Meeting approved a capital increase, in one or more tranches, in the maximum nominal amount of € 5,565,660.00, through the issue of a maximum number of 5,565,660 ordinary shares of a face value of € 1.00 each, as follows:

- a) an issue in the maximum nominal amount of € 4,452,530.00, represented by a maximum number of 4,452,530 ordinary shares of a face value of € 1.00 each, with specific exclusion of the option rights afforded to shareholders pursuant to section 2441, paragraph 5, of the Italian Civil Code, so as to cover the “Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers”, reserved to the financial advisors of Banca Generali Group, all of the above in one or more tranches, with the last being effected no later than 30 May 2011;
- b) an issue in the maximum nominal amount of € 1,113,130.00, represented by a maximum number of 1,113,130 ordinary shares of a par value of € 1.00 each, with specific exclusion of option rights afforded to shareholders pursuant to section 2441, paragraph 8, of the Italian Civil Code, so as to cover the “Stock Option Plan for Banca Generali S.p.A. Employees”, reserved to Banca Generali employees, all of the above in one or more tranches, with the last being effected no later than 30 November 2012.

In order to compensate optionees for the loss in value of the above-mentioned Stock Option Plans due to the well-known market conditions that occurred in 2007 and 2008, which had a negative impact on



the stock performance, despite the achievement of excellent results in terms of net inflows, the Shareholders' Meeting held on 21 April 2010 resolved to approve an extension by three years of the exercise period for both of the above-mentioned Plans.

The price of the aforesaid options shall be determined at a whole number reflecting the arithmetic mean of the listed prices of shares in the Company on the electronic share market from the date of assignment of the stock options to the same day of the previous month.

The exercise of the options is subject to the attainment of overall targets and, in the case of the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers", even personal targets. Pursuant to the applicable Rules, the Delegated Organs awarded:

(i) 2,540,136 option rights in application of the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers";

(ii) 829,000 option rights in application of the "Stock Option Plan for Banca Generali S.p.A. Employees". In total, 3,369,136 stock options were awarded pursuant to the aforesaid Plans.

Moreover, on 21 April 2010, the Shareholders' Meeting approved a broad-ranging loyalty-building programme aimed comprised of two Stock Option Plans targeted specifically at (a) financial advisors and private bankers, as well as (b) employees serving Banca Generali as Relationship Managers.

This initiative has a twofold objective: maintaining the interest of the distribution network and network managers in line with the interest of shareholders, in the medium- and long-term, as well as enhancing the loyalty of the most promising professionals, by involving the same economically in overall value creation within the Company, whilst also providing incentives to boost productivity in the medium term. The new Plans will apply to financial year 2010, in addition to the fourth quarter of 2009, as limited to net inflows associated with the so-called "tax shield".

The retention programme calls for the granting of a total maximum of 2,500,000 options for the subscription of Banca Generali ordinary shares (of which 2,300,000 reserved for financial advisors and network managers and 200,000 for employed relationship managers). The grant is conditional upon the achievement of both consolidated Group objectives and individual objectives for the development of net inflows in the reference period. The options shall be exercisable within 6 years from 1 July 2011 in the amount of one sixth per year. The recipients will have the right to subscribe to Banca Generali ordinary shares for consideration equal to the arithmetic mean of the market listing prices of the shares in question on the electronic share market (MTA), organised and managed by Borsa Italiana S.p.A. surveyed during the period from the option grant date to the same date of the previous solar month.

In order to give full effect to the Stock Option Plan for the financial advisors and network managers of Banca Generali S.p.A. for 2010 and the Stock Option Plan for the Relationship Managers of Banca Generali S.p.A. for 2010, the Shareholders' Meeting held on 21 April 2010 resolved, pursuant to Article 2441, paragraphs 5 and 8 of the Italian Civil Code, on a divisible increase in the Company's share

capital by an amount equal to the maximum number of options that may be granted under the above-mentioned Plans, and thus in a maximum nominal amount of € 2,500,000.00, broken down as follows:

- (a) for a maximum amount of € 2,300,000.00, reserving the same for financial advisors and private bankers of the Banca Generali Group, to serve the “Stock option plan for financial advisors and network managers of Banca Generali S.p.A. for 2010”;
- (b) for a maximum nominal amount of € 200,000.00, reserving the same to Banca Generali employed relationship managers and their coordinators, to serve the “Stock option plan for Relationship Managers of Banca Generali S.p.A. for 2010”.

