

TRACE: BANCA GENERALI FOR FARHAN SIKI

Banca Generali's HQ in Milan, Piazza Sant'Alessandro, hosted *Trace*, the solo exhibition of the Indonesian street artist **Farhan Siki**.

Siki reflects on pop culture by collecting logos and brands, symbols of mass culture that he portrays on both murals and canvas, investing them with attributes of hyperbole and parody and expressing

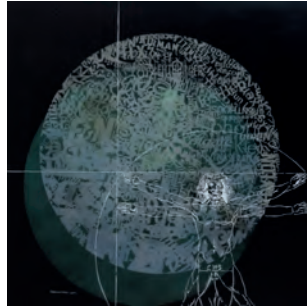
a thought-provoking satirical and critical view within the art system and the contemporary world.

Banca Generali's commitment to the world of culture is expressed in the form of innovative initiatives, tailor-made to offer fresh perspectives and food for thought.

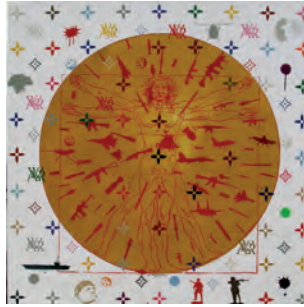
Front cover



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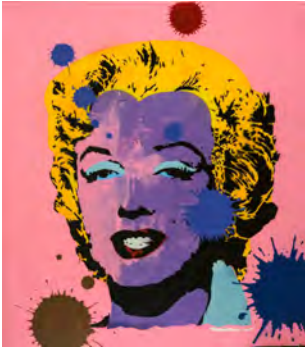
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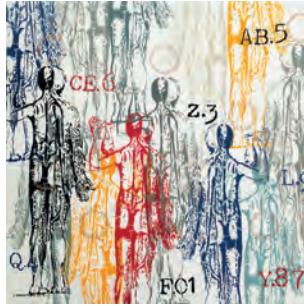
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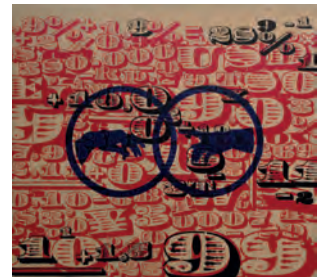
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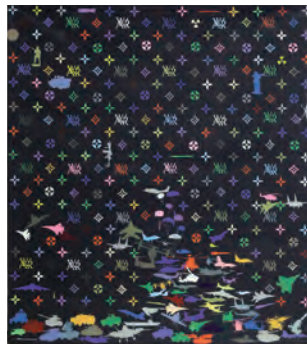
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FARHAN SIKI, *Equilibrium* | 2014, acrylic, spray paint on canvas, 135 x 135 cm

Letter to Stakeholders



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We reiterate our commitment to continuing with our growth path, whilst at the same time helping to improve the life and environment surrounding us

Within a context of volatile markets and pressure on the financial system, 2016 saw Banca Generali grow sharply in size, consolidate its position and continue its commitment to the community — distinctive qualities for which it is renowned in the industry.

Against a fall in revenues due to the reduced contribution of market-related variable items, the Company improved its capital ratios further (CET1 ratio rose by 240 basis points to 16.7%), and was able to generate Global Added Value (GAV) of 614 million euros. The change in variable revenues influenced the overall result compared to the previous year, but has had no impact on the focus on human resources, the environment and local initiatives, with the latter two items almost doubling over the period.

Promoting the ten principles of the UN Global Compact for the respect of human rights, environmental protection, the importance of labour and the fight against corruption is not just a declaration of intent for Banca Generali, but actually drives its everyday actions, and is in line with the policies implemented by the parent company Assicurazioni Generali through the adoption of the Charter of Sustainability Commitments.

The new vision and mission paradigms, which describe the quality, innovation and trust objectives that management, employees and financial advisors aim to pursue in customer relationships, have been defined at the strategic level. The advisory service is hence moving towards new areas, with an approach that is no longer aimed just at financial planning, but embraces a holistic approach to wealth. Therefore, the financial advisor's contribution also touches on real estate, succession issues, enterprise capital and protecting households for the future.

The progress made on the operational front and in the range of solutions for customers has been accompanied by investment in people, both through a greater commitment to training, and the expansion of workforce numbers. During a period in which the banking system has been subject to a comprehensive review and downsizing process, Banca Generali has welcomed new network colleagues and young employees into its organisation. The dissemination of a meritocratic culture, which is sensitive to the value of people, underpins the concept of quality that represents one of our company's strengths.

As regards the local focus, the professional activities linked to protecting household wealth run alongside the defence of the collective artistic heritage and the promotion of innovative artistic events and interpretations, financial culture and values of integrity taken for example from the sporting world, all of which are the drivers guiding the Bank's commitment in its many external initiatives. The graphics illustrated in this Report have focused on some of these themes, highlighting the originality of a different perspective than Western art, as seen through the eyes of the Indonesian emerging artist Farhan Siki. Because the Bank is not merely a bridge for investments in new markets, but also a receptor for ideas and constructive concepts.

Sustainable development involving all stakeholders over the long-term underpins the Bank's strategic direction. This document sets out the Bank's activities simply and clearly and is a comprehensive illustration of its unique features and excellence.

Giancarlo Fancel
Chairman

HIGHLIGHTS 2016

AUM
at 31.12.2016

47.5
€ BILLION

**NET
INFLOWS**

5,677
€ MILLION

**NET
PROFIT**

155.9
€ MILLION

“
**Looking after our
customers’ needs
before they feel
the needs**

OWN FUNDS

462.9
€ MILLION



**DIVIDEND
PER SHARE**

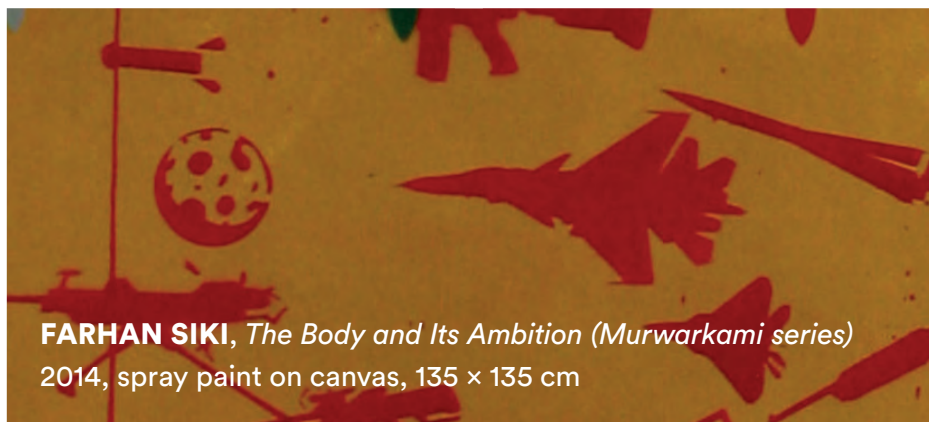
1.07
EUROS

**TOTAL CAPITAL
RATIO**

18.4%

TIER 1

16.7%



FARHAN SIKI, *The Body and Its Ambition (Murwarkami series)*
2014, spray paint on canvas, 135 × 135 cm



GLOBAL ADDED VALUE

614.1
€ MILLION



INDEFINITE TERM EMPLOYEES

96.6%



CHARITABLE GIFTS

123,000
EUROS



EMPLOYEES

849
(50.3% WOMEN)



GHG EMISSIONS

-27.8%
(2013-2016)



“
Our key words:
dynamism,
innovation,
reliability,
soundness and
competence”

STATEMENT OF METHODS

“**The Bank’s commitment to culture is expressed through the presentation of original and innovative exhibitions and personal perspectives. The graphics in the Sustainability Report illustrate the works of the 2016 exhibition held in our headquarters of the young Indonesian artist Farhan Siki in his first exhibition in Italy**”

This is the seventh Sustainability Report of Banca Generali and its aim is to demonstrate the links between the Group’s values, strategies and relations with various stakeholders.

The Banca Generali Group has decided not to apply for certification of compliance of its Sustainability Report. This decision was based on the Group’s desire to focus the available resources on improving social and environmental performances and the quantity and quality of the information presented in the Report in order to continue to improve our ability to conform to our stakeholders’ interests.

The document is divided into three main sections:

1. Identity and Governance : this section illustrates the vision, values, mission, sustainability strategy, organisational structure and governance.

2. Financial Reporting : this section describes the results of the consolidated Financial Statements, by individual stakeholder category.

3. Social Report : this section describes the number and quality of relations with the various stakeholders.

Criteria and Principles

The contents of the document were developed, as far as possible, applying the principles set forth by the Global Reporting Initiative (GRI), adopting the "In accordance - Core" option and the Financial Services Sector Supplement provisions.

The same approach was applied in the construction of the GRI Guideline Table, annexed hereto, which this year continued to be based on GRI 3.1 guidelines, pending the adoption next year of the newly issued guidelines.

The GRI guidelines inspired the selection of contents (materiality, inclusiveness, sustainability context and completeness) and the definition of the criteria of informative quality (balance/ neutrality, comparability, accuracy, timeliness, clarity and traceability).

Report Scope and Reporting and Measurement Process

This document is published annually. The figures refer to 2016 and, where possible, are compared with 2015. The reporting scope includes all the companies of the Banking Group (the parent company Banca Generali, the subsidiaries BG Fund Management Luxembourg S.A., BG Fiduciaria SIM, Generfid).

All of the corporate structures contribute to defining the contents of the Sustainability Report and activities aimed at dialoguing with stakeholders. Data were gathered at the offices of the Administrative Department, which already oversee the economic and financial trends of the Business Units.

The indicators presented in the Sustainability Report have been identified based on the guidelines set forth in the reference framework. Most of the information comes from direct surveys, with the exception of certain estimates (as noted in the Report) that have been made but that do not affect the specific figure.

☞ Certain icons indicate the relationship between the Bank’s commitments, and its activities, and some of the United Nations **17 Sustainable Development Goals**.



MATERIALITY MATRIX

The responsibility to think long-term

The long-term view forms part of the DNA of our wealth protection service. For this, we promote sustainable development that listens to all the different stakeholders, seeking to understand their real needs and matching them to our business objectives. Excellence in the wealth advisory market cannot ignore the focus on value creation for all those participating in and interacting with that market: shareholders, financial advisors, employees, customers, suppliers — with whom the Bank has daily contact.

“

We are convinced that **sustainable long-term growth** can only be achieved with **harmonised and balanced development**

The materiality matrix, in line with the Generali Group's guidance, identifies a number of significant themes that are pursued with concrete actions, for sustainable growth that does not lose sight of the social function that every responsible enterprise must have.



- 1 **Attraction of talent and development of human capital**
In an increasingly competitive and selective market, it is crucial to be able to rely on expert and motivated resources who are capable of meeting the challenges of the sector.
- 2 **Greater regulatory complexity**
At Italian and European level, increasingly stringent regulatory obligations, affecting various areas of interest, are being introduced.
- 3 **Climate change and natural disasters**
Climate change is already taking place and natural disasters are on the rise, representing a serious threat to the world economic development. In this scenario, climate risk mitigation and compliance strategies are key factors in boosting the resilience of communities at global level.
- 4 **Demographic and social change**
Migratory flows, new family structures and population ageing, due to the fall in fertility and prolonging of average lifespan, could have implications on public finance (both in social security and healthcare management) and people's propensity to save.
- 5 **Engagement of employees and promotion of a shared culture**
Boosting employee motivation and commitment to achieve objectives is important in order to maintain a common and shared corporate vision.
- 6 **Engagement and development of communities**
The development of the communities in which we operate is related to the business, but also to the activities and exchanges that take place with enterprises, associations and other organisations located in the area.
- 7 **Creation of employment and responsible management of company restructuring**
The issue of employment, together with economic instability, has a major impact on the manner in which company reorganisations are managed.
- 8 **Debt crisis and volatility of financial markets**
The sovereign debt crisis within the Euro Area and market volatility pose serious risks for the solidity of enterprises operating in the market.
- 9 **Diversity, inclusion and equal opportunities**
The highest international standards require the utmost respect for diversity, in its various meanings, non-discrimination and equal opportunities.
- 10 **Long-term protection of customers' household wealth**
The relationship that our financial advisors establish with their customers must allow them to offer investment solutions that preserve the value of household wealth over time and provide for generational transfer with products/-services able to seize market opportunities without suffering market volatility excessively.
- 11 **Financial education**
The growing production of regulations, the distinctive nature of insurance and financial products and the uncertainty of market dynamics require training/reporting schemes to be disseminated to raise customer awareness.
- 12 **Responsible personal data management (data security)**
The quantity and quality of personal data available today require diligent and professional management to ensure data confidentiality.
- 13 **Fair remuneration and incentives**
A remuneration system based on internal equity, competitiveness, cohesion and meritocracy, by directly linking commitment and recognition of merit, allows long-term value creation at all levels of the organisation.
- 14 **Financial inclusion**
The fragmentation of the social context increases the risk of excluding certain sections of the population from access to insurance services, impeding their economic advancement.
- 15 **Business innovation for the digital customer**
The internet and mobile technology continue to spread and consumer attitudes are changing.
- 16 **Job rotation of staff**
An effective response to the needs emerging from the Engagement Survey requires the creation of conditions to encourage job rotation with a view to broadening professional and horizontal development experience.
- 17 **Responsible investments (ESG investing)**
The environmental, social and corporate governance (ESG) dimension of investments is becoming increasingly important for future sustainable development.
- 18 **Prevention of corruption**
In a trust-based sector such as finance, the promotion of business ethics and the prevention of corruption play a fundamental role in protecting a company's reputation and credibility, business efficiency and fair competition.
- 19 **Quality of customer experience**
An essential feature of the relationship with the customer is the ability to offer a unique and distinctive experience, maintaining and strengthening the trust on which the key moments of the relationship are based.
- 20 **Dealings with business partners**
In a context where customers use multiple channels to proactively gather information and often prefer a direct interaction with their financial advisor, relationships with business partners are key to service delivery.
- 21 **Investment solutions that incentivise sustainable and responsible behaviour**
Private sector initiatives supplement and promote public policies supporting a healthier and more sustainable lifestyle, also in view of the demographic changes impacting the pensions sector.
- 22 **Development of products and services**
Customer needs and requests are constantly changing and evolving in response to the possibilities offered by technology.
- 23 **Transparency in business management**
In a context where it is increasingly easy to access information and the rate of dissemination is ever faster, transparency in conducting business is an essential condition for building long-term relationships of trust.



FARHAN SIKI, *Splashing Mona (4)* | 2013, spray paint on canvas, 101 × 76 cm each

1.
IDENTITY AND
GOVERNANCE



MISSION

To be the **No. 1 private bank** in terms of **service value and innovation**



VISION

Trusted professionals always by the **Customers' side, developing and looking after their life plans**



VALUES

Banca Generali Values are in line with those of the Generali Group.

DELIVER ON THE PROMISE

We want to build a long-term relationship of trust with people: employees, customers and stakeholders. The objective of our work is to improve customers' lives, turning a promise into reality.

We give value to people, promote diversity and invest in encouraging ongoing learning and professional growth to create an environment that is transparent, collaborative and accessible to all.

VALUE OUR PEOPLE

LIVE THE COMMUNITY

We are proud to belong to a group that operates throughout the world with a major focus on social responsibility matters. We feel at home in all markets.

We are curious, proactive and dynamic people, with open, diverse minds that want to look at the world from another viewpoint.

BE OPEN

GROUP'S HISTORY

A history of growth in a mix of skills stimulated by internal innovation and an ability to incorporate external realities. Prior to listing, there was a period of expansion and mergers of various companies and networks of Financial Advisors. Since the Company's listing on the Stock Exchange in 2006, there was an increase in business efficiency, a focus on the highest end of the market and the development of a wealth management hub. Over the years, Banca Generali has established itself as one of the main players in its industry, a benchmark in wealth advisory services.

2003

Acquisition of Banca Primavera's network

2005

Acquisition of Intesa Fiduciaria SIM

2007

Incorporation of the product factory
BG Investments Luxembourg

2009

Creation of Generali Fund Management

2011

Merger of BG SGR into Banca Generali

1998 - 2000

A new bank

Banca Generali started operations on **1 December 1997**, following the acquisition of 90% of the share capital of Cassa di Risparmio di Trieste Specialcredito S.p.A. by Assicurazioni Generali

2000 - 2001

Merger with Prime and creation of the multi-channel bank.
Acquisition of Altinia SIM e INA SIM

2006

Enhancement of wealth management activities and listing on the stock exchange

Acquisition of a management company, BG SGR. Acquisition of the share capital of Banca BSI Italia (the Italian company of BSI S.A.). Acquisition from BSI of a static trust company, **S. Alessandro Fiduciaria** (now Generfid). Banca Generali shares debut on the Milan stock exchange on 15 November

2008

Acquisition of Banca del Gottardo Italia

2010

Introduction of the Banca Generali Private Banking division

2014

Acquisition of the Italian private-banking unit of Credit Suisse.
Creation of the new BG Fund Management Luxembourg

2016

Tenth anniversary of Banca Generali's listing on the Italian stock exchange

BUSINESS MODEL AND STRATEGIC GUIDELINES FOR DEVELOPMENT AND SUSTAINABILITY

“
Looking after our
customers’ needs
before they feel
the needs

Banca Generali occupies a unique position in Italy’s financial system due to the central role played by the wealth advisory service provided by its networks of professionals who assist customers in their choices regarding the planning and protection of personal life plans. The company offers a wide range of banking services and distinctive investment and wealth protection solutions. The Bank’s innovation- and quality-oriented business model is sustainable over time as it offers households instruments and products that are typical of the private sector.

In short, Banca Generali’s strategy is based on:

- ▶ two networks of Financial Advisors at the top end of the market in terms of expertise and professionalism who can rely on latest-generation tools and the operating support of the Bank focused on serving their customers:
 - the Financial Planner Division;
 - the Private Banking and Relationship Manager Division;
- ▶ a very wide platform based on an open architecture, with 53 management firms and over 5,000 products;
- ▶ a banking platform with a wide range of products and services that meet the full spectrum of investment needs, and liquidity and payments management;
- ▶ high-standing insurance and pension solutions guaranteed by a dedicated company of the Generali Group;
- ▶ focus on sustainable strategies (see the next chapter) aimed at the Bank’s stakeholders.

This strategy focused on supporting the Bank’s Financial Advisors provides the customer with groundbreaking schemes in terms of increased operating efficiency thanks to digitalisation and advanced advisory: BG Allways Link to value and BG Personal Advisory.

BG Allways

BG Allways is the revised version of a “relationship” bank model, namely a model where financial advice and the trusted relationship with the customer govern the operations, and the contribution of technology provides high value added. The scheme represents the backbone around which the areas for operating development will be defined in the next few months.

This is developed around four main points:

1. **BG Your way:** evolution of the **customer experience** at all the touch points of the **traditional channels**;
2. **BG Digital way:** evolution **through digital channels** of all the touch points used for **remote contact** between the Customer, the Financial Advisor and the Bank;
3. **BG Space way:** **evolution of all the physical touch points allowing the Client/Financial Advisor/Bank to meet**;
4. **BG Easy way:** evolution of all the transverse tools allowing the **integration of processes among all areas of the Bank, by providing information** to Financial Advisors/Customers/ Bank that is always up to date and accessible.



