

# Sustainability Report 2010



**BANCA  
GENERALI**

# Sustainability Report 2010

## **BANCA GENERALI SPA**

### **REGISTERED OFFICE**

VIA MACHIAVELLI, 4 34132 - TRIESTE

### **SHARE CAPITAL**

AUTHORISED: EURO 119,378,836.00

SUBSCRIBED AND PAID: EURO 111,662,418.00\*

### **TAX AND VAT CODE AND REGISTRATION NUMBER IN THE TRIESTE REGISTER OF COMPANIES**

00833240328

### **COMPANY MANAGED AND COORDINATED BY ASSICURAZIONI GENERALI S.P.A.**

### **BANK WHICH IS A MEMBER OF THE INTERBANK DEPOSIT PROTECTION FUND**

### **REGISTRATION WITH THE BANK REGISTER OF THE BANK OF ITALY UNDER NO. 5358**

### **PARENT COMPANY OF THE BANCA GENERALI BANKING GROUP REGISTERED IN THE BANKING GROUP REGISTER ABI CODE 03075.9**

THE COMPANY'S PURPOSE IS THE PERFORMANCE OF BANKING ACTIVITIES AND HENCE THE COLLECTION OF DEPOSITS AND SAVINGS AND THE PROVISION OF CREDIT IN THEIR VARIOUS FORMS. IT MAY ALSO PERFORM EVERY TYPE OF FINANCIAL ACTIVITY AS WELL AS THE ACTIVITIES ASSOCIATED WITH OR INSTRUMENTAL TO BANKING AND FINANCIAL ACTIVITIES.

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# Letter to Stakeholders

**IN 2010**, Banca Generali Group succeeded in further improving on its already excellent earnings results from the previous year.

In the year, Banca Generali's net profit reached 82.2 million euros, up 30% compared to the previous year. This result appears even more impressive considering that it was achieved in conjunction with a further strengthening of the Bank's capital, currently an issue of crucial importance in the banking industry, which is preparing to meet the new stricter Basel 3 capital requirements. In this regard, it is with satisfaction that we draw attention to another important achievement: the Bank's capital levels are already in compliance with the Basel 3 parameters, which are set to enter into effect in 2019.

The strong results achieved allowed Banca Generali Group to distribute a dividend of 0.55 euro per share (compared to 0.45 euro in the previous year), placing the Bank among the listed Italian companies that pay the largest dividends to their shareholders.

## OUR GROWTH IS BASED ON EFFECTIVE TEAMWORK

It is important for us to emphasise that all of these results were achieved in the context of sustainable management of our business, which aims to create and distribute wealth to all stakeholders. We believe that these successes were made possible by an impressive team effort by all of Banca Generali Group staff, as well as by its ability to pursue shared values, such as a constant improvement in customer service, professional responsibility to customers and shareholders, reliability in developing and protecting investments and transparency of operation.

Our awareness of the above has convinced us of the importance of ensuring that our staff, both employees and Financial Advisors, are able to grow as people and professionals. In this regard, we were highly gratified to learn that, as shown by the annual survey conducted by Eurisko, in 2010 the level of satisfaction expressed by Banca Generali's networks of Financial Advisors was amongst the highest in the industry.

## SAFEGUARDING OUR STAFF'S HUMAN AND PROFESSIONAL GROWTH

As always, the focus of the Bank's strategies is on the customer, whom we serve by leveraging several aspects of considerable importance to us, such as investment protection, risk control and a wide range of products and services that also includes third-party products in order to meet all investment needs.

## PROTECTING THE CUSTOMER'S CAPITAL IS FUNDAMENTAL

In 2010, Banca Generali Group also reaffirmed its commitment to the community through its traditional support for a range of social initiatives. Most recently, Banca Generali Group has also begun to promote sports-related initiatives aimed at young people in particular, which it considers an important channel for communicating sound values and principles.

Banca Generali's commitment to protecting the environment is reflected in the Generali Group's Code of Ethics and Environmental Policy. The main approach to achieving this goal involves participating in a project aimed at implementing a system for managing the most significant environmental issues, the goal of which is to decrease the direct impacts of banking activity. To that end, we monitor our consumption and greenhouse gas emissions, in part with the aim of preventing damages, allowing us to intervene in a timely fashion before they occur.

The Banca Generali Group is also committed to the protection of human rights, labour, the environment and the fight against corruption, as part of the United Nations Global Compact, which the Generali Group has joined. Similarly, the Bank, as an important element of the Generali Group, is committed to the Carbon Disclosure Project (CDP) and CDP Water Disclosure, which deal with the challenges of climate change and water protection, respectively.



**ETHICS AND  
SUSTAINABILITY  
UNDERLIE  
OUR STRATEGIC  
DECISIONS**

Our awareness that it is only by succeeding in reconciling the interests of the Company and society and generating value for all of the Group's stakeholders that truly solid, stable growth may be achieved increasingly leads us to base our strategic decisions on the principles of ethics and sustainability. Our commitment to meeting this goal is unshakeable, because the milestones to be reached are important and failure to reach them is not an option.

**Giovanni Perissinotto**  
Chairman of Banca Generali

# Statement of Methods

This is the second Sustainability Report of the Banca Generali Group and its aim is to demonstrate the links between the Group's values and strategies, and relations with various stakeholders. The information presented in previous reports has not been amended, nor have any changes been made to the Group's overall scope or measurement methods with respect to the previous period. 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 environment 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:

- **Identity and Governance:** this section illustrates the Group's values, mission, strategy, organisational structure and governance;
- **Earnings results:** this section again illustrates the results discussed in the Consolidated Financial Statements vis-à-vis the individual categories of stakeholders;
- **Sustainability Report:** this section describes the number and quality of relations with the various stakeholders.

## CRITERIA AND PRINCIPLES

The contents of the documents were developed with reference to the *Sustainability Reporting Guidelines* of the third edition of the *GRI (Global Reporting Initiative)*, the Financial Services Sector Supplement of the GRI, and the guidelines for drafting sustainability reports for the credit sector – *“Il rendiconto agli stakeholder: una guida per le banche”* – drawn up by ABI in collaboration with EconomEtica (Inter-university Center for Economic Ethics and Corporate Social Responsibility).

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

## REPORT BOUNDARY, AND REPORTING AND MEASUREMENT PROCESS

The Sustainability Report is published annually. The information presented hereinafter refers to financial year 2010, compared against 2009 where possible.

The scope of the Sustainability Report extends to all companies within the Banking Group, namely the Parent Company, Banca Generali, and its subsidiaries BG SGR, Generali Fund Management SA, BG Fiduciaria Sim and Generfid. The corporate transactions undertaken on 1 January 2010, namely the merger by absorption of the subsidiary Banca BSI Italia following the spin-off of the portfolio management business to BG SGR, both of which are fully-owned subsidiaries of the Parent Company, Banca Generali, did not change the Group's overall scope of consolidation compared to the previous year and thus had no effect on comparability between periods.

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 reference standards. Most of the information comes from first-hand surveys, with the exception of certain estimates (as noted in the report) that have been made but that do not affect the specific figure.





Identity  
and Governance



## Mission

The mission of the Banca Generali Group is to develop its leadership on the Italian market in Personal Financial Services, thanks to a complete and innovative range of banking, insurance and managed investment products.

Banca Generali's goal is to work through its network of Financial Advisors to meet each customer's investment and savings needs according to his or her financial profile and timeline.

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

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



# Values

In its work, Banca Generali respects shared values through which it pursues its mission and affirms its identity.

## TRANSPARENCY

Banca Generali encourages dialogue with stakeholders and is always willing to listen to the latter, in line with its commitment to clarifying its intentions and behaving in a manner that not only fosters mutual trust but also reinforces its reputation for integrity in all its business dealings.

## PROFESSIONAL RESPONSIBILITY

Those who work at Banca Generali strive daily to ensure excellence in all areas within their purview affecting customers and shareholders.

## RELIABILITY

At Banca Generali, people strive to build soundness, in line with the Generali Group's trends, with an awareness of the responsibility in the areas of social wellbeing and security inherent in investment management.

## TEAM SPIRIT

We succeed together. Proud of being part of a large Group that acts responsibly both internally and externally, sharing its successes and growth strategy at all levels.

## COMMITMENT TO ONGOING IMPROVEMENT

Banca Generali tends to its customers' needs even before its customers become aware of those needs. It encourages people to develop their knowledge and take an active part in the process of innovation, spurred by the conviction that professional growth is maximised in a working environment shaped by flexibility and dynamism.

# The Group's History

Although it is a young company with just over ten years of history, Banca Generali has already achieved very rapid growth that has allowed it to claim a leading position in its industry, proof of its ability to pursue a well-defined plan to develop its business, culminating in its listing on the stock exchange. Two phases may be distinguished in its growth process. The first, from 2000 to 2004, witnessed the completion of the mergers and reorganisation of the

Generali Group's Financial Advisor networks, in addition to external acquisitions. The second, from 2005 to the present, resulted in the establishment of a wealth-management hub and the creation, with the contribution of two mergers, of a private-banking hub within Banca Generali.

The following is a timeline of events.

1998-2000

## A new bank

Banca Generali begins to operate 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, which acquires the financial institution founded in 1992 and changes its name to its current form, Banca Generali S.p.A.

The bank is initially conceived to allow the Generali Group to complete its offerings with banking and financial services, which are distributed through Prime Consult, the Generali Group's Financial Advisors' network, and the insurance agents of Assicurazioni Generali, Alleanza Assicurazioni (currently Alleanza Toro) and INA Assitalia.

2000

## Merger with Prime and creation of the multi-channel bank

Banca Generali merges with **Prime S.p.A.** and acquires its subsidiary **Prime Consult SIM** from Assicurazioni Generali. This deal marks the start of a new strategic vision for Banca Generali, which, thanks to Prime's organisation, know-how and services begins to operate independently as an integrated, multi-channel banking group with its own network of Financial Advisors.

2001

## Acquisition of Altnia Sim and Ina Sim

The bank further enhances its distribution network by acquiring two other Generali Group securities brokerage firms, Altnia SIM and INA SIM. This deal doubles the number of the banking group's Financial Advisors and increases its assets under management by nearly 50%. In 2003, along with Prime Consult SIM, the two companies merge into a single network under the Banca Generali brand.

2002

## Creation of Simgenia SIM

While the process of integrating and reorganising the previously acquired companies continues, Banca Generali incorporates **Simgenia SIM**.

The new Group company is charged with the task of supporting the Generali Group's agent networks to develop a policy of cross-selling the bank's financial products and services to the Generali Group's portfolio of insurance customers in Italy.

2003

## Acquisition of Banca Primavera's network

Banca Generali acquires the Financial Advisors network of **Banca Primavera** (a member of the Banca Intesa group, currently Intesa Sanpaolo), thereby adding an additional 1,500 advisors and increasing its assets under management to 13.8 billion euros. This step allows Banca Generali to exploit considerable synergies, with the resulting economies of scale..

2005

## Acquisition of Intesa Fiduciaria SIM

Banca Generali decides to provide the banking group with a dynamic trust company. Accordingly, it acquires **Intesa Fiduciaria SIM S.p.A.** (later renamed BG Fiduciaria SIM S.p.A.) from Banca Intesa.

2006

**Enhancement of wealth-management activities and listing on the stock exchange**

Banca Generali decides to expand the Group's activity to include individual and collective asset management and acquires a management company, BG SGR, to which all fund management assets and Discretionary Accounts (GPF) intended for the Generali Group's retail customers are transferred. With the aim of providing a private-banking service aimed at customers with high investment capacity, Banca Generali acquires the share capital of **Banca BSI Italia** (the Italian company of BSI SA, a Swiss subsidiary of Assicurazioni Generali). At the same time, Banca Generali acquires from BSI a static trust company, S. Alessandro Fiduciaria (subsequently renamed Generfid).

At the end of the growth process described above, Banca Generali is ready to embark upon an important new project to develop its business: a listing on the stock exchange. Banca Generali shares successfully debut on the Milan stock exchange on 15 November.

2007

**Creation of BG Investment Luxembourg**

In order to enhance the wealth-management hub, at the beginning of the year Banca Generali transfers its private-banking assets to Banca BSI Italia to complete the segmentation of its organisational model into three networks, one for each customer type.

At the end of November, the new subsidiary BG Investment Luxembourg SA is formed to manage the Luxembourg SICAVs of the Banca Generali Group.

2008

**Acquisition of Banca del Gottardo Italia approved**

Banca Generali approves the acquisition of **Banca del Gottardo Italia S.p.A.** by the subsidiary **Banca BSI Italia**.

2009

**Disposal of Simgenia SIM and creation of Generali Fund Management**

The controlling interest in **Simgenia SIM S.p.A.** is sold to Assicurazioni Generali S.p.A.

The process of developing asset management continues with the creation of **Generali Fund Management S.A.**, the Generali Group's asset management product factory in Europe, 51% owned by Banca Generali and 49% by the Generali Group.

The new company is created through the merger of the management companies of Banca Generali (BG Investment Luxembourg) and Generali Investments (Generali Investments Luxembourg).

2010

**Banca Generali Private Banking is created**

Banca Generali Private Banking is created, completing the process of developing private-banking operations that began in 2006 with the acquisition of Banca BSI Italia and continued in 2008 with the acquisition and subsequent integration of Banca del Gottardo Italia.

Banca BSI Italia is merged into Banca Generali effective 1 January 2010 to become the company's autonomous private-banking division.

# Business Model and Strategic Guidelines for Development and Sustainability

Banca Generali places the **customer's needs** at the heart of its approach to financial services. This is not a marketing slogan, but rather a constant commitment to building a **long-term relationship** that yields benefits for both the customer and the bank, with a special focus on the affluent and private-banking segments.

Banca Generali's model is founded on offering a wide range of financial products that also include those of third parties, according to the **open-architecture** model. The breadth of this international product range serves as the basis for the qualified advisory service offered by the Banca Generali Group's Financial Advisors and Private Bankers, allowing customers to choose the products that best suit their needs and characteristics.

Banca Generali has decided to introduce this model to Italy as well, considering that it is well established in the world's most advanced financial markets.

While only recently introduced to the Italian market, this model has already yielded **appreciable results** in terms of customer satisfaction and the development of Banca Generali's business. Furthermore, the European Union's new Markets in Financial Instruments Directive (MiFID), which recognises and promotes advisory as an investment service, is proof that Banca Generali is capable of **anticipating market trends**.

Within this general view, there are four key traits that identify the Banca Generali Group's approach to its business:

- offering **professional advisory services** that identify and meet customers' long-term financial needs through its Financial Advisors and Private Bankers;
- focusing distribution on the **role of the Financial Advisor/Private Banker**, who is thus able to offer a professional advisory service on an ongoing basis throughout the country;
- providing access to **a full range of investment products and services** supplied both by the Group and international market leaders;

- fully exploiting and realising the potential inherent in the **Generali brand**, synonymous with reliability, solidity and competence.

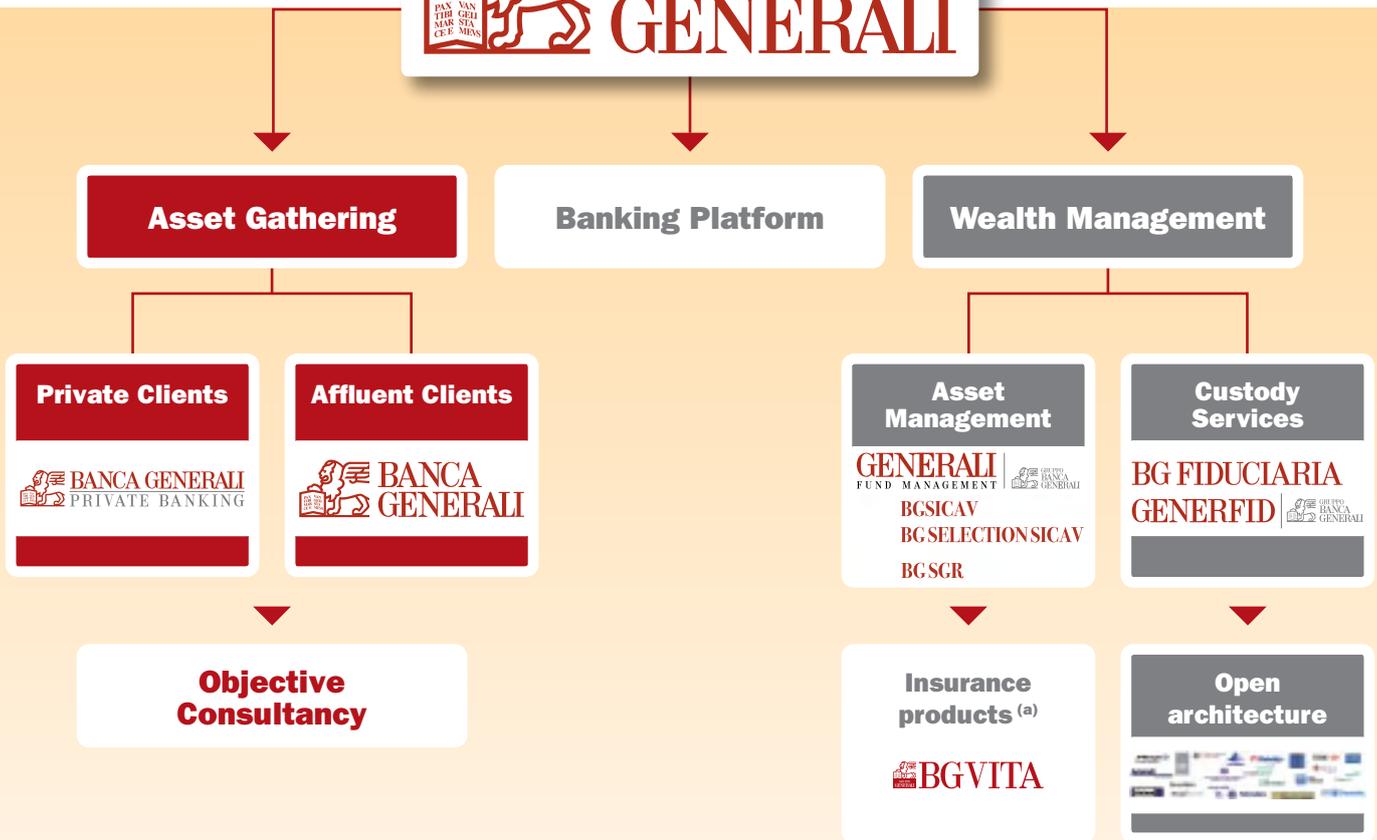
While placing the professionalism of its staff, called upon to form a direct advisory relationship with top customers, at the heart of its offerings, customer service also benefits from the cutting-edge resources provided by a **multi-channel system** based on services via the Internet, call centres and numerous offices and branches spread throughout the country. This allows us to best combine competence, customisation and ease of use by customers.

Banca Generali's financial products and services cover a **wide range of needs**: from mutual funds to discretionary accounts and insurance and pension products. A total of approximately 1,200 products are offered, including those of more than 22 third-party companies.

The Banca Generali Group has two networks devoted to different customer types so as to meet its customers' varying needs and evolve beyond an undifferentiated approach to the market:

- **Banca Generali's** Financial Advisors network caters to the needs of affluent customers;
- **Banca BSI Italia** is organised to serve private customers, and in 2010 was converted into Banca Generali's **Private Banking Division**.

They are rounded out by **Simgenia Sim**, which distributes Banca Generali's products.



a) BG Vita is the trademark of GenertelLife focusing only on life products of Banca Generali and Banca BSI Italia

## STRATEGIC DEVELOPMENT GUIDELINES

The Banca Generali Group's growth prospects are founded on precise guidelines:

- **exploiting the brand** and reputation in the context of the Generali Group's extraordinary tradition of solidity, competence and reliability;
- constantly **developing the open architecture**, thus maintaining a significant lead over the competition (banks and Financial Advisor networks), in part through sophisticated product innovation;
- gradually **developing advisors' skills and abilities**, including through specific analytical tools capable of improving customer service;
- ensuring the ability to achieve **excellent results** for customers even in difficult market conditions by containing risks and volatility. This outcome is the result of the three previous points and a benefit for the company's primary **external stakeholder**, its customers;
- placing a strategic focus on **company profitability** by increasing recurring revenue, gradually uncoupled from equity market performance, while also containing costs by constantly striving to optimise processes and investing in technology. The main beneficiaries of such profitability are the company's **direct stakeholders**, namely its personnel and its shareholders (the latter of whom have thus far been the recipients of a considerable share of profits);
- emphasising **sustainable strategies** (see the next chapter) aimed at **social and environmental stakeholders**.

The **increasing volume** of assets under management, gradually achieved in recent years, in part through the mergers and acquisitions that have made the Group a market leader, remains a top priority for the company. Indeed, it yields extensive benefits: for example, the bank's organisation can achieve significant economies of scale with the ensuing benefits for overall profitability.

The expansion process follows a variety of approaches. First, one may cite **organic growth**, which is achieved by directly acquiring new quality customers motivated by the contagious satisfaction of existing customers and specific training and marketing initiatives carried out throughout the country. In parallel, the offering of remote tools for relations between the bank and its customers, also useful to facilitating and increasing market penetration, is constantly evolving.

In addition, there is also the process of **non-organic growth**, which takes the form of acquiring highly regarded professionals in the Financial Advisor market, drawn by the peculiarity of the Banca Generali model.

Finally, Banca Generali is the only company that can combine a record of successful experience in acquisitions with the financial strength to implement them. In a market undergoing gradual consolidation, it is a prospect that nonetheless must meet with quality opportunities capable of enhancing both the company's competitive positioning and profitability in the medium term.

## SUSTAINABILITY STRATEGY

The sustainability strategy of the Banca Generali Group is characterised by the following main priorities:

- pursuing **sustainable growth over time**, with entrepreneurial actions aimed at achieving stable and satisfactory long-term economic and commercial results, eliminating or minimising risks tied to volatility induced by the inadequate planning of short-term objectives;
- **valorising the people** who work for the Group, encouraging the constant development of skills and professionalism among collaborators and acknowledging the contribution of individuals to the success of the organisation;
- being **sensitive to the Group's social context**, participating in charitable, cultural and sports initiatives;
- favouring the **reduction of direct and indirect environmental impacts** by taking steps to minimise the consumption of energy, paper and water, and lower pollutant emissions.

The Banca Generali Group's commitment to social and environmental issues has grown over time, triggering an ongoing learning process that involves all company components through an array of initiatives. These range from the promotion of events supporting volunteer associations and institutions to the direct collection of funds to provide aid to areas affected by natural disasters and support charitable organisations, the sponsorship of local sports initiatives, and the in-depth education of all members of the Group concerning policies for managing individual and company resources in order to protect health and the environment (for example, through careful differentiated waste disposal)..



## COMMUNICATION STRATEGY

Banca Generali views an integrated communication strategy as an issue of fundamental importance, with the aim of fostering a constant, complete and transparent flow of information to all stakeholders.

