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ANNUAL REPORT
ON CORPORATE GOVERNANCE
AND COMPANY OWNERSHIP

pursuant to Article 123-*bis* of Legislative Decree No. 58/1998

Board of Directors
10 March 2017

ANNUAL REPORT ON CORPORATE GOVERNANCE AND COMPANY OWNERSHIP

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GLOSSARY

Code/Corporate Governance Code: the Corporate Governance Code of listed companies as amended in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria (Confederation of Italian Industry).

Civil Code: the Italian Civil Code.

Board: the Board of Directors of the Issuer.

Issuer: the issuer of securities to which the Report refers.

Period: the financial period to which the Report refers.

Instructions to the Market Rules: the Instructions to the Rules for the Markets organised and managed by Borsa Italiana S.p.A.

Rules for the Markets: the Rules of the Markets organised and managed by Borsa Italiana S.p.A.

Consob Rules on Issuers: the Regulation on issuers issued under Consob Resolution No. 11971 of 1999 (as subsequently amended and extended).

Consob Rules for Markets: the Regulation on markets issued under Consob Resolution No. 16191 of 2007 (as subsequently amended and extended).

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

Bank of Italy Circular Letter No. 263: Bank of Italy Circular No. 263 of 27 December 2006 on Prudential supervisory provisions for banks (as subsequently amended).

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

Report: the Report on Corporate Governance and Company Ownership that the companies have to prepare pursuant to Article 123-bis of the TUF.

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

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

Save where otherwise specified, the information contained in this Report is updated as at the date of its approval by the Company's Board of Directors (10 March 2017).

1. ISSUER PROFILE

1.1 Corporate mission

Banca Generali is a leading company in protecting and growing investments in Italy and is capable of offering its clients the best strategies for effective financial planning. Thanks to its grass-roots market penetration through its two distribution networks (Banca Generali Financial Planner and Banca Generali Private Banking), the company manages assets amounting to 47.5 billion euros (Assoreti data updated to 31 December 2016) on behalf of over 260,000 customers. Banca Generali sets the standard for the Italian financial advisory market, aiding its clients in choosing the solutions best suited to protecting their financial and real-estate investments. Through a network of highly qualified financial advisors, the Banca Generali banking Group seeks to meet each customer's investment needs in a manner consistent with his or her financial profile and investment horizon.

As amply evidenced in the Group's Sustainability Report, in conducting these activities, Banca Generali undertakes to promote the ethos of sustainability through economic development that also takes social environmental aspects into account, respecting the values underlying the company's strategic vision and work.

The Banca Generali banking Group therefore aims to adopt initiatives geared towards developing and spreading increased responsibility, thereby providing a concrete contribution to quality economic and social development while respecting and promoting the implementation of human rights within all of its spheres of influence. The Group is also committed to taking an environmentally friendly approach to its operations, launching initiatives aimed at developing and spreading increased environmental responsibility.

1.2 Organisation of the Company

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

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

Against this background, with a view to reinforcing minimum standards of corporate organisation and governance, and ensuring "healthy and prudent management" (Article 56 of TUB), by Circular Letter No. 285/2013 entitled "Supervisory Provisions Concerning Banks" – most recently amended by the first update of 6 May 2014 – the Bank of Italy established a regulatory framework under which organisation is to play a central role in strategic corporate policy-making and risk assessment and management within the banking and financial industry.

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

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

- i) Board of Directors;
- ii) Chairman of the Board of Directors;
- iii) Remuneration Committee;
- iv) Nomination Committee;
- v) Internal Audit and Risk Committee;
- vi) General Shareholders' Meeting;
- vii) Board of Statutory Auditors.

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

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

Responsibility for the strategic supervision of the company 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.

Responsibility for company management lies with the Chief Executive Officer, if appointed, and General Manager.

Appointed Committees may act solely in a consultative and advisory capacity.

The Remuneration Committee is in fact tasked with providing the Board of Directors with advisory opinions and non-binding recommendations on remuneration, and is accordingly vested with the authority and independence of judgment required to assess the appropriateness of remuneration and incentivisation policies and plans, and related repercussions in terms of risk taking and risk management.

In detail, the Remuneration Committee is in charge of, *inter alia*: (i) submitting to the Board of Directors non-binding opinions and recommendations on the remuneration of the Chairman of the Board of Directors, the Chief Executive Officer, and any and all other executive Directors, and expressing an opinion on the setting of the performance targets to which the variable remuneration component, if any, is linked; (ii) expressing to the Board of Directors – in accordance with applicable laws and regulations in force from time to time as well as the provisions of the Company's Remuneration and Incentivisation Policy – non-binding opinions and recommendations in respect of the remuneration of employees whose compensation and incentives are established by the Board of Directors, whilst also providing the latter with opinions on the setting of the performance targets to which the variable remuneration component is linked; (iii) determining the criteria used to establish the remuneration of all the other staff members, as identified in the Company's Remuneration and Incentivisation Policy; (iv) periodically assessing the appropriateness, overall cohesion and concrete implementation of the remuneration policy regulating the compensation of directors, key management personnel and all the other staff members whose compensation and incentives are established by the Board of Directors, in accordance with applicable laws and regulations from time to time into force, as well as the provisions of the Company's Remuneration and Incentivisation Policy; (v) directly monitoring the proper application of rules regulating the remuneration of the heads of internal control functions, in close collaboration with the Body entrusted with internal control functions; and (vi) submitting opinions on the determination of severance indemnities in the event of termination of employment or termination in office ahead of the scheduled expiry of the term of appointment (so-called golden parachutes).

More specifically, the Nomination Committee:

- i) assists the Board of Directors in determining the latter's own optimal membership in terms of number and professional skill set, ahead of the appointment or co-option of Board members. Within the aforesaid context, the Nomination Committee (a) submits to the Board of Directors opinions regarding the size and composition of the Board itself; (b) provides recommendations on the appropriate professional skills to be represented on the Board of Directors; (c) provides recommendations on the maximum number of concurrent directorships or auditorships in other corporations listed on regulated markets (including abroad), or in banking, financial, insurance or large companies, that may be considered compatible with effectively serving as a director of the issuer, taking due account of membership of various Board Committees and drawing distinctions on the basis of the commitment required to discharge the duties attendant to each appointment; (d) proposes potential candidates for Board of Directors' membership in cases of co-option for the replacement of independent directors;
- ii) assists the Board of Directors in subsequently evaluating whether or not the optimal membership of the Board of Directors, in terms of number and professional skill set, is reflected in the actual composition of the said Board upon conclusion of the appointments procedure;
- iii) formulates opinions to the Board of Directors on resolutions concerning the replacement of members of the committees within the Board, which may become necessary during the Committee's term of office;
- iv) assists in the Board of Directors in conducting self-assessments;
- v) assists the Board of Directors in verifying satisfaction of the conditions imposed under article 26 of Legislative Decree 385/1993;
- vi) assists the Board of Directors in preparing succession plans for top managers;
- vii) assists the Audit and Risk Committee in selecting candidates for appointment to head of the corporate functions tasked with internal control;
- viii) expresses opinions concerning the acceptance by company directors and managers of positions or functions at companies outside the Banca Generali Banking Group;
- ix) expresses opinions on the appointments made to represent the Company on the Boards of Directors of Subsidiaries.

The Internal Audit and Risk Committee is tasked with: (i) assisting the Board of Directors in laying down the strategic guidelines, internal control and risk management system guidelines, periodically checking that said system is adequate to the bank's characteristics and risk profile, reviewing its effective functioning and also ensuring that the major company risks have been identified, adequately measured, managed and monitored, as well as determining the degree to which such risks are compatible with management of the enterprise in accordance with the strategic goals identified, in liaison with the responsible company functions; (ii) expressing its opinion regarding related party and connected party transactions, in accordance with the terms and conditions set forth in the Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance approved by Banca Generali pursuant to applicable laws and regulations; (iii) assisting the Board of Statutory Auditors in discharging its statutory auditing duties pursuant to the provisions of Legislative Decree No. 39 of 27 January 2010; and (iv) expressing opinions in compliance with the Equity Investment Management Policy.

The General Shareholders' Meeting (the "Shareholders' Meeting") passes resolutions expressing the intentions of the shareholders. 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.

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

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

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

2. INFORMATION ON COMPANY OWNERSHIP (pursuant to Article 123-bis TUF) as of 10 March 2017

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

Banca Generali's subscribed and paid up share capital, as shown in the following table, amounts to 116,643,948.00 euros, divided into 116,643,948 ordinary shares of a par value of 1.00 euro each.

	NO. OF SHARES	% OF SHARE CAPITAL	LISTED (SPECIFY ON WHICH MARKETS)	RIGHTS AND OBLIGATIONS
Ordinary shares	116,643,948	100	Listed on MTA organised and managed by Borsa Italiana S.p.A.	All the rights contemplated under the Civil Code and the Articles of Association

Table 1 included in Annex 1) to this Report provides a breakdown of categories of shares in which the share capital is split.

Banca Generali holds 126,129 treasury shares acquired to meet requirements arising under the banking group's Remuneration and Incentivisation Policy. The voting rights attaching to the said shares have been suspended pursuant to section 2357-ter of the Civil Code.

The Shareholders' Meeting held on 21 April 2010 also approved two stock option plans reserved for the distribution networks, respectively one for Financial Advisors and Private Bankers, and one for Relationship Managers. It also approved the share capital increase in one or more tranches, excluding option rights, pursuant to Article 2441, paragraphs 5 and 8, of the Civil Code, in service of the above-mentioned two new stock option plans and the subsequent amendment of Article 5 of the Articles of Association. Overall, the share capital increase envisages the issuance of up to a maximum of 2.5 million ordinary shares of a par value of 1.00 euro each, at the service of the aforementioned two 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. The deadline for the completion of the aforesaid share capital increase is 30 June 2017.

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

Apart from the current regulatory provisions on the ownership of shares in banks, there are no other restrictions on the transfer of shares in the Company, other than those indicated below, and pertaining to the Rules of the Stock Granting Plan reserved for specific financial advisors. According to such Rules, should the recipient intend to sell all or some of the granted shares, the said recipient must first inform Banca Generali thereof, and the latter retains the right to indicate a third-party purchaser at the same conditions and at market price.

c) Significant Equity Investments in Share Capital (pursuant to Article 123-bis, paragraph 1, letter c) of TUF)

Shareholders holding more than 3% of the Company's share capital, directly and/or indirectly and including through third party intermediaries, trust companies and subsidiaries, as per the Shareholders' Register and the notices recei-

ved pursuant to law, as well as other information available to the company as at 10 March 2017, are indicated in Table 2 included in Annex 1) to this Report.

d) Securities Bearing Special Rights (pursuant to Article 123-bis, paragraph 1, letter d) of TUF)

No securities bearing special rights of control have been issued.

e) Shares held by employees: mechanism for the exercise of the voting rights (pursuant to Article 123-bis, paragraph 1, letter e) of TUF)

There are no specific mechanisms for the exercise of the voting rights attendant to the shares held by employees.

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

Pursuant to Article 10 of the Company's Articles of Association and Article 23 of the Rules adopted by the Bank of Italy and by Consob with the Provision dated 22 February 2008, as further amended and extended, Shareholders with voting rights may attend the Meeting provided that:

- a) they can provide legal proof of their entitlement to vote;
- b) the notice from the intermediary responsible for keeping the accounts regarding the shares, in replacement of the deposit giving entitlement to attend the General Shareholders' Meeting, has been received at the Company's registered office by the end of the third trading day prior to the date set for the first call of the General Shareholders' Meeting, in accordance with Article 83-sexies, paragraph 4, of TUF, after the terms specified above, provided that it arrived within the start of the Shareholders' Meeting specifically called.

Moreover, the Company's ownership structure at 10 March 2017, indicates that:

- > Banca Generali holds 126,129 treasury shares acquired to meet requirements arising under the banking group's Remuneration and Incentivisation Policy. The voting rights attaching to the said shares have been suspended pursuant to section 2357-ter of the Civil Code.

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

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

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

The Company has not entered into any significant agreements that enter into force, undergo amendments or are terminated in the event of a change of control of the contracting party.

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

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

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

The Ordinary Shareholders' Meeting held on 21 April 2016, pursuant to Articles 2357 and 2357-ter of the Civil Code, authorised – with the sole aim to endow the Company with the resources necessary to comply with the banking group's Remuneration and Incentivisation Policy – the acquisition by Banca Generali of no more than 67,051 ordinary shares issued by Banca Generali S.p.A., of a nominal value of Euro 1.00 each, as well as the disposal of the same, together with those acquired on the basis of previous authorisations to acquire treasury shares, subject to the following terms and conditions:

- a) acquisitions may be effected pursuant to the said authorisation solely for the purposes specified;
- b) the unit price per ordinary share shall range between no less than the par value of the share, i.e., 1.00 euro, and no more than 5% of the reference price of the trading day preceding the day on which each acquisition is made;

- c) authorisation for acquisition is granted for eighteen months as of the date of approval of this Shareholders' resolution, whilst authorisation for disposal is granted without any time limit whatsoever, in order to enable the achievement of the specified objectives;
- d) the purchase will be carried out within the limits of distributable profits and unrestricted reserves, as per the latest duly approved financial statements;
- e) acquisitions of treasury shares are made, pursuant to Article 144-bis, paragraph 1(b), of the Rules for Issuers, in accordance with the operating procedures set forth in the organisational and operating rules on the markets, so as to ensure equal treatment for all Shareholders. Accordingly, the acquisitions shall be made exclusively, including in several tranches, on regulated markets organised and managed by Borsa Italiana S.p.A., pursuant to operating procedures established by the latter which do not allow for the direct matching of buy orders with pre-placed sell orders.

The same General Shareholders' Meeting also authorised the Company to assign its treasury shares, without any time limit whatsoever, free of charge, to Key Personnel identified in the Remuneration and Incentivisation Policy, provided that any and all conditions, whether regulatory or imposed under the Policy itself, for entitlement to the variable component of remuneration have been duly met.

Lastly, the Shareholders' Meeting vested the Chairman of the Board of Directors and the General Manager, severally and not jointly, with powers to identify the reserve funds from which the restricted reserve amount, contemplated under Article 2357-ter of the Civil Code, is to be drawn, as well as to also be able to use treasury shares already currently held by the Company to achieve specified objectives.

At 31 December 2016, the Company held 126,129 treasury shares.

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

Banca Generali is part of the Generali Group.

The Company is subject to management and coordination by its Parent Company, Assicurazioni Generali S.p.A., within the meaning and for the intents and purposes of Article 2497 of the Civil Code, including through the subsidiary Generali Italia S.p.A.

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

It is confirmed that the conditions provided for by Article 37, paragraph 1, of Consob Regulation No. 16191/2007 have been satisfied, and it is specifically stated that:

- a) the disclosure obligations pursuant to Article 2497-bis of the Civil Code have been complied with;
- b) the company is able to independently negotiate with customers and suppliers;
- c) the Company has no centralised treasury accounts with the company that exercises centralised management or with other companies of the Generali Group, unless it is in the interest of the company;
- d) an Internal Audit and Risk Committee is in place, composed of independent Directors only (Section 9) and a Board of Directors composed of a majority of independent Directors (Section 4.2).

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

- > the information to be disclosed pursuant to Article 123-bis, paragraph 1, subparagraph (i) ("*agreements between companies and directors, members of the control body or supervisory council which envisage indemnities in the event of resignation or dismissal without just cause, or if their employment contract should terminate as the result of a takeover bid*") is contained in the section of the Report focusing on Directors' remuneration (Section 8), as well as in the Remuneration and Incentivisation Report to be published pursuant to Article 123-ter of the TUF;
- > the information to be disclosed pursuant to Article 123-bis paragraph 1, subparagraph (l) ("*rules applying to the appointment and replacement of directors and members of the control body or supervisory council, and to amendments to the articles of association if different from those applied as a supplementary measure*") is set forth in the section of the Report focusing on the Board of Directors (Section 4.1).

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

Banca Generali S.p.A. (the "Company") was admitted for listing on the electronic share market (MTA) managed by Borsa Italiana S.p.A. in November 2006, and on such occasion adopted the Code, having determined that bringing its

corporate governance system (i.e., the framework of rules, principles and procedures making up a company's management and internal control system) in line with the international corporate governance best practices on which the Code is based is an essential pre-requisite for achieving the Company's objectives. These objectives in fact include not only the creation of value for shareholders and customer satisfaction, but also the quest for excellence in terms of the transparency of decision-making processes, the efficiency of internal control systems and the probity and rigour in related party and connected party transactions and/or transactions entailing a potential conflict of interests, as well as constant professionalism, probity and respect in all relationships with shareholders, customers and, in general, all the Company's stakeholders. The company is in fact fully aware that no corporation can hope to boost its reputation for reliability without implementing effective and efficient operating rules and procedures. To this end, the Company, at the Board of Directors on 13 September 2016, updated its Internal Code of Conduct, setting out the minimum standards of conduct to be observed in relations with colleagues, customers, competitors, suppliers and other stakeholders. Therefore it contains explicit rules and principles relating to Corporate Social Responsibility, the promotion of diversity and inclusion, safety and health in the workplace, the protection of company assets, fair competition and antitrust and the fight against corruption and bribery.

The Corporate Governance Code is available to the public on the Corporate Governance Committee's website at www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf.

4. BOARD OF DIRECTORS

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

Pursuant to Article 15 of the Articles of Association, the Company is managed by a Board made up of no less than seven and no more than 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. It should be recalled that the TUB sets precise integrity and professionalism requirements for banks' directors.

In detail, 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 shall be 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) performing administrative, managerial or control functions in companies; (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* of TUF, Board members must meet the requirements of personal integrity imposed on members of supervisory organs under Regulation No. 162 issued by the Ministry of Justice on 30 March 2000, as well as the requirements pertaining specifically to bank executives, under Regulation No. 161 issued by the Ministry of the Treasury, Budget and Economic Planning on 18 March 1998.

It should finally be noted that five members of Banca Generali's Board 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 Legislative Decree No. 58/1998), and pursuant to Article 37, paragraph 1(d), of the Regulation adopted by Consob Resolution No. 16191 of 29 October 2007, as further amended and extended.

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

In order to ensure that the governing bodies includes persons capable of guaranteeing that the role assigned to them is discharged effectively, the Board of Directors, with the advisory support of the Nomination Committee, shall: (i) define in advance the professional expertise required to achieve this result; (ii) define, in light of the bank's characteristics, the qualitative and quantitative composition of company bodies (determining and justifying the theoretical profiles of candidates considered suitable, including as regards professional qualifications and independence); (iii) verify that the outcome of the appointment process complies with the provisions on the optimal qualitative and quantitative composi-

tion; (iv) periodically perform self-assessments for verifying the Board of Directors' composition and functioning. The results of the above analysis (i) and (ii) shall be submitted to the shareholders' attention in a timely manner so that the process of selecting and appointing candidates may take account of such indications.

Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of 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 must be filed at the registered office no later than twenty-five days prior to the date set for the Shareholders' Meeting in first call. Furthermore, the list will be available at the Company's registered office, on the corporate website and in any other forms required by applicable laws and regulations no later than twenty-one days prior to the date set for the Shareholders' Meeting in first call.

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

Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of 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) shall be 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. In the case where the number of Board members belonging to the gender less represented, and appearing on the list that obtained the highest number of votes, is lower than the number required under applicable statutory provisions, the elected candidate with the highest serial number, and belonging to the more represented gender, shall be excluded. The eliminated candidate shall be replaced by the following candidate belonging to the gender less represented and appearing on the same list as the eliminated candidate. In the case where it is not possible to draw from the list obtaining the highest number of votes, the required number of Directors belonging to the gender less represented, the Board seats in question will be filled by appointments made by the General Shareholders' Meeting, by majority vote. The remaining directors will be taken from other lists, not linked in any way, not even indirectly, with the shareholders who submitted or voted for the list which gained the highest number of votes, and to this end the votes obtained by said lists will subsequently be divided by one, two, three and so on, according to the number of directors to be elected. The ratios obtained in this way will be progressively assigned to the candidates of each of the lists, according to the respectively established order of said lists. The ratios thus attributed to the candidates of the various lists will be set out in a single decreasing list. In the event of votes being equal between two or more lists, the younger candidates will be elected until all the posts to be assigned have been filled.