Pursuant to the applicable Rules, the Delegated Organs awarded:

- (i) 2,300,000 option rights in application of the Stock Option Plan for Banca Generali S.p.A.’s Financial Advisors and Network Managers;
- (ii) 200,000 option rights in application of the Stock Option Plan for Banca Generali S.p.A. Relationship Managers.

In total, 2,500,000 stock options were awarded pursuant to the aforesaid Plans.

Lastly, as a result of the merger of Prime Consult SIM S.p.A., as of 31 December 2002, the Company has assumed the merged company’s commitments under the stock granting plan approved by the latter on 13 June 2001 in favour of its network managers and financial advisors. Beneficiaries of the plan include: (i) financial advisors in the exclusive service of Prime Consult as at 1 October 2000; (ii) former Prime Consult network managers; (iii) financial advisors falling within the aforesaid categories in the period between 1 October 2000 and 31 December 2001. The shares were issued in three tranches, to persons who met or maintained specific individual targets. The Delegated Organ awarded, free of charge, 1,402,474 Banca Generali ordinary shares.

### **13.3 – Long Term Incentive Plan**

With regard to the Remuneration Policies and the long-term incentives, the General Shareholders' Meeting held on 20 April 2011 resolved to increase the variable component of the remuneration of some of Banca Generali's managers by admitting the same beneficiaries of the Generali Group's Long Term Incentive Plan ("LTIP") for executives serving the Generali Group in Italy and abroad, approved by the General Shareholders' Meeting of Assicurazioni Generali S.p.A. on 24 April 2010 and 30 April 2011. The said plan is targeted at the Generali Group's key management personnel and talented managers, and is designed to pursue medium-to-long term goals with a view to ensuring consistently high levels of performance over time, as measured against technical and yield-based benchmarks. With reference to Banca Generali's managers and in order to ensure that the aforesaid plan is in line with the recommendations imparted by the Governor of the Bank of Italy in respect of remuneration and incentive systems by virtue of Notice No. 321560 of 28 October 2009, the relevant corporate body drew up a specific appendix pursuant to Article 12.2 of the said Plan Rules, with a view to ensuring (i) that the bank's targets take precedence over those of the Generali Group, so that Banca Generali's top management focuses, above all, on the bank's results, thereby respecting the interests of the bank's shareholders and (ii) that the bonuses arising under the Long Term Incentive Plan are subject to access gate conditions entailing the attainment of specific stability goals.

## SECTION VII

### INFORMATION FLOWS

#### **14 – FREE FLOW OF INFORMATION**

##### **14.1- Regulations Governing Information Flows Towards Corporate Bodies and Officers**

In accordance with the “Supervisory Provisions on the Organisation and Corporate Governance of Banks” issued by the Bank of Italy on 4 March 2008, the information flows towards corporate bodies and officers, are regulated pursuant to a specific internal company Circular, duly approved by the Board of Directors, and designed to encourage the development of mechanisms for the free flow of information amongst and within corporate bodies.

The aforesaid Circular lays down the timetable, procedures and contents of the information to be provided to the corporate bodies and officers in question, and identifies the persons and parties bound to submit appropriately exhaustive reports on a periodic basis and/or upon request. The internal regulatory framework governing the structure of information flows (especially towards the Board of Directors and Board of Statutory Auditors) in fact officially entrenches long-established reporting obligations in force within the Bank, featuring, generally:

- the systematic submission of reports with a well-defined structure in terms of form and content;
- a response to the need to provide governing bodies with timely information on the exercise of delegated powers;
- constant revision in order to ensure compliance with applicable regulations as well as to meet operating requirements;

as well as a detailed indication of the matters to be brought to the attention of company directors, with specific reference to the scheduling of the timetable and the frequency of the reports.