- The website is constantly updated in order to ensure that it continues to meet the basic requirements of rational design and user-friendliness, allowing users to locate the latest initiatives and new products within the site with ease. It comprises various sections, one of which is devoted to sustainability and contains official documents, as well as, at a more general level, all of the most important information of potential interest to investors, shareholders and journalists. The site is available in both Italian and English, is constantly monitored on the basis of access statistics with the aim of improving our understanding of how it is used and adjusting its layout accordingly and is updated to meet the market's expectations. Initiatives are currently under study with the goal of providing further information to stakeholders in the form of a semi-annual newsletter aimed at providing a snapshot of the condition of the Bank, the market and the main competitors. Lastly, the visual design of the websites of several subsidiaries, including Generali Fund Management, Generfid and BG SGR, is currently being restyled. In 2010, Banca Generali's website placed 25th in Webranking 2010 Awards Italy, which recognises quality in online institutional and financial communications, as determined by consultants from the firm Hallvarsson & Halvarsson. The study examines the 100 largest-capitalisation companies listed on the Italian stock exchange. After having been named Best Improver in 2008 due to the launch of its new institutional website, this year Banca Generali remained among the top companies on the market, succeeding in ranking among the firms that responded most swiftly to requests from Financial Analysts and media professionals.
- The Company's Intranet is a tool dedicated to all staff members that facilitates communication within the Group by allowing for the publication of information regarding operations, projects, events and organisational notes.
- In the field of editorial communication, the Group privileges approaches that minimise its environmental impact and can ensure timely information. The Group uses its own dedicated internal communication chan-

nels such as the HR portal, the Bollettino.com and the newsletters which keep everyone at the company up to date on the events, plans and organisational developments within the Banca Generali Group and all the other companies in the Assicurazioni Generali Group. In addition to these electronic channels, all employees may request to receive Il Bollettino, the Generali Group's fully environmentally sustainable house organ based on the use of recyclable packaging and green paper to reduce the publication's environmental impact to a minimum.

- The media communication policy is founded upon transparency and an utmost effort to ensure the accessibility, clarity and accuracy of information, in accordance with information disclosure regulations. The tools used to achieve this goal are press releases, interviews, meetings, events and relations between the Company's top management and financial journalists. In 2010, a total of 28 press releases were distributed and the Banca Generali Group was the subject of approximately 400 articles appearing in Italy's major publications.
- Brand communication transmits the Bank's values and social commitment through carefully planned events and initiatives. This process begins with the choice of testimonials, which are required to represent the dynamism, integrity and professionalism that set Banca Generali apart. Italy's main newspapers, magazines and television stations follow events with considerable interest, resulting in significant resonance for the brand and Banca Generali's social commitment to spreading awareness of the values of integrity and professionalism and educating to saving.
- Advertising campaigns focus on promoting meetings with investment management experts and professionals in order to aid investors in overcoming the IT and technical obstacles associated with the government's "tax shield" initiative. "Banca Generali. With you, beyond the tax shield" was the slogan that accompanied an incisive creative concept based on solidity, disseminated in all of the country's major publications. The advertising effort was aimed at exploiting strong skills and specific professional qualifications, thus strengthening the Bank's image as investment management guarantor and expert.

# Organisational Structure

## CORPORATE STRUCTURE, MANAGEMENT AND COLLABORATORS

The Banca Generali Group operates essentially in Italy in the sectors of banking activity, investment services and asset management.

**Coordination** of the banking group's activities is the responsibility of the **Parent Company Banca Generali**, which is charged with providing general guidance, governance and control. In addition, the Parent Company's duties also include: maximising the efficacy and efficiency of the activities performed; safeguarding company assets; and ensuring the stability of results over time and constant compliance with external and internal rules.

**Sales activity is entrusted to the network of Financial Advisors and Private Bankers**, who operate out-of-branch under agency agreements without the power of representation, and to **bank branches**, staffed by employees.

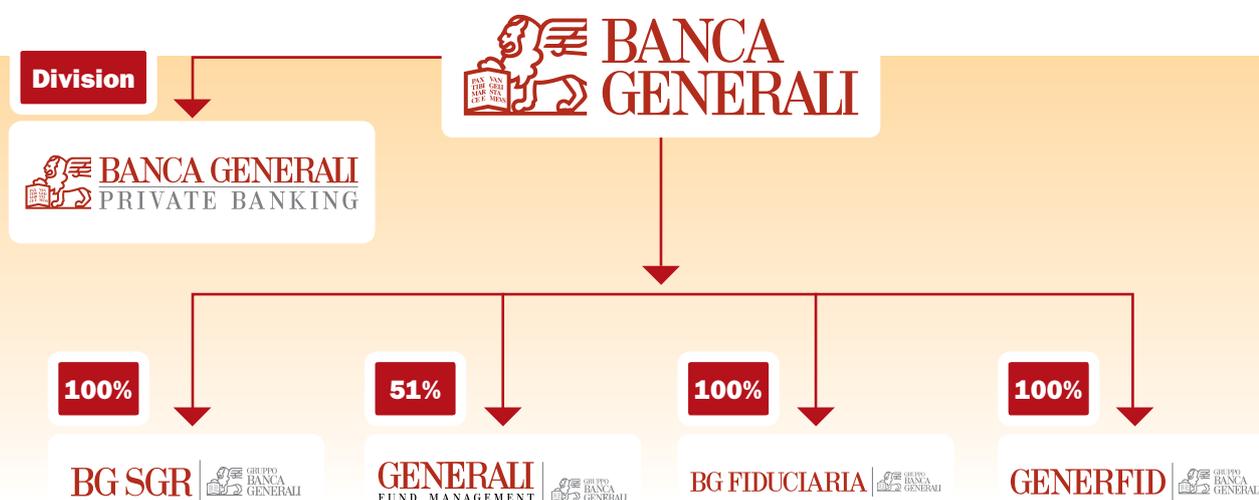
In addition, the Group operates through specific "Product Companies" that perform specialised activity in conceiving investment products and services, as well as in asset management.

The Banca Generali Banking Group's entities include:

- **Banca Generali S.p.A.:** Parent Company of the Banking Group, it offers integrated financial, banking

and insurance products for retail customers, through its Financial Advisor networks, as well as a complete range of highly customised solutions to private banking customers through the networks of Relationship Managers (employees) and Private Banker / Financial Advisors;

- **BG SGR S.p.A.:** 100% owned by Banca Generali and specialised in the setting up and management of mutual funds and portfolio management;
- **BG Fiduciaria SIM S.p.A.:** 100% owned by Banca Generali and specialised in portfolio management services, in respect of investments in both securities and funds, primarily as a trustee;
- **Generfid S.p.A.:** 100% owned by Banca Generali and specialised in the supply of static trust services, i.e., the administration of securities held by the company under trusteeship, and the execution of the orders and instructions imparted by the grantor;
- **Generali Fund Management S.A.:** a Management Company under Luxembourg law dedicated to managing the banking group's SICAVs, 51% owned by Banca Generali.



In 2010, planning and investments in organisation were focused on consolidating the extraordinary transactions planned or undertaken in 2009 (see the merger of Banca BSI Italia into Banca Generali and the revision of the business and operating model of BG SGR) while also finalising and consolidating initiatives aimed at supporting the banking group's core business by optimising its level of efficiency and operating efficacy.

Major initiatives may be broken down between the Parent Company, Banca Generali, and its subsidiaries as follows:

#### Banca Generali:

- a) in the Private-Banking Division, the private-banking business and service model was launched, consolidated and fully implemented a process that included introducing new services and outsourcing some operating activities;
- b) in the area of the Advisors Front End, an application platform dedicated to the Financial Advisors channel, developmental maintenance work was done in order to optimise the operating activity of Financial Advisors and Private Bankers, increasing the efficiency and automation of the process and reducing operating risks accordingly;
- c) the Customers Front End, a Web application platform dedicated to customers, was also the target of developmental maintenance work to add new features allowing customers to obtain information and submit orders;
- d) lastly, in the area of Customer Service, in keeping with the process of constantly improving the level of customer service, new software applications dedicated to the Call Centre channel and the new branch desk.

#### Subsidiaries:

- a) BG SGR: following the contribution of the asset management business unit by Banca BSI Italia, the business and service model was consolidated and optimised in accordance with the analysis conducted in 2009, a process that included the functional development of the individual portfolio management platform and the automation of pro-

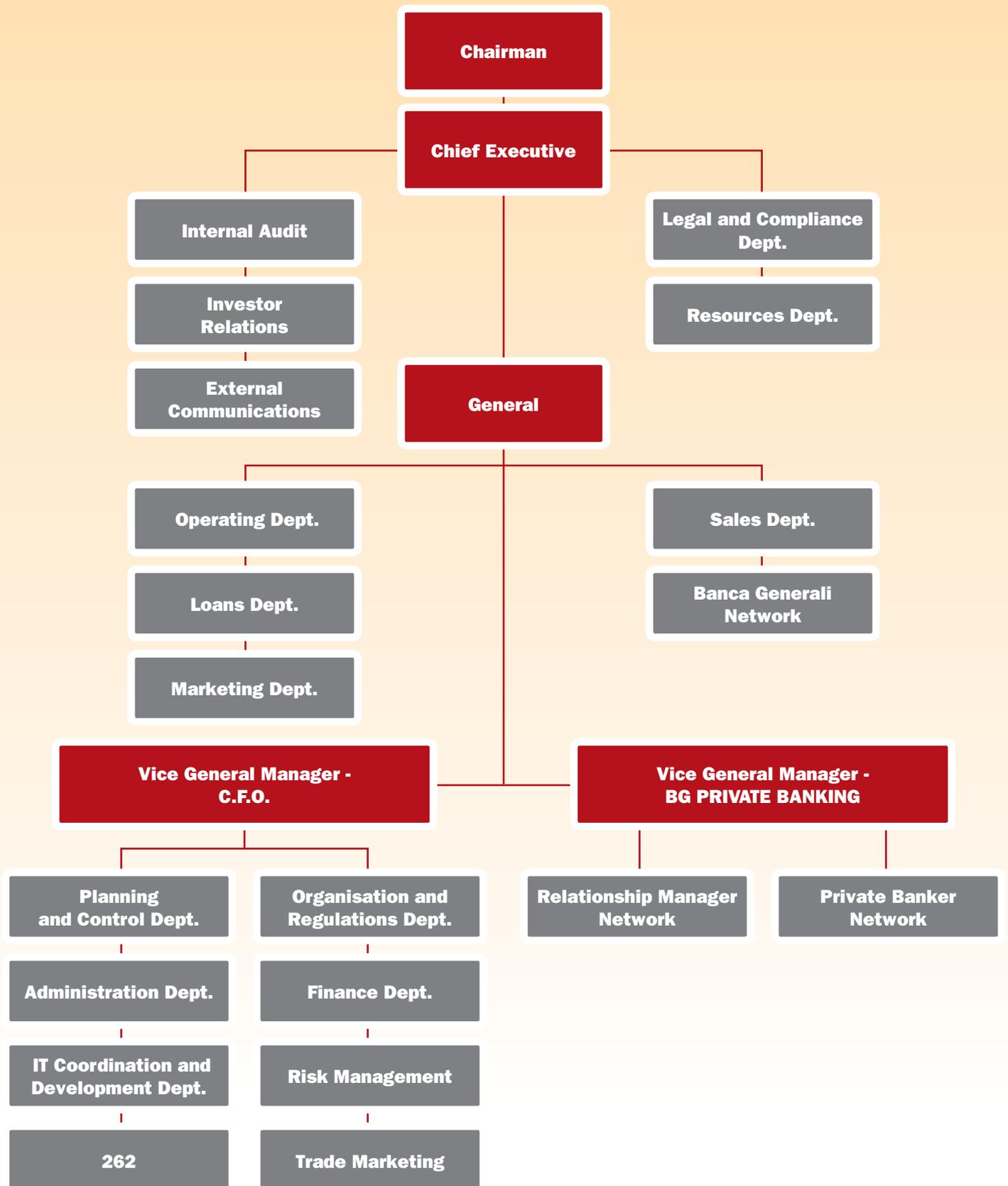
cedures for transmitting purchase and sale orders to the market.

- b) Generali Fund Management: a constant improvement was pursued within the use of the advanced services offered by the RiskMetrics platform for analysing the financial risk of portfolios and the diagnosis of the potential impacts of UCITS IV regulations on the organisational structure and commercial offerings, along with subsequent implementation actions;
- c) BG Fiduciaria SIM: the positive results achieved at the level of business development did not require significant development at the applied level or significant revisions of internal organisational processes. Accordingly, ordinary maintenance was conducted with the aim of developing and achieving compliance with industry regulations;
- d) GENERFID: as a function of the opportunities and results achieved at the business level, a revision of processes, organisational structure and the information technology applications in support of operations was launched, with an eye towards possible regulatory developments in the sector in question as well.

The organisational structure of the Parent Company, Banca Generali, consists of a Top Management with:

- a **Chief Executive Officer** vested with overall responsibility for the Bank;
- a **General Management** consisting of the General Manager, entrusted with responsibility for the bank's operational management, and two **Vice General Managers**, who preside over the various departments assigned to them, in turn organised into services and organisational units.

This organisational model allows the various structures to achieve effective management of sales activities and the quality of services offered, improving coverage of the market, divided into segments by client type (affluent and private).



# Corporate Governance

## BODIES, COMMITTEES, GENERAL SHAREHOLDERS' MEETINGS

As a public limited company subject to Italian law, and a bank subject to the Banking Consolidation Law (Testo Unico Bancario), Banca Generali has set up a governance system firmly grounded on the said principles.

Against this background, with a view to reinforcing minimum standards of corporate organisation and governance, and ensuring "healthy and prudent management" (article 56 of the Consolidation Law on Banking – TUB), by Order No. 264010 of 4 March 2008, entitled "*Supervisory Provisions Concerning Banks' Organisation and Corporate Governance*", the Bank of Italy established a regulatory framework under which organisation is to play a central role in strategic corporate policy-making and risk assessment and management within the banking and financial industry.

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

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

- A. Board of Directors;
- B. Chairman of the Board of Directors;
- C. Chief Executive Officer;
- D. Remuneration Committee;
- E. Internal Control Committee;
- F. General Shareholders' Meeting;
- G. Board of Statutory Auditors.

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

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

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

Pursuant to Article 15 of the Articles of Association, the Company is managed by a Board made up of no less than 7 (seven) and no more than 12 (twelve) members, appointed by the General Shareholders' Meeting after determination of the number of members. The members of the Board of Directors hold office for a maximum of three financial years. Their term ends on the date of the meeting called to approve the financial statements for the last financial year of said term and they are eligible for reappointment.

Currently, the Board of Directors consists of 10 members: 2 executive directors and 8 non-executive directors of which 4 independent directors (3 of which over the age of 60 and 7 between the ages of 40 and 60). The directors must be chosen according to criteria of professionalism and competence, stated in their curricula vitae, and must meet specific requirements of integrity and, in some cases, independence, the latter of which is also periodically reviewed by the Board of Auditors. Appointments to Board may only be accepted after the appointees have determined that they are in a position to devote the time required to ensure the diligent performance of their tasks and duties as Board members, especially in light of the number of directorships or auditorships they may hold within other corporations listed on regulated markets (including abroad) and in financial institutions, banks, insurance companies and large corporations, as well as their other professional activities. There is no general prior authorisation to depart from the prohibition on competition.

In addition, considering the provisions of:

- application criterion 1.C.1, letter g), of the Corporate Governance Code of Listed Companies (adopted by Banca Generali effective October 2006), which requires the Board of Directors to conduct an annual assessment of the size, composition and functioning of the Board of Directors itself and its committees, and to express any opinions regarding professional figures whose presence on the Board of Directors is deemed appropriate; and



- Order of the Governor of the Bank of Italy of 4 March 2008, “*Supervisory Provisions Concerning Banks’ Organisation and Corporate Governance*”, and specifically the application lines relating to point 3, Composition of Company Boards, which require that the fitness of board members to discharge their duties, from the standpoint of professionalism, available time and, where necessary, independence, fall within the scope of the assessments conducted by the board in question, which must establish and ensure such fitness in an ongoing manner, and also requires the Board of Directors to determine and assess in an ongoing manner the number of positions of this nature filled by its members, placing an emphasis on those that demand greater involvement in the ordinary course of company business;

in February 2011, Banca Generali’s Board of Directors conducted the assessment mandated by the Corporate Governance Code of Listed Companies and expressed an opinion containing no remarks concerning (i) the size and functioning of the Board of Directors of Banca Generali S.p.A., the bodies to which the Board of Directors has delegated powers and the internal Board Committees instituted, (ii) the fitness of its members to discharge their duties, from the standpoint of professionalism, available time and, where applicable, independence and (iii) the adequacy and efficacy of the provisions set forth in the Articles of Association governing the functioning of the Board of Directors.

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

is to discharge his coordination and oversight functions aimed at ensuring the smooth functioning of the Board of Directors and the constant flow of information amongst Board members.

Accordingly, in addition to the powers vested in Banca Generali’s Chairman of Board of Directors by law and the Articles of Association, and in accordance with the “Supervisory Provisions Concerning Banks’ Organisation and Corporate Governance” set forth in the Bank of Italy Order 264010 of 4 March 2008, which state that the chairman is to play a non-executive role and may not perform managerial duties, even on a factual basis, without prejudice to the option to allow the chairman to stand in for executive members in exceptional circumstances, the Board of Directors and Chairman have been granted powers pertaining to the coordination of the activities of company boards, verification of the execution of the resolutions passed by the Shareholders’ Meeting and Board of Directors and of the determinations made by the Chief Executive Officer and supervision of the Company’s business performance and conformity with strategic guidelines.

Responsibility for company management lies with the Chief Executive Officer and General Managers.

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

The Remuneration Committee, consisting of 3 non executive directors, most of whom independent, expresses opinions and submits non-binding proposals to the Board of Directors, pertaining to the remuneration packages of the Chairman of the Board, the Chief Executive Officer and General Manager; it periodically

also assesses the policies used to determine the remuneration packages of key management personnel.

The internal Control Committee, consisting of 4 non-executive and independent Directors, is tasked with assisting the Board of Directors in setting guidelines for the internal control system, expressing an opinion of the adequacy of the internal control system and assessing the proper use of accounting principles and the consistency of such principles between Group companies.

The Internal Control Committee also expresses an opinion regarding transactions with related parties, in accordance with the terms and conditions set forth in the Procedure for Related Party Transactions approved by Banca Generali pursuant to applicable laws and regulations, in addition to assisting the Board of Statutory Auditors in discharging its statutory auditing duties in accordance with the provisions of Legislative Decree No. 39 of 27 January 2010.

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

All holders of ordinary shares of Banca Generali stock, including employees, may exercise their voting rights and participate in Shareholders' Meetings, provided that they prove their standing to do so in the legal forms.

The Board of Auditors, appointed by the Shareholders' Meeting for a term of three years, is tasked with overseeing compliance with statutory requirements and the Articles of Association, as well as with monitoring company management. With reference to compensation, the Articles of Association state that each member of the Board of Directors is entitled to fixed gross annual compensation in addition to reimbursement of out-of-pocket expenses for participating in meetings.

A report on the compensation policy for the management of the Company and the Group has been submitted to and approved by the Shareholders' Meeting. The document is an integral part of the Corporate Governance and Ownership Report and is available from the website [www.bancagenerali.com](http://www.bancagenerali.com).

In general, Banca Generali's remuneration policies are aimed at ensuring the best possible alignment of the interests of the Banking Group's shareholders and management, especially in a long-term perspective, by rewarding careful risk management and the consistent pursuit of long-term goals.

To better pursue this goal, effective 2010, remuneration policies were also brought into line with the recommendations of the Governor of the Bank of Italy concerning "Remuneration and Incentive Systems" issued in Order No. 321560 of 28 October 2009. In this context, the variable component of the remuneration of executives and the incentive plans targeted at network managers were aligned with a view to ensuring the uniform application of the new regulatory principles to all the Banking Group's key personnel.

In this regard, as of 2010, a system for the deferral of the disbursement of 40% of the accrued bonus was introduced for the Generali Banking Group's key management personnel, other managers and network managers who earn a bonus in excess of 75,000.00 euros. In further detail, 60% of the amount owed shall be paid in the following financial year, after the Board of Directors verifies the earnings and capital solidity results for the year in question, whereas 20% will be paid in the following year and the remaining 20% after an additional year, in both cases after having verified that the pre-set access gate has been reached.

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

Once again in 2010, high-level management and professional positions were assessed and "weighed" using the HAY point-factor job evaluation method and the results were used to enhance the monitoring of remuneration patterns, including with regard to reference markets.

The fixed components served to remunerate the managerial and technical skills of employees used to perform the roles assigned to them, in order to ensure managerial continuity and pursue effective and fair internal remuneration policies that are competitive in respect of the external market. The aim of the recurring variable components of remuneration and long-term incentives (such as stock option and stock granting plans and deferred bonus systems), on the other hand, was to balance directly the interests of the shareholders and those of management.

A Management by Objectives mechanism consistent with the achievement of the earnings and financial results indicated in the budget for 2010 and indicators aimed at appreciating the weighting of company risks was employed for the Chief Executive Officer and Managers. The Management by Objectives system was linked to the Balanced Scorecards principle, with the aim at seeking the maximum strategic alignment of management.

Remuneration of the Directors holding special offices and of those that are members of the board committees is established by the Board of Directors after consultation with the Board of Statutory Auditors within the framework of the guidelines established by the above-mentioned remuneration policy approved by the General Shareholders' Meeting.

## SUSTAINABILITY DEVELOPMENT BOARDS

At the level of the Banking Group, responsibility for sustainability falls to the General Manager, who implements the strategies defined by the Parent Company's Board of Directors, which in turn sets the fundamental guidelines.

The Sustainability Committee is the decision-making body responsible for sustainability at the Group level. This Committee is tasked with defining social and environmental policies, identifying the goals and results to be achieved and assessing opportunities, risks and areas for improvement in connection with the Group's sustainability.

The Committee meets twice a year to analyse the results presented in the Sustainability Report and discuss progress in reaching goals, the challenges encountered and ongoing problems. The Sustainability Committee was set up in 2011.

# Internal Control System

## THREE TIERS, RISK MANAGEMENT AND 262 OVERSIGHT

The internal control system 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 safety of the company's assets 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; and
  - the dissemination of a culture of control involving training initiatives for the various levels.
- the *262 Oversight Function*, which acts as a point of reference, orienting and coordinating the management of all the Banking Group's administrative and accounting risks, for the intents and purposes of Law No. 262/2005;
- internal audits (or third-tier checks), assigned to the Internal Audit Function, which performs controls aimed at identifying anomalous performances and violations of procedures and regulations and assessing the overall internal control system's functionality.

In 2010, the fraud-prevention model and activities were developed and activities aimed at preventing the commission of the offences set forth in Decree No. 231/01 also continued.

This system, defined with the directives issued by the Banca Generali Banking Group, is an integral part of the company and supervises all of its sectors 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.