Should it emerge that, at the end of voting, 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 proceed with the appointment of the remaining directors, at the proposal of the shareholders in attendance and by resolution approved by simple majority.

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

If, during the term of office, one or more Board members should leave office for whatever reason, they will be replaced according to the procedures established by law. If the outgoing director was taken from the minority list that had obtained the greatest number of votes, replacement will occur with appointment of the first eligible candidate taken from the same list as the outgoing director and willing to accept office 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 Civil Code, a director selected by the Board in accordance with the criteria established under law. The director thus coopted shall remain in office through to the next Shareholders' Meeting that shall either confirm or replace him following the ordinary procedures and with ordinary majorities, in departure from the list-based voting system mentioned in Article 15 of the Articles of Association.

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

Amendments to the Articles of Association are regulated pursuant to applicable regulations.

Although the implementing guidelines set forth in Application Criterion 5.C.2 of the Code leaves succession planning entirely up to the discretion of the Board of Directors, on 15 December 2015, in order to comply with Bank of Italy Circular Letter No. 285/13 which provides that "Plans for the orderly succession of top managers (chief executive officer, general manager) in the event of the expiry of their terms of appointment or for any other reason or cause whatsoever; must be formalised within large or operationally complex banks, with a view to securing continuity of operations and avoiding economic and reputational repercussions", the Company's Board of Directors adopted the Succession Planning Policy and the related Succession Plan.

In such regard, it must be pointed out that the Board of Directors first established, within the framework of the said Policy, criteria and procedures for identifying the replacements of the top managers whose positions are subject to succession planning.

The Succession Planning Policy accordingly establishes:

- i) the procedures for identifying the replacements of the top managers whose positions are subject to succession planning, in the event the said managers are unavailable or otherwise unable, albeit only temporarily, to discharge their assigned duties;
- ii) the procedures for identifying potential replacements of company managers whose positions are subject to succession planning, in the event of the termination of the appointments of the said managers;
- iii) the corporate bodies and officers involved in preparing the succession plan;
- iv) procedures for and the frequency of revisions of the succession plan;
- v) procedures and deadlines for the implementation of the succession plan.

With regard to point (iii) above, it is worth specifying that the Board of Directors has been identified as the corporate body in charge of preparing the succession plan with support from the Nomination Committee.

Moreover, the Board of Directors is also vested with authority to periodically assess the prevailing succession plan and amend the same in light of the Bank's specific business and organisational requirements, availing of support from the Nomination Committee.

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

After reviewing the Succession Plan Policy, and aware that there is in place a succession plan guaranteeing continuity and certainty in the management of the company and the selection of the best possible replacements, permitting the related decisions to be made in the context of a defined, structured process, the Board of Directors updated the Succession Plan during the same meeting of 14 December 2016.

The Policy and related Plan will be updated by the Board of Directors whenever it is found necessary to do so, including in response of significant changes in the Bank's governance structure. The Plan specifically covers the following positions:

- > General Manager;
- > Deputy General Managers.

The resolution was passed with the support of the Nomination Committee, which carried out in-depth preliminary analysis of the resolution to be submitted for the approval of the Board of Directors.

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

The Shareholders' Meeting of 23 April 2015 established that the Board of Directors would be made up of nine members and appointed a new Board through the list voting system.

On 23 April 2015, the Shareholders' Meeting appointed the members of the Board of Directors based on two lists of candidates submitted, respectively, by the majority shareholder Assicurazioni Generali S.p.A. and various Undertakings for Collective Investment in Transferable Securities, under the aegis of Assogestioni.

The list submitted by the majority shareholder Assicurazioni Generali S.p.A. included the following candidates: Paolo Vagnone, Piermario Motta, Giancarlo Fancel, Philippe Roger Donnet, Giovanni Brugnoli (Independent), Anna Gervasoni (Independent), Massimo Lapucci (Independent), Annalisa Pescatori (Independent) and Ettore Riello (Independent). Pursuant to article 15 of the Articles of Association, the General Shareholders' Meeting elected as Board members, the first eight candidates on the list submitted by Assicurazioni Generali S.p.A., with the favourable vote of 62.987% of the share capital represented at the General Meeting and the sole candidate on the list submitted under the aegis of Assogestioni, with the favourable vote of 35.684% of the share capital represented at the General Meeting.

Piermario Motta, appointed Chief Executive Officer during the session of the Board of Directors of 23 April 2015, held after the Shareholders' Meeting on that same date, passed away unexpectedly in March 2016. During the session held on 20 April 2016, the Board of Directors co-opted Luca Giovanni Perin, pursuant to Article 2386 of the Italian Civil Code, as Director without operational powers. In June 2016, Chairman Paolo Vagnone and Director Philippe Roger Donnet left office.

During its session of 23 June 2016, the Board of Directors co-opted Cristina Rustignoli and Azzurra Caltagirone pursuant to Article 2386 of the Italian Civil Code and appointed Giancarlo Fancel Chairman of the Board of Directors, restoring the number of Directors to nine.

Thus at present five of the Directors in office have been drawn from the list submitted by the majority shareholder that received the greatest number of votes, one has been drawn from the list not connected in any way, whether directly or indirectly, with the shareholders who submitted or voted for the list that received the most votes and three were co-opted in 2016 pursuant to Article 2386 of the Italian Civil Code. The Directors thus co-opted will remain in office until the Shareholders' Meeting of 20 April 2017, which will confirm or replace them according to the ordinary conditions and majorities, in derogation from the list-based voting mechanism previously mentioned. The Directors confirmed or appointed by the Shareholders' Meeting will leave office together with the Directors in office when they join the Board.

The term of the Board of Directors shall expire on the date of the Shareholders' Meeting called for the approval of the Financial Statements for the year ended 31 December 2017.

It should also be noted that, in determining the composition of the current Board of Directors, the Law 120/2011 was taken into account (as well as the provisions of Section IV, Chapter 1, Title IV, of the aforementioned Bank of Italy Circular Letter No. 285 and Article 123-bis, paragraph 2 (d-bis), of TUF), thus reserving at least one fifth of Board seats to the less represented gender, (2 Board Members).

The table provided in Annex 2 lists the members of the Board of Directors as of 31 December 2016, other information about them and Board and Committees meeting attendance.

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

The procedures for the appointment of the Board of Directors are regulated under Article 15 of the Articles of Association, which provide for, inter alia, an adequate gender balance, achieved via a replacement mechanism, where necessary, as detailed in paragraph 4.1. In adopting the purposes and objectives set forth in Law No. 120/2011 (so called "Pink Quota Law") and in light of a substantial equality that promotes gender balance and better access to board member positions of the under-represented gender, the Board of Directors established – in its report on the ideal qualitative and quantitative composition of the Board drawn up upon the appointment of the new Board members on 23 April 2015 – to ensure that at least one fifth of members belongs to the less represented gender as required by law, it being the Company's first Board of Directors to which the aforementioned statute applied. In addition, the aforementioned report defined the professional requirements that Directors must possess, laying down additional features and professional requirements for the position of Chairman of the Board of Directors and the Chief Executive Officer, if appointed, as described in greater detail in paragraph 4.1.

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

With regard to the composition of the Board of Directors – given that Banca Generali is subjected to management and coordination by another Italian company whose stock is listed for trading on regulated markets – pursuant to Article 37, paragraph 1(d), of the Rules adopted by Consob with Resolution No. 16191 of 29 October 2007, as amended and extended, the Board is made up of a majority (5) of independent directors.

Pursuant to Article 36 of Law No. 214/2011, the Board of Directors has also verified, in respect of each Director, that there were no grounds of incompatibility; on 23 June 2016, the Board assessed and confirmed that there continued to be no grounds for incompatibility concerning the said Directors.

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

Giancarlo Fancel. Born in Portogruaro (Venice) on 26 September 1961. After graduating in Economics from the University of Trieste, and becoming a chartered accountant and certified auditor, he started his professional career in Reconta Ernst & Young, where he gained proven experience in the auditing field (1988-1999). In 1999, he joined the Generali Group as Head of Internal Audit, filling several positions and lastly becoming Head of Group Management Control. From January 2007 to April 2014, he held the position of Deputy General Manager, Joint General Manager and Chief Financial Officer of Banca Generali. He currently is Chairman of Genagricola S.p.A., a member of the Board of Directors of Società per Azioni Autovie Venete, CFO of Generali Italia S.p.A and Country Italy, as well as a member of the Boards of Directors of other Generali Group Companies. He has been Chairman of the Board of Directors of Banca Generali S.p.A. since 23 June 2016.

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

Giovanni Luca Perin. Born in Refrontolo (Treviso), on 5 December 1965, he holds a degree in Business Administration from the University L. Bocconi of Milan. From 1991 to 2003 he served in various positions in the Human Resources and Organisation area of the RCS Group, most recently as Human Resources and Organisation Manager of RCS Libri S.p.A. (2001-2003). From September 2003 to 2010 he filled positions of responsibility in human resources at Mondadori and in 2010 - 2012 he was Human Resources and Organisation Manager at the Sole 24ore Group. In July 2012, he joined the Generali Group, where he has been Chief HR & Organisation Officer at Generali Italia since June 2013, a role in which he is responsible at a functional level for all HR departments in Italy. He has been a Director of Banca Generali, Managing Director of Generali Business Solutions and Director of Genagricola and Agricola San Giorgio since April 2016.

Giovanni Brugnoli. Born in Busto Arsizio (Varese) on 24 January 1970, he has always been actively engaged in entrepreneurial associations. Within the Employers' Association of the Province of Varese, he was Vice President of the Young Entrepreneurs Group from 1999 to 2001 and President from 2001 to 2004, member of the Association's Board of Directors since 1999, member of the Executive Committee since 2001, Vice President from 2007 to 2011 and Chairman from 2011 to 2015. Since 2011 he has been a member of the General Council of Confindustria. He is currently Chairman of the Board of Directors of Tiba Tricot S.r.l. and of Palatino S.r.l. and sole shareholder of Tiba immobiliare S.r.l. - companies all belonging to the Brugnoli Group. He is also a member of the Board of Directors of Cofiva S.p.A. and Chairman of Promindustria S.p.A, both of which belong to the Gruppo Industriali di Varese. Since 2009, he has been a member of the Board of Directors of the Association for LIUC and since 2010 a member of the Managing Board of the University Carlo Cattaneo LIUC. He is Chairman of the Board of Directors of Industria e Università S.r.l. and Iniziativa Universitaria 1991, a member of the Board of Directors of Anemotech and of Previmoda Fondo Pensione, as well as a member of the Board of Directors of Banca Generali since April 2012.

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

Anna Gervasoni. Born in Milan on 18 August 1961, she graduated with honours in Economics at the Bocconi University in Milan. She is currently a tenured professor of Economics and Business Management at the University Cattaneo - LIUC, where she is responsible for the Specialisation Master Degree on private equity: "Master in Merchant Banking: Private Equity, Finance and Business" and the Research Centre "Finance for Growth". Since 1986 she has been General Manager of AIFI, the Italian Private Equity, Venture Capital and Private Debt Association and since 2007 Chairwoman of the Board of Directors of AIFI Ricerca e Formazione S.r.l. She is President of Hit - Hub Innovazione Trentino S.c.a.r.l., Independent Director of Banca Generali and GENERFID S.p.A., a Banca Generali Group company. In addition, she served as Independent Director of Fondo Italiano d'Investimento SGR S.p.A., Mittel S.p.A. and Sol S.p.A.

Massimo Lapucci: Born in Rome on 22 November 1969, he graduated in Economics at the La Sapienza University in Rome. After gaining extensive experience working in international management consulting firms, mainly in the banking and corporate finance sectors, he was Head of Business Planning of companies within the Telefonica group. Subsequently, from 2002 to 2008, he worked in Ferrovie dello Stato Group as M&A and Strategic Planning Manager. From 2009 to 2012, he served also as Investment Director at Sintonia S.A. Currently, he is Secretary General of "Fondazione CRT", a foundation operating in the banking sector. He holds the same position at Fondazione Sviluppo e Crescita - CRT, a foundation focused on venture philanthropy and impact investing, and is also general manager of OGR-CRT, whose mission is to transform a large former industrial factory in central Turin into a centre for contemporary culture, research and business accelerator. He has been an independent Director of Banca Generali since April 2015 and also has extensive international experience on advisory boards and boards of directors in Europe and America, including

Atlantia, RFI, and Tx Logistik, and at non-profit organisations, such as the Brussels-based Management Committee of the European Foundation Centre and the Board of Directors of the European Venture Philanthropy Association. He is also Deputy Chairman of ISI Global Science USA and of Agenda Social Impact per l'Italia. Since 2006 he has been a World Fellow and lecturer at Yale University, USA.

Annalisa Pescatori. Born in Rome on 24 July 1964, Annalisa Pescatori is Equity Partner of the law firm Grimaldi Studio Legale. After graduating magna cum laude in Law through the “La Sapienza” University of Rome in 1988, she was admitted to bar in 1991 in Italy and obtained her licence to practice before the Italian Supreme Court in 2015. She is enrolled in the Milan Bar of Lawyers. In 1985, she earned a Diploma in Japanese Language and Culture through the Rome-based Italian Institute for the Middle and Far East (ISMEO).

She has been serving as an independent director of Banca Generali S.p.A. since April 2015 and of Enertronica S.p.A. since June 2016. Before joining Grimaldi Studio Legale, she was Equity Partner at the Milan-based law firm Studio Tonucci from 2012 to 2014, and from 2002 to 2011 at the law firm Studio Legale Grimaldi e Associati. Prior to 2002, she acquired experience as a practicing lawyer with the law firms Clifford Chance and Studio Bonelli e Associati. From 1991 to 1996, she was employed at IMI-Istituto Mobiliare Italiano S.p.A., as legal counsel to the Corporate Finance Department, and on Staff of the Deputy General Manager for Finance and the Finance and Equity Holdings Department.

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

Domenica Lista, General Counsel of the Company, serves as Secretary to the Board of Directors.

The “Rules on the Functioning of the Board of Directors of Banca Generali S.p.A.” (the “Board Rules”), which were approved by the Board at the meeting on 16 February 2007 and amended on 11 May 2016 in accordance with section 1.C.3 of the Rules and Article 15, paragraph 3 of the Articles of Association, establish the maximum number of corporate positions normally compatible with the role of Company Director, as allowed based on regulations in force from time to time. Such indications are summarised in the following table and take the following into account: (i) the different degree of a director's commitment in relation to the position held, (ii) the nature and size of the company in which the position is held, and (iii) whether the company is part of the Issuer's group or of a same group:

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

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

The table provided in Annex 2 also specifies the number of corporate positions each Director holds in the aforementioned companies on the basis of the criteria indicated in the Board of Director's Rules.

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

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

In this regard, in accordance with the first update of 6 May 2014 to Bank of Italy Circular Letter No. 285/2013 and the aforementioned provisions of the Code, the Bank has informed the Directors of meetings held by trade associations concerning subjects pertaining to banking activity and corporate governance and the Chairman also informally convened the Board of Directors for discussion and further exploration of issues of particular interest, considered strategic to the development of the Company and Banking Group.

In particular, on 2 February 2017 an induction meeting was held for the Bank's Directors, with participation open to the Board of Statutory Auditors. The meeting raised and explored issues relating to (i) the logic behind the preparation of the 2018/2019 budget document and forecasts, (ii) the upcoming compliance with the new provisions of Directive 2014/65/EU (MiFID II), (iii) the activity performed by Generfid, the Banking Group's fiduciary services company, and (iv) the trend in the recruitment costs of financial advisors in recent years.

The subject matter addressed at the meeting was determined directly by the directors in attendance who the aim of favouring a deeper insight into the dynamics and other aspects of the issues selected.

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

The Board of Directors, made of the 9 members, plays a central role in the Company's corporate governance system. The Board of Directors, charged with strategic supervision, is vested with full powers of ordinary and extraordinary management of the Company. It has the authority to resolve on all matters pertaining to the corporate purpose that are not reserved to the exclusive competence of the Shareholders' Meeting. The Board is also the only corporate organ empowered to pass resolutions also on the setting up or closure of secondary offices, and for appointing the Board members vested with powers of corporate representation and signature, as well as on mergers, in the cases permitted under law, on the amendment of the provisions of the Articles of Association that may be incompatible with new imperative regulatory requirements.

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

In detail, pursuant to the Articles of Association, save in the emergency situations contemplated in Article 18, paragraph 9 of the same, the Board alone is vested with decision-making powers in respect of: a) establishing the general management policies, approving the Company's strategic, industrial and financial plans and the transactions of considerable economic, equity and financial importance, including with Related and Connected Parties; b) appointing, when it sees fit, a General Manager, Joint General Managers and Deputy General Managers, assigning their relative powers and deciding upon their retirement; c) appointing the Internal Auditor, after having heard the opinion of the Board of Statutory Auditors; d) appointing the Compliance Manager, after having heard the opinion of the Board of Statutory Auditors; e) upon hearing the Board of Statutory Auditors, the appointment and dismissal of the Manager in charge of the company's financial reports, the determination of the powers and resources thereof, as well as the supervision of the tasks carried out by the same and monitoring of actual compliance with administrative and accounting procedures; f) authorising company representatives fulfilling managerial, executive and supervisory roles to perform transactions or assume obligations of any kind with the Company or to carry out direct or indirect sales and purchases; g) purchasing or selling shareholdings that cause changes in the Banking Group or controlling or associative shareholdings; selling companies and/or company business lines; entering into agreements pertaining to joint ventures or strategic alliances; h) approving the organisational structure and any and all amendments to internal rules and policies; i) carrying out periodic checks to 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; l) carrying out checks to ensure that the system of information flows is adequate, complete and timely; m) drawing up guidelines for the recruitment and internal placement of Company executives; n) creating committees or commissions with control, consultation, recommendatory or coordination functions, also for the purpose of ensuring that corporate governance complies with prevailing recommendations on the matter, establishing the components, duration, powers and authority of said committees or commissions at the time they are set up; p) ongoing monitoring to ensure that the system of information flows amongst corporate organs is adequate, complete and timely; q) approving Related Party and Connected Party transactions, in accordance with the provisions set forth in the procedure adopted by the Company in compliance with applicable regulations governing such transactions.

The Board of Directors may approve highly significant related party transactions, even in disregard of the contrary advice of the independent auditors, provided that the transactions in question are authorised by the Shareholders' Meeting, within the meaning of Article 2364, paragraph 1 (5), of the Civil Code, pursuant to a resolution passed with the majorities contemplated in applicable regulations, and in accordance with the procedure adopted by the Company with regard to Related and Connected Party transactions. With respect to transactions that could have a significant impact on the Company's equity, capital or financial position, the Board of Directors adopted a special regulation (Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance) that defines the general criteria for their identification and a specific authorisation process, which, in accordance with the regulatory provisions in force, also involves the Risk Management function which has to provide prior opinion. In general, the following transactions are identified as transactions of Greater Importance: (i) the issuance of financial instruments; (ii) the granting of personal guarantees and collateral on behalf of subsidiaries; (iii) the granting of loans to subsidiaries, real-estate investments and divestments, the acquisition and sale of equity investments, companies or business lines; (iv) mergers or demergers; (v) other transactions, the value of which is higher

than 2.5% of the consolidated regulatory capital, which do not fall within the ordinary activities of the Bank and are not carried out at or near market conditions.