BG Personal Advisory

BG Personal Advisory is Banca Generali's new advanced advisory model, created to offer customers an integrated vision of their own wealth and define the most effective strategies based on changing needs and new market opportunities.



Innovative and personalised, BG Personal Advisory allows each customer's expectations to be met synergically, whether these be short, medium or long-term.

Thanks to the aggregate analysis and excellent partnerships in the sector, the Banca Generali Financial Advisor becomes a point of reference able to provide tailor-made responses not only with regard to the financial world, but also the entire wealth management field.

In this way, customers can manage their financial, real-estate, artistic or business assets, through analyses and forecasts that are both separate and aggregated, in line with changing needs.

The support of innovative technologies enables constant monitoring of the portfolio risk and the degree of investment diversification.

Economic Sustainability

The Bank's development — not only in terms of size, but also in its ability to create innovation and skills serving all its stakeholders — is a priority.

The growth of assets under management takes place both within the Bank, with the development of professional skills within the organisation, and externally, identifying selected profiles that can help bring value added to Banca Generali's services.

The earnings targets are, on the other hand, pursued through careful management of the company and by increasing revenues. These depend for the most part on the core activities, linked precisely to the management fees for the advisory service provided to customers. Growth in profitability enables the objectives of all the direct stakeholders to be met and also facilitates local initiatives and social commitment.

One of the strengths that emerges in Banca Generali's history regards its ability to consolidate and finalise extraordinary transactions effectively. In fact, over the years the Company has incorporated various entities within the networks, with very positive results in terms of financial parameters and the constructive development of a company spirit. In a gradually consolidating market, this factor represents an advantage in terms of future outlook.

Sustainability Strategy

Banca Generali's sustainability strategy is characterised by:

- ▶ sustainable growth over time, with entrepreneurial actions aimed at achieving stable and satisfactory long-term economic and commercial results, minimising risks related both to the volatility of the economic-financial scenario, and the inadequate planning of objectives, due to short-term needs;

- ▶ people enhancement, encouraging the constant development of skills and professionalism and acknowledging the contribution of individuals to the success of the organisation;
- ▶ sensitivity to the social context, participating in charitable, cultural and sports initiatives;
- ▶ reduction of direct and indirect environmental impacts by taking steps to minimise the consumption of energy, paper and water, and lower pollutant emissions.

Communication Strategy

Since its inception, Banca Generali has always adopted an open communication policy able to involve all internal and external stakeholders, with a view to support its development and sustainability strategies.

Internal communications regards all its personnel and aims to establish a constant dialogue to foster motivation and engagement.

Dialogue between Banca Generali and the financial community is ensured through a comprehensive and constant flow of information via several media, the website and dedicated meetings. In 2016, Banca Generali issued more than 34 institutional press releases, which generated more than 300 articles on Italy's leading media and 1,500 pages on the major websites.

Communications towards customers and the community occur through the Bank's different websites, the graphics of which were revamped in 2015 — accessible through computers, tablets and smartphones, and traditional media channels. In addition, communications take place through events, sponsorships and advertising campaigns involving important ambassadors, such as Federica Brignone, Alessandro Del Piero and Davide Oldani.

Staff Engagement

With regard to information flows, engagement and interaction with personnel represent the guidelines underpinning the Bank's Internal communication activities. The dedicated tools and initiatives allow an up-to-date and stimulating dialogue among the Bank, namely top management, the activities and correlated events, and the employees.

Tools to help disseminate news and share strategies include:

- ▶ the Generali Group's **We Generali Portal**, with news and information about the Group's worldwide operations;
- ▶ **Italy's Country Portal**, with information on national activities to which Banca Generali contributes with content creation;
- ▶ **Prima Pagina monthly newsletter** dedicated to employees, with coverage of the month's major news;
- ▶ **BG News weekly newsletter** dedicated to the Financial Advisor networks, which gives a summary of the major news;
- ▶ **Meetings** (one in Milan and one in Trieste) which take place annually between top management and all employees, as well as dedicated meetings on given occasions, and business strategy cascading initiatives through the Bank's managers;
- ▶ **Engagement** in company events and in charity initiatives organised by associations/foundations;
- ▶ **Dialogue** through dedicated BG Open tools (suggestions box) to collect constructive ideas from personnel;
- ▶ **Meetings** (one at the beginning of the year and one in September) dedicated to the Financial Advisor networks and aimed at commercial training. Training for specific teams and reporting intended for individual business areas.

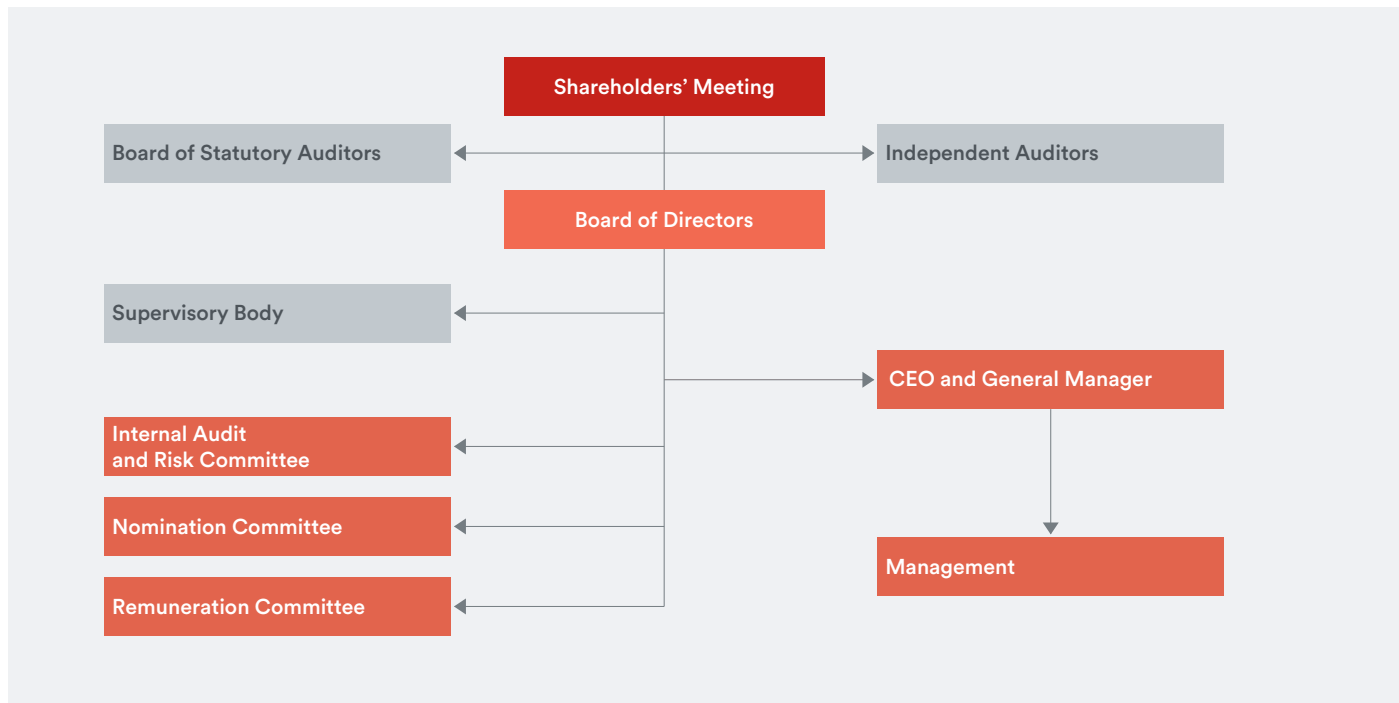
In accordance with the sustainability policies promoted by the Generali Group, the Bank involves its employees in matters of environmental awareness:

- ▶ appropriate sorting of waste;
- ▶ support to sustainable mobility with public transport season ticket benefits;
- ▶ incentivisation of green mobility with the provision of bike racks and locker rooms;
- ▶ careful travel management in terms of environmental sustainability;
- ▶ prudent use of individual heating/cooling installations.

“
Clear, transparent
and responsible
communications

➤ **More information on:**
www.bancagenerali.it
www.bancagenerali.com
www.bgiduciaria.it
www.bgfml.lu

ORGANISATIONAL STRUCTURE



At the level of the Banking Group, responsibility for sustainability falls to the Chief Executive Officer and General Manager, who implements the strategies defined by the Board of Directors, setting the fundamental guidelines. In this activity, the Board of Directors is supported by the Steering Committee.

“
**At the level of the Banking Group,
 responsibility for sustainability falls to
 the CEO and General Manager**



Every six months, the Steering Committee discusses sustainability themes, in a meeting run by the Head of Communications and External Relations, with particular reference to the social and environmental policies at Banking Group level. In this context, the Steering Committee defines the opportunities, risks, common objectives, targets, areas for improvement, content and reporting methods connected with sustainability and analyses the results set out in the Sustainability Report, discussing the achievement of the objectives set, the difficulties encountered and the problems still unresolved. The Head of the Administrative Department is also invited to attend these meetings but has no voting right.

INTERNAL CONTROL SYSTEM

The three levels of control and risk management

This is a set of rules, procedures and organisational structures aimed at ensuring compliance with Company strategies, while also seeking to achieve:

- ▶ the efficiency and effectiveness of work processes;
- ▶ the adequacy, reliability and efficiency of the control procedures;
- ▶ the maintenance of asset value and protection against losses;
- ▶ the reliability and integrity of accounting and operating information;
- ▶ operational compliance with the law, supervisory regulations, policies, plans, regulations and internal procedures;
- ▶ the dissemination of a culture of control involving training initiatives at various levels;
- ▶ the consistency of the organisational control measures with the developments in corporate strategy and/or changes in the prevailing context.

The Banca Generali Banking Group has designed an internal control model consistent with best practices at the national and international levels, minimising the risks of inefficiency, overlapping of roles and sub-optimal system performance. Internal control procedures have been structured according to three levels:

1. (operating) production or back-office company organisational areas and units, supported by information technology procedures, where envisaged. It takes the form of hierarchical or line checks;
2. specific functions tasked with monitoring the risk management system (Risk Management Function), preventing the risk of non-compliance with laws and regulations governing the provision of services and monitoring the activity of the distribution network (Compliance Function) and combating transactions involving money-laundering and financing for terrorism (the Anti-Money Laundering Function). These functions are distinct from production ones; they contribute to the definition of risk governance policies and the risk management process;
3. Internal Audit function: it identifies anomalous situations and violations of procedures and regulations, as well as risk trends, in addition to independently and periodically assessing the functionality, adequacy, completeness and reliability of the overall internal control system and procedures.

The circulation of information amongst and within Corporate Bodies and control functions allows to meet the targets of efficient management and effective internal controls, thus representing a fundamental condition for the integrated Internal Control System.

In 2016, the fraud-prevention activities were further implemented and activities aimed at preventing the commission of the offences set forth in Decree No. 231/01 also continued.

This system, defined through directives issued by the Banca Generali Group, is an integral part of the company and supervises all of its areas and structures, involving all resources, each according to his or her level of competence and responsibility, with the aim of ensuring constant, effective risk coverage. All departments and functions have their own roles in checking transactions according to their various degrees of responsibility.

Banca Generali has implemented a risk management system that aims to identify, assess and control the most significant risks to which the Group is exposed, i.e., those risks that, with their consequences, may threaten the Group's solvency or constitute a serious obstacle to the achievement of company objectives. The system strives to achieve and maintain an acceptable level of the identified risks, with the aim of ensuring both the optimisation of the financial resources required to deal with those risks, and the improvement of the Group's profitability taking account of those risks. In terms of capital adequacy, in accordance with the provisions of the Basel Committee and Community regulations, and in compliance with the supervisory instructions issued by the Bank of Italy (cf. Bank of Italy Circular Letter No. 285 of 17 December 2013, "Supervisory Provisions for Banks"), the Group has defined an internal process (ICAAP – Internal Capital Adequacy Assessment Process) for independently assessing its capital adequacy, that is to say, the adequacy, in current and prospective terms, of the overall capital at its disposal to meet the relevant risks to which it is exposed and support its strategic decisions.

That process presupposes a solid corporate governance system, a clear, appropriate organisational structure and the definition and implementation of all processes required for the effective identification, management, monitoring and reporting of risks and the presence of adequate internal control mechanisms.

3 levels of control

1

Production or back-office company areas and organisational units

2

Specific functions:
 – Risk Management Function
 – Compliance Function
 – Anti Money Laundering Function

3

Internal Audit Function

Structures in charge of internal control and risk management system

BODY	TASKS
Board of Directors	Bears the final responsibility in the system Establishes guidelines Periodically assesses the appropriateness and efficiency of the system
Top Management	Implements strategic guidelines Constantly monitors the appropriateness of the system
Board of Statutory Auditors	Oversees the adequacy and compliance of the system and its actual functioning
Internal Audit and Risk Committee	Supports the Board of Directors discharging investigative, advisory and recommendatory duties
Risk Committee	Ensures coordinated coverage of the system for managing and controlling risks Addresses specific operating issues with decision-making powers relating to risk containment measures
Law 262 Unit	Guides and coordinates administrative and accounting risk management activities Provides support to the Manager in charge of preparing the company's financial reports, within the meaning of Article 154 of the Consolidation Law on Finance (TUF)
Risk Management Service	Identifies, measures, assesses and monitors all types of risk to which the Banking Group is exposed, with the exception of non-compliance risk
Compliance Service	Assesses the adequacy of company processes and procedures in order to prevent non-compliance risk Supervises the distribution network's actual behaviour
Anti Money Laundering Function	Prevents and fights money laundering and financing of terrorism
Internal Audit	Oversees and assesses the efficiency and effectiveness of internal control system Examines risk management procedures, overseeing the implementation of risk-containment plans

The Group has formally defined a policy for each of the risks identified that lays down:

- ▶ the general principles, roles and responsibilities of the company bodies and functions involved in risk management;
- ▶ the guidelines regarding risk management in accordance with the business model, the risk appetite, the internal control system, system of delegated powers defined by the Board of Directors and provisions of the Supervisory Authority.

In the area of operating, compliance and reputational risk, a special emphasis is placed on corruption, fraud, money laundering and financing of terrorism, all of which are offences punished under Italy's national legislation. Each Group company has adopted principles and procedural rules — including through appropriate codes and policies — aimed at preventing and detecting such unlawful conduct; they apply to all organisational units concerned and are brought to the attention of all parties involved.

In particular, the issue of corruption is dealt with by the Banca Generali Internal Code of Conduct, in which a commitment is explicitly made to take all measures required to combat corruption.

Anti-corruption provisions have been extended to all affected units and spread to all parties involved. All distribution network personnel and employees have received training in this area. In this respect, Group companies have adopted and implemented an organisation and management model pursuant to Legislative Decree No. 231/01, as amended, that aims to prevent conduct contrary to the principles of propriety, legality and transparency in the handling of affairs by personnel, with the additional goal of avoiding the attribution of administrative liability to companies for offences committed by personnel in the interest or to the benefit of those companies. The proper understanding and dissemination of the content and underlying principles of that model are ensured by specific training initiatives provided through e-learning systems targeted at all employees and Financial Advisors.

On the subject of money laundering and financing of terrorism, it bears noting that the Group was not involved in any such transactions in 2016.

“
Special emphasis
is placed on
**corruption,
fraud, money
laundering
and financing of
terrorism**”



FARHAN SIKI, *Splashing Marilyn #6* | 2016, spray paint on canvas, 86 × 76 × 4 cm

2. FINANCIAL REPORTING

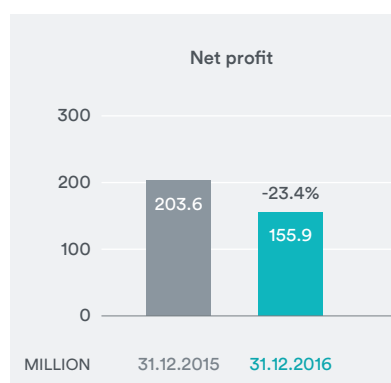
GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS

Consolidated figures

(€ MILLION)	2016	2015	CHANGE %
Net interest income	58.7	66.2	-11.4
Net fees	309.0	370.8	-16.7
Net income (loss) from trading activities and dividends	34.7	28.9	20.1
Net banking income	402.4	465.9	-13.6
Staff expenses	-80.5	-80.9	-0.6
Other general and administrative expense	-140.1	-134.0	4.6
Amortisation and depreciation	-5.9	-5.3	11.9
Other operating income/expenses	44.5	44.7	-0.4
Net operating expenses	-182.0	-175.6	3.7
Operating result	220.4	290.3	-24.1
Provisions	-34.7	-45.6	-23.8
Adjustments	-0.8	-6.5	-88.0
Profit before taxation	184.8	238.2	-22.4
Net profit	155.9	203.6	-23.4
PERFORMANCE INDICATORS			
	31.12.2016	31.12.2015	CHANGE %
Cost/Income ratio	43.7%	36.5%	19.7
EBTDA	226.3	295.7	-23.4
ROE ^(a)	33.7%	50.3%	-33.0
ROA ^(b)	0.35%	0.52%	-31.7
EPS - Earnings per share (euros)	1.343	1.757	-23.5

(a) Net return on equity, excluding net profit (share capital, share premium, reserves, valuation reserves, treasury shares) at the end of the reporting year and the previous year.

(b) Return on assets calculated on the average of Assoreti quarterly AUM.