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. Banca Generali has structured its system according to three levels:

- line or first-tier checks, aimed at ensuring that operations are conducted properly. Such controls are undertaken by production units or are incorporated into procedures; risk-management or second-tier checks, aimed at contributing to the definition of risk-measurement methods, verifying observance of limits and reviewing consistency with risk/return objectives. Within Banca Generali, such controls are entrusted to:
  - the *Compliance Function*, as regards preventing the risk of non-compliance with the law;
  - the *Risk Management Function* charged with identifying, assessing and managing other risks (credit, market, operating, strategic risks, etc);

Structures in charge of internal control system and risk management:

ORGAN	TASKS
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>• bears the final responsibility in the system</li> <li>• establishes guidelines</li> <li>• assesses periodically system appropriateness and efficiency</li> </ul>
<b>Top Management</b>	<ul style="list-style-type: none"> <li>• carries out strategic guidelines</li> <li>• checks the ongoing appropriateness of the system</li> </ul>
<b>Board of Statutory Auditors</b>	<ul style="list-style-type: none"> <li>• oversees the adequacy and compliance with the system and its concrete functioning</li> </ul>
<b>Internal Control Committee</b>	<ul style="list-style-type: none"> <li>• supports the Board of Directors discharging investigative, consultative and recommendatory duties</li> </ul>
<b>Risk Committee</b>	<ul style="list-style-type: none"> <li>• ensures coordinated coverage of the system for managing and controlling risks;</li> <li>• addresses specific operating issues with decision-making powers relating to risk containment measures</li> </ul>
<b>262 Oversight</b>	<ul style="list-style-type: none"> <li>• guides and coordinates administrative and accounting risk management activities</li> <li>• provides support to the Manager in charge, within the meaning of Article 154 of the consolidated finance law (hereinafter TUF)</li> </ul>
<b>Risk Management</b>	<ul style="list-style-type: none"> <li>• identifies, measures, assesses and monitors all types of risk to which the Banking Group is exposed, with the exception of non-compliance risk</li> </ul>
<b>Compliance</b>	<ul style="list-style-type: none"> <li>• assesses the adequacy of company processes and procedures in order to prevent non-compliance risk;</li> <li>• supervises the distribution network's actual behaviour</li> </ul>
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>• oversees and assesses the efficiency and effectiveness of Internal Control System</li> </ul>

The **Board of Directors**, charged with strategic supervision and policy definition, identifies the goals, strategies, profile and risk levels and defines company policies and the policies of the enterprise's risk management system; it periodically verifies the proper implementation and consistency thereof with the development of company activity.

The **Top Management**, in light of its delegated powers and pursuant to the guidelines approved by the Board of Directors, implements corporate policies as well as policies of the business risk-management system and checks on an ongoing basis the adequacy of risk management system.

The **Board of Statutory Auditors**, within its institutional supervisory functions, oversees the adequacy of the risk control and management system and its regulatory compliance. Moreover, the Board of Statutory Auditors oversees compliance with the law and the Articles of Association, observance of fair management principles, adequacy and functionality of the Company's organisational, administrative and accounting structure.

Pursuant to the Corporate Governance Code of Listed Companies, the **Internal Control Committee** is tasked with supporting the Board of Directors, discharging investigative, consultative and recommendatory duties towards the latter with regard to internal controls and oversight.

The **Risks Committee** is the body charged with ensuring coordinated coverage of the system for managing and controlling the risks assumed by the Group and, within these functions, it bears specific responsibility for monitoring the Group's risks. Moreover, it is in charge of discussing and addressing specific operating issues pertaining to the management of risk containment measures and is also vested with decision-making powers for identifying and implementing risk containment measures.

The **262 Oversight Function** is responsible for liaising with, guiding and coordinating the entire Banking Group in the area of managing administrative and accounting risk pursuant to Law No. 262/2005, supporting in this regard the Manager in Charge pursuant to Article 154 of TUF, who is entrusted with managing the risk of non-compliance with financial statement preparation requirements in administrative and accounting procedures and the associated key controls. Effective 2007, the Parent Company also implemented a control model (known as FARG - Financial Accounting Risk Governance) to support the Manager in Charge and aimed at compliance with Law No. 262/05, through the mapping of the primary administrative and accounting processes of the Group's relevant companies, with the ensuing surveying, formalisation and review of the adequacy and efficacy of the control systems established for those processes.

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

In particular, it is in charge of:

- identifying the risks to which all Group companies are exposed in terms of their own assets, with specific emphasis on "first-pillar" risks (market, credit/counterparty and operating risks);

- measuring/assessing identified risks through the development of adequate methods (rules of reference and best market practices) and the implementation of appropriate application software;
- monitoring the risks measured/assessed, laying down appropriate operating limits and devising processes and procedures for such purpose, with a view to maintaining risk levels within the limits indicated in the exposure profile and strategies established by the Board of Directors;
- providing appropriate information regarding the risks monitored, and devising a multi-level reporting system (top management, middle management, business units) providing for precise, complete and timely flows of information with a view to ensuring active risk management;
- verifying the consistency of risk measurement models with the operating processes in force at the Banking Group, ensuring they are adjusted as the business and operations develop;
- verifying the overall soundness of the adopted control model over time (including through backtesting), with special emphasis on its effectiveness in responding to the emergence of risks (using appropriate stress testing methods based on exceptional but plausible scenarios), and the efficiency of processes designed for the management of breaches of established operating limits and the implementation of related corrective actions;
- verifying the consistency of the risk management systems implemented by Group Companies.

The **Compliance Function** is responsible for assessing the adequacy of procedures, processes and the internal organisation, with the aim of preventing non-compliance risk, defined as the risk of incurring penalties, financial losses or reputation or image damages deriving from the violation of external provisions (laws, regulations and instructions from supervisory authorities) and internal provisions (e.g., articles of association, codes of conduct, internal disciplinary codes).

This risk is spread throughout the company's organisation. Accordingly, proper management of that risk represents a highly relevant issue with deep ties to current operations, and particularly with customer relations.

In addition, the compliance function is also responsible for verifying any action carried out by the distribution network.

The function adheres to the mandate issued by the administrative body, set out in what are known as the Compliance Policy and the Compliance Regulations.

The **Internal Audit Function**, which enjoys adequate organisational independence, follows a working schedule approved by the Board of Directors in conducting evaluations of the functionality of the overall internal control system, bringing possible improvements to the attention of the Board of Directors and top management. The auditing system and related guidelines are subject to approval by the Board of Directors.

In particular, the function of Internal Audit is in charge of:

- checking and assessing the Group's overall internal control system with a view to ensuring that it is appropriate, effective and fully operational;
- examining risk management procedures, overseeing the implementation of risk-abatement plans, as well as expressing an opinion on the extent to which the internal control system is effective in containing overall risk exposure within acceptable limits.

The Banca Generali Group 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. That 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 (known as "Basel 2") and Community regulations, and in compliance with

the supervisory instructions issued by the Bank of Italy (cf. Bank of Italy, Circular 263 of 27 December 2006, New Prudential Supervisory Instructions for Banks), the Group has defined an internal process (ICAAP – Internal Capital Adequacy Assessment Process) for independently assessing its capital adequacy, i.e., 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.

The Group may be exposed to the following categories of risks:

- **credit risk:** it is defined as the possibility that a counterparty may become insolvent, or the likelihood that a debtor may fail to fulfil its obligations or fulfil its obligations on a delayed basis with respect to predetermined due dates. In further detail, credit risk arises from the possibility that an unexpected variation in the creditworthiness of a counterparty to which the bank has an exposure may result in a corresponding unexpected variation in the market value of the loan position;
- **counterparty risk** it is the risk associated with the possibility that a counterparty to a securities transaction may default before said transaction is settled. Counterparty risk is a sub-category of credit risk that generates a loss where the transactions undertaken with a given counterparty have a positive value at the moment of default. However, as opposed to the credit risk generated by a loan, where the possibility of loss is unilateral, inasmuch as it is held solely by the lender, counterparty risk is typically bilateral;
- **operating risk:** it can be defined as the possibility of loss resulting from the inadequacy or failure of processes, human resources or internal systems, or from external events. This category includes losses deriving from fraud, human error, interrupted operations, system breakdown, breaches of contract, and natural

catastrophes. The legal risk is included in operating risk, whereas strategic and reputation risks are not included;

- **market risk:** it is represented by the possibility to suffer losses due to variations in the value of a security or a portfolio of securities associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors);
- **interest rate risk – Banking Portfolio:** it is due to potential fluctuations of the interest rates. This risk is generated by the gaps between the maturities and time required to reset the interest rate on the Group's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and therefore net equity;
- **liquidity risk:** it is manifested in the form of the breach of payment obligations, which may be caused by an inability to procure funding (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk). Liquidity risk also includes the risk of fulfilling payment obligations at above-market costs, incurring a high cost of funding, or (and, in some occasions, simultaneously) incurring capital losses on the divestment of assets;
- **foreign exchange risk:** it is the risk arising from exposures to counterparties, groups of related counterparties, and counterparties operating in the same business segment, engaging in the same activity, or based in the same geographical area;
- **residual risk:** the risk that the recognised credit risk mitigation techniques used prove less effective than foreseen;
- **reputation risk:** the current or prospective risk of a decrease in profits or capital arising from a negative perception of the corporate image by clients, counterparties, shareholders, investors or regulatory authorities;

- **strategic risk:** the current or prospective risk of a decrease in profits or capital arising from changes in the operating context or poor company decisions, the inadequate implementation of decisions, or insufficient reaction to changes in the competitive scenario;
- **compliance risk:** the risk of incurring legal or administrative penalties, significant financial losses or damages to reputation due to breaches of compulsory provisions (of laws or regulations) or self-imposed rules (e.g., Articles of Association, codes of conduct, internal disciplinary codes)<sup>1</sup>.

The Group has formally defined a policy for each of the above risks that lays down: the general principles, roles and responsibilities of the company bodies and functions involved in risk management and risk management guidelines on its business model, the risk appetite, the internal control system, the system of delegated powers established by the Board of Directors and the instructions of supervisory authorities.

In the area of operating, compliance and reputation risk, a special emphasis is placed on **corruption, fraud, money-laundering and terrorist financing**, offences punished under Italy's national legislation. Each Banking Group company has adopted principles and procedural rules aimed at preventing and detecting such unlawful conduct that are applicable to all affected organisational units and are brought to the attention of all parties involved.

1 Cf: Supervisory Provisions No. 688006 of 10-07-2007, "The Compliance Function".

In particular, the issue of corruption is dealt with by the Generali Group's Code of Ethics, which has been adopted by the Banking Group, and 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 90 % of employees have received training in this area.

In this respect, Banking 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 is ensured by specific training initiatives provided through e-learning systems targeted at all employees and Financial Advisors. In 2010 there were no identified episodes that fall within the scope of the above legislation.

The foregoing organisation and management model also contemplates fraud, albeit as limited to information technology fraud, as well as money-laundering and terrorist financing.

In 2010, the fraud-prevention model and activities were developed as part of efforts to improve organisational and process-related issues in the area of operational-risk governance. The fraud-prevention model refers to the Internal Fraud Policy of the Parent Company, Assicurazioni Generali, adapted as appropriate in light of Banca Generali's specific qualities.

In regards to the specific issues of money-laundering and financing for terrorism, in order to monitor the related risks effectively, the Banking Group has implemented constantly updated internal regulations and specific software programmes and applications that contribute to providing tools to increase knowledge of customers and their transactions. Monitoring is conducted through

periodic audits with the aim of assessing the compliance of the related processes with the provisions of applicable legislation. In addition, in 2010 the attendance rate for the course on preventing money-laundering stood at over 85% for employees and nearly 100% for the network.

The Group was not involved in money-laundering or terrorist financing in 2010.

In other efforts aimed at monitoring and containing operational risks (and the resulting possible financial losses and damages to its reputation), the Group pursues the primary goal of ensuring the continuity of critical processes and an optimal level of customer service in the event of accidental interruptions of operations due to internal or external factors of an exceptional nature.

To the above end, in accordance with Bank of Italy regulations the Group has drawn up a Business Continuity Plan (BCP) aimed at supporting a swift, appropriate response to exceptional events of a gravity sufficient to compromise the Group's activity.

In detail, the Plan aims to ensure:

- the restoration of business-critical functions;
- compliance with contractual obligations;
- maintenance of the trust of customers and partners; and
- internal and external communications.

# Voluntary Codes

In pursuing its growth objectives, the Banca Generali Group remains faithful to the fundamental principles that characterise its ethics, such as transparency, fairness and impartiality.

These principles are set forth in the **Generali Group's Code of Ethics** adopted in 2004, the most recent update of which was passed by the Board of Directors of Banca Generali S.p.A. on 29 September 2010.

The Code of Ethics sketches out the basic guidelines that all those working with the Group must follow in their conduct in relations with the different categories of stakeholders: customers, shareholders, collaborators, contractual partners, issuing companies, the community and the environment. In this respect, special mention should be made of both dealings with political parties, labour unions and associations and those with public administrations and independent authorities. The Group does not back demonstrations or initiatives with purely or chiefly political aims. It refrains from placing any type of pressure – direct or indirect – on politicians and does not make contributions to union organisations or associations that may represent a conflict of interests. Dealings with public institutions are guided by principles of propriety, transparency, cooperation and non-interference. Accordingly, the Group rejects any behaviour effectively or even apparently constituting collusion or otherwise of a nature that would jeopardise the above principles.

The Banca Generali Group engages in dealings with supervisory entities pertaining to the institutional activity for which such entities are responsible. Banca Generali Group companies, each in relation to its specific area of operation, are also members of the main industry associations (ABI, ASSOSIM, ASSORETI and ASSOGESTIONI) and take part in the associated working groups, whenever deemed appropriate.

The text is published in both Italian and English on the Banca Generali Group's website ([www.bancagenerali.com](http://www.bancagenerali.com)) in order to ensure that it is duly circulated among all those concerned. Appropriate training programmes are also envisaged to ensure its proper understanding and implementation.

Violations of the Code of Ethics, which must be reported to the Corporate Social Responsibility Unit of Assicurazioni Generali S.p.A. in writing and must not be anonymous, are punished with disciplinary measures

that may also entail the removal of those responsible from the company.

In 2010, no reports of violations of the Ethical Code within the parent company, Banca Generali, were submitted to the Corporate Social Responsibility Unit.

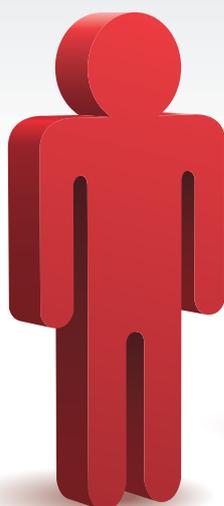
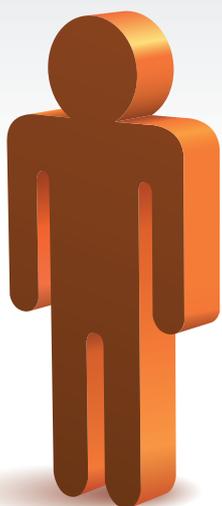
The drafting of the Code of Ethics implies the existence (or existence in the near future) of specific codes that – complying with the rules, practices and culture of each country – provide more detailed regulation of relations between the main stakeholders and Group companies in all the countries where the Banca Generali Group operates.

Examples include the following.

- a. The **Internal Code of Conduct**, introduced by Banca Generali on 20 December 2001 (the most recent update to which entered into effect on 1 November 2009), which – without prejudice to provisions of laws and regulations – indicates, with operational amendments, the rules of conduct with which members of administrative and control bodies, employees, Financial Advisors and all collaborators are required to comply in rendering their services, among which particular emphasis is placed on those specifically mandated to govern the personal transactions of “relevant persons” in accordance with the provisions of the Bank of Italy and CONSOB Regulation pursuant to Article 6, paragraph 2-bis, of TUF. Banca Generali has also implemented a specific software application in support of the process of managing personal transactions. The aim of the rules contained in the Internal Code of Conduct, the respect of which is mandatory, is to ensure that Banca Generali also works in the interest of investors, always protecting their rights. The rules contained in the above-mentioned Code are based on general principles of propriety, transparency and probity in engaging in the banking business and rendering investment services and activities as also set forth in the Code of Ethics;

- b. The **Environmental Policy of the Generali Group**, implemented by Banca Generali on 29 September 2010, makes reference to what the Ethical Code states on environmental preservation, with a view to identifying the aims to be achieved by the Group and the commitments undertaken in this field;
- c. The **Conflict of Interest Policy**, adopted by Banca Generali in 2007 following the entry into force of the Italian legislation adopting MiFID into national law (in particular reference to the aforementioned Bank of Italy and CON-

SOB Regulation), the most recent update to which has been in effect since 1 October 2010. That Policy lays down the approach taken to identify actual and potential conflicts of interest, describes circumstances that may give rise to conflicts of interest, defines the measures to be used to manage such circumstances and specifies the organisational model for managing conflicts of interest, the purpose of which is to ensure that conflicts are managed efficiently over time. The Conflict of Interest Policy has been approved by the Board of Directors.





# Financial Reporting



# Economic Performance for 2010

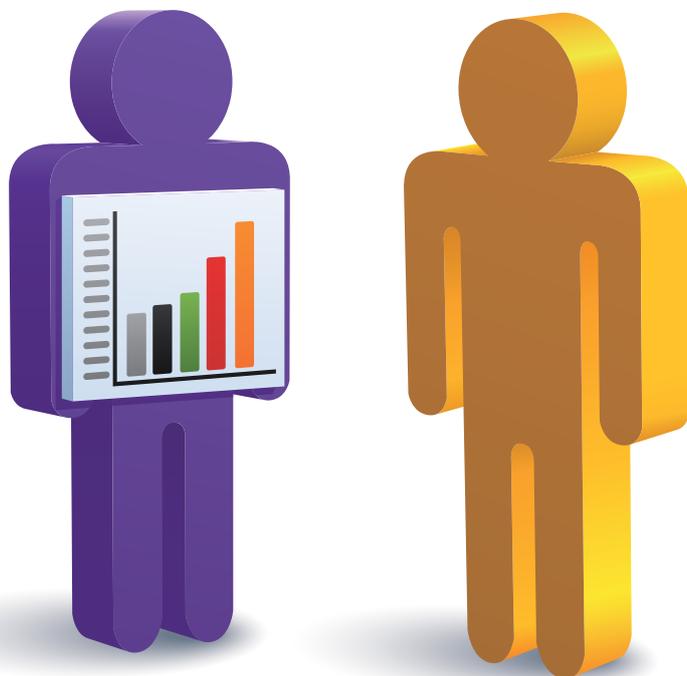
The Banca Generali Group closed 2010 with net profit of 82.2 million euros – an increase of about 19 million euros compared to 2009 (+30.1%) – and net equity of 281.2 million euros. The growth of net profit reflects significant development of customers and assets under management, as well as cost-efficiency policies.

Net banking income remained essentially unchanged compared to 31 December 2009, falling from 255.0 million euros in 2009 to 254.4 million euros in 2010 (-0.2%), while showing an increase in net commissions of 13.3 million euros (+7.2%), offset by a decrease in net interest of 12.2%, owing to the market performance of interest rates and a decrease in the net result from banking operations of 7.8 million euros.

General and administrative expense totalled 140.7 million euros at 31 December 2010, down 4.33% compared to 2009. Staff expenses decreased from 67.1 million euros in 2009 to 64.3 million euros in 2010 (-4.1%).

Net provisions amounted to 19.2 million euros, a 21.1% increase compared to financial year 2009, mainly attributable to provisions in connection with the distribution network.

At 31 December 2010, the total value of the assets managed by the Group for its customers, obtained through the Financial Advisor network, was 23.6 billion euros, compared to 22.2 billion euros in 2009. Also, in addition to this amount, at 31 December 2010, the assets under the administration or custody of the Generali Group companies totalled approximately 1.8 billion euros, while 7.7 billion euros were held in mutual funds/SICAVs and discretionary accounts (GPF/GPM) managed and distributed either directly by management companies or parties outside the Group, for an overall total of 33.1 billion euros compared to 31.4 billion euros at the end of 2009.



# Key Financial Indicators

<b>KEY ECONOMIC-FINANCIAL INDICATORS</b>			
<b>CONSOLIDATED INCOME INDICATORS</b> (€ million)	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>CHANGE %</b>
Net interest	43.2	49.3	-12.2
Net commissions	198.0	184.7	7.2
Dividends and net profit from trading	13.2	21.0	-37.3
<b>Net banking income</b>	<b>254.4</b>	<b>255.0</b>	<b>-0.2</b>
Staff expenses	-64.3	-67.1	-4.1
Other general and administrative expense	-76.4	-80.0	-4.5
Amortisation and depreciation	-4.1	-5.8	-29.0
Other operating income	8.8	3.4	160.4
<b>Net operating expense</b>	<b>-136.0</b>	<b>-149.5</b>	<b>-9.0</b>
<b>Operating profit</b>	<b>118.4</b>	<b>105.5</b>	<b>12.2</b>
Provisions	-19.2	-15.9	21.1
Adjustments	-4.3	-7.6	-43.0
<b>Profit before taxation</b>	<b>94.9</b>	<b>82.1</b>	<b>15.5</b>
<b>Net profit</b>	<b>82.2</b>	<b>63.2</b>	<b>30.1</b>
Cost / income ratio	51.9%	56.4%	-8.0
EBITDA	122.5	111.3	10.0
ROE	41.82%	33.11%	26.3
EPS - Earnings per Share (euro)	0.741	0.571	29.8
<b>NET INFLOWS</b> (€ million) (Assoreti data) *excluding Simgenia	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>CHANGE %</b>
Mutual Funds and SICAVs	451	379	19%
Asset management	314	168	87%
Insurance / Pension funds	1.171	805	46%
Securities / Current accounts	-666	724	-192%
<b>Total</b>	<b>1.270</b>	<b>2.076</b>	<b>-39%</b>
<b>ASSETS UNDER MANAGEMENT &amp; CUSTODY (AUM/C)</b> (€ billion) (Assoreti data)	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>CHANGE %</b>
Mutual Funds and SICAVs	6.6	5.8	12.8
Asset management	3.4	3.0	11.0
Insurance / Pension funds	6.8	5.9	16.5
Securities / Current accounts	6.8	7.5	-9.0
<b>Total</b>	<b>23.6</b>	<b>22.2</b>	<b>6.2</b>
<b>SOLVENCY RATIOS</b> (€ million)	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>CHANGE %</b>
Net equity	281.2	268.5	4.7
Capital for regulatory purposes	225.3	205.7	9.5
Excess capital	89.6	69.5	28.9
Tier 1 Ratio (Tier 1 capital/Risk-weighted assets)	10.95%	9.75%	12.3
Total capital ratio (Regulatory capital/Risk-weighted assets)	13.28%	12.08%	9.9
<b>PERSONNEL EFFICIENCY INDICES</b> (€ million)	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>CHANGE %</b>
number of employees	772	773	-0.1
Financial advisors	1499	1564	-4.2
Net banking income /number of employees	0.33	0.33	-0.1
Asset under management (AUM) /number of financial advisers	15.74	14.21	10.8

# Determination and Distribution of Value Added

## CALCULATION METHOD

Value Added represents the difference between total revenues and total costs for goods and services (i.e., consumption). Consequently, it 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.

The stakeholders include the network of Financial Advisors and human resources, who receive part of this Value Added in the form of direct or indirect compensation, as well as professional training costs.

A significant role is also played by shareholders, who expect a return from their financial means they have committed to the business, and by the State, i.e., the central and local administrative bodies as a whole, to which a significant part of the wealth that is produced is conferred in the form of direct and indirect taxes.

Great attention has also been paid to the needs of the community and the environment through charitable initiatives as well as social and cultural works.

Lastly, there is the Group as a “business system” that must be able to rely on adequate resources to allocate to production investments and everyday operations. This is essential to guarantee the Group’s economic growth and stability in order to ensure the creation of new wealth benefiting all stakeholders.

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, with the aim of highlighting the process involved in the formation of Value Added, in its various formulations, as well as its distribution.

The statements for the determination and distribution of Value Added, presented below, were thus prepared based on the information posted in the Consolidated Financial Statements for 2010 and using the ABI guidelines as a reference.

## THE DISTRIBUTION OF VALUE ADDED

In 2010, the Banca Generali Group reported net revenues of 451.7 million euros, marking an increase (+34 million euros) compared to 31 December of the previous year, whereas consumption decreased by 6.4 million euros with respect to the previous year due to the decrease in interest paid.