The need for the free flow of the said information arises both from stringent regulations regarding the responsibility of directors for business operations — under which all directors are required to “act in an informed manner” — all delegated corporate bodies and officers are bound to periodically report to the Board of Directors, and all directors are entitled to request, require and obtain information on business operations from the relevant delegated corporate bodies and officers, and from the provisions of Article 150 of Legislative Decree No. 58/1998 and Article 18 of the Articles of Association, which impose an obligation on all company directors to submit timely reports to the Board of Statutory Auditors, in respect of activities undertaken as well as any and all transactions effected by the company, that could have a particularly significant impact on the company’s balance sheet, income statement or cash flow, with specific emphasis on transactions in which one or more Directors may bear an interest

on his or her own account or on behalf of third parties, or may, otherwise, be unduly influenced by any person or party exercising powers of corporate management or coordination, and lastly, any and all decisions taken with regard to the approval and management of credit facilities, information regarding which must be provided on the basis of global amounts.

The Board of Statutory Auditors, shall receive at Board meetings, a report from the Board of Directors on the activities undertaken by the latter as well as 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, and moreover — without prejudices to the provisions of Article 2391 of the Italian Civil Code — on transactions in which one or more Directors may bear an interest on his or her own account or on behalf of third parties, or may, otherwise, be unduly influenced by any person or party exercising powers of corporate management or coordination.

In compliance with applicable statutory provisions and the Articles of Association, the Chief Executive Officer is required to report to Non-executive Directors and the members of the Board of Statutory Auditors on an ongoing basis, availing, for such purpose, of the collaboration of the Secretary to the Bank's Board of Directors.

In order for Directors to properly exercise their powers and discharge their managerial, policy-making and oversight functions in respect of business operations, it is essential for the information made available to them to be as complete as possible.

The Circular regulates the aforesaid information flows with a view to:

- ensuring transparency in the business operations of the Bank and the Banking Group of the same name;
- placing the Board of Directors in a position to effectively and concretely orient and oversee the Bank's business operations and performance;
- providing the Board of Statutory Auditors with the information and data required by the latter to efficiently discharge its functions.

It is preferable for information to be provided to Directors and members of the Board of Statutory Auditors in writing, and more specifically, in the form of:

- findings, explanatory notes, memoranda, presentations, reports drawn up by the Bank's organisational units, including documentary material prepared ahead of or during Board meetings;
- other documents, whether public or otherwise, available to the Bank;
- interim and annual corporate accounts earmarked 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 Executive Directors or members of the Bank and/or the Banking Group's 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 Directors, shall focus primarily on:

- general business performance and foreseeable developments, with an indication of departures from previous forecasts;
- 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-party transactions, and atypical, unusual or innovative transactions, and the risks associated with each of the above;
- the internal control system and the level of Bank's exposure to all significant types of risk;
- any and all other activities, transactions or events deemed worthy of the attention of the Board of Directors and the Board of Statutory Auditors.

Given that all the Companies belonging to the Banking Group as defined in Legislative Decree No. 385 of 1 September 1993, share a common underlying business plan, they are also all recipients of the Circular in question, and are, accordingly, bound to comply with the same.

#### **14.2- Shareholder and 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 avails of Shareholders' Meetings to provide Shareholders with information on the Company and its prospects, obviously, in compliance with the regulations governing inside information, and therefore, whenever necessary, by simultaneously disclosing the same information to the market. In furtherance of the above, the scheduled times, dates and venues of Shareholders' Meetings are selected with a view to facilitating attendance thereat by Shareholders; moreover, all the members of the Company's Board of Directors and Board of Statutory Auditors try to attend Shareholders' Meetings to the extent possible.

The Company Secretariat liaises with Shareholders on a day-to-day basis through the Shareholder Relations and Management Division, set up within the Legal Affairs and Compliance Department.

On the other hand, the Investor Relations Department that reports directly to the Chief Executive Officer, is in charge of liaising with institutional investors.

### **14.3 - Website**

For several years now, the Company has used 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 and quarterly 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 site is constantly updated.

Trieste, 31 January 2012

BANCA GENERALI S.p.A.  
THE BOARD OF DIRECTORS