Net inflows

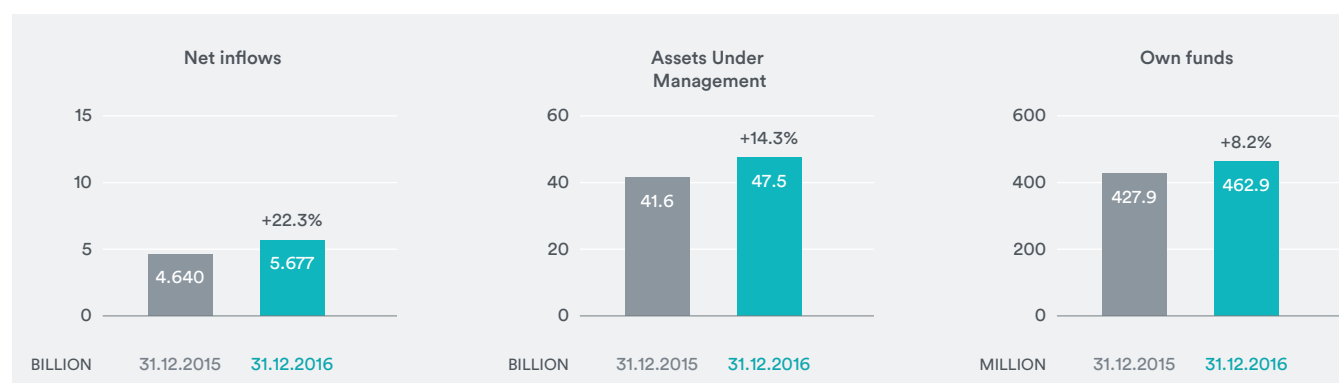
(€ MILLION) (ASSORETI DATA)	31.12.2016	31.12.2015	CHANGE %
Mutual funds and Sicavs	198	869	-77.2
Asset management	1,020	-168	707.1
Insurance / Pension funds	2,749	3,394	-19.0
Securities / Current accounts	1,710	545	213.8
Total	5,677	4,640	22.3

Assets Under Management & Custody (AUM/C)

(€ BILLION) (ASSORETI DATA)	31.12.2016	31.12.2015	CHANGE %
Mutual funds and Sicavs	11.2	10.9	2.4
Asset management	4.7	3.6	28.6
Insurance / Pension funds	20.2	17.3	17.1
Securities / Current accounts	11.5	9.8	17.3
Total	47.5	41.6	14.3

Net equity

(€ MILLION)	31.12.2016	31.12.2015	CHANGE %
Net equity	646.5	636.8	1.5
Own funds	462.9	427.9	8.2
Excess capital	261.9	212.8	23.1
Total Capital Ratio	18.4%	15.9%	15.8

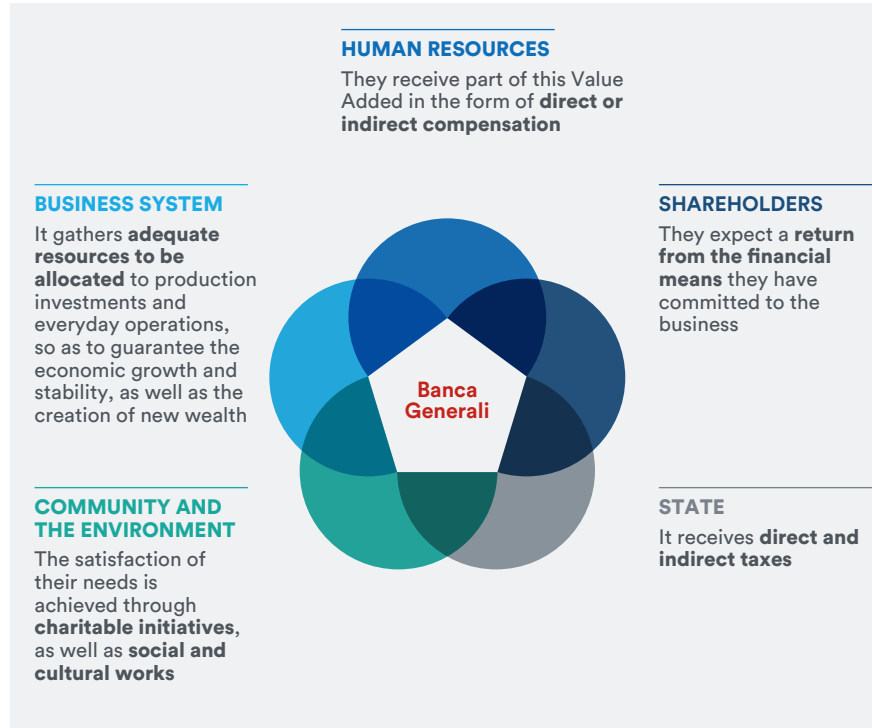


DETERMINATION AND DISTRIBUTION OF VALUE ADDED

Calculation Method

Value Added: difference between **total revenues** and **total costs for goods and services** (so-called Consumption)

Value Added expresses the wealth that the Group has produced and can thus distribute to the stakeholders with which it interacts as part of its everyday operations. More specifically:



From a methodological standpoint, value added is obtained through the restatement of entries to the Profit and Loss Account that is part of the Consolidated Financial Statements. The restatement allows to highlight the process involved in the formation of Value Added, in its various formulations, and its distribution.

The statements for the determination and distribution of Added Value were prepared based on the ABI guidelines.

Distribution of Global Added Value

In 2016, Banca Generali reported **net revenues** of 741.1 million euros, down by 50.4 million euros (-6.4%) compared to 2015, whereas **consumption** decreased slightly by 3.0 million euros.

Revenue performance was primarily affected by the trend in performance fees (-60.0 million euros) and the decrease in interest income (-8.0 million euros), only partly offset by the greater net income from trading activities and dividends and the rise in recurring fees.

The reduction of consumption was primarily caused by the lower impact of provisions and adjustments, which partly offset the moderate increase in general and administrative expense (+5.3 million euros).

During the process of allocating Added Value, the contributions paid to the National Resolution and Interbank Deposit Protection Funds (8.3 million euros) were classified according to the interpretation that views them as taxes.

The net provisions for incentives and indemnities for the Financial Advisors network, recoveries of expenses and indemnities charged to Financial Advisors and net provisions for staff were classified as staff expenses.

Net revenues
2016

741.1
million euros

Statement of determination of the Global Added Value

ITEMS (€ THOUSAND)	2016	2015	CHANGE
10. Interest income and similar revenues	61,778	69,743	-7,965
40. Fee income	604,689	651,960	-47,271
70. Dividends and similar income	1,963	3,120	-1,157
80. Net income (loss) from trading activities	2,383	4,489	-2,106
100. Gain (loss) from sale or repurchase of:	30,371	21,301	9,070
a) receivables	2,204	1,700	504
b) AFS financial assets	28,151	19,601	8,550
c) HTM financial assets	16	-	16
220. Other operating expenses/income ⁽⁴⁾	39,897	40,841	-944
240. Gains (losses) from equity investments	-75	-40	-35
A. TOTAL NET REVENUES	741,006	791,414	-50,408
20. Interest expense and similar charges	-3,115	-3,513	398
50. Fee expense ⁽¹⁾	-33,889	-34,560	671
180.b Other general and administrative expense ⁽²⁾	-88,023	-82,701	-5,322
130. Net adjustments/reversals due to impairment of:	-778	-6,471	5,693
a) receivables	1,921	-1,121	3,042
b) AFS financial assets	-2,865	-2,845	-20
c) HTM financial assets	101	-2,575	2,676
d) other financial transactions	65	70	-5
190. Net provisions for liabilities and contingencies ⁽³⁾	-1,077	-2,670	1,593
B. TOTAL CONSUMPTION	-126,882	-129,915	3,033
C. CORE GROSS ADDED VALUE	614,124	661,499	-47,375
250. Net result of fair value measurement of tangible and intangible assets	-	-	-
270. Gains (losses) from disposal of investments	22	-6	28
D. GLOBAL GROSS ADDED VALUE	614,146	661,493	-47,347
Amortisation and depreciation	-5,940	-5,310	-630
E. NET GLOBAL ADDED VALUE	608,206	656,183	-47,977
180.a Staff expenses ⁽⁵⁾	-371,274	-366,623	-4,651
180.b Other general and administrative expense: indirect taxation ⁽⁶⁾	-43,692	-42,538	-1,154
180.b Other general and administrative expense: charges for the National Resolution and Interbank Deposit Protection Funds ⁽⁶⁾	-8,281	-8,711	430
180.b Other general and administrative expense: charitable gifts ⁽⁶⁾	-123	-70	-53
F. PRE-TAX RESULT	184,836	238,241	-53,405
290. Income taxes for the year on operating activities	-28,942	-34,682	5,740
330. Minority interests (+/-) for the year	-	-	-
G. NET PROFIT (LOSS) OF THE PARENT COMPANY FOR THE YEAR	155,894	203,559	-47,665

(1) This figure differs from that included in the Profit and Loss Account in the Financial Statements, as the compensation for the Financial Advisor network has been reclassified to "Staff expenses".

(2) This figure differs from that included in the Profit and Loss Account in the Financial Statements, due to the exclusion of indirect and direct taxes, contributions to the National Resolution and Interbank Deposit Protection Funds and charitable gifts (which have been stated in the related specific items).

(3) This figure differs from that included in the Profit and Loss Account in the Financial Statements, due to the exclusion of net provisions for incentives and indemnities in favour of the Financial Advisor network and net provisions for staff.

(4) This figure differs from that included in the Profit and Loss Account in the Financial Statements, due to the exclusion of expenses recovered from Financial Advisors and staff contingencies (which have been stated in the related specific items).

(5) This figure differs from that included in the Profit and Loss Account in the Financial Statements, as it includes remuneration paid to the Financial Advisor network and the relevant provisions.

(6) This figure is stated as a specific item in the statement of determination of Value Added.

Breakdown and Distribution of Global Gross Added Value

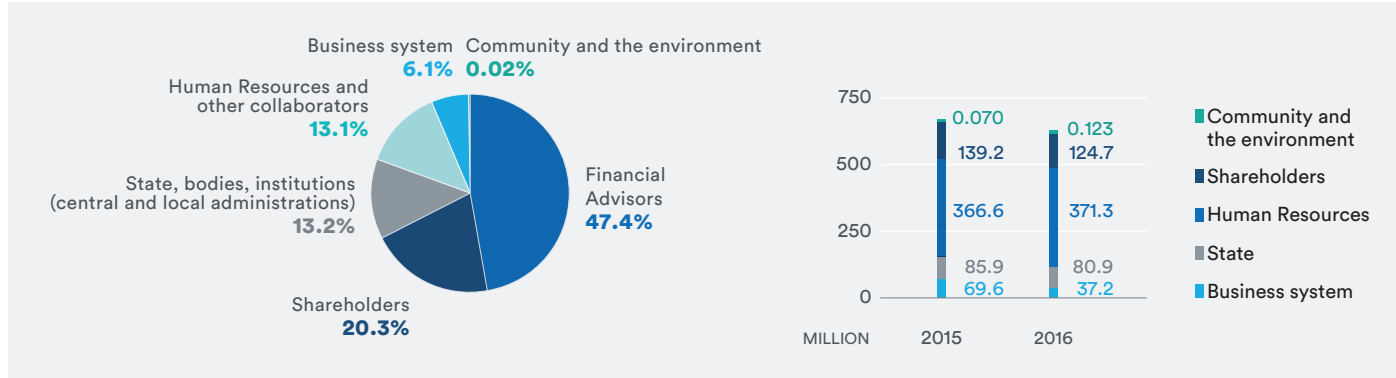
ITEMS (€ THOUSAND)	2016	2015	CHANGE
A. Total net revenues	741,006	791,414	-50,408
B. Total consumption	-126,882	-129,915	3,033
C. Net result from insurance operations	-	-	-
D. Core gross value added	614,124	661,499	-47,375
E. GLOBAL GROSS ADDED VALUE	614,146	661,493	-47,347
Divided among:			-
1. Shareholders	124,674	139,237	-14,563
Private shareholders ⁽¹⁾	124,674	139,237	-14,563
Minority interests (+/-) for the year	-	-	-
2. Human resources	371,274	366,623	4,651
Employee expense; expense for indefinite- and fixed-term contracts	78,905	85,865	-6,960
Financial Advisor expense, including net payments on account	290,852	278,751	12,101
Expense for other collaborators	1,517	2,007	-490
3. State, entities, institutions (central and local administrations)	80,915	85,931	-5,016
Indirect and income taxation	43,692	42,538	1,154
Expense for contribution to the National Resolution and Interbank Deposit Protection Funds	8,281	8,711	-430
Income taxes for the year	28,942	34,682	-5,740
4. Community and the environment	123	70	53
Charitable gifts	123	70	53
5. Business system	37,160	69,632	-32,472
Change in reserves	31,220	64,322	-33,102
Amortisation and depreciation	5,940	5,310	630
GLOBAL GROSS VALUE ADDED	614,146	661,493	-47,347

(1) Figures take into account the official dividend approved.

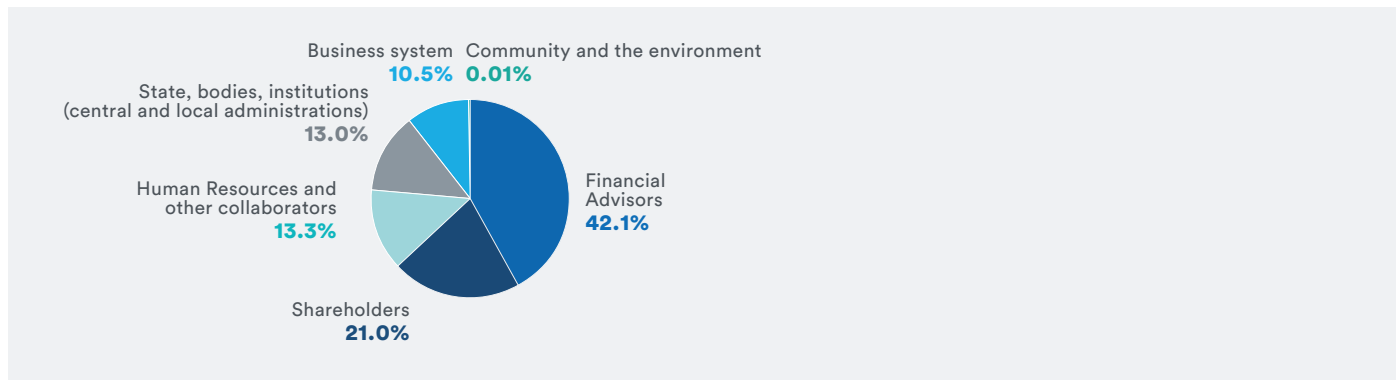
In 2016, Gross Value Added reached 614.1 million euros and was broken down as follows:

- Shareholders**: 124.7 million euros, slightly up compared to 2015, due to the reduction in the approved dividend from 1.20 euros to 1.07 euros.
- Human resources**, broken down in:
 - Employees and other personnel**: 80.4 million euros, compared to 87.9 million euros for the previous year (13.3%), which however included 10.2 million euros provisions for the restructuring plan;
 - Financial Advisors**: 290.8 million euros, inclusive of net provisions for incentives, recruitment plans and other contractual indemnities of 32.3 million euros (up from 42.1% in 2015).
- State**: 80.9 million euros, down compared to the previous year, due to the combined effect of the lesser estimated income tax burden.
- Community and the environment**: in 2016 the Group's contribution almost doubled to 123,000 euros.
- Business system**: 37.2 million euros were retained in the form of undistributed profit, amortisation and depreciation. The amount is to be regarded as an investment that the other categories of stakeholders make each year in order to keep the company in efficient condition and foster its development.

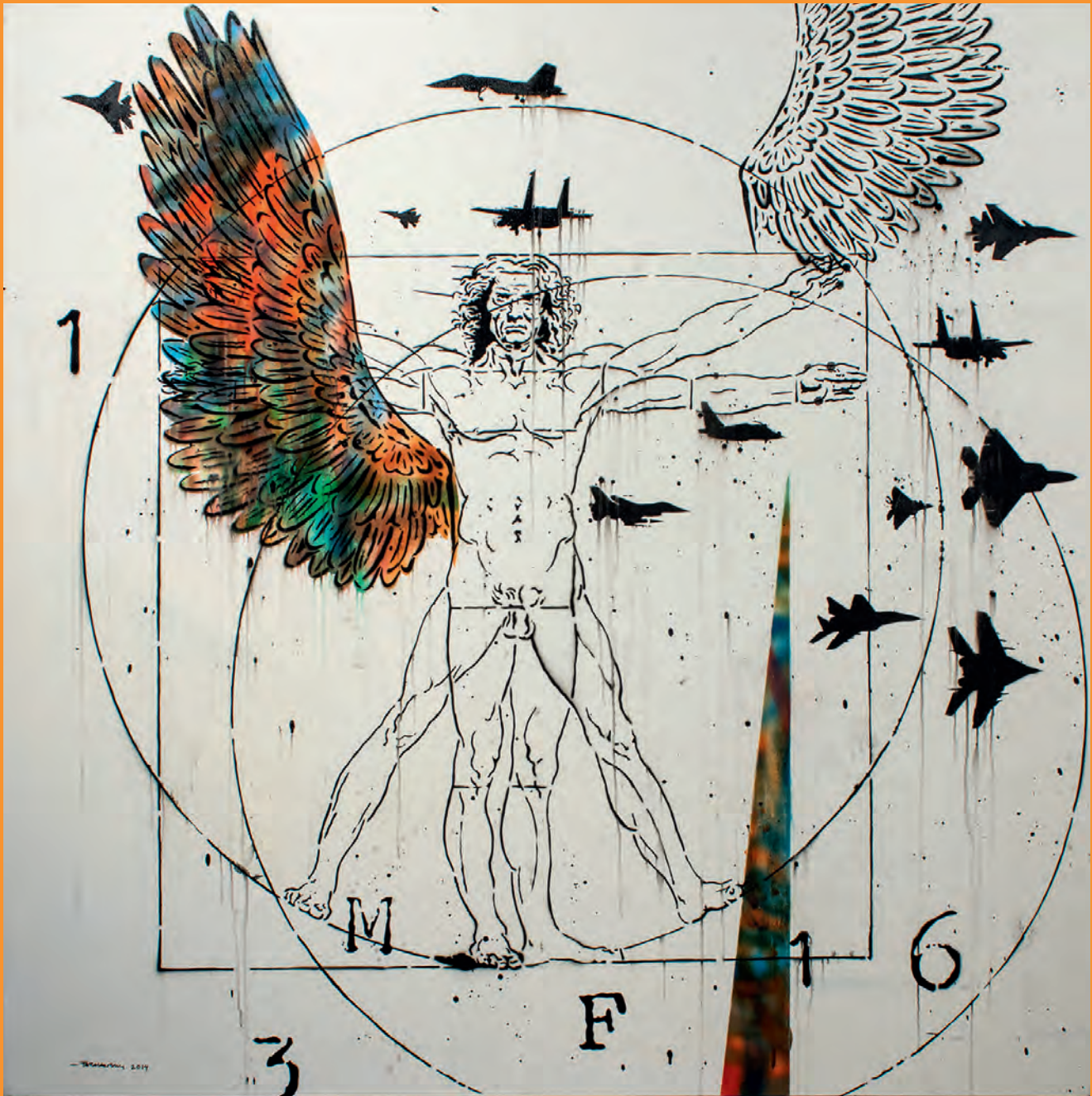
Breakdown of Total Added Value 2016



Breakdown of Total Added Value 2015



Global Added Value 2016
614.1 million euros



FARHAN SIKI, *I just wanna be an F16* | 2014, spray paint on canvas, 140 × 140 cm

3. SOCIAL REPORT

DIALOGUE WITH STAKEHOLDERS

Our main internal and external stakeholders.