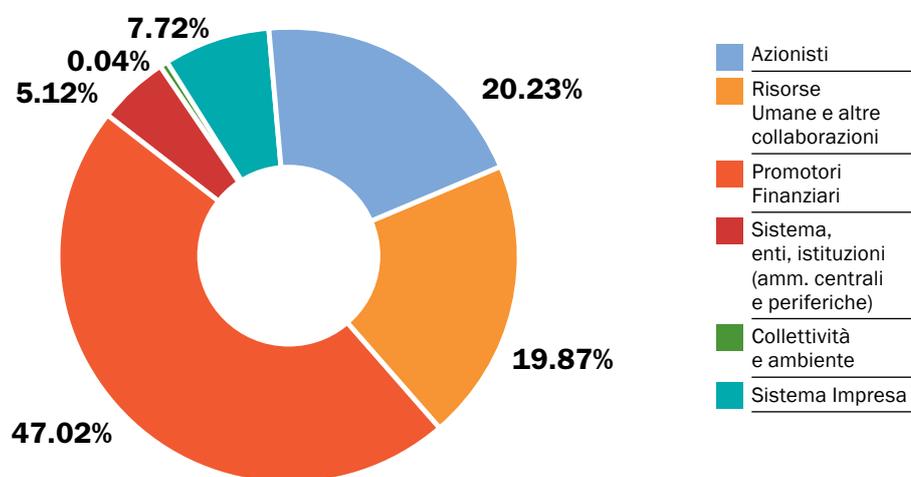
Total Gross Value Added, determined by the difference between total revenues and total costs for goods and services (i.e., consumption), was 323.6 million euros. This figure expresses the value of the wealth that has been produced, which is distributed among the stakeholders with which the Group has dealings as part of its operations. More specifically:

- human resources (employees and other collaborators) received approximately 19.87% of the Total Gross Value Added, in the amount of 64.3 million euros, compared to 23.85% for the previous year;
- Financial Advisors received approximately 47.02% of the Total Gross Value Added, in the amount of 152.1 million euros, compared to 42.36% for the previous year;
- the State received 16.6 million euros in resources, equivalent to approximately 5.12% of the Total Gross Value Added (8.39% in 2009);
- 7.72% of the Value Added (6.85% in 2009), equivalent to 25.0 million euros, was retained by the Group in the form of undistributed profit, amortisation and depreciation; this sum can be considered an investment that the other categories of stakeholders make every year in order to develop the corporate complex and keep it running efficiently;
- shareholders received 20.23% of the Total Gross Value Added, compared to 18.51% for the previous period, but an adequate level of equity was also maintained for the bank. The sum of approximately 4.1 million euros constitutes the attribution of profit to the Group's minority shareholders.

The banking group did not obtain any government grants.

BREAKDOWN AND DISTRIBUTION OF GROSS TOTAL ADDED VALUE		
	2010	2009
Shareholders	20.23%	18.51%
Human resources and other collaborators	19.87%	23.85%
Financial Advisors	47.02%	42.36%
State, bodies, institutions (central and local administrations)	5.12%	8.39%
Community and the environment	0.04%	0.04%
Banca Generali Group	7.72%	6.85%
	<b>100.00%</b>	<b>100.00%</b>

<b>BREAKDOWN AND DISTRIBUTION OF GROSS TOTAL ADDED VALUE</b>		
<b>ITEMS</b> (€ thousand)	<b>2010</b>	<b>2009</b>
A. TOTAL NET REVENUES	451,721	417,677
B. TOTAL CONSUMPTION	- 128,164	- 134,565
C. NET RESULT FROM INSURANCE OPERATIONS	-	-
D. GROSS CORE ADDED VALUE	323,557	283,112
<b>E. VALORE AGGIUNTO GLOBALE LORDO</b>	<b>323.557</b>	<b>281.200</b>
Divided among:		
<b>1. Shareholders</b>	<b>65,471</b>	<b>52,042</b>
Private shareholders	61,327	49,695
Minority interests (+/-) for the year	4,144	2,347
<b>2. Human Resources</b>	<b>216,419</b>	<b>186,160</b>
-employee expense; expense for indefinite- and definite-time contracts	62,271	64,678
- expense for Financial Advisors	152,125	119,104
- expense for other collaborators	2,023	2,378
<b>3. System, entities, institutions (central and peripheral administrations)</b>	<b>16,566</b>	<b>23,590</b>
Indirect and income taxation	8,056	8,951
Income taxes for the period	8,510	14,639
<b>4. Community and the environment</b>	<b>119</b>	<b>113</b>
Charitable gifts	119	113
<b>5. Banca Generali Group</b>	<b>24,982</b>	<b>19,295</b>
Change in reserves	20,880	13,516
Amortisation and depreciation	4,102	5,779
<b>TOTAL GROSS ADDED VALUE</b>	<b>323,557</b>	<b>281,200</b>



<b>STATEMENT OF DETERMINATION OF THE TOTAL ADDED VALUE</b>			
<b>ITEMS</b> (€ thousand)	<b>2010</b>	<b>2009</b>	
10. Interest income and similar revenues	56,406	75,038	
40. Commission income	373,369	318,266	
70. Dividends and similar income	73,990	73,866	
80. Net income (loss) from trading activities	- 71,018	- 68,398	
90. Net profit from hedging	-	-	
100. Gain (loss) from sales or repurchase of:	10,188	15,531	
a) receivables	3,339	- 602	
b) AFS financial assets	6,894	16,132	
c) Financial assets held to maturity	- 45	1	
d) financial liabilities	-	-	
110. Net profit from financial assets and liabilities at fair value	-	-	
220. Other operating expense/income	8,786	3,374	
240. Gain (loss) of equity investments	-	-	
<b>A. TOTAL NET REVENUES</b>	<b>451,721</b>	<b>417,677</b>	
20. Interest expense and similar charges	- 13,157	- 25,769	
50. Commission expense (1)	- 23,265	- 14,433	
180.b Other general and administrative expense (2)	- 68,236	- 70,949	
130. Net adjustments/reversal due to impairment of:	- 4,309	- 7,563	
a) receivables	- 1,919	- 3,341	
b) AFS financial assets	- 1,625	- 4,222	
c) Financial assets held to maturity	- 765	-	
d) other financial transactions	-	-	
190. Net provisions for liabilities and contingencies	- 19,197	- 15,851	
200. Net adjustments/reversal of property and equipment (excluding amortisation and depreciation)	-	-	
210. Net adjustments/reversal of intangible assets (excluding amortisation and depreciation)	-	-	
260. Adjustments of goodwill	-	-	
<b>B. TOTAL CONSUMPTION</b>	<b>- 128,164</b>	<b>- 134,565</b>	
150. Net premiums	-	-	
160. Balance of other income/charges of insurance operations	-	-	
<b>C. NET RESULT FROM INSURANCE OPERATIONS</b>	<b>-</b>	<b>-</b>	
<b>D. GROSS CORE ADDED VALUE</b>	<b>323,557</b>	<b>283,112</b>	
250. Net result of measurement at fair value of tangible and intangible assets	-	-	
270. Gains (loss) from disposal of investments	-	-	
310. Income of disposal groups, net of taxes	-	- 1,912	
<b>E. TOTAL GROSS ADDED VALUE</b>	<b>323,557</b>	<b>281,200</b>	
Amortisation and depreciation	- 4,102	- 5,779	
<b>F. NET TOTAL ADDED VALUE</b>	<b>319,455</b>	<b>275,421</b>	
180.a Staff expenses (3)	- 216,419	- 186,160	
180.b Other general and administrative expense: Indirect taxation (4)	- 8,056	- 8,951	
180.b Other general and administrative expense: Charitable gifts (4)	- 119	- 113	
<b>G. PRE-TAX RESULT</b>	<b>94,861</b>	<b>80,197</b>	
290. Income taxes for the year on operating activities	- 8,510	- 14,639	
330. Minority interests (+/-) for the year	- 4,144	- 2,347	
<b>H. PROFIT (LOSS) OF THE PARENT COMPANY FOR THE YEAR</b>	<b>82,207</b>	<b>63,211</b>	

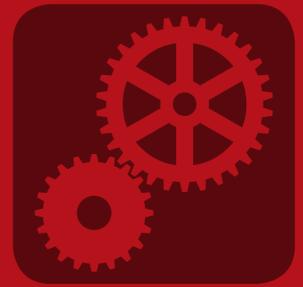
#### NOTES

(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 have 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 and charitable gifts (which have been stated in the related specific item)

(3) This figure differs from that included in the profit and loss account in the financial statements, as it includes compensation of the Financial Advisor network

(4) This figure is stated as a specific item in the statement of determination of added value.



# Social Report Stakeholders





# Stakeholder Relations

## INTRODUCTION

The Banca Generali Group acknowledges as stakeholders all those who, in various ways, contribute to achieving the goals of the Group, influencing its activities and allowing it to compete on the market.

The stakeholders that are decisive for developing activities and for the long-term growth of the Group can be classified as follows, based on the type of interest and relationship with the company:

- **direct stakeholders**, including employees, sales networks, and shareholders who, for different reasons, are part of the Group structure;
- **competitive stakeholders**, i.e., customers and suppliers who, for different reasons, have an impact on business results;
- **social and environmental stakeholders**, i.e. the community and the environment in which the Group operates.

The involvement of and dialogue with the various categories of stakeholders are essential for achieving the established objectives and ensuring sustainable development of all of the banking group's activities, both within the organisation as well as those targeting the reference market.

An awareness of the central role played by its stakeholders in the process of sustainable growth has led the Banca Generali Group to engage in various forms of dialogue and discussion with the stakeholders.

Direct dialogue with individual categories of stakeholders continued, with employees involved in climate studies, focus groups and thematic discussion forums.

Forms of dialogue with the sales force included meetings, focus groups and conventions aimed at surveying the networks' satisfaction with the support provided by companies, improving products and services and sharing company strategies.

By contrast, road shows, meetings and industry conferences represented the main channels for dialogue with the financial community. In addition, shareholders were also able to communicate directly with the Parent Company through the Investor Relations section of the Group's website.

A range of customer surveys was also conducted in order to monitor the level of satisfaction with the service received and understand customers' needs and behaviour with the aim of developing and improving products and services.

Additional information concerning the approach to, frequency and results of and critical issues brought to light by activities seeking to involve the various stakeholders is presented in the chapters devoted to this subject herebelow. For more information on the type, frequency, results and criticalities of this involvement and dialogue, see the sections illustrating relations with the individual stakeholders.





Social Report  
Customers



# Customers

## 1. CLIENTELE CHARACTERISTICS

### Size and characteristics of clientele

NUMBER OF CUSTOMERS AND DISTRIBUTION BY ASSET SEGMENT		
	NO. OF CUSTOMERS	ASSET UNDER MANAGEMENT (€ million)
2009	265,099	22.0
2010	251,621	23.6
% changes	- 5%	+7%

In 2010, Banca Generali had over 251,000 customers. The decrease in the absolute number of customers compared to the previous year is primarily due to the decline in the number of residual customers, i.e., customers with limited assets invested with the Banking Group.

That trend is borne out by both the 7% increase in total assets under management against the backdrop of the 5% decrease in the number of customers and by the rise in the number of customers who have invested in more than one product with the Banking Group.

BREAKDOWN OF CUSTOMERS BY QUANTITY OF PRODUCTS UNDERWRITTEN WITH THE BANKING GROUP				
NO. OF PRODUCTS	2009	%	2010	%
Single product	157,750	60%	143,550	57%
2-4 products	102,805	39%	103,624	41%
At least 5 products	4,544	2%	4,447	2%
<b>TOTAL</b>	<b>265,099</b>	<b>100%</b>	<b>251,621</b>	<b>100%</b>

The decrease in the number of customers who have invested in only one product was due both to the reduction in the number of residual customers and the increase in the number of customers who have invested in more than one product with the Bank. The increase bears witness to customers' satisfaction and approval of the products offered.

<b>BREAKDOWN OF CUSTOMERS BY AGE</b>				
<b>AGE</b>	<b>2010</b>	<b>%</b>	<b>2009</b>	<b>%</b>
up to 35	20,288	8%	23,783	9%
35 - 50	98,111	40%	105,750	40%
50 - 60	52,807	21%	54,321	21%
60 - 70	39,289	16%	40,851	16%
over 70	38,039	15%	37,410	14%
<b>TOTAL*</b>	<b>248,534</b>	<b>100%</b>	<b>262,115</b>	<b>100%</b>

\* The difference with respect to total customers is attributable to those for whom figures were unavailable.

In recent years, there have been no changes to the composition of Banca Generali's customers by age group, with a clear preponderance of the age bracket 35-60, namely the segment of the population that generates income, in addition to possessing assets (securities and real property).

<b>BREAKDOWN OF CUSTOMERS BY GEOGRAPHICAL AREA</b>				
<b>AREA</b>	<b>2010</b>	<b>%</b>	<b>2009</b>	<b>%</b>
Centre	49,424	20%	54,187	20%
Islands	11,694	5%	12,673	5%
North-east	41,365	17%	42,515	16%
North-west	100,292	41%	110,857	42%
South	41,504	17%	44,149	17%
<b>TOTAL*</b>	<b>244,279</b>	<b>100%</b>	<b>264,381</b>	<b>100%</b>

\* The difference with respect to total customers is attributable to the fact that data on geographical area regarding certain customers was not available.

Also in 2010, nearly 80% of the Banca Generali Group's customers live in the Centre-North, in accordance with the distribution of national wealth.

## 2. CUSTOMER RELATIONS

### Product and service policies

Banca Generali's product and service innovation policy is aimed at satisfying the needs of its customers and investors more generally, drawing its inspiration from the principles of the Generali Group's Code of Ethics summarised below:

- **Propriety and honesty:** Banca Generali acts in compliance with applicable legislation, professional ethics and internal regulations, which are binding upon its employees, Financial Advisors and Private Bankers throughout Italy.
- **Impartiality:** Banca Generali avoids all forms of discrimination, such as those based on nationality, gender, ethnicity or religion. The Bank only monitors and safeguards its customers' financial and risk profile, with the sole aim of proposing the most appropriate investment and protection solutions.
- **Confidentiality:** In accordance with applicable legislation, Banca Generali ensures that the information in its possession is kept in confidence and processed in a way that guarantees the utmost transparency to those directly interested and inaccessibility to third parties, except for justified business reasons or in the presence of a specific external mandate.
- **Conflict of interest:** Banca Generali has defined a specific internal policy to eliminate any conflicts of interest in the conduct of its business, while also having offered a platform for third-party products, in addition to house products, since its inception.
- **Free enterprise and competition:** Banca Generali bases its competitiveness on the quality of the products and services offered and not on discrediting competitors.
- **Transparency and completeness of information:** Banca Generali has always sought to provide transparent, comprehensible and accurate information regarding the products and services it offers in order to allow customers to make informed decisions.

In the context of the general principles laid out above, in 2010 the Banca Generali Group continued to innovate its offerings of products and services, with a particular focus on the following issues of greatest significance:

### ABSENCE OF CONFLICTS OF INTEREST IN AN OPEN PLATFORM AND ARCHITECTURE through:

- the launch of 11 new sub-funds of BG Selection Sicav, the innovative fund-of-funds system that combines the management skills of the most prestigious international investment firms on specific markets with the strategies and experience of Generali Fund Management's managers. At the end of 2010, there were 34 sub-funds differentiated by investment strategy, risk profile, degree of diversification and investment in a single lump-sum or contribution plan;
- the launch of new sub-funds within a line featuring more than 1,000 funds offered by 23 third-party management firms.

### PROTECTING FAMILIES' INVESTMENTS through:

- the protection of invested capital at maturity with either the unit-linked BG Evolution or the asset-management scheme BG Target. The service always includes multi-manager asset allocation and the ability for the customer to participate for variable periods depending on individual investment goals (from a minimum of six to a maximum of 24 years);
- the guarantee of invested capital through investment in the Generali Group's segregated asset management schemes, even where the customer needs to divest prior to maturity. Within this family of policies, a new insurance policy, BG Valore Plus, was launched in 2010;

- the protection of families' futures with the policy BG 18 Anni, a gradual investment programme to meet children's various needs, such as: funding university studies, purchasing a first car or home and embarking upon a professional career. In 2010, the product was revamped, reducing entry costs in order to make the policy accessible to an increasingly broader target.

#### **DEVELOPMENT OF BANKING SERVICES FOR FAMILIES AND THE NEEDIEST SEGMENTS OF THE POPULATION through:**

- the bank offers current accounts with special terms for associations that unite families of the differently abled (e.g., the non-profit La Goccia, ANNFASS, L'Anatroccolo) or that support scientific research into rare diseases (e.g., AISM – Italian Multiple Sclerosis Association).
- the offering of mortgages and loans from leading third financial institutions to foster and safeguard customers' residential property investments. In 2010, the Bank offered a promotion for fixed-rate home mortgages involving a lower spread applicable to the interest to be paid by customers;
- the offering of prepaid cards without account fees for the young people who had participated in the initiative "A Champion for a Friend" (for further information, please refer to the chapter Community);
- the adoption in early 2011 of the Authorisation Shield, a software programme used to protect against fraud involving ATM transactions in the countries of greatest risk.

#### **RISK CONTROL AND CUSTOMER SUPPORT IN INVESTMENT MANAGEMENT, through::**

- knowledge of the customer to arrive at a concrete, specifically oriented determination of the suitability of the products distributed to meeting the associated investment needs;
- the development of a commercial offering based on knowledge of the customer target. The selection of products offered takes account not only of the distribution of customers across the six financial profiles (low, medium-low, medium, medium-high, high and very high) determined by the Banking Group according to the precise responses provided by customers and deriving from the application of algorithms used to profile customers, but also of other elements such as personal criteria (age and gender) and social and demographic criteria (profession, education and geographical distribution). The customer knowledge profile is also further supplemented by information regarding the assets invested with Banca Generali, in terms not only of the amount of assets but also the number and type of products selected;
- distribution of products, with the aim of identifying the experience/knowledge levels, financial situation and investment goals most consistent with products;
- advance assignment of a financial profile to all customers on the basis of a specific exploratory questionnaire contained in the Customer Relations Charter, updated and supplemented in a timely fashion as a function of new legislation;
- the assignment of a risk profile to all investment products offered. The assessment in question, conducted by an independent company, is prepared by using various items of information relating to the market, counterparty and liquidity risk associated with the product at issue and is summarised in the form of a concise numerical risk index;
- the offering to customers of investment products whose risk-return profiles are consistent with their financial profiles. Adequacy and appropriateness are assessed through a specifically developed supporting computer procedure that has been further

implemented to include specific controls for the distribution of “illiquid” products (i.e., products that present “liquidity risk<sup>1</sup>” such as united-linked policies or structured bonds). When assessing the adequacy of a product offered, the stated holding period for that product is taken into particular consideration. To ensure greater protection of the customers’ interests, that assessment is conducted whenever customers provide all the information required for the analysis and not just where expressly required by law;

- the assistance of the distribution network, consisting of Financial Advisors, Private Bankers and Relationship Managers, who support customers in identifying the product/service best suited to their needs by illustrating their characteristics and providing precise information regarding the level of protection associated with each service;
- the further development of BG Advisory, the advanced Financial Advisory service by Banca Generali. Launched in 2008, the platform is intended to support Banca Generali’s Financial Advisors, Private Bankers and Relationship Managers in analysing needs and building and periodically monitoring the financial portfolios of current and prospective customers. In 2010, in addition to the development of new features in collaboration with Morningstar Italia, the Bank launched an intensive training programme for all 1,500 Financial Advisors, Private Bankers and Relationship Managers through various training sessions in local classrooms, focus groups, Web conferences, company newsletters and interviews with the advisors who have distinguished themselves the most in using the platform.

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1 Definition drawn from CONSOB NOTICE 9019104 OF 2 MARCH 2009, “THE DUTY OF THE INTERMEDIARY TO ACT WITH DUE CORRECTNESS AND TRANSPARENCY ON DISTRIBUTION OF ILLIQUID FINANCIAL PRODUCTS” (illiquid products are defined as those that present the investor with obstacles to or limitations on divestment within a reasonable period of time, with significant price conditions, i.e., conditions that directly or indirectly reflect a range of interests in buying or selling. Such products include, but are not limited to, bank bonds, insurance policies and over-the-counter derivatives, which for legal or practical reasons are considered products with a specific “liquidity risk” resulting from the legal or practical inability to disinvest).

#### FOCUS ON CLARITY AND TRANSPARENCY IN COMMUNICATION WITH CUSTOMERS through:

- the revision of all Information Sheets and Summary Documents for the current accounts offered in order to improve ease of reading and present content in a clearer manner. In particular, it was ensured that customers were able to understand all costs associated with the services offered, with the ability to make ready comparisons with other banks, owing in part to the inclusion of the Total Cost Indicator;
- the updating of the content and presentation of the periodic account statement. The document has been modified to include information boxes that present information of particular importance and the scheme according to which the various items are illustrated and summarised has been made more legible. The project to improve reporting will continue with further innovations in 2011.

#### FOCUS ON ENVIRONMENTAL AND CITIZEN-HEALTH ISSUES through:

- the offering of “socially responsible<sup>2</sup>” products, namely investment funds and SICAVs that invest only in companies and enterprises that meet certain ethical, social and governance requirements). In 2010, there were 25 sub-funds of third SICAVs that invest in companies that excel in corporate governance or respect for the environment or that invest in the green economy;
- the introduction of a more attractive tariff for non-smokers in the temporary life-insurance policy BG Tutela, which pays a lump-sum benefit to the designated beneficiaries in the event of the policyholder’s death, with the aim of providing an incentive for health lifestyles and a greater focus on health;
- the activation in the first quarter of 2011 of the service Doc@nline, which makes all banking documentation directly available in electronic format by expanding the functions of the area of the website reserved for customers. The initiative is aimed at avoiding the sending of informational materials in print format and translates into advantages in terms of time and the environmental impact generated.

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2 Analysis of Morningstar data, socially-conscious investments category.

## Close Relationships with Customers

Banca Generali's business model combines a wide array of investment solutions and banking services with a qualified advisory service provided by Financial Advisors and Private Bankers so that customers can choose the products that best meet their needs and characteristics.

The distribution network of Financial Advisors and Private Bankers who assist customers at the local level being spread throughout Italy is accompanied by a free Home Banking service that customers can use to communicate with and submit orders to the Bank via Internet or telephone securely and conveniently.

The website (Customer Front End), the contents and layout of which were fully revamped in October 2009, was also constantly developed and improved in 2010. Various new features were implemented, such as: the inclusion of insurance contracts in the presentation of the customer's financial position with the Bank, the ability to access the customer's risk/return profile and the supplementation of materials to include information requests and orders involving credit and debit cards (e.g., a list of transactions or online top-ups of prepaid cards).

As a further sign of the strong focus on the issue of security, the security card for accessing the secure area of the website was extended to all customers on a mandatory basis. In addition, under an agreement reached with an external supplier, customers may enjoy a free check-up of the "state of health" of the computers they customarily use to access the Banca Generali website.

Alongside the Internet channel, the telephone support service provided by the Banca Generali Contact Centre, which customers use for information concerning banking transactions and to submit orders, also performed very well in 2010. The response times for the nearly 300,000 calls received averaged 30 seconds for the year, with a percentage of dropped calls of less than 2%, approximately 1.5% of which were terminated in the first ten seconds.

## Financial Education

Banca Generali contributes pro-actively to transparency and clarity in its communications with customers and consumers concerning the offering of financial products and financial subject matter generally, participating directly in the financial-education and communications projects promoted by the Patti Chiari Consortium, of which it has been a member since 2005. As part of this partnership, the Bank promoted the initiative Commitments to Quality, which involved the Banking Group's entire distribution network in e-learning training activity and is to be concluded in 2011.