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

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

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

- i) pursuant to paragraph 1.C.1 (c) of the Code, the Board is bound to evaluate the appropriateness of the organisational, administrative and accounting layout of the Company and its strategic subsidiaries, with special reference to the internal control and risk management system, in light of the information received from the competent corporate organs (Article 8.2 of the Board Rules). The Board periodically deliberates on the bank's organisational structure and assesses the functions aimed at guaranteeing the accurateness and efficiency of the bank's administrative and accounting system;
- ii) pursuant to paragraph 1.C.1 (c) of the Code, the Board is bound to evaluate the appropriateness and effectiveness of the internal control and risk management system, taking due account of the Company's features and risk exposure. In such regard the Board (a) lays down guidelines for the internal control and risk management system, so as to ensure that the main risks to which the Company and its subsidiaries are exposed are properly identified, appropriately measured and adequately managed and monitored, and establishes the extent to which the related risk exposure is compatible with business management in line with the Company's strategic objectives; (b) assess, at least on an annual basis, the appropriateness of the internal control and risk management system in light of the Company's features and risk profile and also assesses its effectiveness (article 8.3 of the Board of Directors' Rules). The Board also approves policies and regulations governing the functioning of the control functions, approves regulations on the management of the main risks to which the Group is exposed and the policy on conflicts-of-interest of the banking group that establishes procedures for handling such conflicts;
- iii) the Board is bound to assess general management trends, especially in light of the information received from the delegated bodies and periodically comparing results against expectations, in accordance with the provisions of paragraph 1.C.1., letter e), of the Code. The Board periodically assesses the Company's and the Group's operations, compares the results with budget forecasts and analyses any differences;
- iv) since the Company is also the Parent Company of the Banking Group, the Company's Board is further vested with decision-making powers in respect of the acquisition and disposal of participating interests, as well as the policies for the coordination and management of Group companies and compliance with Bank of Italy instructions, with a view to ensuring the stability of the Group. The Board approved Group Rules that establish guidelines for interaction and information flows among Group companies.

Article 18 of the Articles of Association further empowers the Board to delegate its powers, in accordance with paragraph 1.C.1, letter d), of the Code, subject to the obligation binding especially any and all such delegates to report to the Board of Directors, as well as the Board of Statutory Auditors, at least 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, capital and financial situation of Banca Generali and its subsidiaries, with specific reference to the transactions in which either the Company's Directors or third parties have an interest, or

transactions influenced by the party exercising management and coordination powers over the Company, and decisions pertaining to lending policies.

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

- > prior to the appointment of each new Board, or in the event of the co-optation of directors, identify in advance the qualitative and quantitative composition of the Board deemed optimal by determining and justifying the theoretical profile of candidates considered appropriate and submitting it for the shareholders' attention in a timely manner;
- > after a new Board of Directors is appointed or directors co-opted, verify the correspondence between the qualitative and quantitative composition deemed optimal and the actual composition resulting from the appointment process;
- > in order to ensure the proper management of company information, adopt a procedure for the internal management and external disclosure of documents and information pertaining to the Company, with special regard to insider information.

Functioning of the Board of Directors

Pursuant to Article 17 of the Articles of Association, Board meetings are to be held – in general – on a monthly basis. As mentioned above, on 11 May 2016, in order to ensure that the Board's operating procedures comply with the principles entrenched in the Code and the supervising instructions issued by the Bank of Italy, the Board approved the Regulations of the Board of Directors, most recently amended at the Board Meeting held on 11 February 2015.

The aforesaid Board Rules provide, *inter alia*, that:

- i) pursuant to Article 1.C.2 of the Code, without prejudice to the causes for inelegibility and disqualification, as well as limits on simultaneous offices established in laws and regulations, appointments to Board may only be accepted after the appointees have determined that they are in a position to devote the time required to ensure the diligent performance of their tasks and duties as Board members, also in light of their professional activities, the number of directorships or auditorships they may hold within other corporations listed on regulated markets (including abroad) and in financial institutions, banks, insurance companies and large corporations, as well as their other professional activities (Article 5.2 of the Board Rules);
- ii) the Chairman of the Board of Directors shall ensure that documentation pertaining to items of business on the agenda is brought to the attention of the directors and statutory auditors in advance of the date of the Board meeting (Article 4.2 of the Board Rules). Specifically, should the said items pertain to routine business, the related documents, if available, must generally be forwarded at least two days prior to the scheduled date of the Board meeting, save in the case where this is not possible for reasons of confidentiality, with specific reference to "price sensitive" information. This provision was generally complied with, without prejudice to the fact that when, due to urgency or confidentiality reasons, this was not possible, the Chairman made sure that during the meeting for the discussion thereof, sufficient time was devoted to an in-depth analysis and related discussion;
- iii) even if management decisions have already been determined, guided or in any event influenced by a person or party exercising management and coordination powers in respect of the Company or by persons or parties acting pursuant to a shareholder agreement, each Board member shall be bound to exercise decision-making powers in total autonomy and independence, making decisions that are reasonably likely to result – as a priority objective – in the creation of value for shareholders, in the medium-to-long term (Article 7 of the Board Rules);
- iv) pursuant to paragraph 1.C.1, letter g), of the Code, with at least annual frequency, the Board of Directors shall express an opinion of the functioning of the Board of Directors and its committees, as well as their size and composition, also considering factors such as the professional characteristics, experience, including managerial experience, and nature of its members, as well as their length of service, and the adequacy and effectiveness of the provisions set forth in the Board of Directors' Rules (Article 10 thereof).

In compliance with said requirement, as well as the provisions introduced pursuant to Bank of Italy Circular Letter No. 285/2013 which provides, *inter alia*, that it is good practice for large or operationally complex banks (a category that includes all listed banks) to undergo, at least once every three years, self-evaluation in consultation with an outside professional vested with independence of judgement, the Board of Directors underwent the self-evaluation in question, in consultation with the firm acting as independent expert, Egon Zehnder, and in keeping with the service it received in the first months of 2016.

The aforesaid self-evaluation was undertaken in January and February 2017 and refers to financial year 2016.

The self-evaluation process was divided into the following phases:

- > a structured questionnaire, based both on the outcome of previous self-evaluation and the most significant events that involved the Board of Directors during the year, was filled out by each Director in office during the period of reference of the self-evaluation, as well as by the General Manager and the Chairman of the Board of Statutory Auditors;
- > confidential, one-on-one interview with each Director, the Chairman of the Board of Statutory Auditors and the General Manager, so as to acquire additional viewpoints on the functioning of the Board, using the answers to the questionnaire as the basis for the interview;

- > compilation of the data generated through the answers provided to the questionnaire by the Directors, the General Manager and the Chairman of the Board of Statutory Auditors and processing of the results in anonymous and aggregate form;
- > drawing up of a summary report based on the data acquired.

The specific issues assessed, included: size, structure and composition of the Board of Directors, independence, integration, training, meetings and decision-making processes, other meetings of Boards members, the role of the Chairman of the Board of Directors, relationships between Board members and Management, information, presentations, strategy, risks and related controls, structures, people, functioning and composition of the Board Committees, Board dynamics, summary and benchmarking.

The results of the Board Review were shared with the Board of Directors during the session held on 10 March 2017, after being examined by the Appointments Committee. The answers to the questionnaire and confidential interviews indicated a highly positive situation with regard to the qualitative and quantitative profile of the Board of Directors and its internal dynamics, in terms of relations with both the management and Board of Statutory Auditors, and additional progress was found to have been made in the areas of (i) the scope and international breadth of discussions within the Board of Directors, (ii) the sharing of information concerning talent quality, possible succession plans and management performance assessment, (iii) information about strategic plans and the main areas of development and dialogue with the market, (iv) the scheduling of Board agendas and appointments and (v) the full integration of the General Manager as privileged interlocutor of the Board.

In order to continue the progress towards optimal governance, in the case of Banca Generali's Board of Directors it was recommended that the frequency of informal meetings of the independent directors be increased, and a recommendation was also made concerning participation in discussion and debate within the Board. In particular, efforts will be made during the year to schedule informal meetings of the independent directors during which to examine in detail individual aspects of Banca Generali's strategy, as also compared to the market strategies of its direct competitors.

The Board meetings are held periodically and, in general once a month, in compliance with the statutory requirements and pursuant to a schedule of works defined on an annual basis. In 2016, Banca Generali's Board met 14 times. The meetings lasted about 1 hour and 59 minutes on average. In the year underway, a total of 11 Board meetings are scheduled; from the beginning of the year up until and including the date of this Report, two have been held.

The table in Annex 2 provides also information on the attendance of Directors at the Board meetings held in 2015. Absentee Directors provided justification for non-attendance.

In accordance with the Board Rules and to encourage the development of mechanisms for the flow of information amongst and within company bodies aimed at achieving management efficiency and control effectiveness, the information flows involving company bodies are regulated by a specific internal company circular letter, approved by the Board of Directors. The aforesaid circular letter lays down the timetable, procedures and contents of the information to be provided to the company bodies in question, and identifies the persons and parties bound to submit appropriately exhaustive reports on a periodic basis and/or upon request. The formal rules governing the structure of information flows (in particular towards the Board of Directors and Board of Statutory Auditors) officially establish the reports already in use at the bank, which are typically systematic and well organised in terms of form and content. These reports satisfy the need of providing a timely flow of information to the Board with regard to the exercise of delegated powers. They are revised on an ongoing basis as necessitated by legislation or operations. The preferred method for ensuring a flow of information towards Directors and Statutory Auditors is by making written documents available in a timely manner, especially reports, explanatory notes, memoranda, presentations, reports prepared by the bank's organisational units, other public and non-public documentation and accounting documentation intended for publication. The information reported through the procedures set forth above shall be supplemented (and where necessary for reasons of confidentiality, replaced) by oral explanations provided to the Chairman, the General Manager or members of the Bank's 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: (i) general business performance and foreseeable developments, with an indication of departures from previous forecasts; (ii) activities undertaken, with specific reference to transactions that could have a particularly significant impact on the company's balance sheet, income statement and/or cash flow, related and connected party transactions, and atypical, unusual or innovative transactions, and the risks associated with each of the above; (iii) the internal control and risk management system and the level of Bank's exposure to all significant types of risk; (iv) the performance of the products placed and the relevant returns; (v) the performance of lending activities; (vi) the performance of the bank's investing activities; and (vii) any and all other activities, transactions or events deemed worthy of the attention of the Board of Directors and the Board of Statutory Auditors. As an additional contribution to the promotion of methods for circulating information among the Corporate Bodies with the aim of achieving management efficiency and control effectiveness, at its first meeting of 2013, the Board adopted a computer application, whose objective is the secure distribution of digital documents to the members of Banca Generali Board of Directors and Committees, through iPad, tablet devices and PC platform. The application general features enable the exchange of documents without e-mails and printing on paper, ensuring maximum security and confidentiality of the documents on the Board's agenda. In fact, (i) all communications to and from devices are encrypted, (ii)

the authentication process involves the use of a numeric code as Personal Identification (PIN), (iii) all documents on the devices (iPad, tablet and/or PC) are encrypted and, (iv) the documents cannot be retrieved and consulted without the application and the security key (in case the device is lost or stolen).

In addition to the activities dealt with in the various chapters of this Report, in discharging its tasks pursuant to the Articles of Association and the supervisory regulations governing banking in Italy, the Board of Directors, also:

- a) periodically passed resolutions pertaining to the Company's organisational layout, with specific emphasis on corporate functions involved in providing services to the entire banking group headed by the Company;
- b) examined general business trends, on a quarterly basis, especially in light of information received from the General Manager, as well as carried out quarterly comparisons of results achieved against expectations and forecasts;
- c) determined, as proposed by the Remuneration Committee and after hearing the opinion of the Board of Statutory Auditors, the remuneration of the General Manager, the Directors serving on Board committees and other professional figures who can influence the risk profile of the Bank, as well as those responsible for control functions.

The meetings of the Board of Directors may be held by telephone or video conference and attended by the General Manager and the Deputy General Managers, each with respect to the items on the agenda falling within her/his remit and role. Whenever the Chairman sees fit to do so, including upon the request of one or more directors, the executives of the Company and those of companies belonging to the Group controlled by the Company who are in charge of company functions competent with respect to the subject matter concerned, shall participate in meetings of the Board of Directors in order to provide the appropriate further clarification regarding items on the agenda.

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

This integration is especially evident in:

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

As the Parent Company vested with the powers of management and coordination specified in the Civil Code, and developed in greater detail in Articles 59 *et seq.* of Legislative Decree No. 385/1993 and Title I, Chapter II, of Bank of Italy Circular Letter No. 285 of 17 December 2013, 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 provisions and monitor ongoing compliance with Bank of Italy instructions within all Group companies.

4.4 Delegated organs

No member of the Board of Directors may be considered an executive director, since a Chief Executive Officer has not been appointed to replace the late Piermarco Motta, and the non-independent Directors cannot serve at the parent company in an executive capacity that also extends to the Bank (more in detail. Giancarlo Fancel, Giovanni Luca Perin and Cristina Rustignoli hold executive posts at Generali Italia and Country Italy, to which Banca Generali does not belong as it is included in the Group's Chief Investment Officer structure).

Chief Executive Officer

Pursuant to Article 18, paragraph 6, of the Articles of Association, the Board may, within the limits imposed under law and the Articles of Association, delegate the powers not strictly reserved to its competence to one or more Chief Executive Officers, establishing the powers and term in office of the same.

Following the untimely passing of Chief Executive Officer Piermarco Motta on 26 March 2016, the Board of Directors resolved, on a transitional basis and with the Supervisory Authority's consent, not to appoint a Chief Executive Officer from among its members.

Chairman of the Board of Directors

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

In compliance with the aforesaid requirements of the Bank of Italy, the Regulations of the Board of Directors specifically govern 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.

Paolo Vagnone, who was appointed Chairman of the Board of Directors by the Shareholders' Meeting of 23 April 2015, resigned from this position and the position of Director in June 2016.

Therefore, in addition to the powers granted by law and the Articles of Association, on 23 June 2016 the Board resolved to appoint Giancarlo Fancel Chairman of the Board of Directors and vest the same 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 General Manager, monitor business operations and compliance with strategic policy guidelines, as follows:

1. monitoring the Company's operations performance and laying down management policies;
2. establishing general guidelines for dealing with corporate affairs;
3. coordinating the smooth functioning of the Board of Directors and the General Shareholders' Meeting, by promoting internal dialogue and ensuring the balance of powers and circulation of information;
4. overseeing relations with public bodies and shareholders, and managing the Company's public relations in general;
5. liaising with any and all public administration bodies, the Bank of Italy, the Italian market regulator Consob, as well as any and all national and international entities and organisations,
6. coordinating the Company's communication strategies, managing the company's public image and relations with the press or other media, in accordance with the guidelines provided by the Board of Directors and in line with the company's strategic plan and the Group policies on this matter;
7. concretely implementing the provisions of subparagraphs (l) and (p) of Article 18 of the Articles of Association.

Moreover, under Article 18, paragraph 9, of the Articles of Association, the Chairman of the Board is vested, in the event of exceptional emergency and with respect to matters falling outside the scope of the delegated powers in force, with taking decisions falling within the purview of the Board of Directors, except for decisions that cannot be delegated under imperative statutory provisions. The Board will be informed of such decisions at the next Board meeting.

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.

Report to the Board

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

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

4.5 Other Executive Directors

No member of the Board of Directors may be considered an executive director, since a Chief Executive Director has not been appointed and the non-independent Directors cannot serve at the parent in an executive capacity that also extends to the Bank.

4.6 Independent and non-executive Directors

Considering that Banca Generali is subject to management and coordination by another Italian company with shares listed in regulated markets, the Board of Directors consists of a majority of independent directors, pursuant to the provisions of Article 37, paragraph 1, letter d), of the Regulation adopted by Consob in Resolution No. 16191 of 29 October 2007, as amended.

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

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

In accordance with the provisions of paragraph 2.C.1 of the Code, for the intents and purposes of the Board Rules, executive directors are defined to include:

- 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.

Within the meaning of the definitions set forth above, the Company's Board at 31 December 2016 was made up of nine non-executive directors. The said situation still prevails to date.

In compliance with the recommendations set forth in the Code, the number and acknowledged expertise of the Company's non-executive Directors lend their opinions decisive weight in the Board's decision-making process.

Non-executive Directors help ensure that Board resolutions are always in keeping with the interests of the Company. By contributing their specialist know-how, non-executive Directors help ensure that Board members are in a position to make informed decisions reached after due reflection. The Board Rules require that non-executive Directors meet at least once a year without the other Directors.

Since the Board consists entirely of non-executive directors, it was not deemed necessary to schedule an additional meeting of the non-executive directors, in addition to the already planned sessions of the Board.

The Company's Board of Directors includes five Non-executive Directors, who also qualify as Independent Directors within the meaning of not only Article 37, paragraph 1 (d), of the Rules adopted pursuant to Consob Resolution No. 16191 of 29 October 2007, under which independent directors are barred from serving as directors of the company or entity exercising management or coordination over the undertaking they serve as independent directors, or of any listed undertaking controlled by the aforesaid company or entity, but also of the Corporate Governance Code (paragraph 3.C.1) as well as the definition provided by Consob in Notice No. DEM/10078683 of 24 September 2010, which provides that the independence requirements imposed under the said Code, are to be deemed equivalent to those imposed under article 148, paragraph 3, of Legislative Decree No. 58/1998. These independence requirements are also entrenched in article 13 of the Board Rules under which a director may not normally be considered independent in the following cases (although provision is made for departures):

- a) directly or indirectly, including through subsidiaries, trust companies and third party intermediaries, controls the Company or is in a position as to exert a significant influence over the same, or is party to a shareholder agreement under which one or more parties are afforded control of or a significant influence over the Company;
- b) is, or has been in the preceding three financial years, a key executive of the Company or a strategic subsidiary thereof, or a company subjected to common control with the Company, or a company or body that, even together with others on the basis of a shareholder agreement, controls the Company or is in a position as to exert a significant influence over the same;
- c) directly or indirectly (for instance through subsidiaries or companies in which he serves as a key executive, or professional partnerships or consultancy firms in which he is a partner) maintained in the previous year or currently maintains significant commercial, financial or professional relationships with: (i) the Company, or one of its subsidiaries or one of its key executives; (ii) a person or party that, including together with others on the basis of a shareholder agreement, controls the company, or – in the case where the said party is a body corporate or legal entity – with the key executives thereof; or is or was an employee of the aforesaid persons or parties, during the current or previous three financial years;
- d) currently receives or received in the previous three financial years, from the Company or a subsidiary or corporate parent thereof, significant remuneration in addition to the 'fixed' emoluments due to Non-executive Directors of the Company, including as part of stock option or other plans linked to corporate performance;

- e) has been a Director of the Company for more than nine years during the past twelve years;
- f) is an Executive Director in another company in which an Executive Director of the Company also holds a directorship;
- g) is a shareholder or Director of a company or entity belonging to the network of the company or firm appointed as the Company's Independent Auditors;
- h) is a close family member of a person in one of the situations described above.

For the intents and purposes of the above, the "key executives" of a corporation or entity shall include: the Chairman of the entity, or the Chairman of its Board of Directors, as well as the entity's legal representatives, executive directors, managers and executives with strategic responsibilities.

The Board Rules (Article 14), pursuant to the Code (paragraph 3.C.6), require the Company's Independent Directors to meet at least once a year, without the presence of other Directors.

In compliance with the said requirement, Banca Generali's Independent Directors met separately on 9 March 2017 to discuss the following matters:

1. appropriateness of the number of Independent Directors;
2. contribution of independent Directors to the Board's meetings.

In light of Article 3.C.4 of the Code, the Board Rules require the Board to examine, at the time of the appointment of any independent directors and, in accordance with the policies and procedures set forth in the same Board Rules, any and all the information and declarations submitted by appointee independent directors, or otherwise acquired by the Board, with a view to ensuring that the requirements for independence have been fully met, and to further check, on a yearly basis, that the said independent directors continue to qualify as such.

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

The Board Rules also require the Chairman to ensure that the Board of Statutory Auditors is placed in a position to independently verify the outcome of the aforesaid checks, as recommended in Article 3.C.5 of the Code.