INSTITUTIONS, BUSINESSES, MEDIA, NGOs AND OTHER ORGANISATIONS, OPINION LEADERS, PROFESSIONAL ASSOCIATIONS, NON-PROFIT ORGANISATIONS AND THE WELFARE INDUSTRY

CHANNELS FOR DIALOGUE

- Local conventions on financial education
- Press conferences
- Company points of contact dedicated to media and institutional relations
- Meetings with institutions and NGOs
- Multistakeholder meetings
- Website and mobile apps

SHAREHOLDERS, INVESTORS, ANALYSTS, PROXY ADVISORS

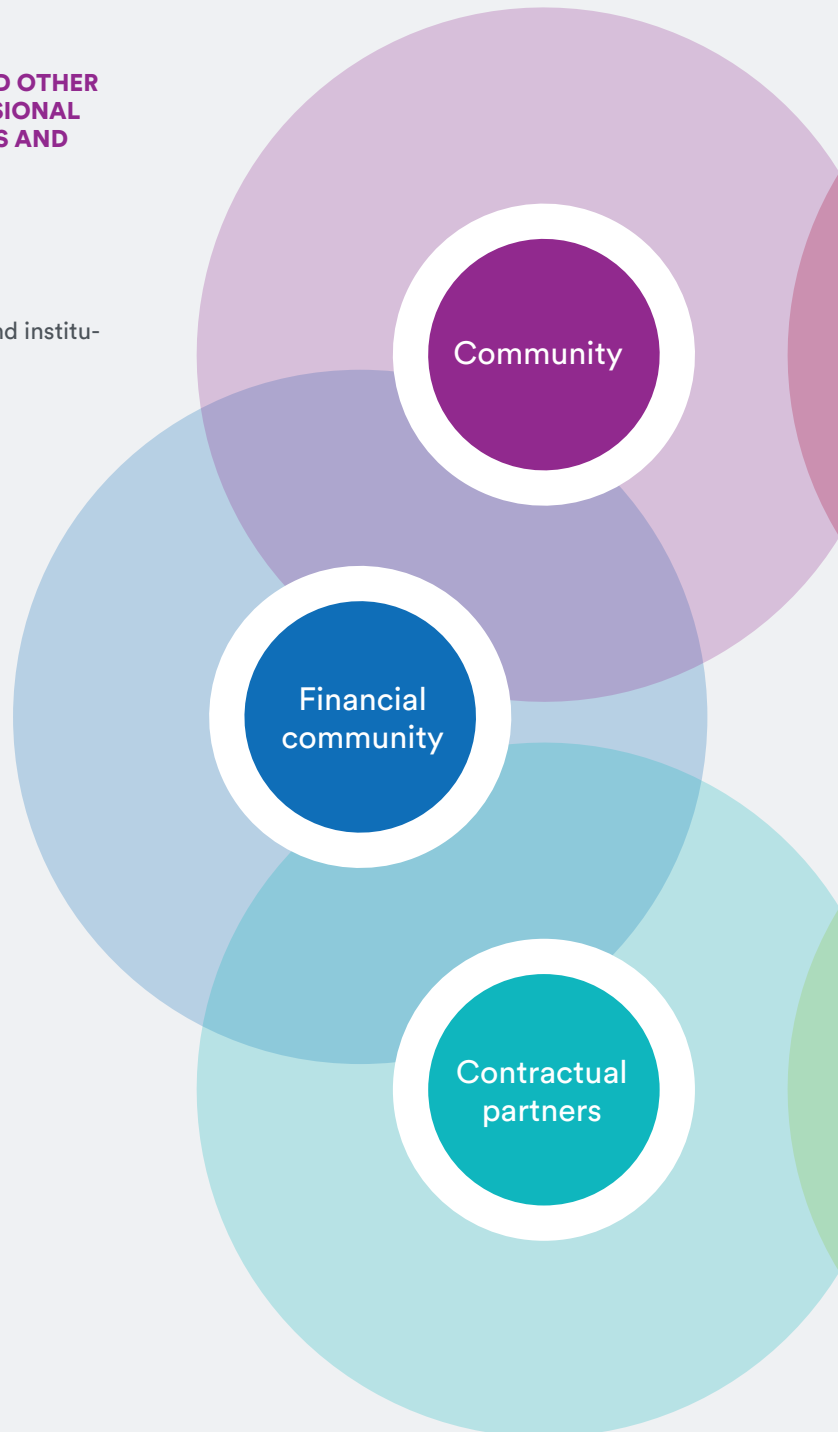
CHANNELS FOR DIALOGUE

- General Shareholders' Meeting
- Meetings and interviews with analysts, investors and proxy advisors
- Company points of contact dedicated to relations with financial investors

SUPPLIERS, STRATEGIC PARTNERS

CHANNELS FOR DIALOGUE

- Meetings with the Networks in two conventions
- Company points of contact
- Participation in local meetings





Employees

EMPLOYEES AND THEIR FAMILIES

CHANNELS FOR DIALOGUE

- Engagement survey (every two years)
- Individual performance evaluation interviews and joint determination of development goals
- Roundtables with unions and workers' representatives
- Portal, newsletters, and house organ
- Annual meeting with all employees

Customers

CUSTOMERS AND THEIR FAMILIES, CONSUMERS

CHANNELS FOR DIALOGUE

- Surveys on the level of satisfaction
- Market researches
- Dialogue with consumer associations
- Communications channels devoted to customers (website, e-mail, toll-free phone number)

Financial
Advisors

FINANCIAL ADVISORS AND THEIR FAMILIES

CHANNELS FOR DIALOGUE

- Dedicated portal
- Two half-year conventions
- Eurisko survey on the level of satisfaction
- Website and mobile apps

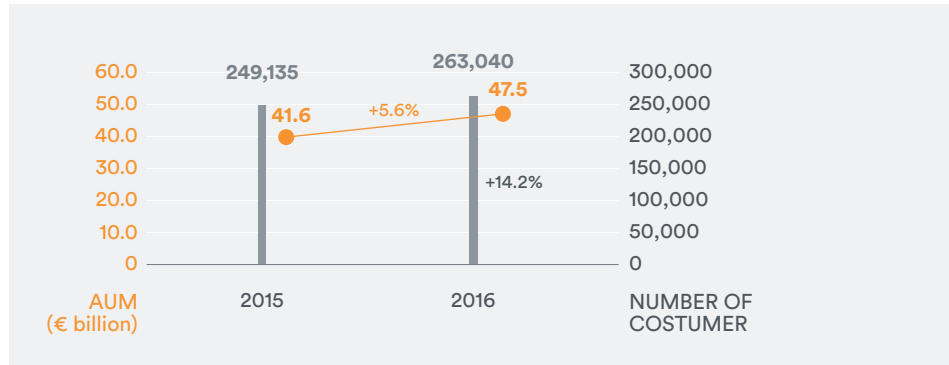
3.1 CUSTOMERS



FARHAN SIKI, *Homo machinus #2*
2015, spray paint on canvas, 135 × 135 cm

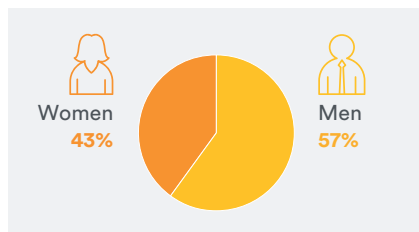
1. KNOWLEDGE OF THE CUSTOMER

Banca Generali strives to become the No. 1 private bank in terms of level of service and innovation. To achieve this objective, full knowledge of the Bank's customers is a prerequisite to best meet their investment and protection needs. This knowledge is based on direct relationships through the Bank's Financial Advisors and analyses of trends and more general indicators transversal to the entire customer base.



In 2016, there were increases in both assets under management (AUM), up 14.2%, and the number of customers served, up 5.6%. The lower percent weight of customer segments with limited assets invested was offset by the increase in customers in segments with greater AUM.

Breakdown of customers by gender

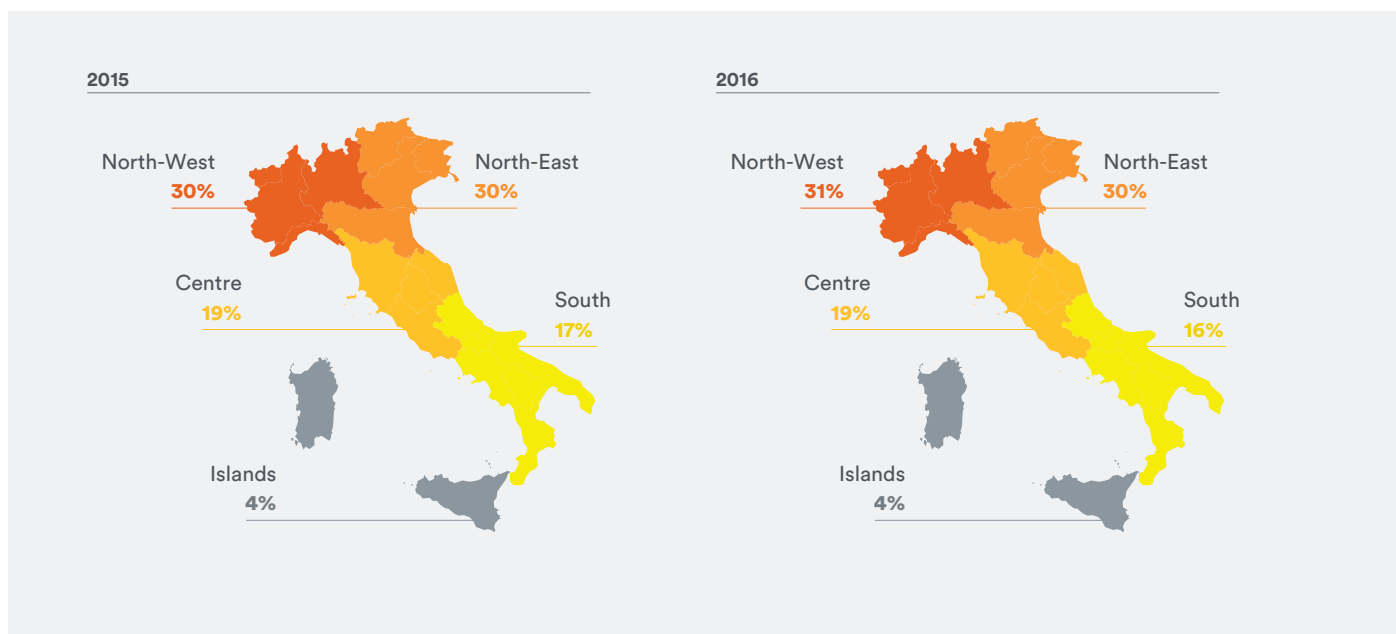


Breakdown of customers by age

AGE	% 2015	% 2016
< 35	8	8
35-50	30	28
51-60	24	25
61-70	18	18
> 71	20	21
Total	100	100

There was a slight decrease among Generation X customers (35-50 years of age), but an increase among Baby Boomers (50-70 years of age) and those over 70, i.e., the share of HNWI customers.

Breakdown of customers by geographical area



2. CUSTOMERS RELATIONS

Drawing inspiration from the Code of Ethics of the Generali Group, the principles guiding customer relations are:

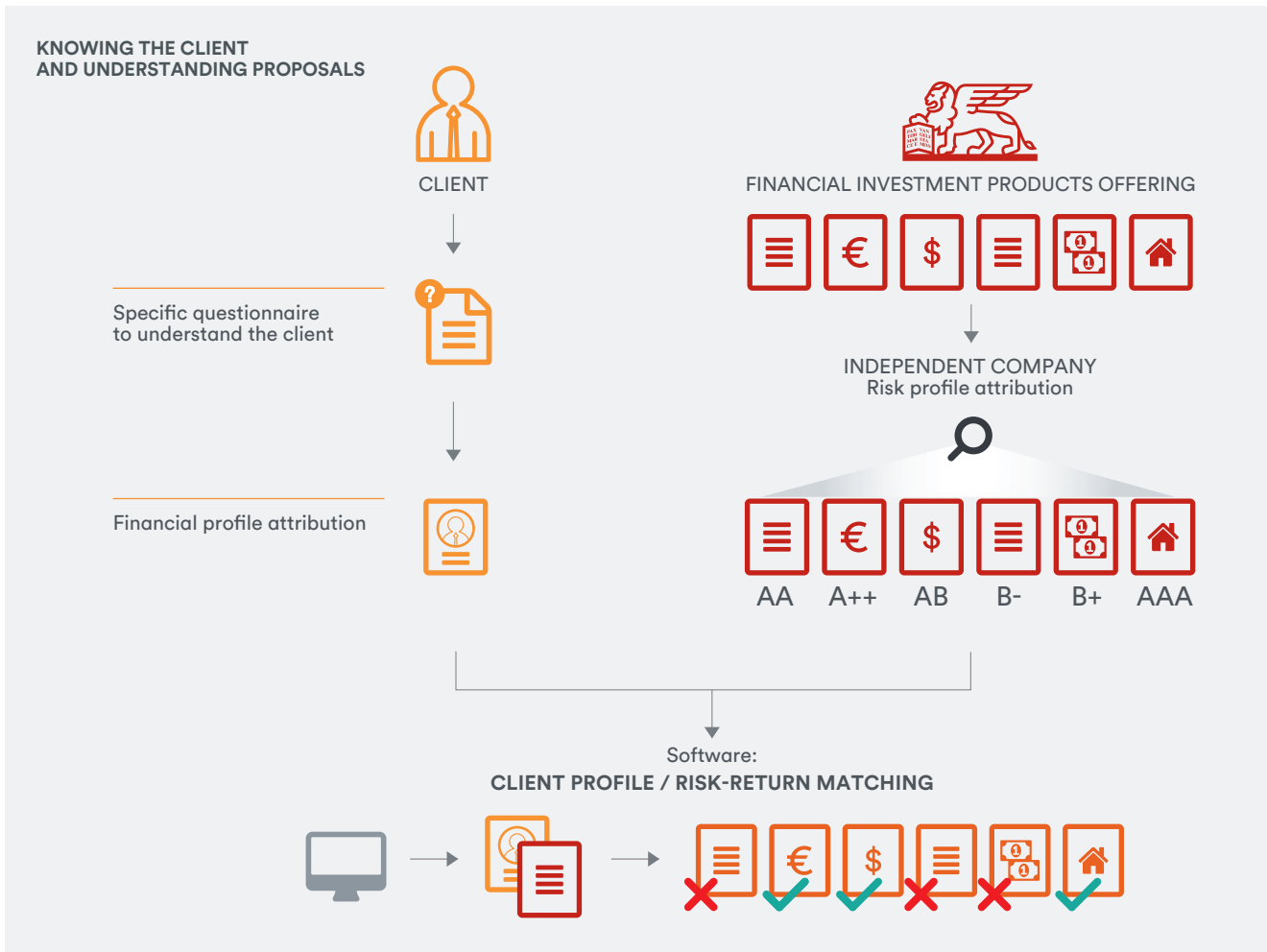
- ▶ conducting business in compliance with the law, internal regulations and professional ethics;
- ▶ promoting the culture of sustainability in all of its spheres of influence to contribute concretely to economic and social development based on respect for fundamental human rights and labour conditions and environmental protection;
- ▶ processing personal data in a manner respectful of privacy rights, while ensuring they are inaccessible to third parties, except for justified company reasons or in the presence of a specific external mandate;
- ▶ avoiding any conflicts of interest and, where it is not possible to do so, managing them in such a way as not to result in harm to the Bank or its customers;
- ▶ guaranteeing free competition, a fundamental factor for the development of company business and results;
- ▶ providing comprehensive and accurate financial disclosures, as well as information on products and services, so that customers can make informed decisions;
- ▶ combating all forms of bribery and corruption;
- ▶ opposing any conduct that could be intended as supportive of money laundering and financing of terrorism;
- ▶ pursuing customer satisfaction, a key factor in the Bank's strategic vision.

2.1 Creating Value Through Innovation

Risk control and customer support

Banca Generali recognises innovation as a fundamental driver to remain competitive on the market and meet the customers' changing needs in order to create value in the long term.

The first level of innovation on which the Bank focuses concerns the implementation of procedures and solutions for monitoring risks and supporting customers in managing their financial interests and any other need.



BG Personal ADVISORY

A new **Service Model** designed to offer the Bank's customers a **comprehensive view** and build an **integrated and well-balanced approach for managing their assets and risks** on the basis of a deeper knowledge of the customer (financial and real-estate assets, generational transfer and risk appetite).

A **new advisory platform** developed to manage the non-financial components, thanks to commercial agreements reached with exclusive partners who support advisors in analysing the needs and risks of customers and their families.

A product range free of conflicts of interest

To manage complex markets characterised by widespread volatility, lack of correlations and an increasingly difficult search for returns, Banca Generali adopts a **multimanager open architecture** and selects **asset management skills**. The investment solutions proposed are **à la carte solutions** or **wrappers of products**:

À-LA-CARTE SOLUTIONS



The **multimanager platform** belongs with à-la-carte solutions: it has been further expanded with the addition of 4,800 products at the end of 2016.

WRAPPERS OF PRODUCTS



- ▶ **BG Selection Sicav** and **BG Sicav**, two asset management solutions offered by BG Fund Management Luxembourg: 79 sub-funds, of which 58 managed by leading international investments firms. In 2016, they were expanded both through themed and multi-asset strategies and more innovative approaches suited to face today's market scenario, such as the Liquid Alternative approach;
- ▶ **BG Solution** and **BG Solution Top Client** (for the private segment): multi-line asset management solutions which offer customers utmost personalisation in portfolio construction, thanks to the possibility of choosing the combination of management lines and individual

financial instruments that are best suited to their needs, in addition to other high value-added services. 2016 saw the launch of the GPM Real Estate Multi Portfolio II, a multi-line solutions that allows professional investors to invest in the real-estate financing sector, thus ensuring diversification beyond traditional real-estate investment;

- ▶ **BG Stile Libero**: the multi-line policy that combines financial investment, tax optimisation, insurance cover and services. BG Stile Libero Private Insurance (launched in 2016): solution targeted to the private segment and offering an even higher degree of personalisation in asset allocation.

2.2 Creating Value Through Protection

Over time, Banca Generali has created solutions aimed at protecting customers and preserving their wealth, with respect to both the financial and real-estate components, as well as safeguarding households.

Investment protection



Protecting its customers' investments is a key priority for Banca Generali, which it pursues through:

- ▶ **guarantees for invested capital**, independent of financial market volatility, through the Generali Group's segregated accounts, with both annual consolidation of returns and dividend streams that allow customers to supplement their incomes;
- ▶ BG Stile Libero, an **insurance wrapper** including death cover according to age, accident cover and increased cover in the event of capital losses, allowing policyholders to protect their investments and guarantee peace of mind to their families;
- ▶ **protection against unforeseen events** with the policy BG Tutela, which envisages the payment of capital to the beneficiaries in case of death of the insured;
- ▶ **savings plans** with periodic payments of small amounts, both in asset management and insurance products, to set aside small sums, planning household cash flows, with the flexibility to suspend, modify or interrupt payments;
- ▶ Genertel **home policies** providing insurance cover for the home and family activities in case of injury caused to third parties, damage to the building and its contents;
- ▶ **Pacchetto Protezione** (launched in 2016): for customers who request that their salary/pension be deposited to their accounts or authorise direct debit payment of utilities through their accounts; it provides insurance cover for theft involving the use of ATM cards and a text message service that notifies customers of access to the website, account transactions, ATM card transactions and securities trades;
- ▶ **Family Protection** tool, which, as part of the BG Personal Advisory platform, allows Financial Advisors to analyse their customers' total wealth (financial and non-financial assets) from the standpoint of generational transfer to identify any related problems in terms of asset allocation and distribution or access to real-estate assets.