In 2010, the Bank ensured that its network of Financial Advisors and Private Bankers was constantly up-to-date concerning the new Commitments to Quality promoted by the Consortium, so that its Financial Advisors and Private Bankers could act as spokespeople for its customers through the ad hoc e-learning training programme created in collaboration with the Consortium. The training plan is scheduled to be completed in 2011.

Banca Generali also promotes Financial Happy Hour events throughout Italy. These free meetings, open to all customers and consumers or the public generally, organised in collaboration with its network and leading asset management firms, are intended to illustrate macroeconomic scenarios and the financial market situation, as well as development and innovation of investment solutions. In 2010, approximately 400 meetings were organised throughout Italy for over 6,000 participants.

## DIALOGUE WITH CUSTOMERS

### Customer satisfaction

Banca Generali is committed to engaging in constant dialogue with its customers regarding their needs and satisfaction with the level of service received.

Given the Bank's business model, the primary channel for surveying customers' opinions is the network of Financial Advisors and Private Bankers, which each year are involved at various levels in activities aimed at surveying the level of satisfaction.

With the support of a leading external company, Eurisko, each year approximately 1,500 Financial Advisors and Private Bankers belonging to the various networks operating within the banking market, chosen by Eurisko in an entirely anonymous fashion, are called upon 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.

The figures for 2010, the result of interviews of 150 of Banca Generali's Financial Advisors and Private Bankers, show a constant improvement in the network's level of satisfaction with an overall average assessment of 3.34 in a range of 1 to 4, higher than both the average for the sample of networks analysed (3.30) and the figure for the previous year according to the same survey criteria (3.20).

Alongside the above annual monitoring, Banca Generali conducts a monitoring process at a quarterly level that measures the level of satisfaction, interviewing customers directly.

The customer-satisfaction survey involving 800 customers in interviews in focus groups in 2008, to be repeated in 2011, drew attention to some areas of improvement, especially in regards to "marginal" and "dormant" customers, i.e., those who do not consider Banca Generali their primary investment advisor.

As a result of that survey, out of an awareness of the need to continue to maintain close relationships with its customers to understand their needs and requirements as best as possible, Banca Generali not only developed ad hoc products and promotional initiatives, but also established a dedicated distribution channel by training a group of employees (personal assistants) who now serve this segment of customers.

In 2010, the personal assistants contacted approximately 3,400 customers, updating them regarding their financial position with Banca Generali and proposing investment or capital protection solutions consistent with their risk/return profiles. In particular, over 10% of such customers indicated that they appreciated Banca Generali's level of service and attention by expressly choosing to be served by a Financial Advisor or private banker or a dedicated personal assistant.

### Marketing Communications

Marketing communications comply with the principles enshrined by the Generali Group's Code of Ethics and the directives of the Supervisory Authorities, fulfilling the obligation of prior communication to these authorities as established by regulations. Furthermore, there is also a specific Compliance Policy of the Banca Generali Group designed to promote a corporate philosophy aimed not only at respecting the letter of these standards but also their spirit, and to prepare specific organisational facilities in order to ensure strict observance of the applicable regulatory and self-regulatory provisions. In 2010, there were no cases of non-compliance with regulations or voluntary codes in reference to the marketing communications of Group companies.

### 3. SECURITY AND PRIVACY

In keeping with various Italian regulations, the Banca Generali Group has adopted technical, organisational and operating measures designed to guarantee the confidentiality and security of personal data, including sensitive information, of potential and current customers as well as other stakeholders (collaborators, suppliers and others). The Group acquires only the personal information strictly necessary for performing requested services and achieve the aims declared in the specific privacy policy given to all interested parties, paying special attention to sensitive data, which are obtained and handled only in the event that it is effectively and demonstrably impossible to use common or anonymous personal data.

All employees and sales networks are informed about the basic principles and on their responsibilities in protecting the handled data. Various training, information and updating methods are used: instruction manuals, newsletters, self-taught courses through e-learning and classroom updates, and specific and constantly updated privacy sections on Intranet sites.

In order to guarantee a suitable level of security on data integrity, the reliability of the information and its confidentiality, the IT system of the Banca Generali Group is constantly monitored and has a disaster recovery plan designed to guarantee ongoing operations even in the event of significant environmental instability.

In recent years, numerous initiatives have been undertaken in order to improve security processes and increase the technologies, devices and protocols for implementing countermeasures that can address currently known risks.

In the specific area of the Home Banking system, the customer website benefited from the adoption of cutting-edge technological solutions and the best data protection systems to ensure a high level of security. With each access to the operating platform, a connection is activated between the customer's computer and the bank system, guaranteed by the use of an attack-prevention protocol using encryption with a key size of up to 256 bits and Global Trust Certification. In 2010 specific services were also launched with the aim of preventing fraudulent attacks on the customer website.

For customer accesses through computerised channels (the Internet and call centres) a system with two code levels has been adopted, envisaging the use of an identification code and a customisable password combined with a security card with dynamic triplets to confirm transactions.

In the area of fraud prevention, in 2010 a project was completed to replace magnetic stripe debit cards with the type employing the new microchip technology.

In the management and control of system administrator activities, the Group considers it important to update internal regulations to permit accurate tracing of the procedures through which all personnel are authorised to conduct operations.

#### Privacy claims

Various types of privacy claims may be submitted to Banca Generali: complaints, the request for information and disclosure, the request for the erasure or anonymisation of information, reports to the Privacy Authority.

- **Complaint:** detailed report listing what happened, the provisions that were violated and the requested measures; it can be filed without specific formalities.
- **Request for information and disclosure:** requests to verify the existence of information in the databank.
- **Request for the cancellation or anonymisation of information:** these requests render the data unusable for purposes that are not strictly related to banking operations.
- **Reports to the Privacy Authority/requests from the Privacy Authority:** recourse to the authority responsible for protecting personal data or the lowest-level courts and/or requests for information provided to companies by the Privacy Authority.

In 2010 the entire Banca Generali Group received **no complaints** and **no reports to the** Privacy Authority or requests from the Privacy Authority.

## 4. LEGAL DISPUTES

As at 31 December 2010, the Group was involved in 164 litigations, whether as plaintiff or defendant, in respect of its banking business.

In 2010 the Group received only one insignificant fine (for a total of 1,000 euros) for failing to comply with laws

and regulations due to delay in disclosing information to ISVAP (the Italian insurance authority).

Banca Generali did not receive fines from the national or European antitrust authorities or the Italian banking authority.

## 5. MANAGEMENT OF COMPLAINTS

In accordance with sector-specific regulations, a Complaints Unit has been set up with Banca Generali S.p.A. to handle and resolve customer complaints regarding both investment services and banking products and services.

The applicable regulations are set forth in:

- 1) *Joint Bank of Italy and CONSOB Rules of 29/10/2007;*
- 2) *The Banking Law Ombudsman's Rules for the processing of claims and complaints related to investment services and activities;*
- 3) *Rules of the Banking and Financial Arbitrator;*
- 4) *Rules and Procedures for Conciliation Adopted by the Banking and Financial Arbitrator*
- 5) *Bank of Italy Alternative Dispute Resolution Rules for Banking and Financial Services and Transactions of 18 June 2009;*
- 6) *Bank of Italy Order of 29 July 2008 on the transparency of banking and financial services and transactions, and the propriety of relationships between intermediaries and customers;*
- 7) *The Interministerial Committee on Credit and Savings Resolution no. 275 of 29 July 2008 on Rules for the Alternative Resolution of Disputes with Customers within the meaning of Article 128-bis of Legislative Decree No. 385 of 1 September 1993, as further amended;*

- 8) *Legislative Decree No. 385 of 1 September 1993 – Consolidation Law on Banking;*
- 9) *CONSOB Regulation No.16763 of 29 December 2008.*
- 10) *Legislative Decree No. 28 of 4 March 2010 and Implementation Regulation of the Ministry of Justice No. 180 of 18 October 2010.*

Customers may lodge complaints in writing by post, fax, telegram e-mail or by hand-delivered letter addressed to the branches, private centres, as well as representative or other offices of the Bank. All customer complaints will be processed by the Complaints Unit which is required to routinely update specific **electronic registers** to maintain a record of the related documentation, as well as to check and monitor the various phases of complaint management so as to identify the most significant sources of customer dissatisfaction. The Compliance function is tasked with providing the Bank's governance and control bodies periodic reports on the overall complaints situation.

In 2010, the Bank received 414 customer complaints (as against 412 in 2009) including 247 regarding investment and ancillary services and 167 regarding banking and financial transactions and services.

The **mean time for complaint processing** is **46 days**, an improvement of 3 days when compared to figures for the previous year.

On 18 June 2009, the Bank of Italy laid down rules and procedures governing the alternative dispute resolution system known as **Banking and Financial Arbitration** [Arbitro Bancario Finanziario (ABF)] introduced by the Interministerial Committee on Credit and Savings' Resolution No. 275 of 29 July 2009, and covered by a mandatory implementation obligation binding on all banks and financial intermediaries.

Banking and Financial Arbitration must be made available to customers free of charge save for a portion of the costs.

In 2010 13 petitions were filed with the Banking and Financial Arbitrator. Four of those petitions were granted and four denied, whereas the remaining five are still pending before the Arbitrator.

The disputes put before the panel involve contested banking transactions, chiefly relating to withdrawals of sums by third parties executed through computer fraud, typically of the sort termed "phishing."

With a view to improving customer service and constantly monitoring areas in which action may be taken to streamline relationships and contacts with users, 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. The association offers three types of alternative dispute resolution procedure:

- adjudication by the Banking Law Ombudsman;
- negotiated settlement service;
- arbitration.

Customers who are not satisfied with how their complaints were treated by the Bank's Complaint Unit may avail of alternative dispute resolution, free of charge, through the **Banking Law Ombudsman**. As of 15 October 2009, the Ombudsman's jurisdiction extends solely to complaints related to investment services and activities and all the other types of transactions not subject to banking transparency regulations and therefore falling outside the scope of the alternative dispute resolution system known as Banking and Financial Arbitration (arbitro bancario-finanziario [ABF]).

The procedures for lodging complaints with the Banking Law Ombudsman are available at the website: **www.conciliatorebancario.it/ombudsman.html**.

By contrast, the conciliation service specialises in mediating disputes involving banking and financial transactions and may launch a procedure to be concluded in four months anywhere in Italy. Such mediation activity is conducted by an impartial third party and aims to assist banks and their customers in seeking to settle their disputes amicably and in formulating the associated settlement proposals.

Four customer **complaints** were lodged with the Banking Law Ombudsman against the Bank in **2010**; none of them was adjudicated in the customer's favour. In this regard, it should be noted that the number of petitions filed during the year was down compared to the 19 received in 2009.

The disputes put before the panel pertained to contentions regarding financial and insurance products.

Lastly, two mediation applications were submitted to the Bank during the year, one of which was put to rest by a settlement reached between the Bank and the customer. The Bank decided not to participate in the mediation process relating to the other application.

The two applications concerned disputes involving the failure to execute an order and a Financial Advisor's actions, respectively.



Social Report

Distribution  
Network



# Distribution Network

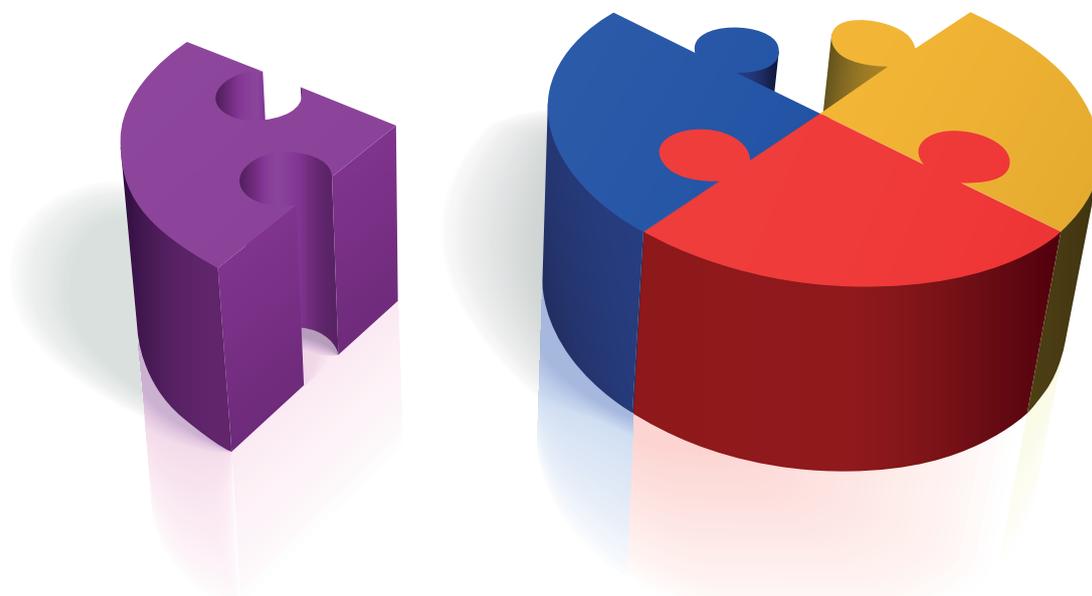
## 1. MAIN FEATURES

Banca Generali, whose mission includes successfully interpreting and managing the financial and retirement needs of its affluent- and private-banking clients (i.e., clients who have more advanced needs due to the amount and quality of their assets) with the assistance of qualified professionals (**Financial Advisors and Private Bankers**), places these figures at the centre of its focus.

Accordingly, the human and professional profiles of customer service personnel are absolutely central to the Bank's offerings: while the Bank benefits from the cutting-edge resources provided by a multi-channel platform – remote and call centre services, in addition to numerous offices and branches throughout the country – it considers the **advisory relationship** to be the heart of the service it offers to its customers, who for their part have expressed their preference for this aspect, in part because they generally present complex needs that require customised solutions. This is why a special focus is placed on candidate selection and the subsequent qualitative growth of the network of professionals.

Banca Generali's distribution and advisory network is the result of a process that has involved the aggregation of various networks of Financial Advisors and private banks over the years. In parallel to the launch of the merger process, the Group embarked upon a thorough selection process that resulted in the gradual elimination of professionals less well adapted to the model pursued, partly offset by the simultaneous acquisition of several highly-regarded figures on the financial services market, drawn by the soundness of the Bank's decisions.

Banca Generali's distribution network currently represents a point of reference in the Financial Advisory market.



## 2. SIZE AND COMPOSITION

TYPES OF COLLABORATORS		
	2010	2009
Financial Advisor Division	1,192	1,266
Private Banking Division	307	298
<b>Total Banca Generali</b>	<b>1,499</b>	<b>1,564</b>

In 2010 the Bank continued with the process of qualitative consolidation of its sales networks, gradually eliminating the worst performers to make room for quality professionals from the market. The balance came to a net decrease of 74 resources, while assets under management and the corresponding quantitative and qualitative ratios increased significantly, as discussed below.

As mentioned above, the Generali Group's distribution network comprises two main categories of personnel:

- Financial advisors, best suited to interact with affluent customers;
- Private bankers (some of whom collaborate with the company as independent contractors – 244, while others are salaried employees – 63), part of the Private Banking Division, specialised in interacting with private-banking customers.

### Assets under management

In 2010, while the workforce underwent moderate, qualitative cut-backs, there was also a significant increase in both assets under management per operator and average assets per customer, amounting to more

than 10% in both cases. Inflows per Financial Advisor continued to set records in 2010, despite the discontinuation of the effects of the tax amnesty enacted in late 2009.

ASSETS AND CUSTOMERS		
	2010	2009
Average customers per Advisor	168	170
Average assets per Advisor (€/000)	15,700	14,200
<b>Average net inflows per Advisor</b>	<b>847,000</b>	<b>1,327,000</b>

The constant increase in the average amount of customers' assets and the average assets under management by Financial Advisors also reported in 2010 is a clear sign of the qualitative improvement in the Bank's networks, a necessary condition to ensuring that its customers are truly satisfied.

### 3. NETWORKS ORGANISATIONAL STRUCTURE

In the interest of presenting the network as a whole, considering that its two divisions operate under a shared common structure, its organisation may be subdivided into four types of professional roles:

PROFESSIONAL ROLE	2010	2009
1st LEVEL MANAGER	21	22
2nd LEVEL MANAGER	53	51
Executive Manager	66	73
Financial advisors/Private Bankers	1,359	1,418
<b>Total Banca Generali Group</b>	<b>1,499</b>	<b>1,564</b>

The overall number of managers decreased slightly to an extent proportional to the reduction in the number of Financial Advisors mentioned above.

In the Group, the number of Managers proper (first- and second-level managers, i.e., those who almost exclusively coordinate professional figures dedicated solely to customer relations) amounts to less than 5% of the network total, compared to the 25-30% of traditional networks, which continue to be characterised by extensive use of classic pyramid structures, with a strong drive towards quantitative growth and high turnover.

Banca Generali's management structure, in the service of a highly professional operating structure, represents one of the distribution network's strengths and constitutes an avenue of merit-based career development, founded on the quality of the relationships formed, the achievement of results and solid skills.

A management career is thus one of the possible avenues of development, but not the primary focus, and is characterised by fully exploiting the efforts made, the possession of specific competencies and a strong orientation towards service, in addition to guidance and oversight.

## 4. GEOGRAPHICAL BREAKDOWN BY GENDER AND AGE

The network is broadly distributed throughout Italy, with a greater concentration (60% of the workforce) in the regions of the North than in the Centre-South, in accordance with the distribution of national wealth. The relatively modest female presence, 14% of the total, is explained by the fact that the number of women in this profession has only begun to increase in recent years, with women still remaining in the minority.

The figures correspond to those for 2009 without significant discrepancies. In addition, they are in line with national statistics for Financial Advisors, with deviance from the average limited to approximately two percentage points.

An average length of service of more than 11 years bears witness to the network's stability and its modest turnover.

REGION	AVERAGE AGE					AVERAGE LENGTH OF SERVICE*					
	FAS	PB	TOTAL	% ON TOT	% WOMEN	M	F	TOTAL	M	F	TOTAL
Piedmont	84	44	128	8.5%	18.8%	50.2	47.4	49.7	10.0	10.3	10.0
Valle D'Aosta	3	3	6	0.4%	16.7%	51.4	44.5	50.2	7.8	5.1	7.3
Lombardy	192	89	281	18.7%	15.3%	49.1	46.2	48.6	11.0	9.9	10.8
Trentino Alto Adige	11		11	0.7%	0.0%	53.4		53.4	14.6		14.6
Veneto	121	24	145	9.7%	5.5%	49.1	47.3	49.0	11.4	11.2	11.4
Friuli Venezia Giulia	56	6	62	4.1%	9.7%	48.2	53.7	48.7	11.0	7.6	10.6
Liguria	45	47	92	6.1%	17.4%	52.3	51.5	52.2	11.1	10.8	11.0
Emilia Romagna	155	28	183	12.2%	19.1%	51.6	47.7	50.8	13.1	10.9	12.7
Tuscany	74	21	95	6.3%	9.5%	50.3	48.5	50.1	11.1	10.1	11.0
Umbria	22		22	1.5%	9.1%	49.1	43.8	48.6	16.5	11.7	16.1
Marche	47		47	3.1%	12.8%	46.2	44.2	45.9	13.7	14.7	13.8
Lazio	84	25	109	7.3%	24.8%	49.1	46.1	48.3	12.1	14.1	12.6
Abruzzo	25		25	1.7%	8.0%	50.9	48.7	50.7	12.3	10.4	12.2
Molise	0	0	0	0.0%							
Campania	122	10	132	8.8%	6.8%	46.9	44.9	46.8	12.4	13.5	12.5
Puglia	71	4	75	5.0%	14.7%	48.1	44.9	47.6	11.9	10.4	11.7
Basilicata	0	0	0	0.0%							
Calabria	25	5	30	2.0%	20.0%	44.5	49.5	45.5	9.6	10.1	9.7
Sicily	43		43	2.9%	7.0%	46.9	46.1	46.9	12.0	14.0	12.2
Sardinia	12	1	13	0.9%	30.8%	46.5	47.2	46.7	12.2	11.2	11.9
Non-resident	0	0	0	0.0%							
	<b>1.192</b>	<b>307</b>	<b>1.499</b>	<b>100.0%</b>	<b>14.1%</b>	<b>49.2</b>	<b>47.2</b>	<b>49.0</b>	<b>11.7</b>	<b>11.1</b>	<b>11.6</b>

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

## 5. MULTI-CHANNEL NATURE OF THE SERVICE

The Bank's logistical situation calls for 43 branches to ensure clients enjoy direct access to certain banking services. Bank branches also host employee Relationship Managers, who assist private-banking customers alongside the Private Bankers. In addition to the bank branches, there are 134 Financial Advisor offices that are home to the network's administrative, training and informational activity and represent another possible point of reference for customers. During the year the number of office locations decreased by five as a result of the process of per-

manent network rationalisation and the merger of Banca BSI Italia into Banca Generali early in the year.

As mentioned above, the true point of contact is the Financial Advisor/Private Banker, who generally engages in typical "out-of-branch" activity at the client's residence. Lastly, completing the multi-channel approach is the availability of online and call centre services.

31.12.2010	BRANCHES		TOTAL	OFFICES		TOTAL	OVERALL TOTAL
	PF	PB	BRANCHES	PF	PB	OFFICES	
Abruzzo	1		1	1		1	2
Calabria	1		1	3	1	4	5
Campania	3	1	4	10	2	12	16
Emilia	4	1	5	15	3	18	23
Friuli	2		2	3	1	4	6
Lazio	2	1	3	3	1	4	7
Liguria	3	1	4	8	4	12	16
Lombardy	4	2	6	14	5	19	25
Marche				3		3	3
Piedmont	3	1	4	6	7	13	17
Puglia	2		2	6	2	8	10
Sardinia				1		1	1
Sicily	1		1	4		4	5
Tuscany	2	1	3	10	1	11	14
Trentino				2		2	2
Umbria	1		1	2		2	3
Valle d'Aosta					1	1	1
Veneto	5	1	6	13	2	15	21
<b>Overall total</b>	<b>34</b>	<b>9</b>	<b>43</b>	<b>104</b>	<b>28</b>	<b>134</b>	<b>177</b>

**Technological support  
for the activity of Financial  
Advisors/Private Bankers**

**Technological**

**Logistics**

**Client  
Call Centres**

**Financial  
Advisor  
Call Centres**

**28**

**Private  
Banking  
Offices**

**43**

**Bank  
Branches**

**Internet  
Website**



**Customer  
Automatic  
Management**

**111**

**Financial  
Advisors'  
Offices**

**3.700**

**Bank  
counters\***

\* Banca Generali has entered into service agreements with a total of 3,700 bank counters operated by Intesa Sanpaolo and BNL BNP Paribas.

## 6. SALES POLICY

The Group regards customer satisfaction as an issue of fundamental importance, which it pursues by applying high quality standards to the products and services it offers and by constantly adjusting those products and services to suit new needs and expectations. To that end, the Group continually strives to achieve constant improvement in its internal procedures and develop cutting-edge information-technology solutions, which it continually tests for efficacy and efficiency.

Customer relationship management is a crucial part of ensuring customer satisfaction. In this area, as mentioned above, the Financial Advisors from the various networks (i.e., including Private Bankers and Relationship Managers) play a key role in the phases of promoting and distributing products in an advisory setting, which is established by organising specific training programmes that include classroom and e-learning sessions and by implementing dedicated communications tools, such as websites, Intranet sites, periodic publications and circulars containing guidelines for behaviour in conducting business. The foremost aim of such guidelines is to require compliance with financial intermediation legislation, and the adequacy principle in particular. Reference is also made to the Group's Code of Ethics, admonishing the networks to apply the principles set forth in the Code. Sales departments are also responsible for monitoring 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 so as to allow the customer to make informed purchasing choices based on both the quality of the products and services offered and the customer's goals. In this respect, a scrupulous, thorough application of the MiFID rules involving the completion of questionnaires and the systematic, automated assessment of the proposed solutions provides the guidelines for the intermediation and advisory services rendered to customers by Financial Advisors.