In compliance with the above-mentioned provisions, on 10 February 2017, the Board carried out the scheduled annual assessment of satisfaction of the requirements of independence and found that the Directors Giovanni Brugnoli, Anna Gervasoni, Massimo Lapucci, Annalisa Pescatori and Vittorio Emanuele Terzi qualified as Independent Directors within the meaning of Articles 147-ter, paragraph 4, and 148, paragraph 3, of Legislative Decree 58/1998, as well as in light of the requirements set forth the Application Criteria of Article 3 of the Code, and pursuant to article 37, paragraph 1, subparagraph (d) of Regulation No. 16191 adopted by Consob on 29 October 2007, as further amended and extended. The Board of Directors announced the outcome of its assessment in a press release.

On 10 February 2017, the Board of Statutory Auditors, after examining the documentation provided, confirmed the results of the checks performed by the Board and determined that the criteria and procedures used to evaluate the independence of the independent Directors had been correctly applied.

4.7 Lead Independent Director

The Company has not appointed a lead independent director within the meaning of Article 2.C.3 of the Corporate Governance Code. This choice is considered appropriate to the Company as the Chairman of the Board of Directors, Giancarlo Fancel, is CFO of Generali Italia S.p.A. and of Country Italy.

This is because the Company deems that Giancarlo Fancel's role within Generali Italia S.p.A. does not entail potential conflict of interest or unchecked concentration of corporate decision-making powers. As a matter of fact, within Banca Generali, Giancarlo Fancel is devoid of any responsibility whatsoever in respect of business operations and corporate management, and is tasked only with overseeing and monitoring the implementation, by the Board of Directors, of the resolutions passed by the Shareholders' Meeting, and compliance by delegated corporate officers and organs with the provisions of Board resolutions.

Giancarlo Fancel, therefore, serves as an observer, monitor and supervisor tasked primarily with ensuring that Company management scrupulously complies with strategic corporate guidelines and policy.

5. HANDLING OF CORPORATE INFORMATION

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

Pursuant to the above, and to Articles 114 and 115-bis of TUF, as well as Articles 65-duodecies et seqq. and 152-bis et seqq. of Consob Regulation (the "Rules on Issuers"), on 18 July 2006, the Board of Directors, upon request of the Chief Executive Officer, approved the rules of conduct to be followed in the management and public disclosure of inside in-

formation (the “Code on Inside Information”), most recently amended by Board of Directors’ resolution dated 23 June 2016.

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

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

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

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

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

Inside Information means information

- a) which has a precise nature, that is to say:
 - i) which refers to a series of existing circumstances, or circumstances that it may reasonably be believed will occur, or to an event that has occurred or that may reasonably be believed will occur;
 - ii) which is specific enough to enable a conclusion to be drawn as to the possible effect of said set of circumstances or said event on the prices of Financial Instruments or of the related derivative financial instrument;
- b) which has not been made public;
- c) which relates directly or indirectly to Banca Generali or its subsidiaries; and
- d) which, if it were made public, would be likely to have a significant effect on the prices of the Financial Instruments (as defined below) of Banca Generali or on the prices of the related derivative financial instruments, i.e., information a reasonable investor would be likely to use as a decision-making factor for investments.

The 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 the handling of the confidential information of which they may become aware in performing the duties relating to their positions, company officers and informed individuals are required to maintain the utmost confidentiality and take every precaution to ensure that such information is circulated within the company without jeopardising the confidential nature of the information, until it is disclosed to the market according to the provisions of the Code for Handling Inside Information.

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 General Manager, 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 Communications function.

The Board of Directors has assigned the Investor Relator the task of preparing the press release drafts concerning inside information on the Company or its Subsidiaries, and to the Communications and External Relations Manager the task of liaising with the media. The Corporate Affairs Service is responsible for fulfilling market disclosure obligations and issuing the press releases pertaining to inside information approved by the Company CEO, in the manner provided for by the Rules for Issuers, the Market Rules of Borsa Italiana and the Instructions accompanying the Market Rules, as well as the Code on Inside Information, regarding the issuing of press releases disclosing Inside Information, approved by the Company’s General Manager.

Only persons specifically authorised for such purpose by the Chairman of the Board of Directors of Banca Generali (or in the case of the absence or unavailability thereof, the General Manager) may meet with market operators in Italy and abroad.

The Company has also set up the Register of Insiders, within the meaning of Article 115-bis of TUF, establishing procedures for the maintenance of the said Register and appointing the General Counsel to maintain and update the same.

Internal Dealing

In accordance with the provisions of Article 114, paragraph 7 of TUF, as well as Articles 152-*sexies et seqq.* 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”), as most recently amended by Board resolution of 13 September 2016.

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 of 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 defines as Significant Transactions those transactions involving Shares or Financial Instruments Linked to Shares of Banca Generali, undertaken on own account, including through an intermediary, by Relevant Persons or Persons Closely Tied to Relevant Persons. Such transactions include:

- a) purchase, sale, short sale, subscription and exchange;
- b) acceptance or exercise of an option, including an option granted to Relevant Persons as part of the remuneration to which they are entitled, and the sale of shares deriving from the exercise of an option;
- c) use of swap contracts involving equity indices or the exercise of such contracts;
- d) transactions in derivatives instruments or related instruments, including cash-settled transactions;
- e) participation in contracts for difference involving a financial instrument of the Company;
- f) purchase, sale or exercise of rights, including put options, call options and warrants;
- g) subscription for a capital increase or issuance of debt instruments;
- h) transactions in derivative instruments and financial instruments connected to a debt instrument of the Company, including credit default swaps;
- i) conditional transactions contingent on the satisfaction of conditions and the actual execution of transactions;
- j) automatic or non-automatic conversion of a financial instrument into another financial instrument, including the exchange of bonds convertible into shares;
- k) donations and gifts given and received and inheritances received;
- l) transactions in indexed products, baskets and derivative instruments, where so provided in Article 19 of Regulation (EU) No. 596/2014;
- m) transactions in shares or units of investment funds, including the alternative investment funds (AIFs) set out in Article 1 of Directive 2011/61/EU, where so provided in Article 19 of Regulation (EU) No. 596/2014;
- n) transactions undertaken by a manager of an AIF in which the Relevant Person or a close associate of the Relevant Person has invested, where so provided in Article 19 of Regulation (EU) No. 596/2014;
- o) transactions undertaken by third parties as part of a collective or individual portfolio management arrangement on account or on behalf of a Relevant Person or a close associate of a Relevant Person;
- p) borrowing or lending of units or debt instruments of the issuer or derivative instruments or financial instruments connected to derivative instruments.

The following transactions shall not however be deemed to be Significant Transactions:

- i) transactions that collectively do not exceed 5,000.00 (five thousand) euros in a calendar year, where such significance threshold is calculated by taking account of all transactions involving the Shares and Financial Instruments linked to the Shares carried out on behalf of each Relevant Person and those carried out by Persons closely associated with Relevant Persons during the calendar year, commencing on the date of the last transaction undertaken. In the case of exchange, the consideration of the transaction shall be deemed to be the estimated value of the exchanged financial instruments. For Derivative Financial Instruments linked to the Shares, the amount shall be computed with reference to the underlying shares;
- ii) transactions effected by the Company and its subsidiaries;
- iii) transactions effected by a lending institution or an investment company, provided that they are part of the creation of a trading portfolio of such institution or company, as defined by Article 3 of Directive 2013/36/UE, and provided that the same party: (i) keeps its trading and market-making units separate from its treasury and units responsible for managing strategic equity investments from an organisational standpoint; (ii) is able to identify the shares held for trading and/or market-making, in a manner that may be subject to review by Consob, i.e., by holding such shares in a specific separate account; and, where it operates as market maker, (iii) is authorised by its home Member State pursuant to Directive 2004/39/EC to conduct market-making activity; (iv) provides Consob the market-making agreements with the market management company and/or the issuer as required by the law and associated implementing provisions in force in the EU Member State in which the market maker conducts its activity; and (v) notifies Consob that it intends to conduct or conducts market-making activity on the shares of an issuer of listed shares; the market maker shall also notify Consob without delay of the cessation of market-making activity on those same shares.

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

The Internal Dealing Code restricts the performance of Relevant Transactions (as defined therein) in the 30 days prior to the dates of sessions of the Board of Directors during which (i) the Board reviews the separate or consolidated financial statements of the companies, the condensed half-yearly financial statements or an interim financial report that the company is required to publish in accordance with Borsa Italiana or Italian national rules; (ii) distributed of a

dividend is proposed. The reporting obligations imposed under the Internal Dealing Code shall apply even in the case of exercise of stock options by Relevant Persons, if the Shares acquired through the exercise of option rights are re-sold on the market. The date of the transaction shall be deemed to be the date of the sale of the shares on the market, and not the date on which the shares were acquired by the Company through the exercise of option rights. 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.

The Board of Directors has appointed the General Counsel as the person responsible for implementing the provisions of the Code.

6. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS (pursuant to Article 123-bis, paragraph 2, letter d), of TUF)

The Bank of Italy Circular Letter No. 285/2013 dated 17 December 2013 and the Code set forth a recommendation for listed companies to set up certain Committees within their Boards of Directors, to be assigned responsibility for certain specific matters.

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

In particular, the above-mentioned provisions recommend the setting up of an Internal Audit and Risk Committee, a Remuneration Committee and a Nomination Committee.

In accordance with the above, the Board of Directors set up the Internal Audit and Risk Committee, the Remuneration Committee and the Nomination Committee, requiring the aforesaid Committees to be made up entirely of Non-executive Independent Directors.

7. NOMINATION COMMITTEE

In accordance with principle 5.P.1. of the Corporate Governance Code and pursuant to the "Supervisory Instructions for Banks" set forth in Bank of Italy Circular Letter No. 285/2013, the Board of Directors set up the Nomination Committee and vested the latter with the tasks specified in the Code and the supervisory instructions, as described in greater detail below.

The Nomination Committee is tasked with assisting the Board of Directors during the course of the procedure through which the Company appoints its officers.

The current Nomination Committee was appointed by the Board of Directors on 23 April 2015, and is made up as follows:

NAME AND SURNAME	OFFICE HELD (AS OF 10 MARCH 2017)
Massimo Lapucci	Committee Chairman Non-executive, Independent Director
Giovanni Brugnoli	Committee member Non-executive, Independent Director
Vittorio Emanuele Terzi	Committee member Non-executive, Independent Director

Board Secretary Domenica Lista serves as Committee secretary.

All three Committee members are Non-executive, Independent Directors.

The Committee is vested with a consultative and recommendatory role towards the Board of Directors on matters pertaining appointments. More specifically, the Nomination Committee is entrusted with the following tasks:

- > assisting the Board of Directors in determining the latter's own optimal membership in terms of number and professional skill set, ahead of the appointment or co-option of Board members. Within the aforesaid context, the Nomination Committee (i) submits to the Board of Directors opinions regarding the size and composition of the Board itself; (ii) provides recommendations on the appropriate professional skills to be represented on the Board of Directors; (iii) provides recommendations on the maximum number of concurrent directorships or auditorships in other corporations listed on regulated markets (including abroad), or in banking, financial, insurance or large companies, that may be considered compatible with effectively serving as a director of the issuer, taking due account of membership of various Board Committees and drawing distinctions on the basis of the commitment required to discharge the duties attendant to each appointment; (iv) proposes potential candidates for Board of Directors' membership in cases of co-option for the replacement of independent directors;
- > assisting the Board of Directors in subsequently evaluating whether or not the optimal membership of the Board of Directors, in terms of number and professional skill set, is reflected in the actual composition of the said Board upon conclusion of the appointments procedure;
- > formulating opinions to the Board of Directors on resolutions concerning the replacement of members of the committees within the Board, which may become necessary during the Committee's term of office;

- > assisting in the Board of Directors in conducting self-assessments;
- > assisting the Board of Directors in verifying satisfaction of the conditions imposed under Article 26 of Legislative Decree No. 385/1993;
- > assisting the Board of Directors in preparing succession plans for top managers;
- > assisting the Audit and Risk Committee in selecting candidates for appointment to head of the corporate functions tasked with internal control;
- > expressing opinions on the proposed appointments of corporate officers at the Banking Group companies;
- > expressing opinions concerning the acceptance by directors and officers of positions or functions at companies outside the Banca Generali Banking Group.

The operating procedures of Nomination Committee are set forth in the Nomination Committee Rules approved by the Board of Directors.

In addition to Committee members, Committee meetings must be attended by the Chairman of the Board of Statutory Auditors or another Auditor delegated with such task, it being understood that the other members of the Board of Statutory Auditors may also attend. The General Manager shall also attend Committee meetings, but may not be present during discussions of any matters pertaining to himself.

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

Committee members are appointed for a period that is coterminous with the term of the Board of Directors, and are entitled to annual remuneration as well as an attendance fee.

The Nomination Committee met fourteen times in 2016. The meetings lasted about 1 hour, on average. Three Committee meetings have been scheduled in the year underway, and to date, two have been held.

The Committee's main activities in 2016 are listed below.

- > At its meeting of 28 January 2016, the Committee examined the following issue:
 - i) support for the Board of Directors with regard to the review of the legal requirements applicable to Alternate Auditor Anna Bruno;
- > At its meeting of 3 February 2016, the Committee examined the following issues:
 - i) support for the Board of Directors with regard to the review of the independence requirements applicable to the Directors;
 - ii) identification of the overall growth process of the profiles of the replacements designated within the Succession Plan;
- > At its meeting of 9 March 2016, the Committee examined the following issues:
 - i) submission of the self-assessment document of the Board of Directors;
 - ii) reflections concerning the appointment of the General Manager;
- > At its meeting of 23 March 2016, the Committee examined the following issue:
 - i) opinion on the appointment of the General Manager;
- > At its meeting of 31 March 2016, the Committee examined the following issues:
 - i) reflections concerning the Bank's governance;
 - ii) proposal to confirm the current members of the Board of Directors of the subsidiary BG Fund Management Luxembourg;
- > At its meeting of 4 April 2016, the Committee examined the following issue:
 - i) reflections concerning the Bank's governance;
- > At its meeting of 15 April 2016, the Committee examined the following issues:
 - i) opinion concerning the proposal for the Bank's new governance;
 - ii) opinion concerning the report on the ideal qualitative and quantitative composition of the Board of Directors in respect of the passing of resolutions pursuant to Article 2386 of the Italian Civil Code and Article 15, paragraph 14, of the Articles of Association and opinion concerning the designated candidate;
 - iii) support for the Board of Directors concerning the review of satisfaction of the legal requirements applicable to the General Manager;
 - iv) opinion on the designation of a company representative at a Subsidiary;
- > At its meeting of 9 May 2016, the Committee examined the following issues:
 - i) support for the Board of Directors concerning the review of legal requirements applicable to newly appointed company officers;
 - ii) support for the Board of Directors concerning the review of the satisfaction of the ideal qualitative and quantitative requirements of the Board of Directors following the resolution passed pursuant to Article 2386 of the Italian Civil Code;
- > At its meeting of 16 June 2016, the Committee examined the following issues:
 - i) opinion concerning the ideal qualitative and quantitative composition of the Board of Directors in respect of the passing of resolutions pursuant to Article 2386 of the Italian Civil Code and Article 15, paragraph 14, of the Articles of Association and opinion on the designated candidates;
 - ii) review of the proposed revision of the organisational structure;
 - iii) opinion concerning the proposal to appoint Vice General Managers;
 - iv) support for the Board of Directors with regard to the absence of situations of incompatibility involving company officers;
- > At its meeting of 23 June 2016, the Committee examined the following issue:
 - i) support for the Board of Directors concerning the review of legal requirements applicable to newly appointed company officers;

- > At its meeting of 6 July 2016, the Committee examined the following issue:
 - i) opinion concerning the engagement of an officer of a company not part of the Banca Generali Banking Group;
- > At its meeting of 22 July 2016, the Committee examined the following issues:
 - i) support for the Board of Directors concerning the review of the satisfaction of the ideal qualitative and quantitative requirements of the Board of Directors following the resolution passed pursuant to Article 2386 of the Italian Civil Code;
 - ii) support for the Board of Directors regarding the identification of the new CFO;
 - iii) opinion concerning the appointment of several offices of the company to the Board of Directors of the new company BG Alternative Sicav;
 - iv) proposal for the appointment of a Vice Deputy General Manager;
 - v) opinion on the appointment of an officer of the Company to a Company not part of the Banca Generali Banking Group;
 - vi) support for the identification of a new Head of the Anti Money Laundering Service;
- > At its meeting of 7 November 2016, the Committee examined the following issue:
 - i) identification of a new Head of the Anti Money Laundering Service;
- > At its meeting of 13 December 2016, the Committee examined the following issues:
 - i) support for the Board of Directors with defining succession plans for top managers;
 - ii) support for the Board of Directors with the self-assessment process.

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

All members of the Committee attended eleven of the 14 meetings held in 2016.

The table in Annex 2 hereto provides the percentage of Committee meetings attended by each Committee member.

The Nomination Committee is entitled to unhindered access to any and all the corporate information and functions it may deem necessary for the proper discharge of its assigned tasks, and to avail of the services of outside consultants. A provision of 75,000 euros has been budgeted for use by the Committee to discharge its duties during the current year.

8. REMUNERATION COMMITTEE

In accordance with principle 6.P.3. of the Corporate Governance Code and pursuant to the “Supervisory Instructions for Banks” set forth in Bank of Italy Circular Letter No. 285/2013, the Board of Directors set up the Remuneration Committee and vested the latter with the tasks specified in the Code and the supervisory instructions, as described in greater detail below.

The Remuneration Committee is tasked with assisting the Board of Directors during the course of the procedure through which the Company determines the remuneration of its top managers who are considered as Key Personnel employed by the Company and the heads of its internal control functions.

The current Remuneration Committee was appointed by the Board of Directors on 23 April 2015, and is made up as follows:

NAME AND SURNAME	OFFICE HELD (AS OF 10 MARCH 2017)
Giovanni Brugnoli	Committee Chairman Non-executive, Independent Director
Anna Gervasoni	Committee member Non-executive, Independent Director
Annalisa Pescatori	Committee member Non-executive, Independent Director

Board Secretary Domenica Lista serves as Committee secretary.

All three Committee members are Non-executive, Independent Directors. At the time of making the appointment, the Board found Anna Gervasoni’s experience in the financial field, adequate, and Giovanni Brugnoli’s professional experience adequate in both the financial field and in the area of remuneration policies.