Solutions for specific categories of customers

Over the years, Banca Generali has designed solutions dedicated to specific customer segments:



- ▶ **young people**: the BG 18 Anni policy, an investment policy that parents can use to finance their children's education or contribute to their first major expenses; and the BG GO! account card which, in return for a reduced annual fee, provides access to all of the main services associated with current accounts, the BG 10+ prepaid cards and deposit account, without management costs, thus providing the youngest customers with an account in which to place their savings;



- ▶ **couples**: the offering of mortgages and loans of major third-party financial institutions to promote and protect the residential real estate investments;
- ▶ **people with disabilities**: current accounts with ad-hoc conditions for associations of families whose members include people with disabilities or associations supporting scientific research on rare diseases (e.g., AISM – the Italian Multiple Sclerosis Association);



- ▶ **retirees**: the "Conto di Base", a current account with limited features dedicated to investors with modest banking needs;
- ▶ **entrepreneurs**: BG Business, a current account specifically intended for small companies, self-employed professionals, artisans and business owners that offers all of the services necessary to optimal business management.

2.3 Creating Value Through Communications

The evolution of society is driving a radical change in bank-customer interactions, based on a renewed dialogue focused on engagement and transparency, and a "digital revolution" that is identifying new needs and ways to access services.

Clarity and transparency: increasingly comprehensive and thorough reporting

2016 saw the launch of the BG Value Contract project aimed at reviewing Banca Generali's main contracts and activation forms, with a view to simplifying and clarifying content. The documents for BG Solution and BG Solution Top Client have also been prepared, with particular attention paid to statement preparation, modelled on the distinctive characteristics of the investment solution through aggregate views and graphic representations of the various portfolio lines.

New technologies

Starting with a Service Model centred on the role of the Financial Advisor, the Bank seeks to develop all possible points of contact of the Financial Advisor and the Bank in their relationships with the Customer, according to an “omnichannel” approach:

- ▶ *Pagina Personale Consulente*: here the Customers can find full professional information about their Financial Advisors, contact them and keep abreast of financial news. It was improved in 2016 with new functionalities (the possibility, with integrated graphic interface, to request an appointment with the Financial Advisor; the Financial Advisor's authority to customise the Personal Page, thanks to a user experience review designed to reduce the operating steps);
- ▶ developments of dedicated mini-websites alongside the printed communications (e.g., annual summaries of policies or fund management): less paper and timely updating. Launch of the new Web portal dedicated to the multi-line BG Solution and BG Solution Top Client which provides commercial support to Financial Advisors and more effectively conveys the strengths of the new product;
- ▶ launch in 2016 of Digital Collaboration, a service which can be consulted by the customer to finalise, using a smartphone or tablet, the investment proposals agreed with the Financial Advisor, simplifying confirmation of the investment transactions, significantly reducing the order processing times and eliminating paper completely. Digital Collaboration is available in the new BG App Store, a digital tool created to offer a highly-personalised single access point to all the services offered, selecting tools and content based on individual interests and technological and financial preferences;
- ▶ telephone assistance service in Banca Generali's Contact Centre. In 2016, the operators handled about 170,000 of the more than 281,000 calls received, with response times of less than 27" and the percentage of lost calls close to zero (in line with 2015).



2.4 Creating Value through Education

Banca Generali wishes to contribute to economic and social development based on respect for fundamental human rights and environmental protection, while promoting the culture of sustainability in all of its spheres of influence. For Banca Generali, financial education plays a fundamental role in the process of strengthening the bonds of trust between banks and citizens. Therefore, it continues to invest in creating and disseminating financial culture.

Social and environmental sustainability



The Bank develops and distributes solutions with social and environmental value:

- ▶ "socially responsible" investment products, with investment strategies that, in their evaluations of companies and institutions, supplement financial analysis with assessment of environmental, social and governance factors. In 2016, there were 79 sub-funds of third-party Sicavs distributed that invested according to the criteria of socially responsible investing;
- ▶ digital technologies and services to reduce the use of paper, such as Doc@nline;
- ▶ favourable terms in order to incentive health lifestyles and a greater focus on health, such as the rate for non-smokers in the temporary life-insurance policy BG Tutela.



Financial education



Banca Generali promotes the *Aperitivi Finanziari* events throughout Italy. These free meetings, open to all customers and the public generally, are organised in collaboration with the Bank's network and leading asset management firms. They offer the chance to illustrate macroeconomic scenarios and the financial market situation, as well as development and innovation of investment solutions. In 2016, over 5,000 customers and prospects participated in these events (in line with 2015).



The Bank also proposes initiatives of an educational nature devoted to young people: the campaign "Un Campione per Amico/A Champion for a Friend", which tours the Italian major cities with the help of four sports champions, aims to involve young people in financial education through sports and play.

3. CUSTOMER SATISFACTION

Customer satisfaction is a key factor in Banca Generali's strategic vision. Periodically monitoring customer satisfaction allows the Bank to measure its ability to meet customers' needs and expectations with the aim of reinforcing its leading position.

The level of satisfaction is measured directly with Customers through the use of quantitative indicators, and indirectly through the level of satisfaction of Financial Advisors, who manage relationships with Customers personally.

Customers

To analyse the level of customer satisfaction, Banca Generali has prepared a series of indicators concerning the customer base.

CUSTOMER SATISFACTION	NO. OF PRODUCTS	2015	2016	CHANGE %
Customer retention rate		95.5%	94.8%	-0.7%
Average duration of the agreement*		11 years and 10 months	12 years and 4 months	+4.2%
Cross selling	1	45.1%	44.1%	-2.2%
	2-3	37.7%	338.8%	+2.9%
	4+	17.2%	17.1%	-0.6%

* Customers who have been with Banca Generali for at least one year are considered, compared to a period of 3 years for the 2015 Sustainability Report.

A comparison with 2015 shows that customer loyalty is stable, with a retention rate down slightly and customers' average period with the Bank going up. Customers' perceptions of the financial services offered improved: the number of single-product customers declined.

Financial Advisors

With the support of an external company, approximately 2,000 Financial Advisors and Private Bankers belonging to the various networks operating within the banking market, chosen by the external company in an entirely anonymous fashion, are called upon each year to express their level of satisfaction with the line of products, services, tools and training provided to them to serve customers as best as possible.

Once again, Banca Generali is in first place amongst the different financial advisory networks: the figures for 2016, gathered through telephone interviews to 229 Financial Planners and Private Bankers, confirmed the network's general level of satisfaction and the attention dedicated to customers.

4. MANAGEMENT OF COMPLAINTS

Banca Generali's Litigations and Complaints Unit receives customer complaints regarding both investments services and banking products and services. Customers may lodge complaints in writing by post, fax, telegram, e-mail, certified electronic mail or by hand-delivered letter addressed to the branches, private centres, as well as representatives or other offices of the Bank.

Complaints are managed in compliance with applicable laws and regulations. Banca Generali has become a member of Conciliatore Bancario Finanziario — an association for Alternative Dispute Resolution (ADR) focusing specifically on banking, financial and corporate matters. ADR offers extrajudicial dispute resolution procedures.



3.2 DISTRIBUTION NETWORK

FARHAN SIKI, *Frida's backyard*
2015, acrylic, spray paint on canvas, 87 x 76 cm

1. MAIN FEATURES

The quality and efficiency of the sales network determine the customer satisfaction level. Since they work in a sector where reputation is the most valuable asset, Financial Advisors play a very delicate role. The range of products and services, supported by advice from qualified professionals, places affluent and private customers (i.e., customers who have more advanced needs due to the amount and quality of their assets) at the heart of our mission.

The utmost attention is dedicated to the human and professional profiles of these customer service professionals. Despite the use of the most modern technology and the multi-channel platform, the advisory relationship represents the heart of the services offered by Banca Generali to meet increasingly complex needs that require customised solutions. This is why a special focus is placed on advisor selection and their subsequent professional growth.

Banca Generali's distribution network is the result of the aggregation of various networks of Financial Advisors and private banks over the years. In parallel to the launch of the integration process, the Group has gradually recruited highly-skilled professionals on the financial services distribution market, drawn by the Bank's business model.

2. SIZE AND COMPOSITION

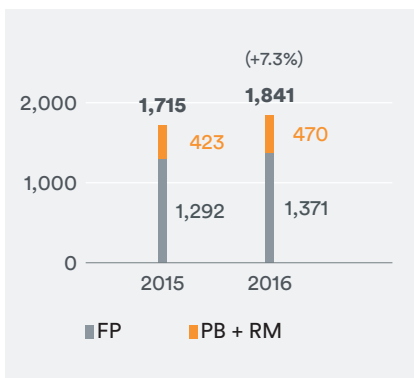
The Banca Generali's distribution network consists of two divisions corresponding to three types of collaborators:

- ▶ Financial Planners (FPs), who interact with Affluent customers;
- ▶ Private Bankers (PBs) and Relationship Managers (RMs) (406 PBs collaborating with the company as freelance professionals and 64 RMs who are employees) part of the Private Banking Division, specialised in interacting with private-banking customers.

2016 saw a significant increase both in the number of Financial Planners and Private Bankers recruited during the year. A total of 161 new professionals with sound experience in the sector joined Banca Generali. Despite normal network staff turnover, which has always been very modest, the number of Financial Advisors of the Banca Generali's network grew by 7.3% compared to the same period of 2015.

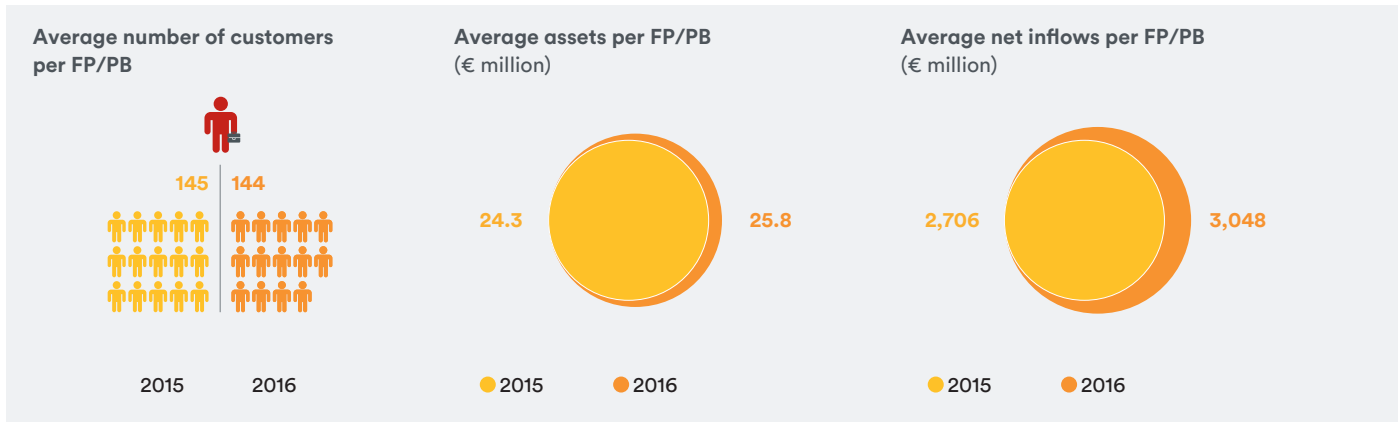
The increase in the number of Financial Advisors operating within the network and Banca Generali's leadership within the Assoreti market, both in terms of net inflows and per-capita AUM, can also be seen as a clear sign of the improvement in network quality.

Type of personnel



Customers' assets

	2015	2016	CHANGE %
Average number of customers per Financial Advisor FP / PB	145	144	-
Average assets per FP/PB (€/000)	24.3	25.8	+6.2%
Average net inflows per FP/PB (€/000)	2,706	3,084	+14.0%



3. NETWORK'S ORGANISATIONAL STRUCTURE

At Banca Generali, managers, narrowly defined (1st and 2nd Level managers, i.e., those who perform roles of administration and coordination of the collaborators dedicated solely to customer relations), make up approximately 4% of the total network.

Banca Generali's network management structure represents one of the distribution network's strengths and an avenue for merit-based career development.

It is thus one of the possible career paths, although not the primary option, given the high level of professionalism of Financial Advisors.

In 2016, Banca Generali completed the sophisticated advisory model (BG Personal Advisory) and released the platform to the sales network. Banca Generali's Service Model aims to increase knowledge of the Customer in terms of total assets, family situation and risk appetite, with the goal of offering an integrated, balanced approach to managing customers' assets and risks.



4. GEOGRAPHICAL BREAKDOWN BY GENDER AND AGE

👉 The average age within the network structure is a little over 51

The network is broadly distributed throughout Italy, with a greater concentration in the regions of the Centre-North than in the Centre-South, in accordance with the distribution of Italian population's wealth.

The female presence in Banca Generali network (16% of the total) still remains modest, due to the fact that the profession of Financial Advisor has seen an increase in the number of women only in recent years. However, following the recruitment activity carried out in the past years, the female presence in the commercial network is constantly increasing, both as a percentage and in absolute terms. Female recruits came primarily from the traditional banking industry, which given the current crisis in the sector now represents an important pool from which to draw female professionals who are interested in continuing their financial advisory careers.

FP	PB	TOTAL	% WOMEN	AVERAGE AGE (YEARS)			AVERAGE LENGTH OF SERVICE (YEARS)*		
				M	W	TOTAL	M	W	TOTAL
1,371	470	1,841	16%	52.5	50.5	51.5	12.2	10.2	11.2

* Length of service also contemplates service rendered to Companies acquired by the Banca Generali Group (e.g., Prime, Altinia SIM, etc.).

“ The network **retention rate** is particularly high, as the **average length of service** of Banca Generali network is **11.2 years** ”

5. MULTI-CHANNEL NATURE OF THE SERVICE

Banca Generali has 46 bank branches which ensure customers enjoy direct access to certain banking services. Bank branches also host employed Private Bankers (Relationship Managers), who assist private-banking clients alongside the other Private Bankers. In addition to the bank branches, there are 147 Financial Planner and Private Banker offices that are home to the network's administrative, training and informational activity and represent another possible point of reference for clients. In 2016, the number of branches and offices slightly increased.

Financial Planners / Private Bankers generally engage in typical "out-of-office" activity directly at the customers' residence.

Lastly, completing the multi-channel approach is the availability of online and call-centre services.

46 bank branches

147 PB & FB offices

6. SALES POLICIES

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Customer satisfaction is pursued by applying **high quality standards** both to the **personnel** in charge of customer relations and the **products** and **services** offered, and by constantly adjusting those products and services to suit new needs and expectations

BG Personal
ADVISORY

“

Extending the
sphere of advice
beyond a simple
financial approach



It is for this reason that the Bank pays constant attention to improving internal procedures and developing sophisticated information technology. Tools such as the electronic signature and digital collaboration enable the sales network to complete contractual tasks without using paper media. Dedicated communication tools are available to support the work of Financial Advisors. These include websites, the Intranet, periodic publications and circulars containing departmental directives for performing the work, with a particular focus on legislation relating to financial intermediation, and the adequacy principle in particular.

Reference is also made to the Banca Generali's Internal Code of Conduct, requesting the networks to apply the principles set forth therein. Sales departments also monitor the application of guidelines, periodically supporting Financial Advisors in verifying that business is conducted in accordance with laws and regulations.

Contractual relations and communications with customers must be guided by the principles of **integrity, honesty, professionalism, transparency** and **cooperation** in the search for the solutions best suited to their needs. The information provided during pre-contractual negotiations must be complete, transparent and comprehensible to allow the customer to make informed choices based on both the quality of the products and services offered and the customer's goals. In this regard, a scrupulous, thorough application of MiFID — Markets in Financial Instruments Directive, a EU directive aimed at harmonising the rules governing the activities of brokers and financial markets — with the related completion of informational questionnaires and the systematic, automated review of proposed solutions, provides the guidelines for the brokerage and advisory activity carried out by Financial Advisors.

In this context, surveying properly and thoroughly the customer's expectations and characteristics is crucial to formulating a proposal that is adequate to the requirements reported and the needs expressed. Relationships must be based on trust and transparency so that customers are aware of contents, costs and any risks before purchasing the product/service. In this regard, it bears recalling that now the entire sales network has available the sophisticated **BG Personal Advisory** model. This extends customer advice service to include all the customer's assets (financial and real-estate) and provide support that goes beyond the maximisation only of aspects relating to income, protection, succession, tax and so forth.

Financial Advisors must also act in an objective and balanced manner in dealing with potential customers and prevent personal gain from influencing their conduct or independent judgment. Sales network management personnel not only assess sales activity in the field, but are also responsible for conducting timely reviews of complaints from customers as part of their ordinary operational support duties and sample-based inspections. Where necessary, such as when complaints have been received from customers, recommendations concerning the conduct in which to engage are reiterated to individual collaborators and responsible management personnel. Agency agreements contain clauses allowing them to be terminated in cases of irregularities or breaches of rules of conduct, laws or regulations.

7. INCENTIVES, DEVELOPMENT AND TRAINING

The recognition of individual contributions to a company's success is a fundamental part of proper personnel relations.

97% of collaborators are freelance professionals listed on the Register of Financial Advisors authorised to make off-premise offers and tied to the company under an agency agreement. Remuneration, paid in accordance with the quantity and quality of their work and based on market-driven parameters, is the best way to achieve this enhancement goal. The incentive programmes, which in the industry are typically a critical factor, do not make any reference to the placement of specific products, but rather, reward the ability of those involved in increasing the scope of offerings in general terms, for example by acquiring a new customer or developing existing customers. The disbursement of incentives is contingent upon the satisfaction in customer relations of the general requirements of professionalism, propriety, containment of risks and diversification of investments. These are in addition to specific prerequisites, such as not being subject to disciplinary measures and the achievement by the Bank of certain financial ratios, in the interest of safeguarding more general consistency between individual and collective results.

Against this background, training is therefore a key driver for the development and professional growth of the commercial network through:

- ▶ **Managerial training** in support of the role of Financial Advisors and for developing the skills and behaviour that set them apart from the rest of the market;
- ▶ **High-profile technical/commercial and institutional training** that takes account customers' evolving needs, the transformation of the market and the digital world.

The first has been structured so as to consolidate the leadership of managerial figures in a dynamic, challenging and constantly evolving professional scenario.

In particular, a programme dedicated to top network managers, designed together with prestigious business schools, continued. The three modules **Change Leadership, Self Empowerment and Self Management** focused on the issues of stress management, the ability to execute tasks and emotional intelligence for encouraging and motivating individuals. Specific **induction processes** have been designed for new managerial roles created within the organisation, with a particular focus on assessing the skills and the creation of local team-coaching processes.

The authoritativeness and reliability of the Sales Network were further reinforced through the **commercial training** initiatives dedicated to the **BG Personal Advisory approach**. Based on a comprehensive vision of the regulatory, market and customer framework, and a customer-centric perspective, training activities on Finance, Family Protection and Real Estate further explore issues relating to succession planning and the proper allocation of the total assets in each customer's household.

The special **induction process** for recently recruited Financial Advisors at Banca Generali continued through a two-day **Welcome Program**.

Compulsory training related to the annual IVASS professional refresher course concerning insurance products and the new legal framework involved all the network through special training on products and courses via e-learning focused on insurance products and succession planning.