In this context, surveying 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. In this regard, it should be noted that in 2010 and, to an even greater extent in 2011, the use of a software programme specifically created in collaboration with a global leading financial information provider, Morningstar, will be extended to the entire network, allowing an analysis of a customer's entire holdings to be conducted with the aim of providing objective, personalised advice supported by a specific printed report.

In their work, Financial Advisors must also act impartially in dealings 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 deemed appropriate, such as when complaints have been received from customers, recommendations concerning the conduct in which to engage are reiterated to individual agents 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, TRAINING AND RECOGNITION OF EMPLOYEES

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

Since almost all field force employees (96%) are freelance professionals listed on the Register of Financial Advisors and tied to the company under a mandate agreement, a salary paid in accordance with the quantity and quality of their work, and based on market-driven parameters, is the best way to achieve this goal.

The Banking Group also strives to develop the professional, relational and managerial skills of its Financial Advisors and Private Bankers through ongoing training programmes and projects aimed at specific needs.

The 2010 Training Plan was developed early in the year. The Plan is a concise, exhaustive account of all training initiatives scheduled for the entire year, illustrating guidelines, contents, intended participants, schedules, venues (classroom, e-learning and on-the-job training), financeability and organisational feasibility (man-days).

The training projects, formulated by the internal organisational structure or in collaboration with leading training consulting firms, pertain to the following areas:

- **TECHNICAL AND COMMERCIAL TRAINING:** consolidation and alignment of professionalisation standards for network resources with respect to the technical and commercial skills required by the Banking Group's product line;
- **MANAGERIAL AND BEHAVIOURAL TRAINING:** development of relational skills for both sales and management positions, with an eye primarily towards managing and developing resources and motivating teams;
- **ELECTIVE TRAINING:** programmes aimed at enhancing individual skills, abilities and qualities intended for the Financial Advisors and Private Bankers who have shown the greatest professional merit;
- **COMPULSORY QUALIFYING TRAINING:** activities aimed at consolidating the legally mandated specialised skills of Financial Advisors and Private Bankers.

### Technical and Commercial Training Area

Technical and commercial training for the networks is characterised by large-scale training programmes regarding the primary investment solutions.

Market scenarios and customer sales and service issues are explored for each subject covered, in addition to reviewing the technical aspects of each product.

In 2010 an important training project was launched with a focus on the Financial Advisory service rendered to customers. By mid-2011, the project will have involved the near entirety of the networks of Financial Advisors and Private Bankers, with the aim of ensuring knowledge and use of the BG Advisory platform, developed in collaboration with Morningstar Italy in support of advisory service.

### Managerial and Behaviour Training Area

In 2010 this type of training involved both management personnel and Financial Advisors and Private Bankers.

In detail, management personnel attended a specifically developed course on human resource management that defined the common tools, guidelines and methods for team-building (organisational time management and human resource relationship management and loyalty-building through specific coaching activities).

In addition, more than 500 selected Financial Advisors and Private Bankers participated in a training programme aimed at developing and disseminating effective methods for learning about and developing relationships with existing customers and prospects (recently acquired customers).

Both of the above courses featured an extensive "on-the-job training" component involving the sharing of best practices and hands-on experience.

## Elective Training area

In 2010, Banca Generali continued to invest a great deal in terms of the hours dedicated to Elective Training, in other words the “courses of excellence” aimed at those Financial Advisors and Private Bankers with outstanding professional qualities.

The most important course, in terms of participation, was the “Office - Network” project, which was launched in 2009 and continued throughout 2010. It gave the participants the chance to spend two days at the bank’s head offices (one day in Milan and one in Trieste) and receive office employees at selected points of operation, with the objective of increasing the level of integration and mutual understanding between the offices and network.

The Bank also continued its free training activities relating to €FPA, the first non-governmental organisation at the European level to set accepted professional, ethical, training and testing standards for financial services industry professionals throughout Europe, of which Banca Generali has been a member since its launch in Italy in 2004.

At the end of 2010 a total of 246 of Banca Generali’s Financial Advisors and Private Bankers had received EFA (European Financial Advisor) certification. These Financial Advisors and Private Bankers were provided with a total of 64 hours of training courses, in addition to a further 36 hours of training in the form of conferences, roundtables, etc., with the aim of ensuring annual maintenance of certification (which requires a total of 20 hours per year).

Compared to the previous year, in 2010 the Bank privileged large-scale training, which required significantly larger investments in terms of time and resources, especially in the area of financial advice, in keeping with the development of Banca Generali’s line of products and services.

CLASSROOM LEARNING									
	NO. OF PARTICIPANTS			TOTAL PERSON HOURS			TOTAL PERSON DAYS		
	2010	2009	% CHANGE	2010	2009	% CHANGE	2010	2009	% CHANGE
Commercial	1,723	1,600	8%	41,706	23,974	74%	5,213	2,996	74%
Managerial	780	51	1429%	9,772	612	1497%	1,222	77	1497%
Elective	82	254	-68%	1,312	3,612	-64%	164	451	-64%
<b>Total</b>	<b>2,585</b>	<b>1,905</b>	<b>36%</b>	<b>52,790</b>	<b>28,918</b>	<b>87%</b>	<b>6,559</b>	<b>3,524</b>	<b>87%</b>

## Qualifying and Compulsory Training Area

In 2010 the e-learning platform used in previous years was replaced in collaboration with the online university Unitelma through the launch of the Generali Group's e-learning platform, Simulware Sep2, intended to provide compulsory online training to the Banca Generali network.

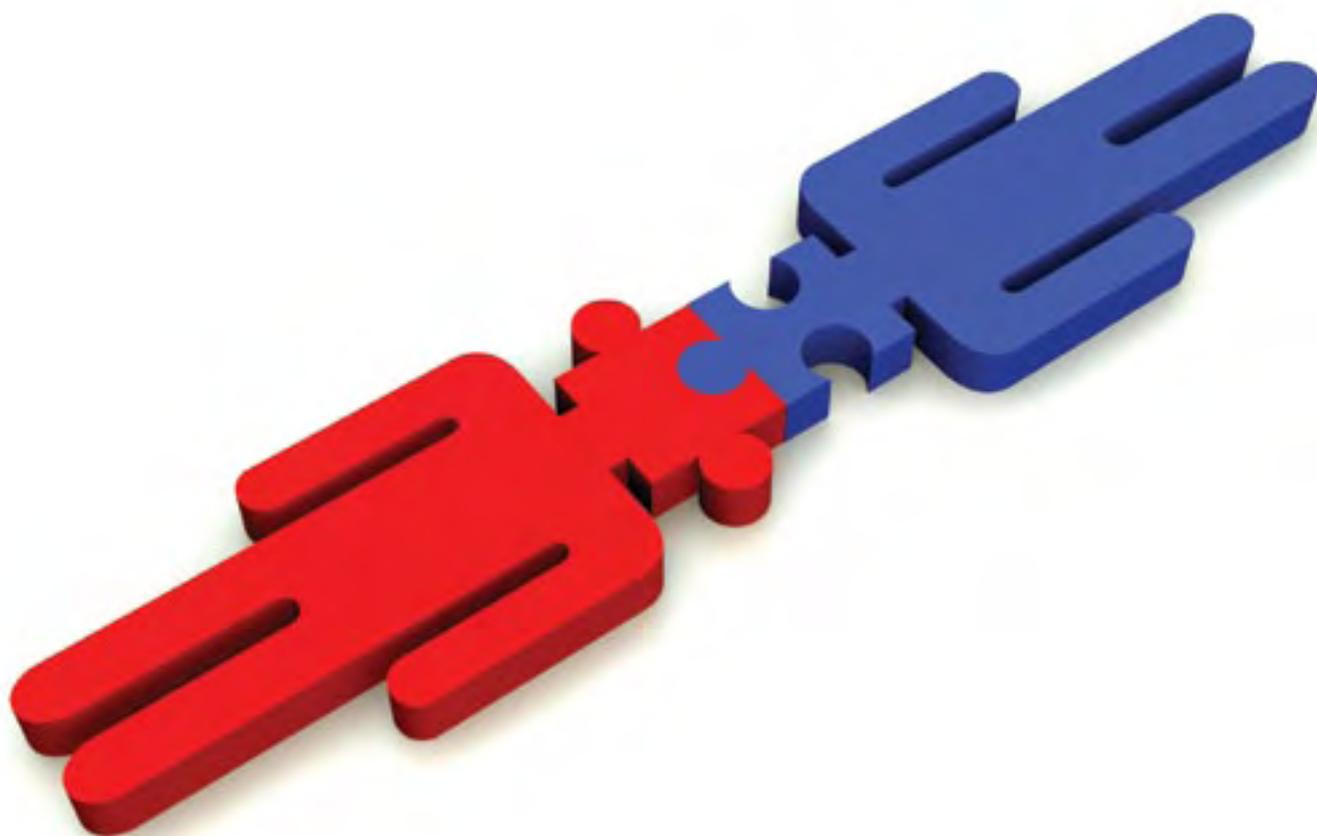
In detail, Financial Advisors and Private Bankers benefited from a total of 34,971 hours of online self-training refresher courses concerning ISVAP regulations, banking transparency and privacy. In addition, against the backdrop of increasingly widespread use of the Web as a means of obtaining information and communicating, Banca Generali decided to invest in a specifically planned and constructed e-learning course featuring simple information-technology security concepts that lays down the guidelines and proper conduct to be adopted, with the aim of protecting data regarding the network and customers.

DISTANCE LEARNING									
	NO. OF PARTICIPANTS			TOTAL PERSON HOURS			TOTAL PERSON DAYS		
	2010	2009	% CHANGE	2010	2009	% CHANGE	2010	2009	% CHANGE
Compulsory	1,463	1,537	-5%	35,165	39,754	-12%	4,396	4,969	-12%

## 8. LITIGATION MANAGEMENT

A total of 74 disputes each involving legal proceedings by (25) or against (49) Banca Generali S.p.A., were underway in 2010, in connection with the agency agreements entered into with Financial Advisors.

Most of the disputes pertain to agency contracts that have been terminated and entail legal proceedings brought both by Financial Advisors on a variety of grounds relating to the agency relationship (alleged non-payment of severance indemnities or unlawful termination) and by the Bank in respect of a judicial declaration and therefore possible recovery of amounts due from Financial Advisors for sundry reasons (such as by way of indemnity in lieu of notice or refundable advances, but also compensatory damages for harm arising from unlawful conduct or behaviour in breach of sector-specific regulations).



## 9. DIALOGUE WITH SALES NETWORKS

Banca Generali provides its networks of Financial Advisors with various tools to facilitate dialogue and allow for timely, up-to-date communication with management personnel devoted to organising and managing the sales network. Firstly, highly professional network management personnel represent the essential connection between central management and the periphery, capable of supporting the flow of communication in both directions. To that end, monthly meetings are organised with the first-level management personnel for the various networks, followed by cascading meetings with peripheral personnel organised in districts and offices. These meetings, which are attended not only by sales managers but also by rotating representatives of all company departments periodically involved in specific initiatives addressed to advisors, are an opportunity to listen to the requests of personnel most directly in contact with the market and illustrate and discuss the major initiatives to be proposed to conduct business in the course of the year. This constant exchange of communication allows for constant, effective dialogue that also serves the purpose of providing ongoing training regarding laws, operating methods, rules and behaviour to be adopted in customer relations in order to facilitate product distribution and improve customer service.

In addition, plenary meetings are organised at least twice a year. At these meetings, which are directly attended by most or all Financial Advisors, a concise presentation is given of the Company's strategies and the specific initiatives (in the areas of marketing, products, information technology, training, etc.) in support of those strategies.

Banca Generali's sales networks have access to a specific company Intranet (in addition to that used to publish information of interest to employees) that includes several sections dedicated specifically to Financial Advisors, which present dedicated, constantly updated news and bulletins and the operational applications needed to meet customers' needs, for example by allowing for timely, up-to-date reporting. This tool, which is used to give notice of changes in laws and regulations as well as sales and customer management initiatives, is a way for Banca Generali to ensure that its sales networks are also directly involved in achieving the Company's goals and allows for best practices to be shared.

The top-priority use of the channel is to send notices regarding the use of new products and provide updates regarding sales-related initiatives. Banca Generali provides and manages e-mail accounts for its Financial Advisors in order to allow timely two-way communication and daily updates.

In the area of network communication and service, it should also be noted that Financial Advisors can add notes to a specific section of the Company's Intranet concerning any anomalies or similar issues detected in performing administrative activity relating to customers or their own personal data (commission, etc.). Responses to such notes are delivered swiftly, within a fixed period of time, via the same channel, and allow developments involving solutions to report issues to be monitored on a daily basis.

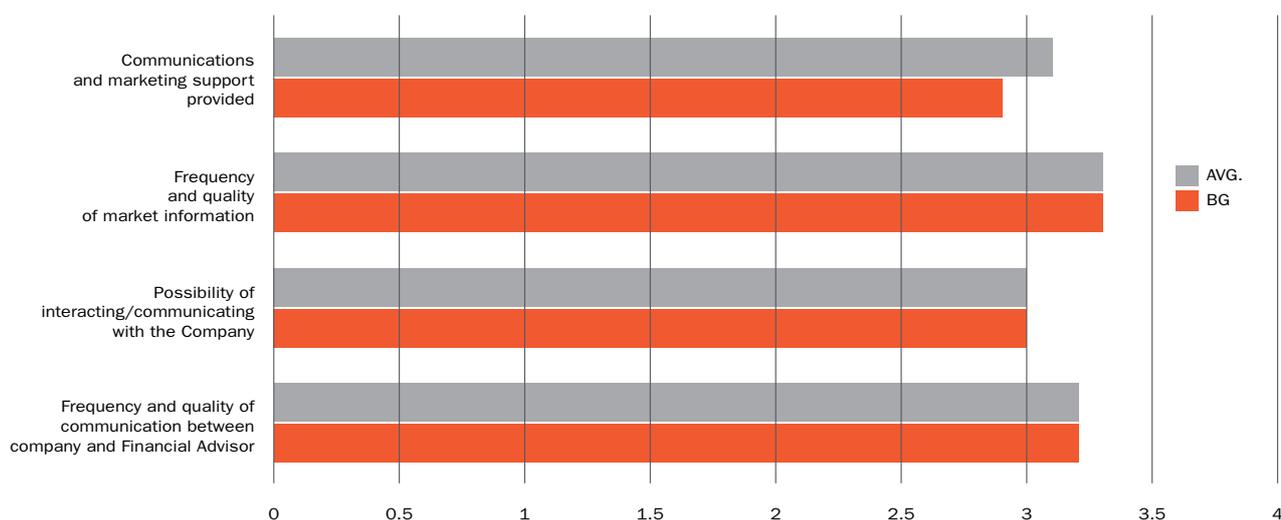
There is also a call centre dedicated to Financial Advisors, available for them to access during extensive hours of operation, which serves the above purposes while also providing a broader information service concerning customers' positions, new products, compensation and other matters.

## Staff Involvement

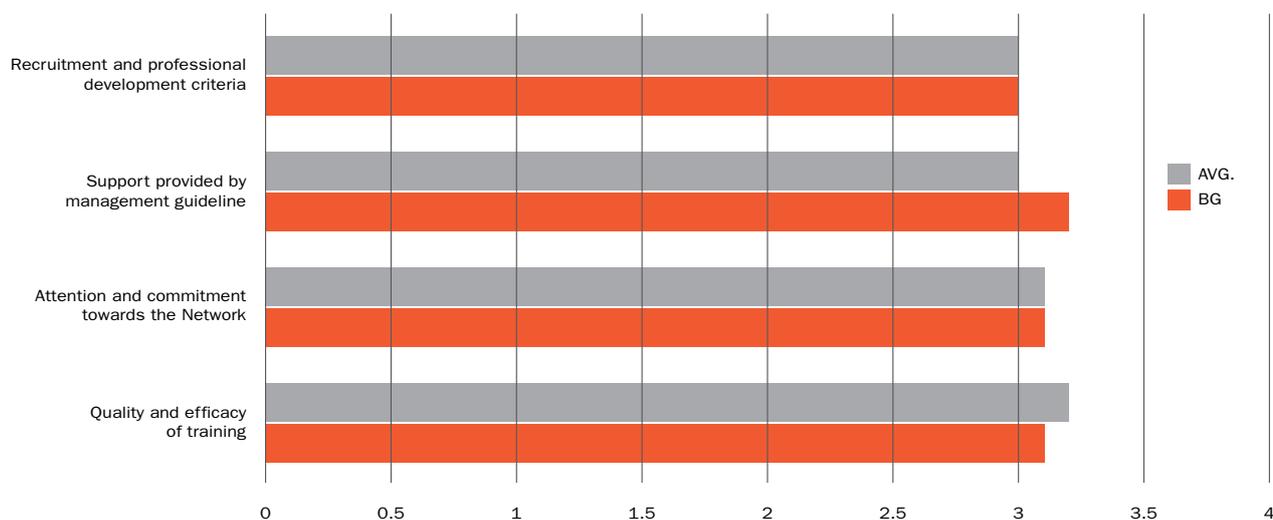
Each year, an independent research firm (GfK Eurisko) conducts a survey of a panel of companies representing a major share of the financial services and advisory market.

Eurisko selects 100 Financial Advisors within Banca Generali so as to establish a significant sample, to which it submits an extensive questionnaire. The survey may be used to infer the overall level of satisfaction of Banca Generali's sales networks compared to the reference market. Results of the survey:

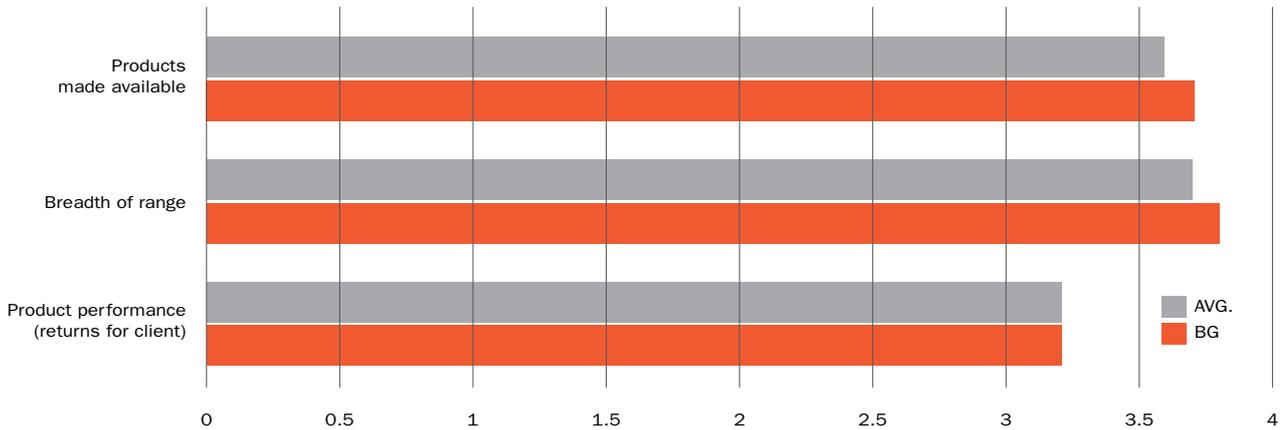
## Communications



## Professional Development



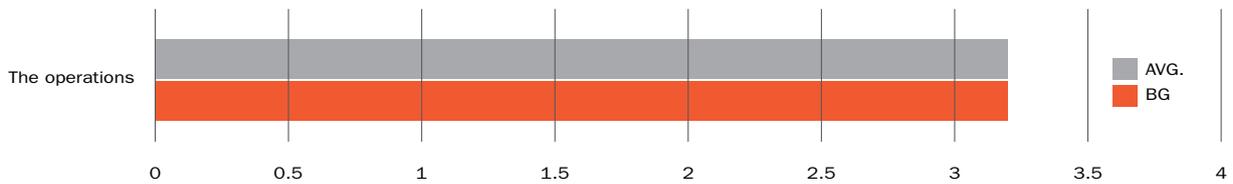
## Products



In general, it may be observed that **overall satisfaction was very high** (3.3 on a decreasing scale of 1 to 4, improving compared to 2009 - 3.2) and Banca Generali was right in the middle of the best companies repre-

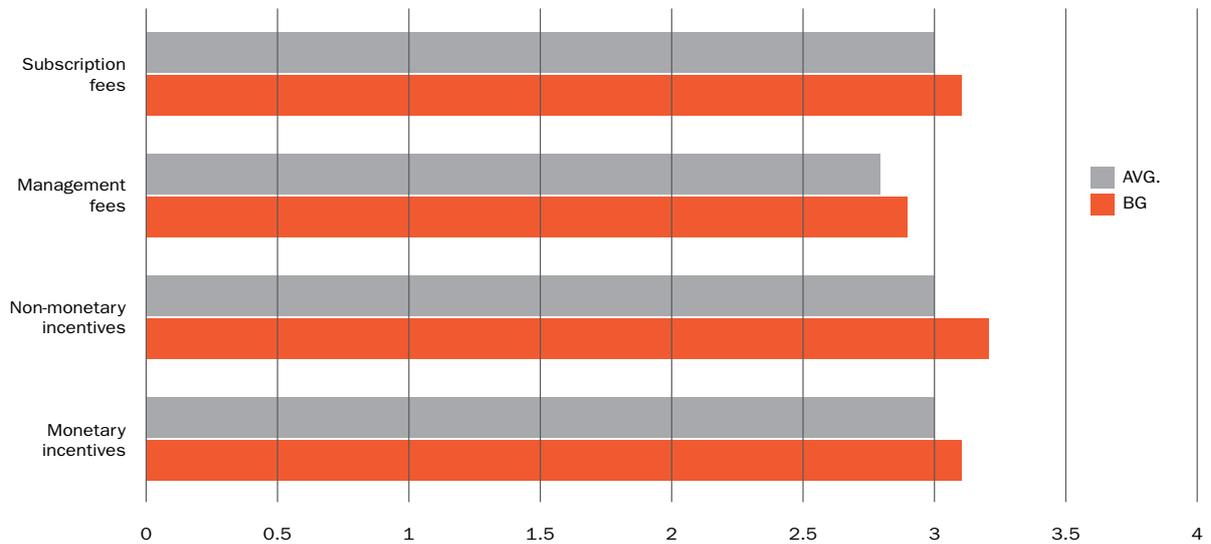
ented, with some points of excellence, especially with regard to managerial support provided and the breadth and quality of the product range.