The Committee is vested with a consultative and recommendatory role towards the Board of Directors on matters pertaining remuneration. More specifically, the Remuneration Committee is tasked with:

1. submitting to the Board of Directors non-binding opinions and recommendations on the remuneration of the Chairman of the Board of Directors, the Chief Executive Officer and General Manager, and any and all other executive Directors, and expressing an opinion on the setting of the performance targets to which the variable remuneration component, if any, is linked;
2. (ii) expressing to the Board of Directors – in accordance with applicable laws and regulations in force from time to time as well as the provisions of the Company’s Remuneration and Incentivisation Policy – non-binding opinions and recommendations in respect of the remuneration of employees whose compensation and incentives are established by the Board of Directors, whilst also providing the latter with opinions on the setting of the performance targets to which the variable remuneration component is linked;
3. providing advice on the determination of the criteria applied to establish the remuneration key personnel, as identified in the Company’s Remuneration and Incentivisation Policy;

4. periodically assessing the appropriateness, overall cohesion and concrete implementation of the remuneration policy regulating the compensation of directors, key management personnel and all the other staff members whose compensation and incentives are established by the Board of Directors, in accordance with applicable laws and regulations from time to time into force, as well as the provisions of the Company's Remuneration and Incentivisation Policy. In such respect, it may also avail of information provided by the General Manager, and submits recommendations to the Board of Directors;
5. monitoring the implementation of Board decisions, putting forward general recommendations on related matters to the Board of Directors;
6. directly monitoring the proper application of rules regulating the remuneration of the heads of internal control functions, in close collaboration with the Body entrusted with internal control functions;
7. submitting opinions on the determination of severance indemnities in the event of termination of employment or termination in office ahead of the scheduled expiry of the term of appointment (so-called golden parachutes); assessing the effects of termination of the rights assigned under incentivisation plans based on financial instruments;
8. expressing opinions, taking due account, *inter alia*, of information received from the relevant corporate departments, on the achievement of the performance targets to which incentivisation plans are linked, as well as on the other terms and conditions imposed on incentives;
9. expressing non-binding opinions and proposals for any stock options plans and shares allotment or other share-based incentive systems also suggesting the objectives associated with the provision of such benefits and the criteria for assessing the achievement of those objectives; monitoring the evolution and application in time of any plans approved by the General Shareholders' Meeting on a proposal from the Board;
10. submitting an opinion to the Board of Directors of the Parent Company in respect of proposals pertaining to the remuneration of Directors vested with specific responsibilities at strategic subsidiaries within the meaning of article 2389 of the Civil Code, as well as the general managers and key management personnel of those companies;
11. overseeing the preparation of the documents to be submitted to the Board of Directors in connection with corporate decisions;
12. providing adequate reports on its activities to the Company's bodies, as well as the General Shareholders' Meeting, sufficiently ahead of meetings scheduled for addressing matters forming the subject-matter of the said reports;
13. ensuring it is represented at the General Shareholders' Meeting through its Chairman or a Committee member;
14. liaising with all relevant corporate functions and operating structures in designing and monitoring remuneration and incentivisation policies and practices;
15. collaborating with the other Board committees, especially the Audit and Risk Committee in charge of verifying that the incentives offered under the remuneration system take due account of the risks, capital and liquidity;
16. carrying out any and all other tasks and duties entrusted to the Committee by the Board of Directors through specific resolutions.

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

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

In addition to Committee members, Committee meetings must be attended by the Chairman of the Board of Statutory Auditors or another Auditor delegated with such task, it being understood that the other members of the Board of Statutory Auditors may also attend. Committee meetings are attended by the General Manager (unless motions are dealt with in the meeting concerning the General Manager's remuneration).

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

Directors do not take part in Committee meetings at which recommendations in respect of their own compensation are drawn up for submission to the Board of Directors.

Committee members are appointed for a period that is coterminous with the term of the Board of Directors, and are entitled to annual remuneration as well as an attendance fee.

In 2016, the Remuneration Committee met seven times. The meetings lasted about 1 hour on average. A total of six Committee meetings have been scheduled for the year underway, two of which has already been held as at the date hereof.

The Committee's main activities in 2016 are listed below.

- > At its meeting of 9 February 2016, the Committee examined the following issues:
 - i) report on the self-assessment of the remuneration and incentivisation system;
 - ii) motion to raise the ratio between the variable and fixed components of remuneration to 2:1 for some managers.
- > At its meeting of 9 March 2016, the Committee examined the following issue:
 - i) conditions of severance of the employment of a Manager of the Bank;
- > At its meeting of 23 March 2016, the Committee examined the following issues:
 - i) opinion on the determination of the remuneration of the General Manager to be appointed;
 - ii) verification of the achievement of the access gate requirements and the objectives set forth by the MBO system for 2015 assigned to the CEO/General Manager, Joint General Managers – Commercial Area, Central Mana-

- gers, other Key Personnel and Heads of the control functions, and consequent definition of the related variable remuneration;
- iii) verification of the achievement of the objectives at the end of the Long Term Incentive Plan for the period 2013-2015;
 - iv) verification of the achievement of the objectives in second year of the Long Term Incentive Plan for the period 2014-2016;
 - v) verification of the achievement of the objectives in first year of the Long Term Incentive Plan for the period 2015-2017;
 - vi) Remuneration Report: Banking Group's Remuneration and Incentivisation Policies and Report on the Application of Remuneration and Incentivisation Policies in 2015;
 - vii) determination of the Bonus Pool;
 - viii) determination of the number of own shares to be purchased in service of remuneration and incentive policies;
- > At its meeting of 19 April 2016, the Committee examined the following issues:
 - i) definition of the objective scorecard for the variable component of the General Manager's remuneration;
 - ii) survey of the remuneration package for Central Managers and definition of objective scorecards for the variable component of their remuneration;
 - iii) survey of the remuneration of heads of control functions and definition of the lists of objectives underlying the variable components of their remuneration;
 - iv) survey of the remuneration of other managers, including key managers, and definition of their respective objective scorecards for the variable component of their remuneration;
 - > At its meeting of 21 June 2016, the Committee examined the following issues:
 - i) definition of the objective scorecard for the variable component of the General Manager's remuneration;
 - ii) survey of the remuneration package for Central Managers and definition of objective scorecards for the variable component of their remuneration;
 - iii) survey of the remuneration of heads of control functions and definition of the objectives scorecards underlying the variable components of their remuneration;
 - iv) survey of the remuneration of other managers, including key managers, and definition of their respective objective scorecards for the variable component of their remuneration;
 - v) opinion on the motion regarding the remuneration of the Chairman of the Board of Directors;
 - vi) determination of the results of the BSC 2016 assigned to Ms Rustignoli for the first half of the year;
 - > At its meeting of 26 July 2016, the Committee examined the following issues:
 - i) proposal for the hiring of managers;
 - ii) definition of the objectives and gates for Assicurazioni Generali's Long-Term Incentive Plan and approval of the terms of the plan;
 - iii) review of the BSC of several key executives following the reorganisation of the Bank's governance;
 - > At its meeting of 13 December 2016, the Committee examined the following issue:
 - i) redefinition of the remuneration package of a manager.

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

All the meetings held in 2016 were attended by all the Committee's members.

The table in Annex 2 hereto provides the percentage of Committee meetings attended by each Committee member.

The Remuneration Committee is entitled to unhindered access to any and all the corporate information and functions it may deem necessary for the proper discharge of its assigned tasks, and to avail of the services of outside consultants. A provision of 75,000 euros has been budgeted for use by the Committee to discharge its duties during the current year.

9. DIRECTORS' REMUNERATION

With regard to remuneration, the Company is subject to the provisions of Bank of Italy Circular Letter No. 285. With such provision, the Supervisory Body also requires banking sector operators to adopt and implement compensation mechanisms that are in line with risk-management policies and long-term strategies. Towards such end, the regulations provide that, in addition to establishing the remuneration of the members of the corporate organs, the Ordinary Shareholders' Meeting shall also approve the remuneration and incentive policies applicable to personnel with functions of strategic oversight, management and control, as well as to other personnel; the remuneration plans based on financial instruments (e.g. stock option plans); the criteria for defining the remuneration to be allocated in case of early termination in a post, including limits imposed on such compensation in terms of years of fixed remuneration and the maximum amount resulting from their application.

The aforementioned regulations set forth specific principles and requirements that banks must comply with so as to ensure that: remuneration systems are properly designed and implemented; potential conflicts of interest are effectively managed; the remuneration system takes due account of current and prospective risks, the degree of capitalisation, as well as liquidity levels of each intermediary; transparency towards the market is maximised; and oversight by regulatory authorities is reinforced.

The objective of the regulations is to promote – in the interest of all stakeholders – the implementation of remuneration systems that are in line with long-term corporate values, objectives and strategies, linked to corporate performance but appropriately adjusted to reflect all risks, commensurate with the capital and liquidity levels required to cover ongoing

business operations, and in any event, designed to avoid distorted incentives that could lead to regulatory violations and excessive risk-taking by individual banks and within the system as a whole.

Moreover, the Company is subject to the provisions set forth in Article 123-ter of TUF, under which a special Remuneration Report – whose content is described in detail in Annex 3 of the Rules for Issuers – must be approved by the Board of Directors and submitted to the non-binding resolution of the General Shareholders' Meeting called to approve the Financial Statements.

The above framework is further completed by the recommendations laid down by the Corporate Governance Code for listed companies, adopted by Banca Generali, which incorporates the main aspects of the recommendations issued by the European authorities on the process for determining the remuneration policies and their content.

Therefore, the Shareholders' Meeting of 21 April 2016 acknowledged the disclosure on the implementation in 2015 of the remuneration and incentivisation policy approved by the General Shareholders' Meeting on 23 April 2015 and approved the new remuneration and incentivisation policy of the Company and the Group. In this regard, it should be mentioned that in implementing its remuneration policies, Banca Generali aims at ensuring the greatest possible convergence of the interests of the banking group's shareholders and management, especially by focusing on careful corporate risk management and commitment to long-term strategies. Banca Generali believes that a well-balanced system of remuneration and incentivisation for the bank's Directors and Top Management is key to boosting competitiveness and ensuring corporate governance. Moreover, remuneration, especially with regards to key personnel, is useful in terms of attracting and retaining people with the talent and skills best suited to the Company's needs.

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.

The fixed components of the remuneration 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 Top Management. 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.

A system for the deferral of the disbursement of variable remuneration was introduced for the Generali Banking Group's key management personnel and main network managers who earn a bonus in excess of 75,000 euros.

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, including Financial Advisors.

The remuneration patterns of high-level executives and managers are monitored applying the methods most used on the market of reference. This weighting system enables effective mechanisms to be adopted for monitoring the remuneration dynamics.

It must, moreover, be pointed out that under its Remuneration and Incentivisation Policy, Banca Generali envisages appropriate malus and claw back clauses, in the event of material errors in determining the values.

Information regarding the remuneration received by Board members and the General Manager during the year is contained in Banca Generali's Remuneration and Incentivisation Policy, under the section focusing on the application of the said policy in 2016.

Information regarding the cumulative remuneration received during the year by key management personnel as well as further details pertaining to the Company's remuneration policy, will similarly be provided in Banca Generali's Remuneration and Incentivisation Policy, which will be published pursuant to Article 123-ter of TUF. However, it should be mentioned that in any case the objectives set for the persons in charge of control functions, including the HR Director and the Manager in charge of the Company's financial reports – in accordance with the above-mentioned Bank of Italy's Regulations – are consistent with the tasks assigned to each of them and are not linked to economic results of the Company or the Group.

Pursuant to the criteria described in Article 6.C.4 of the Code, the remuneration due to non-executive directors is not linked to the Issuer's financial performance. Non-executive directors may not benefit from any share-based remuneration plan, and are consequently remunerated solely on the basis of the fixed compensation established by the General Shareholders' Meeting.

In order to motivate key management personnel and the distribution network to pursue strategic results for the Company, on 24 May 2006 Banca Generali 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 – MTA (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.

On 21 April 2010, the Shareholders' Meeting approved a broad-ranging retention programme, which comprised two Stock Option Plans targeted at (a) Financial Advisors and Private Bankers, as well as (b) Relationship Managers employed in Banca Generali.

This initiative had 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 retaining 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 Plans 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 called for the granting of a total maximum of 2,500,000 option rights 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).

In this regard, options were to be granted in a single instalment to the optionees identified as included in one of the above-mentioned categories by the relevant Plan Management Committee. The grant was conditional upon the achievement of both consolidated Group objectives and individual objectives for the development of net inflows in the reference period.

Pursuant to the applicable Rules, in 2011 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.

The options are exercisable within 6 years from 1 July 2011 in the amount of one sixth per year. The recipients 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 Civil Code, on a Company's share capital increase, in several tranches, 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 euros, broken down as follows:

- a) for a maximum amount of 2,300,000.00 euros, 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 euros, 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”.

Moreover, as of 2013, the General Shareholders' Meeting, in approving the Remuneration Policies and with reference to the long term incentives, resolved to integrate the variable component of the remuneration of some of Banca Generali's managers through participation in 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. The plan is targeted at reinforcing the relationship between the remuneration of management and expected performance according to the strategic plan of the Group (absolute performance), as well as the relationship between remuneration and value generation in relation to a group of peers (relative performance).

Lastly, in accordance with the Supervisory Provisions set forth in the 7th update of Bank of Italy Circular Letter No. 285/2013, the Banking Group's Remuneration and Incentivisation Policy approved by Shareholders' Resolution of 21 April 2016 requires the payment of the variable component of remuneration of Key Personnel to be made through the granting of Banca Generali's financial instruments.

In detail, key personnel who accrue a variable remuneration linked to short-term objectives exceeding 75,000 euros in financial year 2016 will be entitled, in addition to the deferral of the disbursement of 40% of the variable component, also to the payment of 25% of the said component through assignment of Banca Generali's shares, based on the following stock-granting and retention mechanism:

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

The payment in shares will be conditional not only upon the achievement of the pre-set objectives defined in the MBO mechanism, but also to the satisfaction of access gates established by the Banking Group (TCR - Total Capital Ratio,

LCR - Liquidity Coverage Ratio) for the year in which the remuneration is accrued and the following two-year period of retention.

In light of the foregoing, on 21 April 2016 the Shareholders' Meeting resolved to repurchase a maximum number of 67,051 treasury shares within an 18-month period, to be granted to Key Management Personnel.

The mechanism described above was authorised by the Bank of Italy, by order dated 6 June 2016.

Directors' Severance Indemnities in the Event of Resignation, Dismissal or Severance as a Result of a Takeover Bid (pursuant to Article 123-bis, paragraph 1, letter i), of TUF)

In accordance with applicable laws and contractual provisions, the treatment in the event of severance of the employment of General Manager Gian Maria Mossa provides for – in addition to the applicable provisions of laws and/or the national contract concerning notice – an all-inclusive lump-sum indemnity of an amount equivalent to 24 months of "recurring remuneration" (defined as gross annual remuneration, plus the average amount actually collected by the Executive by way of short-term component of variable remuneration in the past three years) and that, in specific cases of severance of employment at the Bank's initiative, or otherwise at the Bank's initiative, it be modified in a way unfavourable to the Executive.

The aforesaid amount must be paid in accordance with the Bank of Italy provisions in force from time to time and the Bank's remuneration policies, with particular regard to provisions governing the connection between performance compensation and risks, the deferral of payment and the settlement of the remuneration partly in cash and partly in financial instruments.

10. INTERNAL AUDIT AND RISK COMMITTEE

The Board of Directors has endowed itself with an Internal Audit and Risk Committee made up of four Board members, all of whom are non-executive and independent, vested with consulting and recommendatory functions. The current Internal Audit and Risk Committee was appointed by the Board of Directors on 23 April 2015, and is made up as follows:

NAME AND SURNAME	OFFICE HELD (AS OF 10 MARCH 2017)
Anna Gervasoni	Chairwoman Non-executive, Independent Director
Massimo Lapucci	Committee member Non-executive, Independent Director
Annalisa Pescatori	Committee member Non-executive, Independent Director
Vittorio Emanuele Terzi	Committee member Non-executive, Independent Director

The Board of Directors deemed adequate the professional experience of Vittorio Emanuele Terzi in accounting and finance, Annalisa Pescatori, attorney-at-law, in risk management and Massimo Lapucci and Anna Gervasoni in accounting and finance as well as risk management.

Domenica Lista, the Board Secretary, also serves as Internal Audit and Risk Committee secretary.

The functioning of the Internal Audit and Risk Committee is regulated by specific rules (the "Audit and Risk Committee Rules"), approved by the Board.

The Committee is charged with the following tasks and powers: (i) supporting the Board of Directors with adequate investigative activity in its evaluations and decisions concerning the internal control and risk management system and the approval of periodic financial reports; (ii) advisory powers in the area of related party and connected party transactions, in accordance with the terms and conditions established by the related party and connected party transaction procedure approved by Banca Generali (the "Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance"); (iii) advisory and investigative powers in relation to the Board of Statutory Auditors in the area of the statutory auditing of the accounts, pursuant to Italian Legislative Decree No. 39 of 27 January 2010; and (iv) consulting and supporting powers to the decision-making body concerning equity investments, in compliance with the "Equity Investment Management Policy" approved by Banca Generali.

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

In such regard, the Committee:

- > assists the Board of Directors in framing corporate strategy and setting the orientation of the internal control system and risk management policies, with particular emphasis on tasks that are key to enabling the Board to

- properly and effectively determining the Risk Appetite Framework and devising appropriate risk containment measures;
- > provides the Board with input and feedback within the context of the Risk Appetite Framework, so as to ensure that the Board-approved Risk Appetite and Risk Tolerance parameters are properly determined;
 - > assists the Board of Directors in determining corporate performance assessment policies and processes, especially with a view to ensuring that pricing policies and terms of service are in line with the business model and risk management strategies;
 - > assists the Board of Directors in periodically checking the appropriateness and effectiveness of the internal control and risk management system in light of the features of the company and the assumed risk profile;
 - > without prejudice to the responsibilities of the Remuneration Committee, assess the extent to which the incentives offered under the Bank's remuneration and incentivisation system are in line with the Risk Appetite Framework;
 - > identifies and recommends – with input from the Nominations Committee – candidates for appointment to head the control functions, and expresses an opinion on the dismissal of any such person;
 - > monitors the independence, appropriateness, effectiveness and efficiency of the Internal Audit, Compliance and Risk Management functions;
 - > ensures that the Internal Audit, Compliance and Risk Management functions are endowed with adequate resources to discharge their duties;
 - > examines the calendar of scheduled activities and the annual reports prepared by the Heads of the Compliance, Internal Audit and Risk Management functions prior to the submission thereof to the Board of Directors;
 - > checks that internal control functions duly comply with the Board's instructions and guidelines;
 - > assists the Board in preparing the coordination document requested by Title IV, Chapter 3 of Bank of Italy Circular Letter No. 285/2013;
 - > submits findings and opinions to the Board of Directors on compliance with the principles with which the internal control system and the Company's organisational structure as a whole, are required to conform, as well as on satisfaction of the requirements imposed on internal control functions, highlighting weaknesses and recommending appropriate remedial measures where necessary, whilst also assessing any related proposals put forward by the General Manager;
 - > participates, with input and opinions, in framing the Company's policy on the outsourcing of internal control functions in compliance with Title IV, Chapter 3 of Bank of Italy Circular Letter No. 285;
 - > expresses opinions on specific aspects pertaining to the identification of the main corporate risks;
 - > assesses compliance with the consistency principle in the preparation of the consolidated financial statements, in concert with the Company Manager in charge of the company's financial reports, and taking due account of the opinions of the independent auditors and the Board of Statutory Auditors;
 - > directs the Internal Audit, Compliance and/or Risk Management functions (as appropriate in light of the issues in question) to undertake checks on specific areas of operation, simultaneously notifying the Chairman of the Board of Statutory Auditors thereof;
 - > reports to the Board of Directors on its activities and the appropriateness of the Internal Control and Risk Management system, at Board meetings called for the approval of the annual and half-yearly financial statements;
 - > may be consulted on specific transactions directly or indirectly entailing a conflict of interests;
 - > performs the other duties subsequently entrusted to it by the Board of Directors.

Regarding related party and connected party transactions, in compliance with the provisions set forth in the Regulations on related party transactions approved by Consob with Resolution No. 17221 of 12 March 2010, as further amended and extended by Consob Resolution No. 17389 of 23 June 2010, and as required pursuant to the New Prudential Supervisory Provisions Concerning Banks, Circular Letter No. 263/2006, 9th update of 12 December 2011, and 15th update of 2 July 2013, as well as in compliance with the Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance adopted by the company, the Committee shall:

- > in respect of Moderately Significant Related Party Transactions, as defined in the Related Party and Connected Party Transaction Procedure, express, in the manner and form and in accordance with the deadlines established in the Procedure, a non-binding opinion, duly supported by grounds, on the extent to which it is in Banca Generali's interest to effect each such transaction, as well as on the fairness and substantive correctness of the related terms and conditions;
- > in respect of Highly Significant Related Party Transactions, as defined in the Related Party and Connected Party Transaction Procedure, (i) play an active role in the preliminary fact-finding and negotiation phases of each such transaction, including by seeking information from and/or forwarding comments and observations to any and all the persons and parties involved in the said phases; and (ii) express, in the manner and form and in accordance with the deadlines established in the Related Party and Connected Party Transaction Procedure, a binding opinion, duly supported by grounds, on the extent to which it is in Banca Generali's interest to effect each such transaction, as well as on the fairness and substantive correctness of the related terms and conditions. If a definitive "Transaction of Greater Importance", within the meaning of the 15th update of the Bank of Italy Circular Letter No. 263/2006 on 2 July 2013, is also classified as a "Highly Significant Transaction" pursuant to the document "Procedure for Transactions of Greater Importance with Related Parties and Connected Parties," the transaction in question is to be subject not only to the procedure described above, but also to a prior opinion by the Risk Management function.