8. LITIGATION MANAGEMENT

With reference to the agency relationship of Financial Advisors authorised to make off-premises offers of Banca Generali S.p.A., in 2016 there were 54 disputes, each involving legal proceedings. In 2015 there were 66 disputes.

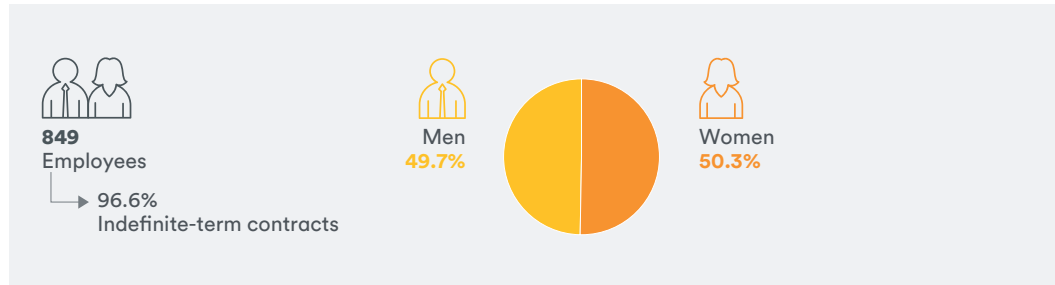
Most of the disputes pertained to agency contracts that have been terminated and mainly entailed financial issues related to the termination of the relationship.



FARHAN SIKI, *Alife*
2014, spray paint on canvas, 135 × 135 cm

3.3 HUMAN RESOURCES

1. TEAM



Strategy

The People Strategy is in line with the four priorities defined by Generali Group:

Promoting engagement and empowerment	Implementation of projects and initiatives starting from opportunities for improvement identified by colleagues
Reinforcing the skills of our leaders	Developing training courses in support of leadership and development of Banca Generali's resources
Building an agile organisation and creating new skills	Launch of organisational analyses in the third and fourth quarters of 2016, with the aim of constantly aligning the organisational structure with business needs
Fostering a customer-centric culture	Adoption of the Generali Group's "simpler and smarter," philosophy, in the form of the particular attention devoted to Customers in view of constant improvement of the service offered (favouring a customer-centric culture)

Generali Global Engagement Survey: Have Your Say

The following actions have been developed in response to the Generali Group's first Global Engagement Survey:

1. Promoting engagement and empowerment
2. Reinforcing the skills of our leaders
3. Building an agile organisation and investing in new skills
4. Fostering a customer-centric culture

1. Promoting engagement and empowerment

An analysis of the numerous suggestions received has resulted in Banca Generali developing three initiatives based on two main aspects: communications and work-life balance.

The **communications** aspect led to the development of *Prima Pagina*, a digital newspaper that reports on all the Bank's events during the month (financial results, "monthly net inflows", new products and company guidelines). Information on sponsorships, company events and testimonials was then added. *Prima Pagina* wants to become the point of reference for all Banca Generali employees and a useful tool for providing regular updates on the company's activities.

The **BG Open** project has also been completed. This seeks to offer all employees of Banca Generali, BG Fiduciaria, Generfid and BG Luxembourg Fund Management a practical tool for presenting proposals and suggestions for optimising the internal processes, improving the quality of company life, developing innovative products and creating greater inter-office synergies. A rating process is used to select the projects to be developed by Banca Generali, based on staff suggestions.

As far as **work-life balance** is concerned, an aspect considered to be important by employees, the Bank has taken steps to introduce a "people care" plan, which took concrete shape in 2016 in the form of initiatives in the main Trieste and Milan offices. In particular, employees in Milan and Trieste can benefit from:

- ▶ special deals with nearby childcare centres;
- ▶ free parking for pregnant women;

Prima Pagina is the digital newspaper that reports on all the Bank's events during the month and provides information on sponsorships, company events and testimonials

- ▶ company laundry service;
- ▶ premises fitted out as lunch areas within the company.

These initiatives supplement those that have been in place for several years, namely:

- ▶ flexible start and end of working hours for all company activities, with the exception of front-end activities dedicated to direct, daily contact with customers;
- ▶ part-time work, within medium-to-large departments, following the birth or adoption of children;
- ▶ additional paid leave for doctor's visits and diagnostic examinations that objectively cannot take place outside the individual's working hours.

Breath© panels were also installed in all Bank spaces to purify the air and improve workplace aesthetics.

2

2. Reinforcing the skills of our leaders

Development

The Banca Generali Group believes that it is of prime importance to invest in its human resources by encouraging internal growth rather than recruiting from the market to cover strategic positions in its structure. Towards this end, Banca Generali establishes suitable development paths (such as individual or group business coaching paths, mentoring, etc.). In addition, the development and professional growth of people already holding key positions or currently on a career path are ensured by participation in specialisation and post-graduate training programmes at qualified academic institutions.

Training

In keeping with Banca Generali's strategic positioning, training in 2016 once again represented a fundamental lever for supporting the engagement and empowerment of the Bank's people. The theme of **collaborative leadership**, which builds on each person's skills and qualities and blends their diversity, was the theme underpinning the management training programmes. It is within this framework that outdoor experiential training initiatives have been designed for top and middle managers to enable them to reflect on and experience collaborative leadership together, recognising the importance of teamwork. The "**Self Leadership**" training programme has also continued. It is dedicated to women in management posts and places a particular focus on issues most relevant for them, such as Self Empowerment and Assertiveness, Communication and personal relations, as well as Self Management.

Moreover, selected staff have been offered **Advanced Training courses and/or Post-graduate Master's Degree programmes** with leading Universities and training institutions. In particular, the "Wealth governance and generational transfer" Master's programme has continued with the University of Brescia. The course will end in June 2017.

To create engagement with the Bank's strategic guidelines, the customer-centric advisory approach BG Personal Advisory has continued, supported by **info-training workshops** for head office staff and on banking/financial topics, thereby reinforcing the Bank's personnel culture.

Language training was expanded in line with the internationalisation of the Generali Group. Training concerning binding legislation is constantly provided in accordance with the legal indications. All mandatory Web-based courses for new recruits, under both indefinite- and fixed term contracts, are provided through the e-learning platform. The training programmes on **safety** topics are delivered continuously; the "Safety - General Training for employees" course was delivered in the classroom and in e-learning mode, and the special "Safety Training - Senior Managers" course was provided in e-learning mode.

Moreover, classroom training consisted in courses for first-aid providers, safety personnel, in addition to the re-training of emergency teams which also includes the use of defibrillator.

In 2016, the Bank provided over 13,000 training hours, including distance learning courses.

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In 2016 **training** represented a **fundamental lever** for supporting the **engagement** and **empowerment** of the Bank's people

13,000
training
hours

Average training hours by employee



TRAINING
PEOPLE MANAGER TRAINING

A managerial path dedicated to the development of people managers, helping them to consolidate people management and development skills; team coaching is applied to analyse specific topics and enable them to perform their roles effectively.

PROCEDURES FOR EVALUATING HUMAN RESOURCES

Feedback on each employee's job performance is considered essential for the employee's development and growth. For this reason, every year a feedback session is organised for appraising the previous year's performance by applying a top-down approach, thereby laying down the basis for the next year's development plans. This session, which involves all human resources belonging to the employee and middle manager categories employed for at least six months, is also an opportunity for attendees to express their willingness to engage with enriching professional experiences, including the possibility of functional and/or geographical mobility. The same also represents a highly useful parameter for a thorough analysis of training needs, as well as for identifying the most deserving resources to which to assign one-off incentivisation measures (e.g., bonuses) or permanent incentivisation measures (permanent personal productivity bonuses or promotions).

Global Leadership Program Step Up & Leave Your Mark

Banca Generali continues to take part in the **Global Leadership Program** promoted by the Parent Company, which starting last year includes the Step Up initiative, targeted at senior managers. In 2016, another Banca Generali manager followed this path. The course, designed with the International Institute for Management Development (IMD) Business School, is based on the self-analysis of leadership style and aims to provide tools for building individual and group skills, involve and give responsibility to teams, increase their own awareness as leaders, strengthen performance and ability to lead a team, as well as implement the leader-centricity strategy promoted by the Generali Group.

In the first half of the year four Strategic Managers followed a training path as part of the Leave Your Mark programme. Management training has been provided in an international context at the INSEAD Business School, in Paris.

3. Building an Agile Organisation and Investing in New Skills

Changing business needs are driving the search for a more functional and efficient structure, and the performance of analyses aimed at identifying areas for organisational and process improvement. All this resulted in the Bank's structure being significantly streamlined just before the summer of 2016, when a new organisation was approved.

The launch of Banca Generali's new products and services was therefore followed by a phase in which processes in the Bank's operating and support structures were analysed and redesigned.

4. Fostering a Customer-centric Culture

Banca Generali has always promoted Customer centricity in its organisation, by listening to the customer's needs and providing a quick and effective response. It is within this framework, and in order to strengthen such centricity even more, that work has continued on the Banca Generali team to create a simpler and smarter organisation, following three driving principles: promptness, availability and reactivity.

In order to make this culture even more deeply entrenched, cascading meetings were organised between top management and employees, after which the following strategic actions in the customers' interest were drawn up:

- ▶ a new wealth management approach;
- ▶ a new platform for evaluating, planning and controlling financial resources, generational transfer and tax optimisation methods;
- ▶ risk analysis and personalisation of investment solutions;
- ▶ a partnership with the main international players specialised in corporate finance and real-estate advice.

The meetings with Banca Generali's top managers, started at the end of 2016, were organised with this approach in mind. During a lunch, 30 of the Bank's staff were able to interact directly with the Bank's General Manager and Deputy General Manager, thereby narrowing the gap with top management. For their part, the top managers became aware of points of view and proposals directly related to the business.

2. EMPLOYMENT

Recruitment and hiring policies

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The human factor is a key resource of Banca Generali

The human factor is a key resource of Banca Generali. Accordingly, the Company has striven to select and retain particularly qualified personnel. The selection and hiring policies are based on the principles of fairness and impartiality.

To meet and attract highly qualified professionals, several years ago Banca Generali developed a dedicated plan targeted at the Talent Pool; moreover, it attends career days, sponsors initiatives and collaborates with universities and other institutions. By encouraging people already working in the Group and collaborating with head hunting companies and using recruitment search engines, human resources are selected appraising the most interesting candidates with good academic qualifications, specialist post-graduate qualifications, knowledge of foreign languages, any experience in companies within the same sector, good analysis and problem solving skills, ability to work as a team, flexibility and ability to adapt and organisational leadership. Once hired, new recruits are offered training programmes aimed at fostering both integration and business knowledge.

The key factors that bring talented young people to Banca Generali include: reputation, ethics and culture, innovation, creativity, policies aimed at reconciling job and family, mobility, dynamic growth through training, career opportunities, financial incentives, fringe benefits, clear objectives and workplace safety.

Industrial and trade union relations

Banca Generali always observes trade union rights and the freedom of association, with regard to corporate and local unions and the rights of individual employees.

At the end of 2016, the rate of membership (employees registered with unions vs the total workforce in Italy) was 35.3%. 97.4% of employees are subject to social and national legislation, and the provisions of the National Collective Labour Agreement (Credit Managers). The sole exceptions are the employees of BG FML.

The national collective agreement (CCNL Credito) provides for a series of annual or six-monthly trade union meetings, during which the company can meet with the union representatives to discuss the following aspects:

- ▶ strategic prospects (economic and business performance, key balance sheet data, new markets and products);
- ▶ structural aspects (data on total workforce and the principal occupational/operational dynamics);
- ▶ quality of human resources (data/information about performance appraisals, rewards and training).

During mergers, acquisitions and de-mergers involving the Group in the past few years, the companies affected launched the procedures for dialogue with unions established at both the legislative and contractual level. These are aimed at a preliminary search for solutions acceptable to both parties to handle the organisational consequences for employees. The parties have 45-50 days to reach an agreement. Failing an agreement in the above period, the Company may make decisions unilaterally. On 30 June 2016, the economic conditions of the supplementary contract for employees (white-collar workers and middle managers) of Banca Generali (Italy area) were extended until 30 June 2019. Specially noteworthy conditions were maintained, also from a social standpoint, in the area of healthcare, supplementary pensions (increase in the contribution paid by the company and the option of accessing the Generali Group's closed-end pension fund), flexible service conditions and leave for medical examinations or clinical tests, as well as on distributed products (first-house mortgage and personal loans). In 2018, the Company will begin to provide life/permanent total disability and dread disease cover for its employees.

The provision concerning the collective company bonus is particularly innovative. In 2016-2018, it will be available to employees not only in the traditional cash format, but also as “welfare”, i.e. reimbursement of the expenses incurred on behalf of family members (spouses, children and relatives up to the second degree) for education, training, school books, summer and winter camps, educational vacations, language or computer courses and care for family members with severe disability or family members over age 75.

Since it is the result of collective bargaining, it applies to all employees in the categories of white-collars and middle managers. The sole exception pertains to staff under fixed-term contracts, for whom the ability to benefit from discounts on home mortgages or personal loans is not provided.

Moreover, in implementation of the National Collective Labour Agreement, the activity of Fondazione Prosolidar, which is involved in solidarity projects at an international level, was promoted. In 2016, approximately 400 employees participated, paying in the established contribution, followed by a similar contribution by the company.

Within Banca Generali all employees may terminate their employment agreement, provided that they observe the notice period established by the contract.

The European Social Charter of the Generali Group

The European Social Charter of the Generali Group is a key document in Banca Generali's human resource management policy, as it stresses recognition of the fundamental rights of workers, also establishing the aims of developing issues related to the protection of human resources and of those representing Group employees.

Remuneration

👉 **See also:**
Table *Remuneration men/women*, page 56

Without distinction by gender, Banca Generali offers market-benchmarked remuneration complemented by additional benefits and incentivisation systems aimed at improving the quality of life of those who work at the Group and rewarding performance, as well as achieving specific objectives on the basis of merit. The remuneration package of indefinite-term employees (full-time and part-time) is tied to the National Collective Labour Agreement or local laws and regulations and the Company Supplementary Agreement. It includes supplementary pension plans, insurance coverage (including voluntary supplementary insurance), healthcare, product discounts, performance bonuses and other bonuses and benefits such as reimbursement of childcare costs, laundry services, parking for expecting mothers and agreements with medical centres and local institutions for special service offers (Trenord, ATMs, etc.). Further information is provided in the 2016 Annual Report and the 2016 Remuneration Report.

Health and Safety

👉 **Emergency teams formed of volunteers with training on first aid and fire safety, as well as on the use of semi-automatic defibrillator, ensuring a rapid response in case of need**

Banca Generali considers the physical safety of its workers to be a priority; therefore it guarantees working conditions in a safe, healthy environment, in accordance with existing health and safety legislation.

Banca Generali complies with and implements national legislation governing differently abled employees, in view of equal opportunities within the company. To this end, in order to ensure that they enjoy the best environmental conditions, the Group's buildings are constantly inspected to ensure that they meet law requirements (architectural restrictions and workstations), such as parking spaces reserved for differently abled people in the immediate vicinity (e.g., two parking spaces reserved for employees with significantly reduced motor ability in the courtyard of the Trieste office).

At 31 December 2016, the Banking Group had 48 differently abled employees, 28 of whom were women (equal to 58.3% of the total).

In order to always ensure a rapid response, there are emergency teams formed of volunteers with specific training.

In areas at risk of attacks, specific crime prevention measures and deterrents are implemented, such as access control systems, alarms and video surveillance at the Milan and Trieste offices. The banking branches have also implemented active and passive security systems (interlocking entrance doors, cash in-out) and organisational measures including devices to protect deposits, safes, keys, systems, and other security equipment. In some branches, reinforced glass was installed around the register operator's counter; in some single-employee branches, a "panic button" linked to a surveillance and rapid response centre was provided for emergency management purposes.

In order to always ensure a rapid response, the two head offices in Milan and the one in Trieste, as well as the Private Banking Centres with more than 10 employees, have their respective emergency teams formed of volunteers with training on first aid and fire safety, as well as on the use of semi-automatic defibrillator (Milan and Trieste offices).

In 2016, personnel eligible for health supervision underwent medical examinations according to the protocol established in current legislation for the associated risk group. In total, 304 medical examinations were carried out (148 men and 156 women) in eight Italian regions.

The results showed clearly that most (80%) staff were fit to work without any limitations and/or special precautions.

In the event that the competent physician prescribes a specific improvement (e.g., high-backed ergonomic chair, footrest), the latter is promptly required to the relevant body and provided to the concerned personnel.

Employees at the Trieste, Milan, Mogliano Veneto, Rome and Turin offices enjoy access, during working hours, to the services in the multipurpose nursing centres set up by the Generali Group: in 2016 employees could get an influenza vaccine for free.

Safety training programmes are held through both e-learning and classroom sessions. All employees are trained and kept updated on risk prevention, laws and regulations, and recommended procedures in the case of a fire or other emergency through information materials (available on the corporate portal). Specific training is also provided to the figures envisaged in Legislative Decree No. 81/2008 (Executives, Managers, Emergency staff, Prevention and Protection Service staff and Worker Safety Representatives).

ABSENTEEISM RATE
FOR ILLNESS

3.13%



ABSENTEEISM RATE
FOR ACCIDENTS

0.04%



Work-life balance

Company activities are generally organised in such a way as to allow employees to avail of flexible hours as concerns both entry and exit times. Moreover, there was a great sensitivity towards requests for part-time hours/shorter hours and/or flexibility for serious reasons related to employees or their families.

In further pursuit of job flexibility, Banca Generali recognises the importance of the “hour bank”. Besides the right to take periods of leave as set forth by law or contract, it entitles all employees — irrespective of gender — to paid leave for health reasons and at their discretion, in addition to the mandatory maternity leave for female personnel and parental leave.

Banca Generali has also adhered to **My Energy Journey**, a project initially aimed at supporting the Generali Italia Group's managers in optimally managing their energy levels to replenish them each day and thus achieve increasingly high levels of performance. On the basis of studies that show that effective use of a person's energies can enable better performance, a physical fitness and nutritional programme has been developed to improve determination and concentration in achieving business objectives.

61

part-time employees

BACK TO WORK

Dedicated to personnel returning after a long absence, Banca Generali provides a number of ad-hoc benefits aimed primarily at women who have taken maternity leave. In particular, new mothers employed by the company have the right to change their full-time contract to part-time (for an overall period that cannot extend beyond the child's seventh birthday). In addition, the Banca Generali Group has entered into agreements with four day-care facilities (two in Trieste and two in Milan) to help mothers return to work, providing discounted rates for employees, as well as payment of annual subscription fees.

Banca Generali is also committed to the payment of full salary, supplementing the benefits paid by Italian national security institute (INPS), in the event of early maternity leave prescribed by the competent public authorities

3. DIVERSITY AND EQUAL OPPORTUNITY

Diversity & Inclusion

Banca Generali bases its success on the enhancement of human resources, attention and commitment towards collaborators, respect for human dignity, freedom and equality, and equal opportunity in the workplace and on career paths, without any kind of discrimination. In the light of these key principles, the guarantee of equal treatment between men and women and the protection of differently abled and foreign-national employees in the selection process, training, career advancement and remuneration are accompanied by the ambition to build a culture that values diversity of thought, considered to be an essential resource for company development and growth.