## Operating support



In 2009 operational support systems received a positive assessment that nonetheless fell short of the market average owing to the complexity of the range of offerings and the information-technology platform. The

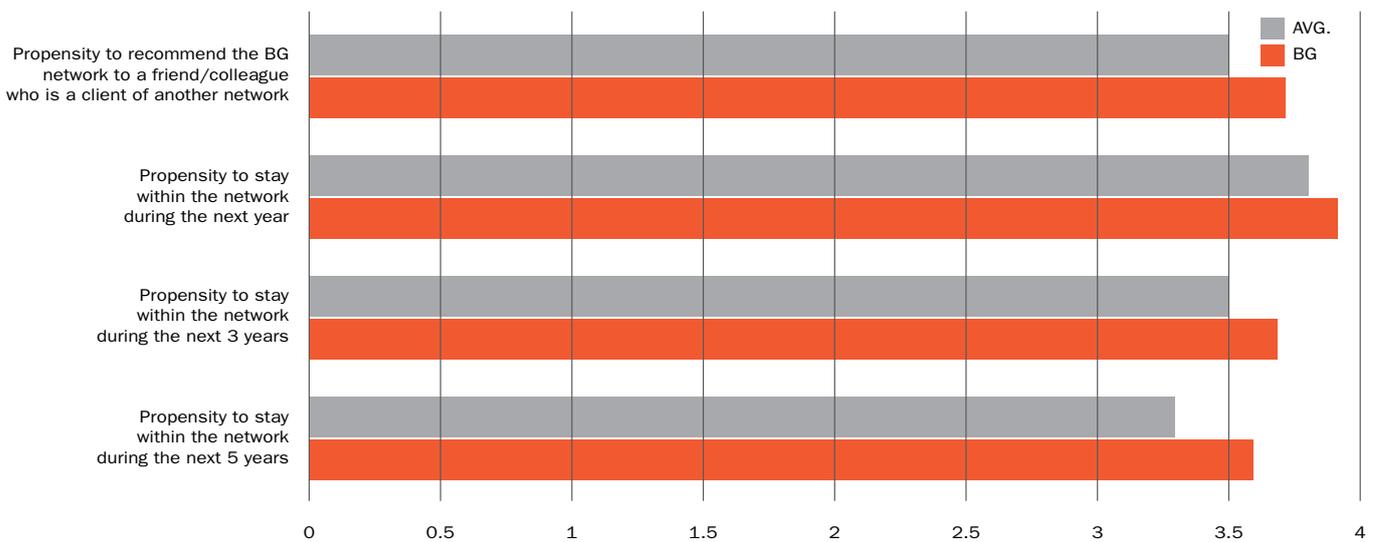
development of specific solutions to improve processes and facilitate the activities of Banca Generali's networks in the use of the operating platform has allowed that previous gap to be fully closed.



On the subject of compensation, it is highly interesting to note that the assessment was excellent when compared to the average, even though the economic compensation offered was strictly within market parameters.

Indeed, economic compensation is inevitably also assessed in light of the more general system of services and support offered to Financial Advisors.

## Loyalty Index



The surveys point to a very high loyalty index for the Banca Generali Group. In addition, despite the “mobility” shown on the market, the propensity to maintain relations with the Banking Group in the medium and long

term is above average. These indices may be considered truly indicative of the networks’ satisfaction with their professional relationships with the Bank.





Social Report  
Human Resources



# Human Resources

## 1. NUMBER AND TYPE OF PERSONNEL

PERSONNEL		
	2010	2009
DISTANCE LEARNING GENERALI	693	582
BG SGR	38	32
BG FIDUCIARIA	8	8
BANCA BSI ITALIA	0	123
GENERFID	2	3
GFM	31	25
	<b>772</b>	<b>773</b>

The number of employees did not change significantly compared to the previous year.

However, it should be noted that effective 1 January 2010 the human resources of Banca BSI Italia SpA – 123 employees – were transferred, some to BG SGR (8 people, following the transfer of a business branch from

asset management) and the rest to Banca Generali, following the merger. On the basis of the trends observed, it may be stated that in 2010 the Banca Generali Group succeeded in maintaining stable employment levels, despite an economic scenario that requires structural intervention in order to remain competitive

	2010	2009	CHANGE.
Abruzzo	2	2	0%
Calabria	1	1	0%
Campania	15	15	0%
Emilia Romagna	11	10	10%
Friuli Venezia Giulia	310	317	-2%
Lazio	23	22	5%
Liguria	8	7	14%
Lombardy	326	329	-1%
Piedmont	16	18	-11%
Puglia	3	3	0%
Sicily	2	2	0%
Tuscany	5	5	0%
Umbria	1	1	0%
Veneto	18	16	13%
<b>Italy</b>	<b>741</b>	<b>748</b>	<b>-1%</b>
<b>Luxembourg</b>	<b>31</b>	<b>25</b>	<b>24%</b>

An analysis of the geographical distribution of the workforce shows a 24% increase in Luxembourg and a slight decline (1%) in Italy.

## BREAKDOWN OF PERSONNEL BY LEVEL

	MANAGERS		EXECUTIVES		EMPLOYEES			TOTAL		of whom sales personnel		
	2010	2009	2010	2009	2010	di cui TD	2009	di cui TD	2010	2009	2010	2009
	53	50	185	185	535	65	537	62	773	772	69	64
<b>Ratio %</b>	<b>6.9</b>	<b>6.5</b>	<b>23.9</b>	<b>24</b>	<b>69.2</b>	<b>8.4</b>	<b>69.6</b>	<b>8</b>	<b>100</b>	<b>100</b>	<b>8.9</b>	<b>8.3</b>

The distribution of the total workforce by level does not show particular discrepancies compared to the previous year.

In detail, the number of executives declined (-0.4%), while the number of middle managers rose slightly (+0.1%) and the number of white collars increased (+0.4%).

The number of full-time resources declined by 0.4% during the reporting year.

## WOMEN BY LEVEL

	MANAGERS		EXECUTIVES		EMPLOYEES			TOTAL		of whom sales personnel		
	2010	2009	2010	2009	2010	di cui TD	2009	di cui TD	2010	2009	2010	2009
	8	8	61	65	335	31	328	30	404	401	17	16
<b>Ratio %</b>	<b>1.9</b>	<b>2</b>	<b>15.1</b>	<b>16.2</b>	<b>82.6</b>	<b>7.7</b>	<b>81.8</b>	<b>7.5</b>	<b>100</b>	<b>100</b>	<b>4.2</b>	<b>4.0</b>

On average, women represent 51.9% of the Group's total personnel, a percentage that has essentially remained the same with respect to last year (52.3%).

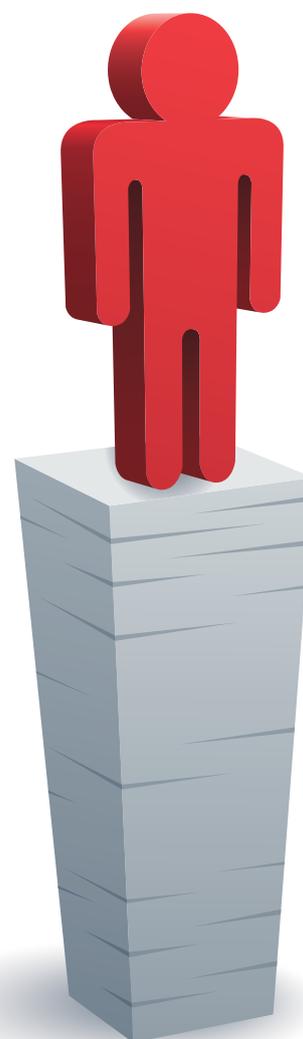
Women in positions of responsibility increased by 17% compared to the previous year to reach 18.2%.

Women are present on all levels, although most (81.8%) continue to work on an employee level. Women remained the majority at call centres (63.8%), although the percentage is down from the 66.7% observed in 2009.

WORKFORCE BY TYPE OF CONTRACT										
	FULL-TIME OPEN-ENDED		FULL-TIME FIXED TERM		PART-TIME OPEN-ENDED		PART-TIME FIXED TERM		TOTAL	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	658	646	65	55	49	64	1	7	773	772
<b>Ratio %</b>	<b>85.1</b>	<b>83.7</b>	<b>8.4</b>	<b>7.1</b>	<b>6.3</b>	<b>8.3</b>	<b>0.1</b>	<b>0.9</b>	<b>100.0</b>	<b>100.0</b>

- Of the Group's personnel, 92% have open-ended contracts (91.4% in 2009).
- There are 71 part-time employees, representing 9.2% of the total (6.4% in 2009). Those choosing to work part-time are mainly women who are more involved in managing and caring for a family; in 2010 women represented 91.5% of part-time employees.
- On a limited basis, Group companies also use temporary employees or those hired for specific projects (7 at 31 December 2010, equal to 1% of total personnel), in order to handle work peaks and leaves of absence (maternity, illness, etc.) or for specific projects. Women accounted for 42.9% of project-based and temporary workers.
- In 2010 the number of call-centre staff reached 80, representing 10.36% of the total workforce and 14.9% of white collars.

Among employees, there continues to be an increase in those who have undergraduate and graduate degrees (46.5% in 2010)..



<b>WORKFORCE BY AGE</b>										
	<b>UP TO 34</b>		<b>35-44</b>		<b>45-54</b>		<b>OVER 54</b>		<b>TOTAL</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	316	261	295	329	134	146	28	36	773	772
<b>Ratio %</b>	<b>40.9</b>	<b>33.8</b>	<b>38.2</b>	<b>42.6</b>	<b>17.3</b>	<b>18.9</b>	<b>3.6</b>	<b>4.7</b>	<b>100.0</b>	<b>100.0</b>

The most populous bracket was 35-44 years of age (42.6%).

Overall, more than 76% of employees are under 45, and the average age is 39. The smallest age range is that of employees over the age of 54 (4.7%).

<b>FEMALE PERSONNEL BY AGE</b>										
	<b>UP TO 34</b>		<b>35-44</b>		<b>45-54</b>		<b>OVER 54</b>		<b>TOTAL</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	185	147	161	188	51	58	7	8	404	401
<b>Ratio %</b>	<b>45.8</b>	<b>36.7</b>	<b>39.9</b>	<b>46.9</b>	<b>12.6</b>	<b>14.5</b>	<b>1.7</b>	<b>2.0</b>	<b>100.0</b>	<b>100.0</b>

The age range for women essentially reflects that of personnel as a whole, with greater numbers in the younger classes. The largest segment, which encompasses about half of the female population (46.9%), is that of women between 35 and 44 of age.

Overall, 83.6% of women are under the age of 45. Women over the age of 54 represent only 2% of the female population.

<b>TURNOVER</b>					
	<b>PERSONNEL AT 31/12/2009</b>	<b>hirings</b>	<b>2010 TERMINATIONS</b>	<b>change</b>	<b>PERSONNEL AT 31/12/2010</b>
	773	212	213	-1	772
<b>of whom women</b>	<b>404</b>	<b>91</b>	<b>94</b>	<b>-3</b>	<b>401</b>

Turnover was rather high because the figures presented include not only new contracts and terminations of definite-term contracts (including replacements for maternity) but also transfers to and from other Generali Group companies, and were also affected by the merger with Banca BSI Italia SpA effective 1 January 2010, which involved 123 resources.

On average, women's involvement in Banca Generali's turnover fell short of that of men: in 2010 42.9% of new hires and 44.1% of terminations involved female personnel.

In 2010 the overall turnover rate, calculated as (hirings plus terminations)/average personnel, was 1.06.

The turnover rate, net of changes stemming from the merger of Banca BSI, was 0.44.

The negative turnover rate, calculated as the total number of terminations in 2010/(the total workforce at the beginning of the year x 100) came to 27.6%.

The negative turnover rate, net of the changes due to the merger with Banca BSI Italia, was 11.7%.

In 2010 the turnover attributable to Luxembourg accounted for 4.2% of new hires and 1.4% of terminations.

## Number of terminations by age range and gender

up to 34 years	from 35 to 54 years	over 54 years	total
71	119	23	213

- Turnover also contemplates personnel under definite-term contracts (including replacements for maternity leave). In particular, the incidence of the latter on the total number of terminations during the year came to 24.9%, the vast majority of which refers to severance due to expiry of contracts with young people under 35 years of age.
- Terminations of personnel with indefinite-term contracts accounted for 75.1% of the total.
- Transfers to other Group companies (including the merger with Banca BSI Italia SpA) accounted for 65.3% of terminations, while 21.6% was due to the aforementioned expiry of definite-term contracts and the remaining 13.1% was represented by resignations, which also include terminations due to retirement (2.3%).
- There was a greater incidence of terminations among personnel aged 35-54, inasmuch as this bracket accounted for most of the 123 employees of Banca BSI Italia SpA.

Net of the changes associated with the merger with Banca BSI, which affected 123 resources, most of whom were aged 35-54, the breakdown of terminations by age bracket was as follows:

up to 34 years	from 35 to 54 years	over 54 years	total
53	31	6	90

- Turnover also contemplates personnel under definite-term contracts (including replacements for maternity leave). In particular, the incidence of the latter on the total number of terminations during the year came to 56.7%, the vast majority of which refers to severance due to expiry of contracts with young people under 35 years of age.
- Terminations of personnel with indefinite-term contracts accounted for 43.3% of the total.
- The incidence of severance decreases with age: the figure falls from 57.8% for personnel under 35 years of age, affected in particular by terminations of definite-term contracts, as well as the natural propensity for younger staff to change jobs, to 14.9% for those over 54.
- Approximately one-third of cases of severance was due to resignations, which also include five terminations due to retirement.

PERSONNEL BY SENIORITY								
	< 10 YEARS		> 10 YEARS		TOTAL		Average seniority	
	2010	2009	2010	2009	2010	2009	2010	2009
Total	699	699	74	73	773	772	5	6
Ratio %	90.4	90.5	9.6	9.5	100.0	100.0		

Of personnel, 90.5% had a seniority of less than 10 years. This is due to the fact that the company commenced operations in 1997.

Employees with a seniority of over 10 years have come from the company that was merged.

## 2. EMPLOYEE POLICIES

In close connection with the orientations and methods of the Generali Group, the companies of the Banca Generali Group have adopted policies that make human resources the focus of corporate activities.

Along general lines, the Banca Generali Group respects the legislative, contractual (national and corporate) and regulatory standards applicable to employment.

The fundamental rights of workers are set forth in the **Generali Group's Code of Ethics**. The Code of Ethics is made available to all employees on the home page of the Banca Generali Group's Intranet and the dedicated page of the HR Portal. In 2011 all personnel will receive training on the contents of the new Code of Ethics approved in 2010.

Personnel are hired with regular work contracts, as no form of illegal work, exploitation, or forced or child labour is tolerated. Collaborators receive clear and specific information on regulatory and remunerative aspects when they are hired and during their employment. Furthermore, throughout their employment they are given indications that allow them to understand the nature of their assignment and carry it out appropriately. The European **Social Charter of the Generali Group** 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.

At the industry level, it should be noted that Banca Generali and its subsidiaries also apply the **Protocol for Sustainable, Compatible Development of the Banking System** signed by the Italian Banking Association and labour unions at a national level on 16 June 2004.

Furthermore, in keeping with banking practices and the Self-Regulatory Code promoted by ABI (Italian Banking Association), the Banca Generali Group has adopted an Internal Code of Conduct. This document states that relations among colleagues and collaborators must always respect the principles of loyalty, fairness and solidarity.

### Recruitment and Hiring Policies

In keeping with the orientations of the Generali Group, the human factor is a key resource of the Banca Generali Group. Consequently, in collaboration with the Group's holding structures, the company recruits and strives to maintain particularly qualified employees.

The recruitment process follows the principles of fairness and impartiality: the professional profiles of the candidates are evaluated exclusively for the purpose of pursuing the interests of the company.

In filling vacant positions, priority is given to people who are already employed by the Group, who may apply for the position (job posting) or be nominated by the offices in charge of mobility.

If an outside profile must be recruited, interns working for the Banca Generali Group, spontaneous applications submitted to the company, and the suggestions of universities and post-graduate institutes represent the first candidates to be taken into consideration.

For the recruitment of executives and sector experts, the company relies on specialised firms as well as the publication of ads in newspapers and on financial websites.

The selection process involves a half-day assessment including individual and group aptitude tests and interviews with the Generali Group's certified evaluators (assessment centre), in addition to final individual interviews with line managers.

In accordance with the managerial skills identified on a Group level, the ideal candidates must demonstrate: solid academic preparation with a high final grade and/or established experience in sector companies; good knowledge of foreign languages; good analysis and problem-solving skills; an orientation toward service, flexibility, teamwork and leadership. A post-graduate master's degree is preferred for positions with high added value.

In order to meet and attract young people of value, to support its employer branding the Banca Generali Group:

- participates in career days, company presentations and recruiting days in which it illustrates the employment and professional development opportunities offered by its different companies, also on an international level;
- sponsors initiatives and collaborates with universities and bodies that organise post-graduate programmes (master's degrees) in the field of economics and finance.

Training programmes are organised for new employees of value. The initial aim of these programmes is to help the employees become integrated within the company and gain a better awareness of its business, and subsequently to develop their potential, skills and leadership.

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

No Banca Generali Group employees are less than 18 years of age. Companies verify their employees' ages upon hiring in order to comply with this restriction.

## Remuneration and Incentive Policies

The base pay for all non-executive employees is tied to national collective bargaining agreements (CCNL) and the integrative corporate contract.

On average, for new employees the ratio between the standard wage rate (understood as the base salary envisaged in the CCNL, and including major benefits as provided for by the supplementary agreement) and the national wage rate is 112%.

In all companies of the Banking Group, the entry-level salary for each category of workers is the same for both genders (i.e. the ratio between women's entry-level salary and that of men is 1).

In line with the policies in force at the level of the Generali Group, the Banca Generali Banking Group adopts an incentive system that involves assigning goals for executives according to the Balanced Scorecard scheme.

The tools currently in use for the Banking Group's Chief Executive Officer and top management are the assignment of balanced scorecards for short-term variable compensation and the long-term incentive plan for long-term variable compensation.

For further, more detailed information concerning compensation policies for the top management, please refer to the Annual Financial Report and the Remuneration Policies document published following the Shareholders' Meeting of April 2011.

The balanced scorecards for some members of the top management team contain precise indications of incentives associated with meeting environmental targets.

## Benefits

For full- and part-time employees with open-ended contracts, there are also fringe benefits and incentive systems designed to valorise – on the basis of merit – performance and the achievement of specific objectives.

The supplementary agreement for the Banca Generali Group, extended in June 2010, provides for the following collective benefits for all Banking Group employees (Italy area) in the white collars and middle managers categories:

- **Complementary pension plans:** through implementation of the legislative provisions that, since 1993, have placed growing importance on complementary pension plans alongside mandatory ones, employees have the right to join company pension funds, to which the employer contributes 4.1% as of 1 January 2010 of the remuneration items ascribable to the CCNL.
- **Health coverage:** plans differ between the category of the professional areas (administrative employees) and the executive levels. There is an array of health guarantees (the premium for which is exclusively the employer's responsibility) in place covering a significant part of the following services: major surgery, hospitalisation, specialist visits, diagnostic tests, dental expenses, eyewear and medicines (the latter only for executives). These guarantees are also extended to

the employee's dependants based on specific regulations and, under certain conditions, also to family members who are not dependants. Furthermore, employees can opt to extend these guarantees in terms of services/maximum coverage by paying an additional premium. The company also covers all the costs for work-accident insurance;

- **Special rates on distributed products:** in keeping with practices in the credit sector, there are special terms for financing the purchase of a first home, considered an asset of primary importance on a social level. Furthermore, the employee may request facilitated loans for the purchase of other assets and for family needs. Due to their nature, home mortgages and personal loans are reserved for indefinite-term employees.
- **Bonus for results:** this is an institution shared by all company production sectors and its aim is to redistribute – based on financial indicators – part of the company's economic results. This institution is currently tied to two parameters: profitability (operating results) and efficiency (cost/income ratio).

A scheme featuring an extensive system of benefits based on the gradual harmonisation of treatment with similar measures implemented at the level of the Generali Group has recently been adopted for executive-level personnel at the Company's initiative. The Generali Group's various policies (e.g., assignment of cars for mixed company and personal use) also apply to this class of employees.

In 2010 the Banca Generali Group also provided its employees with access to two spots to attend the Executive Master's degree programme in Corporate Finance & Banking offered by SDA Bocconi. Participation in the Master's degree programme was awarded following a thorough selection process that began with the publication of a public call for applications.

### Social and Recreational Activities

The Banca Generali Group places a premium on the spirit of belonging, not only on the job but also after hours through the staff club of the Generali Group. Particularly around the Christmas holidays, parties and meetings are organised; in some cases they inspire solidarity initiatives towards the less fortunate (see the Community section).

Again this year, the traditional Children's Party organ-

ised by the Generali Group, in which the Banca Generali Group actively participated, offered the parents involved the opportunity to donate to charity all or part of the amounts the company allocated to gifts for their children. The generosity of all Group employees made it possible to donate 40,000 euros to three non-profit organisations that help underprivileged children.

The annual corporate meeting between the top management and employees celebrates those who have achieved landmark years of service levels and those who retired during the year.

### Procedures for Evaluating Human Resources

The management annually evaluates the results attained by collaborators based on the following parameters: work performance (in terms of qualitative and quantitative production, commitment, punctuality and conduct); the development of know-how and skills; professional development, also by gathering observations and suggestions in order to define professional targets and future training initiatives.

All middle-managers and executives are involved in a process to develop Group skills and, in its initial phase, this procedure relies on methods structured to survey such skills. The survey phase constitutes the first step in a broader process that helps pinpoint customised development plans based on the needs identified between the expected and actual role profile.

All employees have annual performance evaluations through an interview with those to whom they report directly. Any gaps between the desired profile and the actual one are analysed during the interview, and training and individual development actions are planned.

Such assessment tools, among others, contribute to providing a highly useful parameter for identifying the most deserving resources to which to assign one-off incentive measures (e.g., bonuses) or permanent incentive measures (permanent personal productivity bonuses or promotions).

The results of performance assessments – compulsory under the provisions of the national collective labour agreement for the financial sector – are to be reported formally to each employee within the first four months of the year after that to which the assessment refers. Employees who do not agree with the results of the assessment process may submit petitions in which they present their cases, with the support of a company union representative, where desired.

### 3. EQUAL OPPORTUNITY

The Group strives to valorise people, recognising how differences can contribute to the organisation. The Code of Ethics of the Generali Group confirms its attention and commitment towards collaborators, considered the strategic capital on which the Group bases its success, respect for human dignity, freedom and equality, and equal opportunity in the workplace and on career paths, without any kind of discrimination due to nationality, gender, race or ethnic origin, religion, political convictions, age, sexual orientation, disabilities or health conditions.

The Group's company agreements provide examples of rules designed to guarantee equal treatment between men and women in the selection, training, career advancement and remuneration process.

In 2010 female executives and middle managers accounted for 31.1% of the total for the two categories, marking an increase of 2.1 percentage points compared to the previous year.

Banca Generali's workforce consists almost entirely of Italian personnel. In any event, employees of all nationalities are offered equal opportunities for professional and career growth, owing in part to policies that foster mobility within the Group. At Banca Generali Group companies, 98% of executives are local.

With regard to equal opportunities for the differently abled, national regulations safeguarding this category are respected and implemented.

In particular, at the Trieste production unit of the parent company, Banca Generali, a convention has been established with the responsible public agency for the specific recruitment of differently abled employees in order to create the conditions for a better and more proactive work position respecting the problems of the people involved.

In general terms, the buildings housing the Group companies are checked constantly to ensure that they are brought up to standard in order to meet requirements on architectural barriers and workstations. The main workplaces have parking facilities in the immediate vicinity reserved for the differently abled. Two parking spaces have been set aside for employees with considerably reduced motor capacity within the internal courtyard of Banca Generali's Trieste offices.

At December 31, 2010 the Banca Generali Group had 41 differently abled employees.

#### Policies to Reconcile Job and Family

In order to allow work commitments and personal and family needs to be reconciled as fully as possible, company activities other than those involving direct, daily contact with customers are organised in such a way as to allow employees to start work at flexible hours.