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

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

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

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

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

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

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

In 2016, the Internal Audit and Risk Committee met thirteen times, for an average of approximately 1 hour and 30 minutes each time. In the year under review, a total of eight Board meetings are scheduled; from the beginning of the year to the date of this Report, two have been held.

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

- > In its meeting on 26 January 2016, the Committee examined the following issues:
 - i) half-yearly report on litigation at 31 December 2015 and proposals for provisions for risks and impairment;
 - ii) tableau de bord for the fourth quarter, 2016 annual report and plan of activity of the Compliance function;
 - iii) tableau de bord for the fourth quarter and 2016 activity plan of the Anti Money Laundering function;
 - iv) annual report and activity plan 2016 of the Risk and Capital Adequacy Department;
 - v) tableau de bord for the fourth quarter, annual report and plan of activity 2016 of the Internal Audit Department;
 - vi) assessment of the 2016 Plan of internal audit functions;
- > In its meeting on 10 February 2016, the Committee examined the following issues:
 - i) verification of the adequacy of the accounting policies followed in preparing the annual financial statements;
 - ii) tableau de bord for the fourth quarter of 2015 of the Risk Management function;
 - iii) proposal for offers for activity with a related party and a connected party;
 - iv) information on a transaction with a related party and a connected party;
- > In its meeting of 22 February 2016, the Committee examined the following issue:
 - i) information about a transactions with a related party and a connected party;
- > In its meeting of 9 March 2016, the Committee examined the following issues:
 - i) report within the meaning of Article 2.2.17 of the Internal Audit and Risk Committee Rules;
- > In its meeting on 24 March 2016, the Committee examined the following issues:
 - i) annual report on the internal control system and assessments carried out at the subsidiary companies;
 - ii) annual report of the Compliance function on assessments carried out at the subsidiary companies;
 - iii) annual report of the Anti Money Laundering function on assessments carried out at the subsidiary companies;
 - iv) annual report of the Anti Money Laundering function including self-assessment;
 - v) annual report of the Risk Management function on assessments carried out at the subsidiary companies;
- > In its meeting on 19 April 2016, the Committee examined the following issues:
 - i) presentation of the ICAAP report;
 - ii) presentation of Pillar 3 public disclosures;

- iii) ILAAP presentation;
- iv) report of the Internal Audit function on controls of important operating functions outsourced;
- > In its meeting on 9 May 2016, the Committee examined the following issues:
 - i) presentation of the tableau de bord of the Compliance and Anti Money Laundering Department;
 - ii) presentation of the tableau de bord of the Risk and Capital Adequacy Department;
 - iii) presentation of the tableau de bord of the Internal Audit Department;
 - iv) information about a transactions with a related party and a connected party;
- > In its meeting on 21 June 2016, the Committee examined the following issues:
 - i) information about a transaction with a related party and connected parties;
 - ii) quarterly information about risk management and performance measurement activity on Banca Generali's portfolio management schemes;
 - iii) information about an anonymous complaint received;
- > In its meeting on 25 July 2016, the Committee examined the following issues:
 - i) check of the adequacy of the accounting policies followed in drawing up the half-year financial statements;
 - ii) presentation of the half-year FARG-Financial Report 2016;
 - iii) presentation of the tableau de bord of the Compliance and Anti Money Laundering Department;
 - iv) presentation of the tableau de bord of the Risk and Capital Adequacy Department;
 - v) presentation of the tableau de bord of the Internal Audit Department;
 - vi) information about an inspection by the Italian Finance Police;
 - vii) information regarding a transaction with related parties and connected parties;
 - viii) transaction with a related party and a connected party;
 - ix) report within the meaning of Article 2.2.17 of the Internal Audit and Risk Committee Rules;
 - x) information about the development of the Credit Risk Mitigation framework;
- > In its meeting on 8 September 2016, the Committee examined the following issues:
 - i) information regarding a transaction with related parties and connected parties;
 - ii) quarterly information about risk management and performance measurement activity on Banca Generali's portfolio management schemes;
 - iii) information about the Tyndaris convertible bonds;
- > In its meeting on 11 October 2016, the Committee examined the following issues:
 - i) public disclosures on a transactions with a related party and a connected party;
 - ii) report on changes to the organisational and control structure and IT systems in order to ensure compliance with the EBA's final orientations on the security of Internet payments;
- > In its meeting on 7 November 2016, the Committee examined the following issues:
 - i) presentation of the tableau de bord of the Compliance and Anti Money Laundering Department;
 - ii) presentation of the tableau de bord of the Risk and Capital Adequacy Department;
 - iii) presentation of the tableau de bord of the Internal Audit Department;
 - iv) identification of the new Head of the Anti Money Laundering Service;
- > In its meeting on 13 December 2016, the Committee examined the following issues:
 - i) presentation of the proposals concerning the objectives of the Risk Appetite Statement;
 - ii) presentation of the Framework stress test;
 - iii) information about related party and connected party transactions;
 - iv) information about the outcomes of settlements with the Italian Revenue Service;
 - v) quarterly information about risk management and performance measurement activity on Banca Generali's portfolio management schemes;
 - vi) approval of the guidelines for managing and mitigating credit risk (CRM).

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

Seven out of the thirteen meetings held in 2016 were attended by all the Committee's members, while at the others one member was absent.

The table in Annex 2 hereto provides information on the attendance rate of each member at the Committee meetings. The Internal Audit and Risk Committee is afforded unhindered access to any and all the corporate information and functions it may deem necessary or useful for the proper discharge of its assigned tasks, and may also avail of outside consultants, if necessary. In order for the Committee to carry out its duties, a specific item of 75,000 euros was allocated in the budget for the current year.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The bank's Board of Directors adopted an organisational model for the Group's internal control system, under which so-called second and third 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 Civil Code and the supervisory regulations for banks and, as recommended in the Corporate Governance Code, the Bank has therefore adopted an internal control system capable of continuously monitoring typical business risks.

The internal control system is a structured set of organisational functions, procedures and rules of conduct aimed at ensuring sound and proper corporate governance in line with pre-set targets, through adequate processes for identifying, measuring, managing and monitoring the main business risks. The system forms an integral part of the Company's operations and entails the involvement of all corporate structures and sectors, each of which is called upon to ensure constant and continuous risk monitoring, within the limits of its specific 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 and, moreover, specifically designed to ensure healthy and prudential corporate management of the bank and the banking group, whilst at the same time reconciling the attainment of corporate targets, the proper and timely monitoring of risks and appropriate operating procedures.

Banca Generali S.p.A.'s Internal Control System was most recently updated by the Board of Directors and is regularly revised and amended to comply with the provisions of the Bank of Italy Circular Letter No. 283/2013.

The Internal Control System consists of:

- i) *checks involving the business lines*: systematic or periodic checks on samples of information, carried out by the heads of individual operating units with a view to ensuring the proper 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 function, 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 compliance of transactions with statutory requirements, orders and instructions imposed under supervisory authorities and the Company's self-regulatory provisions;
- iv) *checks regarding money laundering*: checks carried out by the Anti Money Laundering Service on the compliance of transactions with statutory requirements, orders and instructions imposed under supervisory authorities and the Company's self-regulations;
- v) *internal auditing*: checks carried out by the Internal Audit Department with a view to ensuring the 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 control.

The Company's Internal Control system is structured to ensure proper disclosure of information and adequate oversight of all the Banking Group's activities, with a view to promoting fairness and transparency, 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 customers, the Company and the financial markets.

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

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

Responsibility for the Internal Control System, pursuant to applicable regulations, resides with the Board of Directors that is in charge of: (i) establishing the guidelines, strategic orientation and risk management policies pertaining to the internal control system; (ii) approving the bank's organisational structure, ensuring that tasks and responsibilities are clearly and properly assigned, and periodically checking the adequacy and effectiveness of the said structure, further ensuring that the main company risks are identified and appropriately managed, 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, with the support of the Internal Audit and Risk Committee, also carries out periodic assessments of the functioning, effectiveness and efficiency of the internal control system, taking timely corrective actions in case of shortcomings and/or anomalies in the performance of the checks themselves.

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.

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

The Internal Audit Department: (i) performs assurance activities and submits potential improvements to the corporate bodies, with specific reference to the RAF, the risk management process and its risk measurement and control tools, as well as audit advisory activities; (ii) directly reports the assessments and evaluations results to the corporate functions; (iii) promptly and directly forwards to the governing bodies the audit results concluded with negative judgments, or highlighting major deficiencies; (iv) provides guidance to the concerned Areas, Divisions, Departments, Services and Organisational Units; (v) in drawing up procedures for managing and containing company risks, monitors the

implementation of the said risk management procedures and measures, and, moreover, expresses its opinion on the effectiveness of the system in maintaining overall risk exposure within acceptable limits; (vi) submits the results of its activities to the Board of Directors, the Internal Audit and Risk Committee, the Chief Executive Officer and the Board of Statutory Auditors.

The Internal Audit Department performs said activities not only for Banca Generali, but also for Banking Group Companies, both under specific outsourcing agreements that govern the provision of audit function, and in an institutional capacity as a function of the Parent Company of the Banking Group.

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

In compliance with applicable laws, on 24 June 2015, the Board of Directors appointed Fabio Benvenuti to head of the Compliance and Anti-Money Laundering Department, as of 1 July 2015.

On the same day, 24 June 2015, the Board of Directors entrusted Antonio Bucci to head the Risk and Capital Adequacy Department as of 1 July 2015.

As already noted, in order to implement the Code's recommendations regarding internal control and comply with the supervisory provisions in force, the Board set up within itself an Internal Audit and Risk Committee in charge, among other tasks, of completing all the preparatory activities required for the Board to properly undertake its internal control tasks (for further information, see "Internal Audit and Risk Committee", above).

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

In order to transpose the Code's provisions on internal controls, and in compliance with the Bank of Italy's supervisory regulations, pursuant to Article 8 of the Board Rules requirements, the Board:

- i) defines guidelines for the Internal Control and Risk Management System so that the primary risks affecting the Company and its subsidiaries are properly identified and adequately measured, managed and monitored; moreover, it determines the degree to which such risks are compatible with management of the Company consistent with the strategic goals identified;
- ii) assesses at least on an annual basis, the adequacy of the internal control and risk management system with respect to the Company characteristics and risk profile, as well as its effectiveness;
- iii) approves the plans prepared by the Heads of Compliance, Anti Money Laundering, Internal Audit and Risk Management and examines the periodic *tableaux de bord* and the annual reports prepared by those functions;
- iv) assesses the results presented by the independent auditors in management letters of suggestions and report, if any, on important issues that arose during the auditing of the Company's accounts.

Moreover, pursuant to Article 52-bis, paragraph 1 of TUB which requires "banks and the related parent company to adopt specific procedures for the internal reporting by employees of conduct or events that could entail a breach of the rules regulating the banking industry", and taking due account of the implementing provisions issued by the Bank of Italy through Circular Letter No. 285/2013, on 15 December 2015, the Board of Directors adopted whistleblowing procedure enabling employees to report suspected breaches of banking regulations.

Responsibility for all related matters was assigned to Fabio Benvenuti, the Head of the Company's Compliance and Anti-Money Laundering Department, pursuant to his appointment as Whistleblowing Manager.

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

- a) strategic control over the development of various business areas in which the Group operates, and the risks arising from the own securities portfolio. This type of control is aimed at monitoring the expansion of the business operations of group companies, and their policies in terms of mergers, de-mergers and acquisitions. Strategic coordination is ensured primarily through presence, within the subsidiaries' Board of Directors, of a certain number of persons appointed by the Bank's Board;
- b) operating control aimed at ensuring that the income statements, cash flow statement 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 company bodies/functions of each of the subsidiaries;
- c) technical-operating control aimed at assessing the profiles of the various risks incurred by the group as a whole as a result of the business operations of individual subsidiaries.

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

Following the aforementioned untimely passing of Chief Executive Officer Piermario Motta on 26 March 2016, the Board of Directors, with the supervisory authority's consent and with effect from 20 April 2016, resolved not to appoint a new Chief Executive Officer, resulting in a governance structure for the Bank based on an organisational structure

led by a General Manager, who has been charged with acting as the head of the Bank and who has been granted the necessary powers as person responsible for the management function.

Accordingly, the Board of Directors did not identify a director in charge of the internal control and risk management system, instead preferring to have the Compliance and Anti Money Laundering Department and the Risk and Capital Adequacy Department report directly the Board, along with the Internal Audit Department, which had already been reporting directly to the Board for some time. The Heads of internal audit functions thus report directly to the Board of Directors, the Board of Statutory Auditors and the Audit and Risk Committee with regard to the activity performed. The Board of Directors defines the 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.

The Board of Directors Auditors is in charge of, *inter alia*:

1. defining and monitoring on an ongoing basis the implementation of the risk management process, ensuring its consistency with the risk appetite and risk governance policies, taking also into account the changes in operating conditions both inside and outside the Bank;
2. defining and approving the guidelines for the internal control system and verifying whether they are consistent with the established strategic guidelines and risk appetite, and that they are capable of reflecting the development of and interaction between company risks, taking the initiatives and actions necessary to ensure, on an ongoing basis, the completeness, adequacy, functionality and reliability of the internal control system;
3. with at least annual frequency, verifying the adequacy and efficacy of internal control systems and organisation in the light of the requirements set by the laws and regulations in effect from time to time and the Bank's characteristics;
4. verifying that the structure of the company control functions has been established in a manner consistent with the principle of proportionality and strategic guidelines, and that said functions have been provided qualitatively and quantitatively adequate resources;
5. approving the way in which control functions coordinate and collaborate with one another;
6. defining and approving the Risk Appetite Framework (RAF) and periodically assessing its adequacy and efficacy in the light of the Bank's characteristics and operation;
7. defining and periodically reviewing the strategic guidelines and risks management policies relating to money laundering and terrorist financing in a manner appropriate to the level and type of risks to which the Bank is actually exposed; *inter alia*, it ensures, on an ongoing basis, that tasks and responsibilities concerning anti-money laundering and countering of terrorist financing are clearly and appropriately allocated, making sure that operational and control functions are separated and have qualitatively and quantitatively adequate resources. Defining the information flows aimed at ensuring that all the company functions involved and the controlling bodies are aware of risk factors, and approving training and education programmes for employees and professionals.

11.2 Internal Auditor

On 25 September 2003, the Board of Directors appointed Francesco Barraco Head of the Internal Control Department and Head of the Internal Audit Function, with effect as from 1 October 2003.

The Internal Audit Department is an independent function intended, on the one hand, to supervise, from a third-tier standpoint and including through onsite checks, the regular course of operations and evolution of risks and, on the other, to assess the completeness, adequacy, functionality and reliability of the organisational structure and the other components of the internal control system, as well as to inform the company bodies of possible improvements, in particular to the Risk Appetite Framework, risk management process, and risk measurement and control instruments.

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

The Internal Auditor:

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

7. verifies the reliability of the systems in the context of audit plans;
8. has a budget to refer to for completing his tasks and activities.

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

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

Foreword

The risk management and internal control system as it relates to the financial reporting process adopted by the bank (the "System") is part of the broader Internal Control and Risk Management System described in the previous section. The System addresses the issues of internal control and risk management arising in respect of the financial reporting process, from an integrated perspective, with a view to identifying, assessing and containing the so-called financial reporting risks (i.e., risks of errors leading the annual financial statements, the condensed half-yearly financial statements, the consolidated financial statements and/or other financial disclosures and filings to reflect a view of the balance sheet, income statement and/or cash flow that cannot be described as true and/or fair) to which the Company and the Group are exposed.

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

The Manager in charge of the company's financial reports works within this framework. The Manager is charged by Italian Law No. 262 of 28 December 2005 ("Law 262") with the critical task of ensuring the reliability of accounting documents and availability of adequate administrative and accounting procedures for listed companies based in Italy. The Manager in charge of the company's financial reports is responsible for defining the methodological and organisational aspects of adopting the financial reporting risk model within the Company and Group, to the extent of the powers and means granted to him/her under paragraph 4 of Article 154-*bis* of the TUF.

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

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

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

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

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

(A) Phases of the financial reporting risk model

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

(i) Identification and assessment of financial reporting risks:

To identify and assess financial reporting risks, the Company identifies the relevant Banking Group Companies and significant information (consolidated accounts and company-wide processes), considering both quantitative and qualitative

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

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

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

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

- 1) time of execution: controls can be either preventative or after-the-fact;
- 2) the execution procedure: manual or automatic;
- 3) nature (i.e., structural characteristics): authorisation, reconciliation, management review, etc.;
- 4) frequency (i.e., time interval of controls): weekly, monthly, quarterly, etc.

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

(a) Company-level controls

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

(b) Process-level controls

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

(c) Controls on Information Technology (IT)

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

(B) The departments/employees involved in the model, their roles and information flows

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

The Board of Directors, with the support of the Internal Audit and Risk Committee, ensures that the model enables the identification, assessment and control of major risks, at both the Company and Group level, through the definition of strategies and general internal-control and risk-management guidelines. In compliance with applicable legislation, the Board also ensures that the Manager in charge of the company's financial reports has the necessary means and powers to perform the duties assigned to him/her under Italy's Law No. 262.

The Manager in charge of the company's financial reports is responsible for implementing, maintaining and monitoring the financial reporting risk model in compliance with the strategies defined by the Board. Accordingly, the said Manager is responsible for evaluating the adequacy and use of administrative and accounting procedures and their appro-

priateness to present a true and fair view of the assets, liabilities, profit or loss and financial position of the Company and Group. In fulfilling these responsibilities, the Manager in charge of the company's financial reports is supported by a special unit (Law 262 Organisational Unit) that is charged with the task of coordinating all activities necessary for the correct performance of the duties assigned to him. The Unit also serves as a point of reference for the entire Group as regards the management of administrative and accounting risks through guidance and coordination activities, and coordinates testing on key controls entrusted with independent auditors.

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

The Internal Audit Department conducts periodic efficacy assessments, according to a risk-oriented approach, on the procedures and the controls represented in them, with regard to the administrative and accounting processes, the IT applications relevant for administrative and accounting purposes and ITAC controls (automatic controls). Every six months, it submits an assurance report to the Director in charge and the Internal Audit and Risk Committee.

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

Process Owners (managers of the Company's and Group's Organisational Units) are in charge of managing one or more major processes in accordance with Law No. 262. They are responsible for ensuring that the documentation system put in place by the Group's dedicated units is consistent with actual operations. This is achieved by promptly communicating changes that have been made and implementing corrective actions designed to address any shortcomings found and ensuring the execution of self tests.

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

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

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

The Manager in charge of the financial reports of the Company reports to the Board of Directors on a regular basis as to the activities carried out in exercising his functions.

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

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

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

The adoption of an Organisational and Management Model (hereinafter the "Model") is not an obligation 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 above-mentioned Decree, but also to ensure the Company's own integrity, and to boost the effectiveness and the transparency of corporate operations.

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. The aforesaid Model must be constantly updated taking due account of changes in the relevant regulatory framework. A copy of the Model is available on the website www.bancagenerali.com/About us/Corporatestructure/BancaGenerali.

Apart from meeting all the necessary formal requirements, the Model fully achieves, even in substance, the aforesaid main goal underlying its adoption and aims at preventing from all types of offences contemplated in the relevant laws. The Model is complemented by regulations and corporate rules, is made up of a structured set of principles, rules, provisions and organisational layouts pertaining to the management and oversight of business operations, 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.