“

At Banca Generali companies, 98% of managers are local

In addition to respect the diversity of the company's workforce, total equality between male and female employees, particularly at top management level, is also preserved and promoted. Banca Generali guarantees equal treatment for men and women, both during the selection processes and in terms of remuneration.

4. NUMBER AND TYPE OF HUMAN RESOURCES

Personnel

	2016			2015		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Banca Generali	411	400	811	409	387	796
BG Fiduciaria	5	7	12	4	7	11
Generfid	4	0	4	5	1	6
BG FML	7	15	22	7	17	24
Group Total	427	422	849	425	412	837

There was a net increase in the workforce of 12 resources compared to 2015.

- ▶ 6 people with indefinite-term contracts due to:
 - the entry of new sales personnel;
 - specialised personnel hired to support the company's development;
 - the hiring of staff to replace outgoing employees in previous periods;
- ▶ 6 fixed-term resources, mainly as a support during peak workloads linked with special projects and activities.

	2016			2015			TOTAL CHANGE
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	
Italy	420	407	827	418	395	813	2%
Luxembourg	7	15	22	7	17	24	-8%

Personnel by level

	MANAGERS		EXECUTIVES		EMPLOYEES				TOTAL		OF WHOM SALES PERSONNEL	
	2016	2015	2016	2015	OF WHOM FIXED-TERM		OF WHOM FIXED-TERM		2016	2015	2016	2015
					2016	2015	2016	2015				
	47	44	260	241	542	28	552	22	849	837	64	60
% ratio	5.6	5.3	30.6	28.8	63.8	3.3	65.9	2.6	100	100	7.5	7.2

As a result of professional growth paths, also 2016 saw an increase in the number of executives (1.8%), against a decrease of employees (-2.1%). The number of managers grew slightly (+0.3%). The number of resources under fixed-term contract to total personnel increased both as a percentage and in absolute terms.

Women by level

	MANAGERS		EXECUTIVES		EMPLOYEES				TOTAL		OF WHOM SALES PERSONNEL	
	2016	2015	2016	2015	OF WHOM FIXED-TERM		OF WHOM FIXED-TERM		2016	2015	2016	2015
					2016	2015	2016	2015				
	12	10	90	82	325	11	333	12	427	425	13	12
% ratio	2.8	2.4	21.1	19.2	76.1	2.6	78.4	2.8	100	100	3.0	2.8

On average, women represent 50.3% of total personnel, virtually in line with last year (50.8%). The percentage of women who serve in positions of responsibility (managers and middle managers) rose to 33.2%, compared to 32.3% in 2015.

The same trend was observed in the overall workforce: a 0.5% increase in female managers and a 1.8% increase in female middle managers, whereas there was a -2.2% decrease in female white-collar workers. Of all female employees, 76.1% are white-collar workers, in line with 2015.

Personnel by type of contract

	FULL-TIME IT		FULL-TIME FT		PART-TIME IT		PART-TIME FT		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	761	748	27	22	59	66	2	1	849	837
% ratio	89.6	89.4	3.2	2.6	7.0	7.9	0.2	0.1	100	100

Indefinite-term contracts have been signed with 96.6% of employees, down slightly compared to 2015 (97.3%) due to the six employees hired on a fixed-term basis.

There are 61 part-time employees (7.2% of the total, 8% in 2015). Those choosing to work part-time are mainly women who are more involved in managing and caring for a family: in 2016 women represented 97.4% of part-time employees (97.0% in 2015).

Group companies make use of temporary or project-based contracts for limited periods (four at 31 December 2016, in line with 2015) in response to peak demand or specific projects.

In 2016, Group companies continued to encourage access to the job market by young people through the launch of training projects (internships). At 31 December 2016, there were 10 interns (7 women and 3 men).

Among employees, there continues to be an increase in those who have undergraduate and graduate degrees (53.5% in 2016 compared to 52.5% in 2015).

Female personnel by type of contract

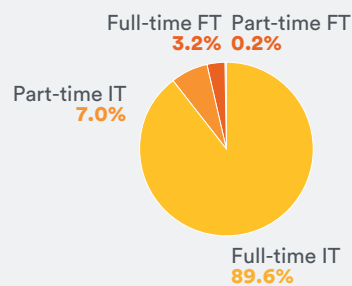
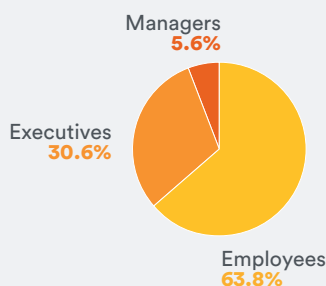
	FULL-TIME IT		FULL-TIME FT		PART-TIME IT		PART-TIME FT		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	358	349	9	11	58	64	2	1	427	425
% ratio	83.8	82.1	2.1	2.6	13.6	15.1	0.5	0.2	100	100

Of the Group's female personnel, 97.4% has indefinite-term contracts (97.2% in 2015).

There are 60 part-time female employees, representing 14.1% of total women (15.3% in 2015).



Women represent 50.3% of total personnel



Remuneration men/women

	MANAGERS		EXECUTIVES		EMPLOYEES	
	OVERALL REMUNERATION*	BASE REMUNERATION**	OVERALL REMUNERATION*	BASE REMUNERATION**	OVERALL REMUNERATION*	BASE REMUNERATION**
Italy	0.74	0.81	0.80	0.91	0.95	0.98
Luxembourg	1.4	1.3	1.5	1.37	0.88	0.81

* Annual amount paid by the Group to employees, which includes the amount established by the national collective labour agreement and supplementary agreement, in addition to any other types of additional remuneration, such as seniority of service, overtime, bonuses, allowances and benefits.

** Amount pertaining solely to the national collective labour agreement for the industry, not including any type of additional remuneration.

In Italy, the total remuneration of women managers is still lower than that of men because there are more men in strategic responsibility roles, which entail considerably greater remuneration.

For middle managers, in Italy the total remuneration of men is greater than that of women. This category includes most of Banca Generali’s sales personnel, a large portion of whom are men, and benefits from a MBO bonus system.

Among employees, the gap between the total remuneration of women and that of men is due to the presence of part-time contracts (almost fully related to women).

In Luxembourg, for the category of managers and middle managers, the ratio is different than in Italy, given the strong component of female personnel serving in key positions.

Personnel by age

	UP TO 34		35-44		45-54		OVER 54		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	148	141	398	406	223	214	80	76	849	837
% ratio	17.4	16.8	46.9	48.5	26.3	25.6	9.4	9.1	100	100

The most populous bracket is still 35-44 years of age (46.9%, compared to 48.5% in 2015).

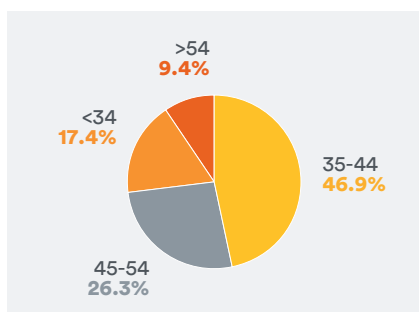
Like in 2015, the smallest age range is that of employees over the age of 54 (9.4%), up compared to the previous year.

Female personnel by age

	UP TO 34		35-44		45-54		OVER 54		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	62	60	230	235	109	105	26	25	427	425
% ratio	14.5	14.1	53.9	55.3	25.5	24.7	6.1	5.9	100	100

The breakdown of female personnel by age essentially reflects that of personnel as a whole. The largest segment is that of women between 35 and 44 of age, which encompasses about half of the female population (53.9%). Overall, 68.4% of women is under the age of 45. Women over the age of 54 represent 6.1% of female population, increasing compared to the previous year.

“ **64.3% of personnel is under 45** ”



42.9 years
the average age

Turnover

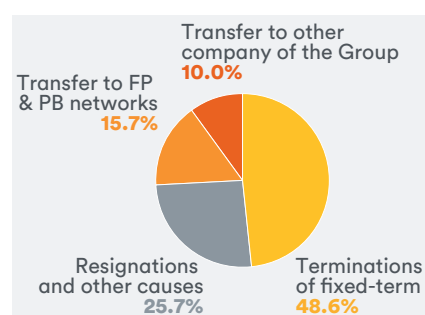
	PERSONNEL AT 31.12.2015	2016 TERMINATIONS	2016 HIRINGS	PERSONNEL AT 31.12.2016
	837	70	82	849
Of whom women	425	32	34	427

Turnover figures include not only hirings and terminations for fixed-term contracts (including replacements for maternity leaves), but also transfers to and from other companies that are part of the Generali Group.

In 2016, 45.7% of terminations and 41.5% of new hires involved female personnel. The overall turnover rate, calculated as (hirings plus terminations)/[personnel at year-start + personnel at year-end]/2], was 0.18 (0.22 in 2015). In 2016, the turnover attributable to Luxembourg accounted 1.2% of hirings and for 4.3% of terminations.

In 2016, terminations in the same year as hiring affected 28 employees (of whom 14 women), mainly under fixed-term contracts of short duration. Turnover figures do not include the conversion, during the year, of 11 fixed-term contracts into indefinite-term contracts.

Terminations causes



Number of terminations by age range and gender

	UP TO 34 YEARS	FROM 35 TO 54 YEARS	OVER 54 YEARS	TOTAL
	45	21	4	70
Of whom women	22	9	1	32

Turnover also contemplates personnel under fixed-term contracts (including replacements for maternity leave). In particular, the incidence of the latter on the total number of terminations during the year amounted to 57.1%, and chiefly refers to severance due to expiry of contracts with young people under 35 years of age (down compared to 67.5% in 2015).

Terminations of personnel with indefinite-term contracts accounted for 42.9% of the total, up compared to the previous year (32.5%).

The negative turnover rate (total number of terminations in 2016/[total personnel at the beginning of the year x 100]) amounted to 8.4%, down compared to 9.8% for the previous year.

The incidence of severance decreases with aging: the figure falls from 64.3% for personnel under 35 years of age — affected in particular by terminations of fixed-term contracts and the natural propensity for younger staff to change jobs — to 5.7% for those over 54.

Number of hirings by age range and gender

	UP TO 34 YEARS	FROM 35 TO 54 YEARS	OVER 54 YEARS	TOTAL
	55	24	3	82
Of whom women	26	7	1	34

Turnover also contemplates personnel under fixed-term contracts (including replacements for maternity leave). In particular, the ratio of the latter to the total number of hirings during the year amounted to 63.4% and chiefly refers to young people under 35 years of age, down compared to 72.0% in the previous year, due to the hiring of employees in the age bracket 35-54, to which most of the sales staff who joined the Company in 2016 belong.

Hirings of personnel with indefinite-term contracts accounted for 36.6% of the total (up compared to 28.0% in 2015).

The positive turnover rate (total number of hirings / total workforce at year-start x 100) was 9.8%, down compared to the previous year (12.2%).

41.5% of hirings related to women, of whom 76.5% were under 35 years of age.

3.4 SHAREHOLDERS AND INVESTORS



FARHAN SIKI, *A&E Now #4*
2015, spray paint on canvas, 86 × 76 cm

SHAREHOLDERS AND FINANCIAL COMMUNITY

Since its IPO, Banca Generali has been committed to establishing transparent dialogue with its shareholders and the financial community in order to obtain visibility and feedback for its strategies, so as to create value in a sustainable manner over time.

As in previous years, contacts with the shareholders and the financial community were frequent and regular. After a company reorganisation hiatus following Piermario Motta's untimely passing, initiatives aimed at dialogue and exchange with the financial community were resumed in the fourth quarter of the year with renewed vigour and dedication. The number of meetings with investors and analysts during dedicated roadshows and industry conferences was greater than in the previous year (299 compared to 256 in 2015).

“

The **commitment** to communication with the financial community was also solemnly renewed in **November 2016** on the **tenth anniversary** of the listing on the Italian Stock Exchange

10
years

To emphasise the importance of the anniversary, a dedicated event was organised at Borsa Italiana to celebrate the most important milestones in terms of size and earnings growth that the Bank was able to achieve during the period. Emphasis was placed on the ability to generate value, as reflected in the total return of 303% since the IPO.

In addition to results, considerable time was also devoted to presenting business strategies to allow the Bank to continue to grow with a specific focus on the issue of sustainability.

Relative performance



“

In **2016** Banca Generali celebrated the ten-year anniversary of its listing on the Italian Stock Exchange. The **value of its shares** has climbed from **8** to **22.66 euros** (+283%)

Total Return Rate

303%

3.5 SUPPLIERS



FARHAN SIKI, *Now #1*
2015, acrylic emulsion on canvas, 87 × 76 cm

PURCHASING POLICIES AND PRACTICES

In 2016, Banca Generali engaged in dealings with 1,583 suppliers, for total costs of 89.8 million euros, broken down into 83.2 million euros (92.65% of the total) paid to Italian suppliers and 6.6 million euros (7.35% of the total) to foreign suppliers.

	2016	2015
Number of suppliers	1,583	1,589
Expenditure/suppliers (€ thousand)	89,780	83,578

While maintaining an autonomous procurement policy and bargaining position in dealings with suppliers, Banca Generali follows the Generali Group's principles. These principles are integrity, honesty, impartiality, transparency and the selection of suppliers based solely on criteria relating to the competitiveness and quality of the products and services offered. The process of selecting suppliers is based on clear, well-defined and non-discriminatory procedures, through the exclusive use of objective, documentable and transparent parameters tied to the quality of the products and services offered.

Banca Generali also promotes fair and sustainable competition amongst its suppliers and adopts a balanced approach, avoiding the creation and maintenance of positions of economic dependency. It works only with suppliers who conduct their business in rigorous compliance with national and international laws and regulations, safeguarding human right and labour protection, and comply with the principles enshrined in the Code of Ethics adopted by the Bank.

In selecting suppliers, Banca Generali privileges national suppliers, and in particular companies able to supply goods and/or services throughout Italy.

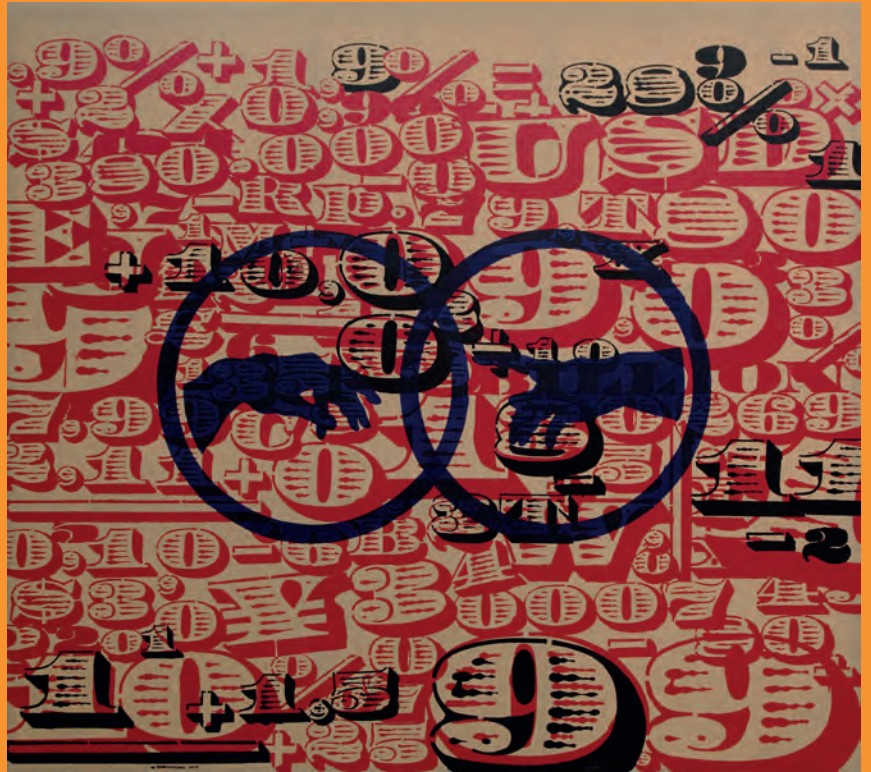
Banca Generali has issued a specific circular entitled "Purchasing Management" governing the procedures applicable to its procurement process. A special procedure is envisaged for related party transactions.

The Group's Policy for the Environment and Climate defines the objectives and undertakings that guide the Group's choices and actions, including procurement, in order to make a positive contribution to sustainable development.

Banca Generali has insurance covers, as well as adequate clauses covering damages caused by providers of infrastructure and services.

1,583 **89.8 million euros**
suppliers **expenditure**

3.6 COMMUNITY



FARHAN SIKI, *Big deal*
2014, acrylic, spray paint on canvas, 180 x 200 cm

COMMUNITY RELATIONS

Banca Generali's initiatives aimed at supporting the local community from a social, cultural and athletic standpoint may be grouped into two general categories:

- ▶ philanthropic: social commitment with donations of funds, accompanied by company volunteer activities, supporting non-profit organisations and/or institutions;
- ▶ commercial: sponsorship of events and initiatives with a high cultural and sporting value.

Social commitments and volunteer work



LILT (Italian League for the Fight against Tumours)

Banca Generali contributed to the organisation of a concert held at the La Scala theatre in Milan to raise funds to guarantee constant assistant services to grown-ups and children.

AIMS (Italian Multiple Sclerosis Association)

In the company volunteering spirit, the Bank's employees organise desks dedicated to the sale of products, the proceeds of which go exclusively to fund scientific research.

Fund raising for the earthquake in central Italy

Through BG Society Onlus, Banca Generali promoted fundraising among its employees, Financial Advisors and customers. The Bank made a matching contribution and donated the proceeds to the Italian Red Cross, committed to aiding and supporting the families affected.

Sporting initiatives

Banca Generali – *Un campione per amico* (A Champion for a Friend)



The project "Banca Generali – A Champion for a Friend" continued. The event starred four legendary Italian athletes: Adriano Panatta, Jury Chechi, Francesco Graziani and Andrea Lucchetta, who took to the field to teach elementary and middle school students the meaning of sport through integration, respect for diversity, sharing and the right balance in nutrition and physical activity.



Difficult children, winning prospects



This educational project, focused on children residing at the Santa Bona di Treviso juvenile detention facility, was run by the rugby association Ruggers Tarvisium. Banca Generali provided economic support for the project, which involves teaching children to play rugby, with the involvement of Serie A league coaches.



Ivana Di Martino: “Food for kids”



Runner Ivana Di Martino ran for 13 consecutive days, travelling 900km, equivalent to the distance from Milan to Brussels, to raise awareness among the public and European institutions about the dramatic plight of the 27 million children in Europe who live below the poverty line. Banca Generali provided economic support for Ivana’s initiative and promoted it in the media.

Panatta Tennis Invitational for the Theodora Foundation

Banca Generali organised an invitational tournament overseen by champion Adriano Panatta, with a supporting contribution from the Theodora Foundation. The Dream Doctors from the Theodora Foundation have been helping hospitalised children face the difficult trial of recovery through listening, play and laughter since 1995.