In this regard, the regulations applicable to the Company provide precise rules for the assignment of the role of Supervisory Body, which was previously based on internal assessments and the guidelines proposed by industry associations. According to Article 6, paragraph 4-bis of Legislative Decree No. 231/2001, as introduced by Article 14, paragraph 12, of Law No. 183 of 12 November 2011 ("Provisions for preparing the annual and multi-year state budget – 2012 Stability Law"), corporations are now authorised to assign this role to the Board of Statutory Auditors. In addition, Bank of Italy Circular Letter No. 263, as amended by the 15th update issued on 2 July 2013, provides that the body with control

function (i.e., the Board of Statutory Auditors in the governance system adopted by the Company) generally also carries out the functions of the supervisory body.

The Corporate Governance Code approved by the Borsa Italiana S.p.A. in favour of assigning the tasks of the Supervisory Body to the Board of Statutory Auditors.

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

On 23 April 2015, the Shareholders' Meeting made the necessary amendments to ensure that the eligibility requirements for membership of the Company's Supervisory Board and the causes of disqualification from and unfitness for such office are identical to the statutory eligibility requirements and causes of disqualification and unfitness applicable to members of the Board of Statutory Auditors of a listed bank.

Accordingly, subject to prior verification that the integrity and professionalism requirements are met and that there are no relevant situations incompatible with taking on the office in question, the current members of the Board of Statutory Auditors are now members of the Supervisory Body, namely the Chairman of the Board of Statutory Auditors, Massimo Cremona, and the Acting Auditors, Mario Francesco Anaclerio and Flavia Daunia Minutillo.

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

- > 15,000 euros gross per year for the Chairman of the Supervisory Body, identified in the Chairman of the Board of Statutory Auditors;
- > 10,000 euros gross per year for each of the other members of the Supervisory Body, identified in the Acting Auditors.

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

11.4 Independent Auditors

On 23 April 2015 the General Shareholders' Meeting resolved to entrust the statutory auditing of the Company's accounts for the years ended on 31 December 2015 through to 31 December 2023, to the accounting firm BDO Italia S.p.A.

11.5 Manager in charge of the company's financial reports

Article 154-*bis* of 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 delegated Administrative Bodies to issue a joint written statement to be attached to the annual financial statements, the condensed half-yearly financial statements, and, where applicable, the consolidated financial statements, certifying the appropriateness and effective implementation of all relevant accounting and administrative procedures during the accounting reporting period, as well as warranting that all the related accounting documents were prepared in accordance with the international accounting principles generally accepted and applied within the European Union, and, accordingly faithfully reflect the contents of the Company's accounting books and records, with the result that the said accounting documents may be deemed to provide a true and fair view of the balance sheet, income statement and cash flow statement of the Company and the Group. Moreover, with respect to the annual financial statements and the consolidated financial statements, the said written statement shall certify that the related Directors' Report on Operations includes a reliable analysis not only of business trends and operating results, but also of the situation of the issuer and all the companies included in the scope of consolidation of the reporting entity, together with a description of the main risks and uncertainties to which the Company and Group are exposed, as well as, in respect of the condensed half-yearly financial statements, that the related interim Directors' Report comprises a reliable analysis of the information mentioned in paragraph 4 of Article 154-*ter* of TUF;
- c) the Board of Directors to oversee the appropriateness of the powers and resources made available to the Manager in charge of the company's financial reports and the proper implementation of "administrative and accounting procedures".

Pursuant to Article 23, paragraph 3, of the Articles of Association, the Board of Directors, after consultation with the Board of Statutory Auditors, appoints and dismisses 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:

- > adequate 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 26 July 2016, pursuant to the Articles of Association, and having heard the opinion of the Board of Statutory Auditors, the Board of Directors appointed Paolo Tamagni to serve, as of 1 September 2016, as Manager in charge of the company's financial reports, within the meaning of Article 154-bis of Legislative Decree No. 58/1998, having ensured that he was fit and proper for such appointment within the meaning of Article 23 of the Articles of Association, and determining the powers and resources to be made available to him for the discharge of his assigned duties.

Paolo Tamagni is the head of the CFO Area (i.e., the area including the Finance, Administration, Planning and Control Departments and the 262 Organisational Unit) and is tasked with ensuring the proper and timely preparation of the Company and the banking group's accounts, as well as discharging related accounting and regulatory formalities, and drawing up financial reporting and tax compliance guidelines and policies in line with corporate strategies and targets.

The Board of Directors of 13 September 2016, lastly granted Paolo Tamagni, Head of the CFO Area and assigned the role of Manager in charge of the company's financial reports, the following powers, which are to be exercised, under his sole signature, in accordance with the general directives imparted by the Board of Directors and the guidelines established by the General Manager and the Deputy General Manager Finance & Operations, as well as in the context of the strategies of the banking group in question and budget plans:

1. to coordinate and supervise the activities of the Departments and Services that report to his Area of competence, reporting to the Deputy General Manager Finance & Operations on the results and activities of those departments and services;
2. to implement Board resolutions, in the course of all activities falling within his remit, in accordance with the guidelines imparted by the General Manager and the Deputy General Manager Finance & Operations;
3. in the course of all activities falling within his remit, to recommend 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;
4. to recommend, for the activities within his remit, the duties and assigned tasks of employees in service at offices, in accordance with the guidelines established by the Board of Directors and the General Manager and the Deputy General Manager Finance & Operations;
5. to support the Deputy General Manager Finance & Operations in drawing up proposals regarding the annual budget and strategic three-year plan;
6. to support the Deputy General Manager Finance & Operations in submitting proposals concerning the draft financial statements and consolidated financial statements, as well as interim financial reports;
7. as Manager in charge of the company's financial reports, within the meaning of Article 154-bis of Legislative Decree No. 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 attest that the said notices and information corresponds to the documentary results, books and accounting records;
8. as Manager in charge of the company's financial reports, within the meaning of Article 154-bis of Legislative Decree No. 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;
9. as Manager in charge of the company's financial reports, within the meaning of Article 154-bis of Legislative Decree No. 58/1998, to certify, in a specific report drawn up in accordance with the form established by the Italian stock-market regulator Consob and attached to the annual financial statements, the condensed half-yearly financial statements and the consolidated financial statements, the appropriateness and proper application of the procedures mentioned in the preceding point, during the period of reference of the financial statements in question, further attesting that the latter provide a true and fair view of the balance sheet, profit and loss account and cash flow statement of the issuer and all the companies included in the scope of consolidation of the reporting entity;
10. 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;
11. 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;
12. 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;
13. to assume any commitment, including of an economic nature, and undertake whatsoever else that may be necessary for discharging the tasks mentioned in Article 154-bis of Legislative Decree No. 58/1998;
14. for the purposes of discharging the tasks and/or exercising the powers mentioned in Article 154-bis of Legislative Decree No. 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;
15. to express his opinion concerning the proposals formulated by the Deputy General Managers responsible for writing off loans, totally or partially waiving repayment of any credit extended, and thus waiving the guarantees acquired, where applicable, consenting to notations for the cancellation, subrogation, restriction, reduction and/or subordination of mortgages and/or liens and/or other collateral and settling disputed positions;

16. to express his opinion concerning the proposals formulated by the Deputy General Managers responsible for writing off expenses incurred by the company due to employees' errors;
17. within the framework of the budget approved by the Board, to cover the Company's current expenses;
18. 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;
19. within the framework of the budget approved and up to the limits of his responsibilities, with a threshold of 100,000.00 euros for each individual asset, to acquire, dispose of or barter moveable assets, including those subject to registration, to collect amounts due by way of prices and to delegate, in whole or in part, the payment thereof, as well as the power to authorise payment by instalments with or without mortgage guarantees or hypothecation;
20. within the framework of the approved budget and within his remit, 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 euros per transaction, it being understood that, in the case of multi-year transactions the aforesaid ceiling shall apply on a per annum basis, provided that the said multi-year transactions do not extend over more than three years, and further provided that the aforesaid thresholds shall not apply to contracts with ordinary utilities companies providing essential services (electricity, telecommunications, etc), or payments required pursuant to law;
21. within the limits of his responsibilities and 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;
22. within the limits of his responsibilities, to liaise with any and all public authorities and bodies, the Bank of Italy, Consob, as well as any and all national and international entities and organisations, 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. 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;
24. to issue demand drafts;
25. 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;
26. 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, 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;
27. to foreclose loans and collect any and all monies or amounts due to the Company, issuing full redemptory receipt therefore;
28. 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;
29. to exercise the powers granted to him from time to time by the regulations adopted by the bank and all other powers granted to him on an ongoing basis or from time to time by the Board of Directors or the General Manager and the Deputy General Manager Finance & Operations, in the context of his responsibilities.

In order to fully comply with the regulation in question, the initiative known as the *FARG - Financial Accounting Risk Governance Project* has been implemented since early 2007. The previous section "Key characteristics of the existing risk management and internal control system as it relates to the financial reporting process" provides further information on FARG.

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

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

- i) setting up of the Risks Committee, a collegial body including the General Manager, the Deputy General Manager Finance & Operations, the Deputy General Manager Wealth Management Markets & Products, the Heads of the control functions and the General Counsel;
- ii) collegial meetings were planned between the Board of Statutory Auditors and the heads of control functions, also in conjunction with the preparation of the activity plan;
- iii) a specific circular letter was issued concerning the coordination of activities between internal audit, compliance, anti-money laundering and risk management and all other control functions, with the aim of formulating an effective activity plan, while respecting the independent authority of each;

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

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

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

In compliance with Article 2391-*bis* of the 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), Banca Generali's Board of Directors – after hearing the opinion of the Internal Audit and Risk 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”).

Following the adoption by the Bank of Italy of the Provisions on risk activities and conflicts of interest of banks and banking groups with Connected Parties, on 21 June 2012 the Board of Directors of Banca Generali, in light of the contiguity of the matters, supplemented the above Procedure by including the provisions on Connected Parties within the same Procedure and passing resolution on a new version of the “Related Party and Connected Party Transaction Procedure”.

The procedure in question – most recently revised on 11 May 2016 in accordance with Article 150 of TUF and the provisions introduced by Bank of Italy Circular Letter No. 263 on Transactions of Greater Importance, now included in Circular Letter No. 285 dated 17 December 2013 “Supervisory Provisions for Banks” – is intended to implement Consob and Bank of Italy regulations, by adopting, at group level, rules on Transactions with Related Parties and Connected Parties and Transactions of Greater Importance, governing the related investigation, approval, reporting and disclosure activities.

In detail, Bank of Italy Circular Letter No. 263 introduced new industry-wide regulations governing risk-taking and conflicts of interest in respect of Connected Parties (Title V, Chapter 5, of the said Circular Letter). These provisions are aimed at containing the risk that the closeness of certain persons to the bank's decision-making centres could compromise the objectivity and impartiality of decisions pertaining to the approval of loans and other transactions involving the said persons, and potentially give rise to distortions in the resource-allocation process, expose the bank to risks that are not adequately measured or contained, and/or result in harm and losses to depositors and shareholders. In pursuit of this objective, the aforesaid regulatory provisions include within the scope of the term “Related Parties”, first and foremost, the company top management, main shareholders and other persons in a position to influence bank management, in light of their seniority or authority, or otherwise, the delegated powers vested in them, whether to be exercised individually or jointly with others. The regulatory provisions specify that conflicts of interest might emerge even in course of business and other dealings with subsidiaries or entities over which the bank exercises considerable influence, or in respect of which the bank is significantly exposed pursuant to loans, and/or as a result of participating interests held in the same.

Under the aforesaid provisions, any related party and any and all persons thereto connected fall within the scope of the definition of the term “connected parties”, all of which are subject to quantitative restrictions and procedural rules imposed under the said regulatory framework. The quantitative restrictions consist in the imposition of prudential limits on the amount of risk a bank or banking group may assume in respect of the said parties, it being understood that the related ceilings are differentiated on the basis of the type of related party in question, with a view to ensuring proportionality with the closeness of the ties and the repercussions of associated risks in terms of sound and prudent business management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk activities carried out with related parties qualifying as non-financial entities. The regulatory framework is completed by supplementing prudential restrictions with procedural requirements entailing specific decision-making steps designed to ensure the proper allocation of resources and adequately protect third parties against undue harm and losses. Moreover, specific guidelines relating to organisational arrangements and internal controls enable the identification of corporate bodies' responsibilities and corporate functions tasks with respect to the objectives of conflicts of interest prevention and management, as well as the obligations for identifying the Connected Parties and monitoring exposures over time.

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

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

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

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

- i) the Company's Board of Directors to include an account of all related party and connected party transactions concluded during the year, including through subsidiaries. in the Directors' Report on Operations pursuant to Article 2428 of the Civil Code;
- ii) the decision-making body through the General Manager to report to the Board of Directors, as well as the Board of Statutory Auditors in respect of the conclusion of any and all Moderately Significant Related Party and Connected Party Transactions and Transactions of Greater importance, at least on a quarterly basis;
- iii) the Chairman of the Board of Directors to ensure that adequate information on all Moderately Significant Related Party Transactions pertaining to the Board of Directors and all Highly Significant Related Party Transactions without exception, is made available not only to all Directors in compliance with Article 2381 of the Civil Code, but also to the Board of Statutory Auditors;
- iv) the Board of Statutory Auditors to monitor compliance with the provisions of the above-mentioned Procedure and submit a report in such regard to the Shareholders' Meeting pursuant to Article 2429, paragraph 2, of the Civil Code and Article 153 of TUF.

Moreover, since Banca Generali belongs to the Generali Group, any and all transactions effected with related 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 may be subject to prior approval by the parent company.

The Procedure for Related Party Transactions can be viewed on the corporate website (www.bancagenerali.com), section "*Corporate Governance – Corporate Governance System – Governance Policies*".

In order to duly implement the above-mentioned regulatory framework, on 18 December 2012, Banca Generali's Board of Directors approved specific "Internal Policies Governing Controls of Risk Assets and Conflicts of Interest in Relation to Connected Parties", which are constantly updated by the Board of Directors to keep them in line with company's organisational structure.

The said "Policies", *inter alia*:

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

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

With regard to the obligations binding on company officers and executives of banks, it must be borne in mind that pursuant to Article 136 of the TUB, as most recently amended with Legislative Decree No. 179/2012, the said persons are barred from assuming obligations and/or effecting trading transactions of any nature or kind whatsoever, with the bank. This prohibition may only be overcome with the favourable resolution of the governing body, and with the unanimous vote of all the members of the control body, without prejudice to the obligations set forth by the Civil Code regarding the directors' interests, as well as related party and connected party transactions.

In order to ensure thorough oversight of situations that might give rise to a potential conflict of interest, Banca Generali took the appropriate measures, and in particular all company exponents are directly and personally informed, upon appointment, of the content of the legislation in question through a brochure entitled "Obligations of Bank Exponents – General Concepts", which summarises applicable legislation and the pertinent interpretative guidance, as well as a "Declaration Form" that all company exponents are to compile and that satisfies both the Consob and Bank of Italy rules on Related Party and Connected Party Transactions and the prescriptions of Article 136 of TUB. Moreover, bearing in mind that on 21 June 2012, as explained above, Banca Generali S.p.A.'s Board of Directors approved the "Procedure for Transactions with Related Parties and Connected Parties and Transactions of Greater Importance", Banca Generali adopted the application software Easy Regulation that enables: (i) the identification and listing of Relevant Persons, whilst also allowing data pertaining to the same, to be managed and processed; (ii) the identification of those Bank's transactions that fall within the scope of the various regulations; (iii) the registration and monitoring of the said transactions; (iv) the identification of transactions subject to specific procedural requirements, whilst supporting the computerised management and processing of transactions that exceed significance thresholds; (v) the production of personalised reports.

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

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

13. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

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

Pursuant to Article 20 of the Articles of Association, acting and alternate Auditors must possess the requisites required by law and are eligible for reappointment. Those whose situations are incompatible pursuant to law and persons who serve as company directors or officers in other companies beyond the thresholds established under applicable regulations may not be appointed to the Board of Statutory Auditors, and if so appointed, will fall from office.

In addition to meeting all the eligibility requirements imposed under law for membership of the Board of Statutory Auditors, all the acting and alternate members of the Company's Board of Statutory Auditors must be free of criminal convictions for any of the offences listed in Legislative Decree No. 231/01 or any criminal offence whatsoever entailing wilful misconduct. Similarly, no member of the Company's Board of Statutory Auditors may stand indicted for any of the aforesaid offences and, if so indicted shall be deemed unfit to serve in office through to full and final acquittal. Dismissal from service on the Company's Supervisory Board for cause, pursuant to resolution of the Board of Directors, shall entail forfeiture of the seat held on the Company's Board of Statutory Auditors. Dismissal from service on the Company's Board of Statutory Auditors or otherwise forfeiture of or disqualification from such office by reason of non-satisfaction of the requirements of professionalism, personal integrity and independence, shall entail forfeiture of the seat held on the Supervisory Board.

Auditors are appointed on the basis of lists of candidates, in accordance with the procedures set forth below.

Those shareholders who, alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company to submit lists of candidates for appointment of the Board of Directors, are entitled to submit a list. Currently, the percentage is 1.00%. Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of 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) may contribute to the submission of only one list. In the event of breach, account will not be taken of the relative backing given to any of the lists.

The lists are made up of two sections: one for the appointment of the acting Auditors and the other for the appointment of the alternate Auditors. The lists contain a number of candidates no higher than the number of members to be elected, listed by progressive number. Each of the two sections of the lists, save for those featuring less than three candidates, must present candidates in a manner that ensures gender balance. Each candidate may appear on only one list, upon penalty of ineligibility. Together with each list and within the term established for the filing of lists, the shareholders submitting the lists must also file the following documentation at the registered office: (i) information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; (ii) exhaustive information on the personal and professional features of the candidates included in the list; (iii) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; (iv) the declarations in which each candidate accepts nomination and also certifies, under his own responsibility, the inexistence of causes of incompatibility and of ineligibility, as well as possession of the requisites of integrity and professionalism which prevailing laws require for the office of Auditor of the Company. Within the term specified for the publication of the lists by the Company and in order to prove their entitlement to submit lists, shareholders shall file the documentation proving legal ownership of their shareholdings, in accordance with applicable laws and regulations, at the Company's registered office.

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

Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of article 122 of 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) shall be entitled to vote for only one list.

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

In the case where only one list is submitted, the entire Board of Statutory Auditors is appointed from the said list. Should no list be submitted, the Shareholders' Meeting shall appoint the Board of Statutory Auditors and the Chairman thereof by majority of the votes cast, in accordance with law.

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

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

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

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

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

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

14. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (pursuant to Article 123-bis, paragraph 2, subparagraph (d) of the consolidation law on finance TUF)

Banca Generali's current Board of Statutory Auditors was appointed by Shareholders' resolution dated 23 April 2015. The table included in Annex 3 hereto lists the members of the Board of Statutory Auditors as of 31 December 2016, and provides summary information about each together with attendance rates at Board of Statutory Auditors' meetings. On 23 April 2015, the General Shareholders' Meeting elected the members of the Board of Statutory Auditors on the basis of two lists of candidates submitted respectively by the majority shareholder Assicurazioni Generali S.p.A., and various Undertakings for Collective Investment in Transferable Securities, under the aegis of Assogestioni.

The list submitted by the majority shareholder Assicurazioni Generali S.p.A. included the following candidates for the post of acting auditor: Mario Francesco Anaclerio, Flavia Daunia Minutillo and Gambi Alessandro, and the following candidates for the post of alternate auditor Anna Bruno and Luca Camerini.

At the end of voting, the candidates on the aforesaid list were elected with favourable vote of 62.918% of the share capital represented at the General Shareholders' Meeting, and accordingly, the following appointments were made: Mario Francesco Anaclerio and Flavia Daunia Minutillo as acting auditors, and Anna Bruno, as alternate auditor.

The list submitted by Assogestioni proposed Ettore Maria Tosi as the sole candidate for the post of acting auditor and Massimo Cremona as the sole candidate for the post of alternate auditor. At the end of voting, both the aforesaid candidates were elected with the favourable vote of 35.762% of the share capital represented at the General Shareholders' Meeting and accordingly, the following appointments were made: Ettore Maria Tosi as acting auditor and Chairman of the Board of Statutory Auditors pursuant to article 20, paragraph 10 of the Articles of Association (under which Chairmanship of the said Board of Statutory Auditors vests in the candidate drawn from the list obtaining the highest number of votes from amongst the lists submitted and voted by shareholders who are not directly or indirectly linked to the shareholders who submitted or voted for the list that obtained the highest number of votes overall), and Massimo Cremona as alternate auditor.

On 30 June 2015, following the resignation of the Chairman of the Board of Statutory Auditors, Ettore Maria Tosi, the latter was replaced in his position as acting auditor and Chairman of the said Board by Massimo Cremona, pursuant to Article 20, paragraph 11, of the Articles of Association.

The current membership of the Board of Statutory Auditors is fully compliant with the gender equality regulations entrenched in law No. 120 of 12 July 2011.

On 4 March 2016, Alternate Auditor Anna Bruno also resigned from her position.

The General Shareholders' Meeting of 21 April 2016 resolved to appoint the two alternate auditors required to fill the vacancies on the Board of Statutory Auditors.

The list of the majority shareholder Assicurazioni Generali S.p.A. presented the following candidates for the position of alternate auditor: Maria Maddalena Gnudi and Alessandro Copparoni.

The list presented with the support of Assogestioni indicated Carlo Delladio as the sole candidate for alternate auditor.

On the basis of the results of the votes cast by the shareholders, the following were elected as the new alternate auditors for the remainder of the three-year term of office, and thus until the end of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2017:

- > Maria Maddalena Gnudi, the first candidate from the list that received the most votes (67.750% of share capital present at the Shareholders' Meeting with voting rights);
- > Carlo Delladio, the first candidate from the list that received the second-largest number votes (30.790% of share capital present at the Shareholders' Meeting with voting rights).

A summary profile of the members of the Board of Statutory Auditors, is provided below.

Massimo Cremona. Born in Busto Arsizio (Varese) on 3 April 1959, Massimo Cremona currently is Visiting Professor at the Economics and Commerce Faculty of Milan's Università Cattolica del Sacro Cuore. Previously, he was visiting professor at the Milan Università Statale, faculty of Law.

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

Mario Francesco Anaclerio. Born in Genoa on 2 May 1973, he graduated in Economics and Commerce through the Catholic University of Milan before qualifying as a Certified Public Accountant and Auditor. He is currently in private practice in Milan as a consulting accountant specialising in finance, corporate appraisals, fairness opinions, independent expert assessments and extraordinary transactions, corporate governance, internal auditing and organisational, management and control models within the meaning of Legislative Decree No. 231/2001. He also serves on the Boards of Statutory Auditors of several companies not belonging to the Generali Group, including Società Italiana per Azioni per il traforo del Monte Bianco S.p.A., Pasticceria Bindi S.p.A., FBH S.p.A., Società Gestione Servizi BP S.C.P.A. (Banco BPM Group), and Spencer Contract S.p.A., beside holding the post of Chairman on the Supervisory Boards of Esprinet S.p.A. and ADR Mobility S.r.l. (Atlantia Group).

Flavia Daunia Minutillo. Born in Milan on 24 May 1971, she earned a degree in Economics and Commerce in 1995 before qualifying as a Certified Public Accountant and professional Dealer. She is a Founding Partner of the firm Simonelli Associati. Since 1998, she has served as acting auditor and Chairwoman of the Board of Statutory Auditors of banks, listed corporations, securitisation companies, trust companies, financial institutions, factoring companies, securities brokerages, asset management companies, holding companies as well as undertakings operating in the real estate, heavy industry, service and commercial sectors. In particular, she has served as Chair of the Board of Statutory Auditors of General Real Estate SGR since 2015, acting auditor of E-MID SIM S.p.A. since 2008, Emittenti Titoli S.p.A. since 2012, the listed corporation Molmed S.p.A. since 2013, Fondo Strategico Italiano Investimenti S.p.A. since 2014, Areti S.p.A. and the listed corporation Mondadori S.p.A. since 2015, as well as Rizzoli Libri S.p.A. since 2016.

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

Carlo Delladio. Born in Cavalese (Trento) on 4 November 1968, he holds a degree in Economics and Business from the University of Trento. He is a chartered accountant and has been admitted to the Roll of Auditors. He is also a member of the Order of Journalists of Trentino Alto Adige and is a contributor to and author of many publications and magazines in the series "Il Sistema Frizzera", in addition to contributing to the newspaper *Il Sole 24 ore*.

Since 1998 he has been practicing accountancy from offices in Trento, Milan and Cavalese, with a particular focus on tax, corporate and business consulting for private-sector clients in banking, insurance, real estate, information technology and industry and the government. He currently sits on the Boards of Statutory Auditors of a number of major firms and financial institutions. He is also a member of the Supervisory Boards of a number of major companies.

The Board of Statutory Auditors met 21 times in 2016. The average attendance of Auditors at Board of Directors' me-

etings in 2016 was 100.00%. A total of 12 meetings are planned for 2017. To date, 3 meetings have been held. Under the Bank of Italy's Provisions, the company body vested with control functions is required to periodically verify its own adequacy in terms of powers, functioning and composition, taking into account the scale, complexity and activities of the Bank. These provisions also require the members of the company 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 Auditor (and in any event, the Chairman) must be registered with the Rolls of Certified Public Accountants, it being understood that acting and alternate members of the said Board who do not meet this requirement must have acquired specific experience: a) as professional practitioners or full university professors specialising in law, economics, finance or technical-scientific fields closely related to the Company's specific sector of business; b) in managerial positions in public administrations or undertakings operating in sectors closely related to the Company's business operations.

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

With reference to gender balance, the Articles of Association provide that, in the case where the number of regular Auditors belonging to the gender less represented falls short of the threshold established under applicable statutory provisions, the candidates appearing in the regular Auditor section of the list obtaining the highest number of votes will be replaced following the order in which the candidates were presented for election. In the case of replacement of an Acting Auditor with an Alternate Auditor and the procedure for the replacement of Auditors fails to ensure gender balance, the term of the entire Board of Statutory Auditors shall be deemed to have expired in full with immediate effect. When the Board of Statutory Auditors is next elected, Banca Generali reserves the right to assess and implement additional diversity policies concerning the age of members of the Board of Statutory Auditors, as well as aspects such as candidates' age, gender, and educational and professional backgrounds.

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

Banca Generali's Board of Directors last verified satisfaction of the relevant statutory requirements for acting members of the Board of Directors on 4 May 2015 and for alternate members on 11 May 2016.

All the members of Banca Generali's Board of Auditors must be enrolled with the Order of Certified Public Accountants and Auditors; 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.

The Board of Auditors assessed the independence of its members, and the most recent assessment was carried out at its meeting on 9 February 2017.

In carrying out the aforesaid assessments, the Board of Statutory Auditors applied all the criteria recommended in the Corporate Governance Code in respect of the independence of Directors.

Any Auditor who holds any interest, whether on his own behalf or on behalf of others, in any transaction effected by the Company, must give timely and exhaustive notice of the nature, origin and terms of the said interest, to the other Auditors and the Chairman of the Board of Directors. The same reporting obligations shall be binding on any Auditor falling within the scope of the cases contemplated in Article 136 of TUB, in which case the said rules shall apply.

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

Given that, pursuant to statutory requirements, non-auditing services must be entrusted to independent auditors, Article 20 of the Articles of Association vests the Board of Statutory 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 Statutory Auditors and the independent auditors. In respect of these issues, the Board of Auditors may, if it deems fit, also avail of the advice and support of the Internal Audit and Risk Committee, as contemplated in the relevant Committee Rules.

Moreover, the Parent Company's control body must operate in close collaboration with its counterparts within subsidiaries. In performing its duties, the Board of Statutory Auditors coordinated its efforts with the Internal Audit and Risk Committee and control units (compliance, anti money laundering, internal audit and risk management). In this regard, it bears recalling the aforementioned information flows and coordination among all corporate bodies.

The Chairman of the Board of Directors ascertained that the Auditors, after their appointments, could participate in initiatives aimed at providing them with an adequate knowledge of the business sector in which the Issuer operates, of the corporate dynamics and the relevant evolutions, as well as the relevant regulatory framework. Within this framework, he involved the members of the Board of Statutory Auditors in two induction meetings, held in November

2016 and February 2017. During the meeting held in November 2016, on the ten-year anniversary of Banca Generali's IPO, the results achieved, strategies pursued and commitment to the new business model, strongly oriented towards exploiting digital opportunities, were illustrated. Business issues and remuneration and commercial policies were explored at the induction meeting in February 2017.

In 2016, the Board of Statutory Auditors, acting on its own initiative, met with members of the Bank's management team, as well as with the heads of internal control functions and the independent auditors, on several occasions for issue-specific discussions organised with a view to improving the Statutory Auditors' understanding of the Bank's operations from a practical standpoint.

15. INVESTOR RELATIONS

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

In particular, the Company 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.

The management of daily relations with Shareholders is entrusted to the Corporate Affairs Service within General Counsel Department.

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

INVESTOR RELATIONS

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

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

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

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

16. GENERAL SHAREHOLDERS' MEETINGS (pursuant to Article 123-bis, paragraph 2, letter c) of TUF)

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

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

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

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

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

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

Shareholders may be represented by others in the Shareholders' Meeting in accordance with the provisions of the law. In compliance with the provisions of Article 135-*undecies* of TUF, the Company has appointed a representative for the exercise of voting rights.

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

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

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

Seven Directors attended the most recent Shareholders' Meeting on 21 April 2016. On that occasion, the Board reported in respect of completed and scheduled activities and ensured that all Shareholders were provided adequate information on all pertinent matters so as to enable them to make informed decisions. The Remuneration Committee informed all Shareholders on the activities it performed in respect of remuneration policies.

Regulations of the Shareholders' Meeting

Pursuant to article 23 of the Board 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 about the items placed on the agenda of Shareholders' Meetings.

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

The said Regulations are aimed at governing 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 shareholder to take part and express an opinion on the items under debate. The Rules, therefore, constitute a valid tool for ensuring the protection of the rights of all the Company's shareholders and the proper approval of shareholders' resolutions.

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

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

Entitled Attendees who intend to take the floor shall submit a written request to the Chairman, after the items on the agenda have been read out and before the Chairman has declared closed the discussion on the item subject to the request to speak.

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

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

The Chairman and/or, on his invitation, the Directors and the Statutory Auditors, respond to entitled attendees according to their areas of expertise or when deemed useful by the Chairman, after the speech of each one or after all speeches have been given on each item of the agenda, taking due account of any and all questions raised by shareholders

prior to the Shareholders' Meeting and left unaddressed by the Company until the latter. Entitled attendees have the right to make one speech on each item on the agenda, except for a reply and a statement of vote, each of a duration of no more than five minutes. The Chairman, taking into account the issue and the importance of the single items on the agenda, as well as the number of persons requesting the floor and any and all questions raised by shareholders prior to the meeting and left unaddressed by the Company, shall announce the period of time available for each Entitled Attendee to take floor; such time, as a general rule, being established at no less than five and no more than ten minutes for each speaker. When such period of time has expired, the Chairman may invite the entitled attendee to conclude within another five minutes.

17. OTHER CORPORATE GOVERNANCE PRACTICES (pursuant to Article 123-bis, paragraph 2, letter a) of TUF)

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

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

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

Milan, 10 March 2017

The Board of Directors

Annex 1 – Information on company ownership

Table 1 - Structure of the share capital

	NO. OF SHARES	% OF SHARE CAPITAL	LISTED (SPECIFY ON WHICH MARKETS)/NOT LISTED	RIGHTS AND OBLIGATIONS
Ordinary shares	116,643,948	100	Listed on the electronic share market (MTA) of Borsa Italiana S.p.A.	All the rights contemplated under the Civil Code and Articles of Association
Shares with multiple voting rights	-	-	-	-
Shares with limited voting rights	-	-	-	-
Shares without voting rights	-	-	-	-
Other	-	-	-	-

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

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

Table 2 - Significant shareholdings

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY STOCK	% OF VOTING STOCK
Assicurazioni Generali S.p.A.	Generali Italia S.p.A.	33.070	33.070
	Generali Vie S.A.	9.525	9.525
	Genertellife S.p.A.	4.826	4.826
	Alleanza Assicurazioni S.p.A.	2.405	2.405
	Genertel S.p.A.	0.435	0.435
Wellington Management Company LLP	Wellington Management Company LLP	4.989	4.989

Annex 2 – Board of Directors’ and Committees’ structure

BOARD OF DIRECTORS (AT 10 MARCH 2017)

OFFICE HELD	MEMBER	YEAR OF BIRTH	DATE OF FIRST APPOINTED	IN OFFICE FROM	IN OFFICE UNTIL	LIST (M/M)
Chairman	Giancarlo Fancel	1961	23.04.2015	23.04.2015	Shareholders’ Meeting to approve the fin. statements 31.12.2017	M
Directors	Giovanni Luca Perin	1965	20.04.2016	20.04.2016		X ⁽ⁱⁱ⁾
Directors	Giovanni Brugnoli	1970	24.04.2012	23.04.2015	Shareholders’ Meeting to approve the fin. statements 31.12.2017	M
Directors	Azzurra Caltagirone	1973	23.06.2016	23.06.2016		X ^(iv)
Directors	Cristina Rustignoli	1966	23.06.2016	23.06.2016		X ^(iv)
Directors	Anna Gervasoni	1961	24.04.2012	23.04.2015	Shareholders’ Meeting to approve the fin. statements 31.12.2017	M
Directors	Massimo Lapucci	1969	23.04.2015	23.04.2015	Shareholders’ Meeting to approve the fin. statements 31.12.2017	M
Directors	Annalisa Pescatori	1964	23.04.2015	23.04.2015	Shareholders’ Meeting to approve the fin. statements 31.12.2017	M
Directors	Vittorio Emanuele Terzi	1954	23.04.2015	23.04.2015	Shareholders’ Meeting to approve the fin. statements 31.12.2017	m

(i) The Chairman, as required by the Bank of Italy’s provisions, does not have any operating power within the company.

(ii) On 20 April 2016, Giovanni Luca Perin was co-opted Director.

(iii) The percentage of attendance to the meetings has been calculated for the period from 20 April 2016 to 31 December 2016.

(iv) On 23 June 2016, Cristina Rustignoli and Azzurra Caltagirone were co-opted Directors.

(v) The percentage of attendance to the meetings has been calculated for the period from 23 June 2016–31 December 2016.

¹ In determining the total number of companies in which appointees to the Company’s Board of Directors hold directorships or auditorships, no account may be taken of companies belonging to the Company’s Group, with the exception of corporations listed on regulated markets (including abroad) and in financial institutions, banks, insurance companies and large corporations. Appointments to the corporate organs of several companies belonging to a single corporate group, other than the Company’s Group, are, in practice, generally considered as a single appointment, with the exception of corporations listed on regulated markets (including abroad) and in financial institutions, banks, insurance companies and large corporations.

Directors who left during reference year

BOARD OF DIRECTORS

OFFICE HELD	MEMBER	YEAR OF BIRTH	DATE OF FIRST APPOINTED	IN OFFICE FROM	IN OFFICE UNTIL	LIST (M/M)
CEO	Piermario Motta	1957	24.04.2012	23.04.2015	26.03.2016	M
Chairman	Paolo Vagnone	1963	25.07.2012	23.04.2015	14.06.2016	M
Directors	Philippe Donnet	1960	15.10.2013	23.04.2015	14.06.2016	M

Necessary quorum for minorities to present lists for the election of one or more members (re. Article 148 of TUF): 1%

Number of meetings held during reference year

Board of Directors: 14

Internal Audit and Risk Committee: 13

Remuneration Committee: 7

Nomination Committee: 14

BOARD OF DIRECTORS (AT 10 MARCH 2017)					INTERNAL AUDIT AND RISK COMMITTEE		REMUNERATION COMMITTEE		NOMINATION COMMITTEE		
EXEC.	NON EXEC.	INDEP. AS PER CODE	INDEP. AS PER TUF	NO. OF OTHER OFFICES	MEMBER	(%)	MEMBER	(%)	MEMBER	(%)	(%)
	X ⁽ⁱ⁾			92.9	5						
	X			100 ⁽ⁱⁱⁱ⁾	1						
	X	X	X	92.9	5			X (Chairman)	100	X	80
	X			83.3 ^(v)	5						
	X			100 ^(v)	4						
	X	X	X	92.9	5	X (Chairman)	100	X	100		
	X	X	X	100	2	X	84.62			X (Chairman)	100
	X	X	X	100	1	X	100	X	100		
	X	X	X	57.1	3	X	69.23			X	100

BOARD OF DIRECTORS					INTERNAL AUDIT AND RISK COMMITTEE		REMUNERATION COMMITTEE		NOMINATION COMMITTEE	
EXEC.	NON EXEC.	INDEP. AS PER CODE	INDEP. AS PER TUF	NO. OF OTHER OFFICES (%)	MEMBER	(%)	MEMBER	(%)	MEMBER	(%)
X				80	1					
	X			100	2					
X				12.5	4					

Annex 3 – Statutory Auditors' structure

BOARD OF STATUTORY AUDITORS (AT 10 MARCH 2017)

OFFICE HELD	MEMBER	YEAR OF BIRTH	DATE OF FIRST APPOINTED	IN OFFICE FROM	IN OFFICE UNTIL
Chairman	Massimo Cremona	1959	23.04.2015	30.06.2015*	Shareholders' Meeting to approve the fin. statements 31.12.2017
Acting Auditor	Mario Francesco Anaclerio	1973	23.04.2015	23.04.2015	Shareholders' Meeting to approve the fin. statements 31.12.2017
Acting Auditor	Flavia Daunia Minutillo	1971	23.04.2015	23.04.2015	Shareholders' Meeting to approve the fin. statements 31.12.2017
Alternate Auditor	Maria Maddalena Gnudi	1979	21.04.2016	21.04.2016	Shareholders' Meeting to approve the fin. statements 31.12.2017
Alternate Auditor	Carlo Delladio	1968	21.04.2016	21.04.2016	Shareholders' Meeting to approve the fin. statements 31.12.2017

(*) Massimo Cremona, appointed alternate Auditor by the General Shareholders' Meeting held on 23 April 2015 replaced Ettore Maria Tosi who resigned on 30 June 2015 as Chairman of the Board of Statutory Auditors.

Auditors who left during reference year

BOARD OF STATUTORY AUDITORS (AT 10 MARCH 2017)

OFFICE HELD	MEMBER	YEAR OF BIRTH	DATE OF FIRST APPOINTED	IN OFFICE FROM	IN OFFICE UNTIL
Alternate Auditor	Anna Bruno	1967	23.11.2009	23.04.2015	04.03.2016

Necessary quorum for minorities to present lists for the election of one or more members (re. Article 148 of TUF): 1%

Number of meetings held during reference year: 21

BOARD OF STATUTORY AUDITORS (AT 10 MARCH 2017)

LIST (M/M)	INDEP. AS PER CODE	PARTICIPATION IN THE MEETINGS OF THE BOARD OF STATUTORY AUDITORS (%)	NUMBER OF OTHER OFFICES
m	X	100	32
M	X	95	16
M	X	90	11
M	X	/	3
m	X	/	24

BOARD OF STATUTORY AUDITORS (AT 10 MARCH 2017)

LIST (M/M)	INDEP. AS PER CODE	PARTICIPATION IN THE MEETINGS OF THE BOARD OF STATUTORY AUDITORS (%)	NUMBER OF OTHER OFFICES
M	X	/	5