Milan Solidarity Tournament



The Bank continued to support the CAF Association, which provides daily assistance to children who have been the victims of serious mistreatment and abuse living in residential communities. This commitment took the form of participation in the “2016 Milan Solidarity Tournament”.

Cultural initiatives

FAI

The partnership with FAI – *Fondo Ambiente Italiano*, which consists in sponsoring the “FAI spring days”, has been strengthened.

Alassio photography show

Confidence is a new series by Michele Alassio, specifically created to celebrate Banca Generali’s first ten years on the stock exchange. The shots chronicle the Bank’s journey from the IPO to the present and seek to depict the notion of confidence, imagined as the harmony of the elements and a distinctive feature of Banca Generali. The show is hosted by the Piazza Sant’Alessandro office in Milan.

Redooc Web platform

Redooc is a Web platform conceived to teach scientific subjects, and mathematics in particular. Banca Generali is a partner to the project.



Farhan Siki art show

From March to September at its office on Piazza Sant’Alessandro in Milan, the Bank promoted the show “Trace”, the solo exhibition of the young Indonesian street artist Farhan Siki.



3.7 ENVIRONMENT



FARHAN SIKI, *Splashing Marilyn #7*
2016, spray paint on canvas, 86 × 76 × 4 cm

ENVIRONMENTAL POLICY

In the course of its banking and financial activity, which has no perceivable impacts on the environment, Banca Generali is well aware of the need to pursue a common goal of sustainable economic development with regard to the direct repercussions of its operations, as well as its **areas of influence**.

Direct impacts

- ▶ Reducing our greenhouse gas emissions by 20% by 2020

Indirect impacts

- ▶ Encouraging the promotion of the sustainability of purchasing and investment decisions on the part of Customers
- ▶ Investing sustainably and financing environmental-friendly initiatives
- ▶ Encouraging virtuous behaviour in our supply chain

Environmental Management System as a prevention tool

In order to manage the most significant environmental issues, prevent the environmental impact of its activities and implement the Group's Policy for the Environment and Climate, Banca Generali uses the **Group's Environmental Management System (EMS)**, in compliance with the requirements of the ISO 14001 standard. Said system is implemented at the two main offices: in Milan, at via Ugo Bassi 6, and in Trieste, at Corso Cavour 5/a.

The facilities in question host 654 employees, accounting for 77% of the Banca Generali's workforce.

In order to implement and continue to pursue the objectives contained in the Group's Environmental and Climate Policy, Banca Generali has also adopted the Group's environmental improvement objectives and targets which chiefly envisage a 20% reduction in GHG emissions. The Group intends to achieve said results through a set of targets concerning the most significant aspects of the Bank's activity.

2020 TARGETS

- 25% per capita electrical power consumption
- 25% natural gas and diesel oil consumption
- 15% paper consumption
- 15% water consumption

-20%
Total GHG emissions

The performances achieved in 2016 are illustrated here below.

Direct impacts

Greenhouse-gas emissions

over **1,429 t** CO₂e

2.19 t CO₂e per capita

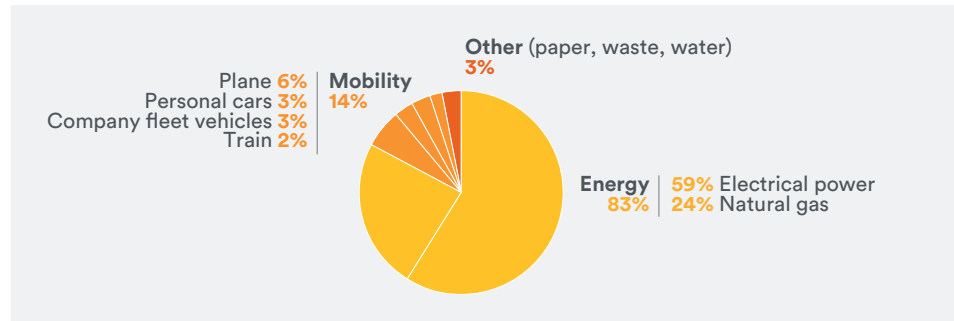
-28%
vs 2013

In terms of the direct impacts of its activity, Banca Generali has long been committed, alongside the Generali Group, to:

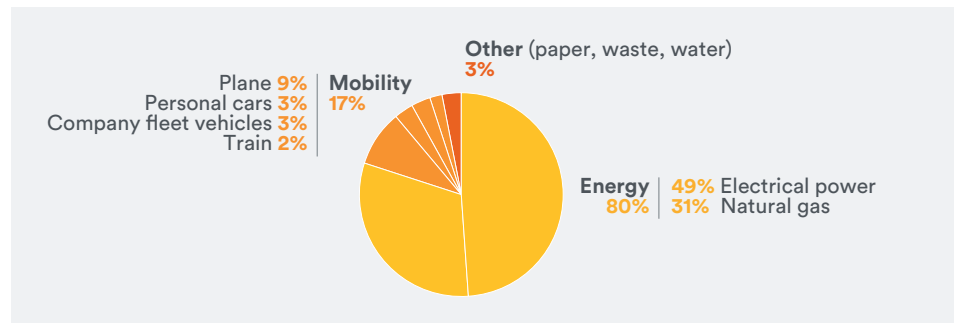
- ▶ reducing consumption of energy, water and paper;
- ▶ increasing the efficiency of waste management;
- ▶ improving company mobility by reducing travel through increasing use of video and audio conferencing and preferring the use of public transport or collective transport.

Banca Generali also favours the use of eco-sustainable resources, such as energy from renewable sources and certified green paper.

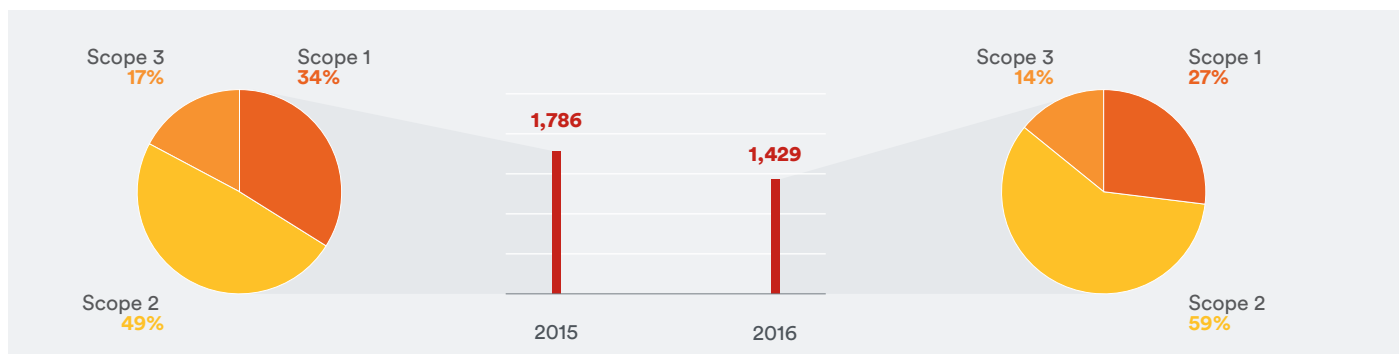
Breakdown of 2016 GHG emissions (%)



Breakdown of 2015 GHG emissions (%)



Breakdown of GHG emissions by Scope (t CO₂e)



In accordance with international reporting standards, the Bank's GHG emissions have been divided into three categories:

	2013	2015	2016	CHANGE 2016/2015	CHANGE 2016/2013
Scope 1					
Direct emissions produced by heating fuels and the kilometres travelled by the fleet of company cars	593	593	384	-35.20%	-35.20%
Scope 2					
Indirect emissions caused by power consumption associated with the use of electrical power and district heating	1,114	859	845	-1.60%	-24.10%
Scope 3					
Other indirect emissions caused by power consumption associated with employees' business trips, paper and water consumption, as well as the waste disposal	272	334	200	-40.10%	-26.50%
Total	1,979	1,786	1,429	-20.00%	-27.80%

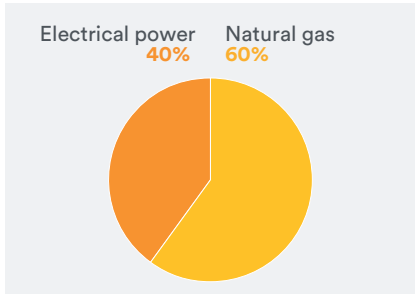
Electrical power and fossil fuels consumption

In 2016, Banca Generali consumed a total of 10,382GJ of energy. Energy consumption chiefly consists of natural gas: the two offices involved in the EMS reported a consumption of nearly 121 thousand m³ (-31% compared to 2013), with a per-capita consumption of 185 m³ (-37% compared to 2013).

At the site of Trieste, natural gas is used both for heating and cooling (so-called chilled beams system).

Electrical power consumption amounted to 1,734GWh (-4% compared to 2013), with a per-capita consumption of 2,652kWh (-12% compared to 2013). This electrical power came from renewable sources, helping to preserve natural resources.

Breakdown of energy consumption (%)



over **12,832 GJ** CO₂e (vs **12,859 GJ** in 2015)

15.9 GJ CO₂e per capita (vs **20.0 GJ** in 2015)

-17%
vs 2013

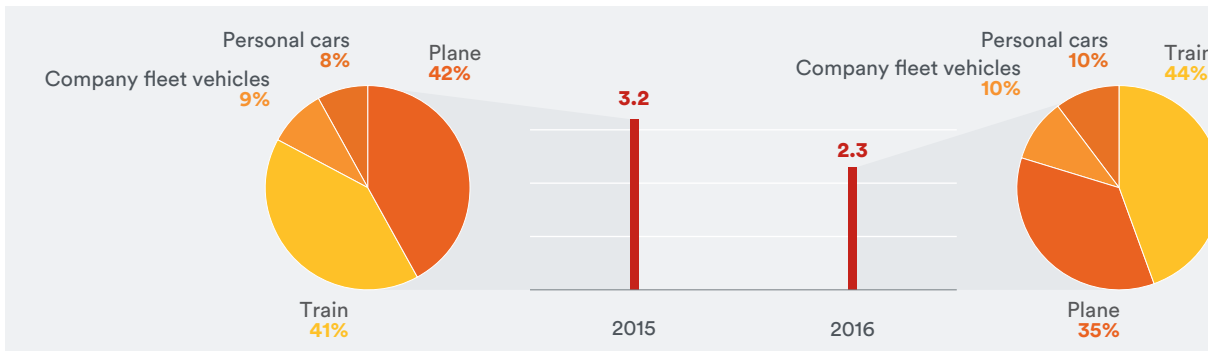
Mobility management

2.3 mn km travelled by car, train or plane (vs **3.2 mn km** in 2015)

3,604 km per capita (vs **4,996 km** in 2015)

-13%
vs 2013

Breakdown of km travelled by employees on business trips (%) (million km)



Banca Generali aims to reduce GHG emissions through sustainable mobility management as well, encouraging travel by train which has less impact on GHG emissions for the same distance travelled. It also participates in sustainable mobility initiatives of the Generali Group such as:

- ▶ the Travel Policy: encouraging the use of public transport and defining travel and trip guidelines. In this context, the No Travel Week was introduced whereby business trips are avoided in the first week of every month;
- ▶ the Car Policy: calling for maximum carbon dioxide limits for company cars;
- ▶ Car Pooling: allowing company or personal vehicles to be shared with other colleagues who for work-related reasons need to make the same trip on the same day.

In addition, Banca Generali entered into agreements with the main public transport operators for the Province of Milan to reduce the cost of annual season tickets for public transport such as buses, trams, metro and trains. Banca Generali also encourages and promotes bicycle use for getting to work, providing reserved bicycle parking for the Bank's employees in several locations.

The Bank also invests in new technologies for reducing travel by its employees by promoting the use of video and audio conferencing from personal workstations.



FARHAN SIKI, *Mur(war)kami* | 2015, 200 × 180 cm

4. ANNEXES

mancano info

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G3 – Guidelines version 3.1

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3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	6
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in this report.	6
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3.12	Table identifying the contents of the report.	–
ATTESTATION		
3.13	Policy and current practice aiming at obtaining external attestation of the report.	–

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4.02	Chairman's executive functions. –
4.03	Number of members of the governing body that are independent and/or non-executive members. –
4.04	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governing body. –
4.05	Linkage between compensation of the members of the highest governing body and managers, and the organisation's performance. 56
4.06	Processes in place for the highest governance body to ensure conflicts of interest are avoided. 18-19
4.07	Process for determining the qualifications and expertise of the members of the highest governing body for guiding the organisation's strategy on economic, environmental and social issues. 17
4.08	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance, and the status of their implementation. 12 18-19
4.09	Procedures of the highest governing body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and compliance with internationally agreed standards, codes of conduct and principles. 18-19
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EC2. Core	Financial implications and other risks and opportunities for the organisation's activities due to climate change. –
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EC4. Core	Significant financial assistance received from government. –
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EN6. Additional	Initiatives to provide energy-efficient or renewable energy-based products and services and reductions in energy requirements as a result of these initiatives.	66-68
EN7. Additional	Initiatives to reduce indirect energy consumption and reductions achieved.	66-68
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EN8. Core	Total water withdrawal by source.	-
EN9. Additional	Water sources significantly affected by withdrawal of water.	-
EN10. Additional	Percentage and total volume of water recycled and reused.	-
ASPECT: BIODIVERSITY		
EN11. Core	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	-
EN12. Core	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	-
EN13. Additional	Habitats protected or restored.	-
EN14. Additional	Strategies, current actions and future plans for managing impacts on biodiversity.	-
EN15. Additional	Number of species in the IUCN Red List and national conservation list species with habitats in areas affected by organisation's operations, by level of extinction risk.	-
ASPECT: EMISSIONS, EFFLUENTS AND WASTE		
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EN18. Additional	Initiatives to reduce greenhouse gas emissions and reductions achieved.	66-68
EN19. Core	Emissions of ozone-depleting substances by weight.	66-68
EN20. Core	NO _x , SO _x and other significant air emissions by type and weight.	-
EN21. Core	Total water discharge by quality and destination.	-
EN22. Core	Total amount of waste by type and disposal method.	-
EN23. Core	Total number and volume of significant spills.	-
EN24. Additional	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII and percentage of transported waste shipped internationally.	-
EN25. Additional	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	-
ASPECT: PRODUCTS AND SERVICES		
EN26. Core	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	66
EN27. Core	Percentage of products sold and their packaging materials that are reclaimed by category.	-
ASPECT: COMPLIANCE		
EN28. Core	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	-
ASPECT: TRANSPORT		
EN29. Additional	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations and transporting members of the workforce.	67-68
ASPECT: GENERAL		
EN30. Additional	Total environmental protection expenditures and investments by type.	66-68

Social performance indicators

		PAGE
ASPECT: EMPLOYMENT		
LA1. Core	Total workforce by employment type, employment contract and region.	54-36
LA2. Core	Total number and rate of employee turnover broken down by age, gender and region.	57
LA3. Additional	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	46-47
ASPECT: LABOUR/MANAGEMENT RELATIONS		
LA4. Core	Percentage of employees covered by collective bargaining agreements.	50
LA5. Core	Minimum notice period regarding operational changes, including whether it is specified in collective agreements.	50
ASPECT: OCCUPATIONAL HEALTH AND SAFETY		
LA6. Additional	Percentage of total workforce represented in formal joint management-worker health and safety committee that help monitor and advise on occupational health and safety programmes.	50-51
LA7. Core	Rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities by region.	52
LA8. Core	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.	51-52
LA9. Additional	Health and safety topics covered in formal agreements with trade unions.	51-52
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LA10. Core	Average hours of training per year per employee by employee category.	48
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ASPECT: DIVERSITY AND EQUAL OPPORTUNITY		
LA13. Core	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.	54-56
LA14. Core	Ratio of basic salary of women to men by employee category.	56

Society

		PAGE
ASPECT: COMMUNITIES		
S01. Core	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	-
ASPECT: CORRUPTION		
S02. Core	Percentage and total number of business units analysed for risks related to corruption.	18
S03. Core	Percentage of employees trained in the organisation's anti-corruption policies and procedures.	-
S04. Core	Actions taken in response to incidents of corruption.	-
ASPECT: PUBLIC POLICY/INSTITUTIONS		
S05. Core	Public policy positions and participation in public policy development and lobbying.	-
S06. Additional	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.	-
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S07. Additional	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes.	-
ASPECT: CONFORMITY		
S08. Core	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	-

Human rights

		PAGE
ASPECT: INVESTMENT AND PROCUREMENT PRACTICES		
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HR2. Core	Percentage of significant suppliers and contractors that have undergone human rights screening, and actions taken.	–
HR3. Additional	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	–
ASPECT: NON-DISCRIMINATION		
HR4. Core	Total number of incidents of discrimination and actions taken.	–
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
HR5. Core	Operations identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	50-51
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HR6. Core	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	50
ASPECT: FORCED AND COMPULSORY LABOUR		
HR7. Core	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	50
ASPECT: SECURITY PRACTICES		
HR8. Additional	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	–
ASPECT: INDIGENOUS RIGHTS		
HR9. Additional	Total number of incidents of violations involving rights of indigenous people and actions taken.	–

Product responsibility

		PAGE
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PR1. Core	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	–
PR2. Additional	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	–
ASPECT: PRODUCT AND SERVICE LABELLING		
PR3. Core	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	–
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PR6. Core	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	37
PR7. Additional	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes.	–
ASPECT: CUSTOMER PRIVACY		
PR8. Additional	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	–
ASPECT: CONFORMITY (COMPLIANCE)		
PR9. Core	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	–

Financial services sector supplement

Impact of products and services

		PAGE
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FS1	Policies with specific environmental and social components applied to business lines.	14 36-36
FS2	Procedures for assessing and screening environmental and social risks in business lines.	–
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	–
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	–
FS5	Interactions with customers/investees/business partners regarding environmental and social risks and opportunities.	61
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.	–
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	–
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	–
ASPECT: AUDIT		
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	–
ASPECT: ACTIVE OWNERSHIP		
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues.	–
FS11	Percentage of assets subject to positive and negative environmental or social screening.	–
FS12	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting.	–

Social area

		PAGE
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FS13	Access points in low-populated or economically disadvantaged areas by type.	–
FS14	Initiatives to improve access to financial services for disadvantaged people.	36
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“ Literature, like all art, is a confession that life is not enough „ Fernando Pessoa

Playing a major role in the society in which we operate also entails contributing to a richer contemporary cultural and emotional experience.

In 2016, Banca Generali supported several social responsibility initiatives. In addition to the longstanding partnership with FAI - Fondo Ambiente Italiano for the “**FAI spring days**”, Banca Generali promoted the educational start-up **Redooc** aimed at helping students from Italian middle and secondary schools.

In 2016, the Bank also reiterated its commitment towards artists who stood out for their creativity and innovation, as Mario Arlati , author behind “*Potenza del colore*”, and Farhan Siki, whose exhibition entitled “**Trace**” was hosted at the Milan offices in Piazza S. Alessandro.

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