A full-time working week is 37.5 hours, which decreases to 36 hours for shift-based arrangements.

Employees, who perform activities in contact with customers and are thus required to keep fixed working hours, may nonetheless benefit from reductions of working hours, except for units of reduced size.

It should be noted that the Contact Centre organisational unit presents some peculiarities in that it employs a staff of approximately 70 tasked with online management of orders and/or requests for information submitted by customers and the distribution network of Financial Advisors.

The organisational unit is available for end customers from 8:00 AM to 10:00 PM Monday to Friday (and 8:00 AM to 2:00 PM on Saturdays) and for Financial Advisors from 8:30 AM to 6:35 PM Monday to Friday.

Each employee assigned to the organisational unit has a full-time working week of 36 hours and is assigned to weekly rotating shifts according to the aforementioned service availability hours (in the near future the shift rotation period will become monthly, thereby also allowing for better planning of non-work activities). Shifts number approximately 30 and are organised to provide the best possible coverage of the service and to allow employees to handle various operational and business issues.

Given the characteristics of the company population in terms of gender and age, in 2005 a detailed agreement was established with union organisations to grant part-time hours for the birth or adoption of children. The company shows great sensitivity towards requests for part-time hours/shorter hours/flexibility for serious personal and family reasons. Such requests were reiterated in conjunction with the extension of the supplementary agreement for the Banca Generali Group in June 2010.

All employees of the Banca Generali Group have the right to request work leave according to the terms provided for by law and by national and company agreements. It must be noted that, through union agreements, the company has granted workers paid leave for health services (testing or medical visits) that cannot be used outside regular working hours.

The “hour bank” is also an important instrument for work flexibility. This institution, provided for by the CCNL for the credit sector, envisages that the first 50 hours of overtime on an annual basis may be recovered — following advance notice — without any need to specify the reason. This limit may be raised to 100 hours annually at the employee’s discretion. Any overtime hours above these limits are remunerated. The aforementioned extension of the supplementary agreement also resulted in the inclusion of an ameliorative provision according to which the hour bank is now calculated according to the higher service figures determined in minutes and no longer in “blocks” of half-hours and then quarter-hours.

In order to facilitate the reconciliation of work and family commitments, the first company day-care facilities, dedicated to children between three months and three years of age and known as The Lion’s Cubs, were inaugurated in September 2010. The first facilities were opened at the offices in Mogliano Veneto and Trieste, and the facility at the Rome office will be opened in 2011.

Group employees may be granted discretionary periods of leave — with or without the right to compensation — for personal/family reasons or serious private concerns.

Employees are also entitled to leave (paid and/or unpaid) at the legal and/or contractual level for reasons such as: marriage, three days’ paid leave for the death of a family member, pregnancy and nursing, maternity/paternity, unpaid leave for a child’s illness, medical examinations and treatment and leave to assist family members with serious handicaps.

The rate of absenteeism (calculated as the number of days of absence — either total or for the various causes identified — as a percentage of the working days in the year) came to 22.71% in 2010 and may be broken down as follows:

- 11.20% for holidays (10.84% in 2009);
- 0.37% (0.27% in 2009) for paid leave (this also includes: 0.12% - 0.20% in 2009 — for marriage and 0.02% — the same as in 2009 - for study);
- 0,24% (0.39% in 2009) for unpaid leave (this category also includes grounds for extended leave);
- 7.50% (4.70% in 2009) for maternity (including not only maternity and parental leave, but also paid absences due to leave to attend to sick children);
- 3.41% for illnesses and/or accidents (3.32% in 2009).

## 4. HEALTH AND SAFETY IN THE WORKPLACE

The Banca Generali Group considers the physical safety of its workers to be a priority, and to protect that safety it guarantees working conditions that respect personal dignity in a safe, healthy environment, in accordance with existing health and safety legislation.

### Divisions and Duties

The Group Risk Prevention division of Assicurazioni Generali is responsible for identifying and assessing all the risks faced by Generali Group offices, based on its knowledge of the company's organisation. One of the tasks of this division is to propose adequate preventive measures to improve health and safety, in accordance with legislative decree 81/2008 (the Italian Health and Safety Act). The division is also responsible for ensuring compliance with the principles of the Group's Code of Ethics.

Four workers' safety representatives have been appointed for Banca Generali and one for employees of BG SGR.

The workers' safety representatives for Banking Group companies have been trained and involved by the Company and Parent Company in relation to the subject matter and issues set forth in Legislative Decree 81/2008. Specific training for safety managers at the Banking Group's peripheral offices also continued in 2010.

The head offices in Milan and Trieste also have their own emergency teams, staffed in relation to the size of each office, formed of volunteers with specific training on first aid and fire safety.

All central and branch offices are equipped with first-aid kits or sets. In addition, special evacuation chairs have been purchased for the executive offices in Milan and Trieste to be used in the event that an emergency requires personnel to vacate the premises, with the aim of facilitating egress by differently abled personnel.

The activity of the competent physicians appointed at the local level is periodically monitored. Such physicians are required to conduct inspections of workplaces. At present, the central offices and almost all peripheral offices have undergone periodic inspections and any reports of suggested improvements have been addressed.

All employees are trained and kept updated on risk prevention, laws and regulations, and recommended conduct in the case of a fire or other emergency, either by leaflets, e-learning courses, or through the Group Intranet.

Staff at all the banking offices attend a specific training programme, which covers the following areas: company policy on how to act during and after a robbery, the Italian Banking Association's brochure on the safety of front-office staff and the risk of robbery (available on the Group Intranet), the handbook *Antirapina – Guida alla sicurezza per gli operatori di sportello*, also published by ABI, and an e-learning course on how to act in the event of a robbery. In 2010 100% of employees received a monograph on robbery prevention and completed an e-learning training course.

Smoking is prohibited in all offices, by law.

### Physical Safety

Specific crime prevention measures and deterrents are implemented in areas at risk of attacks to staff, the public, or property.

These measures include access control systems, alarms and video surveillance at the Milan and Trieste offices.

In addition to the above, the banking branches have also implemented active and passive security systems, such as: interlocking entrance doors) and organisational measures including devices to protect deposits, safes, keys, systems, and other security equipment.

With regard to “robbery risk”, crime prevention measures at the banking offices are considered adequate when there are at least four security devices or systems, as indicated in the Memorandum of understanding on the prevention of bank crime, signed by the authorities responsible for public safety, ABI, and the banks.

The Group also collaborates with the police, by signing up to various protocols intended to raise awareness of local crime and identify the best way to fight it.

In 2010 there were three cases of robbery of bank branches.

## Programmes

During 2010, 12.78% of staff underwent the medical check-ups within the meaning of the applicable regulations. The check-ups related mainly to the eyes and the musculoskeletal system, in application of the healthcare guidelines for VDU operators. In total, 196 preventive and routine check-ups were carried out on banking personnel. The results of those check-ups showed clearly that most staff were fit to work without any limitations and/or special precautions. E-learning training sessions concerning the protection of health and safety in the workplace were provided to six persons, after involving 96% of employees in 2009. Those six persons include all of the external new hires.

The risk prevention section of the Group Intranet and the downloadable brochure allows all staff to receive training and information on safety-related behaviours, and the correct posture to adopt while working.

With the assistance of consultants, the Generali Group is continuing its review of ergonomics in the workplace, in order to protect the safety of staff in all offices, make working conditions more comfortable, and increase the efficiency and reliability of the man-machine systems.

The total cost incurred by the Banking Group in 2010 to protect workers' health and safety, which includes the costs of health monitoring, classroom training costs, the costs of equipment for emergency teams, and so forth, amounted to approximately 70,000 euros.

Classroom training took the form of courses for first-aid providers (144 hours), fire-prevention staff (92 hours), safety personnel (96 hours), the safety and protection service manager (40 hours) and workers' safety representatives (32 hours). In addition, in 2010 70% of executives attended a specific training course on safety issues.

During 2010, a total of 3 incidents occurred (2 on the road and 1 in the workplace), none of which caused death, serious or permanent injury, or an occupational illness to the members of staff involved.

During 2010 the rate of absenteeism due to accidents, calculated as the ratio between the days of absence for that reason and the total number of working days in a year, was 0.034% (0.04% in 2009). The rate for accidents in the workplace (excluding the road incidents) fell to 0.029% (0.02% in 2009).

## 5. INDUSTRIAL AND TRADE UNION RELATIONS

The Group 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 2010, the rate of membership (employees registered with unions) was 40.8%. 96.8% 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 Generali Fund Management.

With regard to trade union activities, a particular mention should be given to the national collective agreement CCNL Credito, which 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).

Alongside such opportunities to share information, in response to the frequent mergers, acquisitions and de-mergers involving the Banking Group (refer to the chapter History of the Group), the companies affected launched the procedures for dialogue with unions established at both the legislative and contractual level. Those procedures, aimed at a preliminary search for solutions acceptable to both parties (companies and unions) for handling the organisational consequences for employees, last for 45-50 days, the period within which agreements are to be reached with unions. Failing an agreement in the above period, the Company may make decisions unilaterally. In this regard, it should be noted that in essentially all cases it was possible to reach useful, consistent union agreements.

With regard to their impact on the workforce, these corporate transactions are also handled in accordance with the principles of the Code of Ethics and European Social Charter (referred to above), and in line with the good practices adopted by the Generali Group. As the major restructuring of the company had led to tension in the workplace, an agreement was reached with the unions to limit the impact by paying early retirement bonuses, placing a block on turnover, internal mobility among equivalent occupations, and transfers to other Generali Group companies.

As mentioned above, in 2010 the supplementary agreement for employees of the Banking Group (Italy area) was extended following negotiations commenced at the end of 2009 with the presentation of the union's platform of demands. In particular, the extension pertained both to the subject matter delegated to the company level by the national collective contract (performance bonus, healthcare, supplementary pension and, under certain conditions, position classifications) and the other issues typical of industry practice or attributable to rules – where applicable – established by the Parent Company, Assicurazioni Generali.

Especially noteworthy were the improvements for employees 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 pension fund), flexible service conditions and leave for medical examinations or clinical tests.

There are no cases of forced, compulsory or otherwise irregular labour within the Banca Generali Group. All employees are free to terminate their employment contracts provided that they observe the legally required notice period.

## Disputes with Employees

In the general process of managing disputes, responsibility for which is assigned to resources meeting the requirements of specific competence and appropriate professional experience, special attention is devoted to disputes with employees, given the peculiar nature of labour disputes, including from a procedural standpoint.

Of the **nine** disputed employee **positions** at Banca Generali S.p.A. in 2010, most of which referred to previously terminated contracts, five involved executive-level positions and four related to middle managers and white collars. Pending disputes may be attributed to various kinds of causes: for example, claims relating to the fixing of the term for definite-term contracts, circumstances surrounding termination of employment or the way in which employment contracts are managed.

In further detail, eight of nine positions were opened at the employee's initiative and the Company, forced to defend itself against legal claims, has always assessed whether to seek to settle the disputes, while also conducting a consistent, compelling defence of the Company's rights.

The total amount claimed by the counterparties is **3.6 million euro**, of which 2.8 million euro is associated with just two positions.

## 6. TRAINING 2010 IN NUMBERS

The Banca Generali Group's training activities during 2010 can be summarised as follows:

- a total of over 350,000 euros were invested in training;
- a total of over 13,200 training hours were delivered to employees;
- almost 85% permanent employees and the independent sales force were involved in training.

AVERAGE TRAINING HOURS BY CATEGORY		
	2010	2009
MANAGERS	11.01	9.91
EXECUTIVES	19.79	11.76
EMPLOYEES	19.26	11.92
SALES FORCE (PERMANENT EMPLOYEES)	26.25	6.00
SALES FORCE (NON-PERMANENT EMPLOYEES)	62.34	43.14



	2010	2009
AVERAGE ANNUAL EXPENSE PER EMPLOYEE	776.69*	128.29
AVERAGE TRAINING HOURS PER EMPLOYEE	19.10	9.90
INVESTMENTS IN TRAINING/SALARIES	0.90%	0.35%
AVERAGE ANNUAL COST OF TRAINING (EURO)	15.95	14.00

\* The figure for 2010 is considerably higher than that for the previous year owing to the adoption of new calculation criteria. On a like-for-like basis, the 2009 figure would have come to 356.49

Banca Generali sees learning, training, and the exchange of knowledge as being vital if the Group is to reach its strategic objectives, which focus on the creation of value for all its stakeholders: consolidating governance, improving operational efficiency through group-wide synergies, and paying attention to the quality of customer service.

This is why the Group organises and runs training courses which are specifically designed to meet the specific needs of the credit and Financial Advisory business. The courses are intended both for employees and the sales force.

The main courses were developed and continued during 2010 were: **Head Office – Field Force alliances; e-mail, our 7 rules; Professional training for Relationship Managers.**

**Head Office – Field Force alliances:** the aim of this course was to build bridges between the network of Financial Advisors and the work of staff in the Group's central offices in Milan and Trieste.

**E-mail, our 7 rules:** the aim of this project was to ensure an efficient communication through the use of email. In 2010 all human resource managers participated in a day devoted to training and sensitisation, followed by a discussion of the issue with their resources. All personnel were invited to participate in an online training course on appropriate use of e-mail, after which they met with their superiors to ensure virtuous behaviour in communication within the Bank.

**Regulatory training:** due to the specific nature of the Group's industry, careful attention is required when providing training on regulation in the world of banking and finance. In further detail, the training programme on the subject of the assessment of suspect transactions and verification of customers in assessing the risk associated with money-laundering pursuant to Legislative Decree 231/07 was completed. The Relationship Managers from the Private-Banking Division were particularly involved in the 2010 cycle.

Professional training for Relationship Managers - in the context of the broader training programme for the distribution network implemented in 2010, as analysed in the previous chapter.

The Banca Generali Group's professional training needs are met by the **Generali Group Innovation Academy** (GGIA), the corporate university of the Generali Group, whose courses are aligned with the Group's strategies.

GGIA advises every Italy-based Generali Group company on its training needs, and organises international conventions and knowledge exchange opportunities for all the Group's staff.

In order to provide adequate support to allow its personnel to keep constantly up-to-date at a professional level, even when logistical conditions make it difficult to do so, the Banca Generali Group relies on the distance learning platform offered by GGIA, which guarantees the availability of a considerable number of courses via e-learning.

## 7. STAFF INVOLVEMENT

The Banca Generali Group carries out periodic surveys on the climate within the company, and other forms of dialogue with employees.

Staff are also involved in other ways, with the aim of creating a corporate culture and identity.

Furthermore, the Group also uses its own dedicated internal communication channels such as the HR portal and Generali Group Reporters, and newsletters which keep everyone at the company up to date on the events, plans and organisational developments within the Banca Generali Group and all the other companies in the insurance group. In addition to these electronic channels, all employees may receive *Il Bollettino*, the Generali Group's house organ, by request.

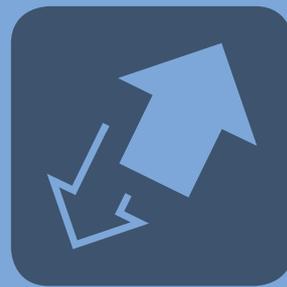
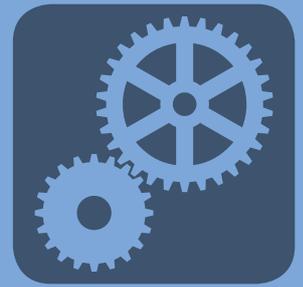
### Surveys and other forms of dialogue

The Banca Generali Group devotes attention to its personnel, taking an active part in the initiatives aimed at surveying the company climate periodically promoted by the Generali Group with the aim of measuring the efficacy of the change-related initiatives pursued and identifying new areas of improvement. In 2011 all personnel were involved in the third edition of the climate survey *Ascoltiamoci*, the results of which will be used to prepare new guidelines to foster the consolidation of practices aimed at achieving organisational wellbeing.

It is now also longstanding practice for the major training programmes developed by the Banca Generali Group that planning always be supported by focus groups formed of intended course participants. During such feedback sessions, trainers identify the main areas of improvement on which to focus and calibrate the final goals to be achieved.

At the end-of-year celebrations, the Banking Group's top executives come face to face with all the employees at two meetings (held in Milan and Trieste), during which the Chief Executive Officer and General Manager describe the results of the past twelve months, and outline the key strategies and plans for the coming year.





Social Report  
Shareholders  
and Investors



# Shareholders and Investors

## 1. INTRODUCTION

Banca Generali's actions towards its private and institutional shareholders are inspired by three fundamental guidelines: the first of these is its commitment to **create value for shareholders, regardless of the market scenario**. Capital markets have often been highly volatile in recent years, yet this has not prevented Banca Generali from growing constantly in terms of assets under management, earnings results and shareholder returns. These results reward a business model that relies on people's professional skills, constant product innovation and, last but not least, the sustainability of revenue items.

The second important commitment has to do with compensating shareholders. By leveraging its position of considerable financial solidity, Banca Generali has always **distributed significant dividends, averaging approximately 80% of its earnings**, thus securing itself a stable presence at the top of the rankings of Italian high-yield shares.

The third commitment is to ensure **transparent, timely communication** with its shareholders and financial operators generally, in relation to the performance of its earnings and financial position results and the development lines adopted. To that end, in line with industry best practice, the Company has established an Investor Relations service that represents a channel for dialogue with the financial community and shareholders that is always open (**www.bancagenerali.com**).

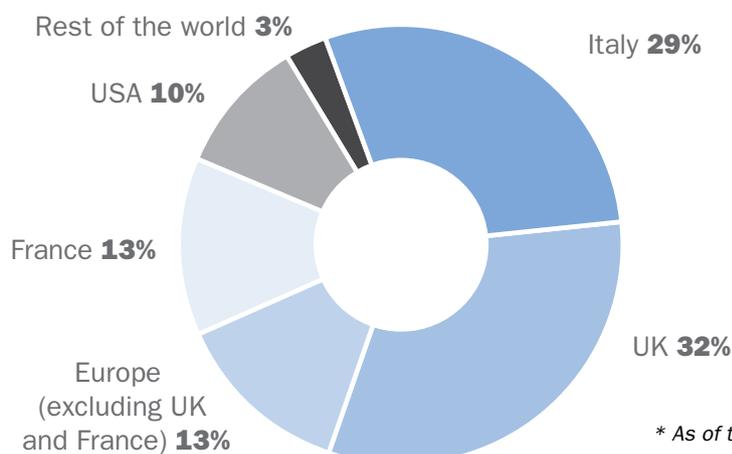
## 2. SHAREHOLDERS

At 31 December 2010, the share capital of Banca Generali amounted to 111,362,750 ordinary shares, each with a par value of 1.00 euro. During the year 49,574 new shares were issued following the exercise of options provided to Financial Advisors under stock-option plans.

NUMBER OF SHARES					
	2010	2009	2008	2007	2006
Number of issued shares	111,362,750	111,313,176	111,313,176	111,313,176	111,313,176
No. of outstanding shares at year-end*	111,292,679	110,853,509	110,538,030	110,317,267	110,183,646
Treasury shares	70,071	459,667	775,146	995,909	1,129,530

\*net of treasury shares

### Geographical breakdown of institutional investors (\*)



\* As of the date of the payment of the last dividend (May 2010)

### 3. STOCK PERFORMANCE: ORDINARY LISTING AND DIVIDENDS DISTRIBUTED

Since 15 November 2006, Banca Generali's shares are listed on the Borsa Italiana at a unit price of euro 8,00.

At the end of 2010, the Banca Generali's stock was included in: the FTSE Italia All-Share and FTSE Italia Mid Cap. At the end of 2010, Banca Generali's index of reference was the FTSE Italia Mid Cap. It should be noted that Banca Generali officially left the STAR segment on 12 July 2010 due to discontinuation of restrictions on trading hours underlying the presence in that segment.

The official price of Banca Generali stock came to 9.065 euros at 31 December 2010, up 9.065% compared to the beginning of the year, consolidating the up-trend witnessed in the previous year, when the stock appreciated by 209%. The peak price of the stock in 2010 was 9.645 euros (10 November 2010), while the low for the year was 6.805 euros (8 February 2010).

STOCK PERFORMANCE						
Official Price (€)	2010	2009	2010/09	2008	2007	2010/07
Maximum	9.650	8.738	10.4%	6.779	11.870	-18.7%
Minimum	6.800	2.070	228.5%	2.799	6.871	-1.0%
Medium	8.359	7.400	13.0%	4.657	10.420	-19.8%
Period-end	9.060	8.456	7.1%	2.804	6.871	31.9%
<b>Capitalisation (€m)</b>	<b>1009</b>	<b>941</b>	<b>7.2%</b>	<b>312</b>	<b>765</b>	<b>31.9%</b>

At the end of 2010 Banca Generali's total capitalisation was 1,009 million euros (+7.2% compared to 31 December 2009).

Banca Generali's stock outperformed both the Italian exchange index, the FTSE MIB (-1.,2%) and the specific index in which it is included, the FTSE Mid-Cap (-2.9%). There was an especially wide performance gap between Banca Generali and the Italian banking index (FTSE Italia Banks -31.1%) and European banking index (Bloomberg Bebanks -11.6%).

<b>PERFORMANCE OF MAIN STOCK</b>					
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
FTSE MIB	-13.2%	19.5%	-49.5%	-7.0%	16.1%
FTSE Italia Mid Cap	-2.9%	23.6%	-48.6%	-14.2%	32.0%
FTSE Italia Banks	-31.1%	27.1%	NA	NA	NA
DJ EuroStoxx 600	8.6%	28.0%	-45.6%	-0.2%	17.8%
DJ EuroStoxx 600 Banks	-11.6%	46.9%	-64.4%	-16.9%	18.7%

Distribution of a dividend of 55 euro cents per share (45 euro cents in 2009) was approved on the basis of the 2010 earnings, resulting in a total dividend of 61 million euros (49.9 million euros in 2009). The implied dividend yield was 5.2%, based on the price on the eve of the announcement of the dividend proposal (9 March 2011).

<b>ECONOMIC AND FINANCIAL</b>					
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Net equity (€m)	281.2	268.5	188.9	208.0	205.2
Net equity per share (€)	2.53	2.41	1.70	1.87	1.84
Price/Book Value (*)	3.59	3.51	1.65	3.68	5.21
Profit for the year (€m)	82.2	63.2	7.9	15.3	14.0
Earnings per share	0.741	0.571	0.072	0.139	0.135
P/E (calculated based on the last price)	12.3	14.8	39.0	49.4	71.2
P/E (calculated based on the medium price)	11.3	13.0	64.7	75.0	69.5
Dividends distributed (€m)	61.3	49.9	6.6	19.9	11.0
Pay-out Ratio <sup>(1)</sup>	75%	80%	84%	130%	80%
Unit dividend per share (€)	0.55	0.45	0.06	0.18	0.10
Dividend Yield <sup>(2)</sup>	5.2%	5.9%	2.6%	3.6%	0.9%
Dividend Yield <sup>(3)</sup>	6.6%	6.1%	1.3%	1.7%	1.1%

Source: company data, Bloomberg

(\*) Price/Book Value is calculated on the stock price at the end of the period

(1) Dividends distributed/profit for the year

(2) Unit dividend/price on the eve of the announcement of the dividend

(3) Unit dividend/average price

If the stock's performance is assessed by also taking into account the return achieved in terms of the dividend yield, the total return on Banca Generali stock (the total return rate - TRR) stood at 12.8%, far above other Italian financial stocks, with the sole exception of a stock involved in a public tender offer.

## 4. THE INVESTOR RELATIONS OFFICE

The Investor Relations office, working in close contact with the company's top management, strives constantly to maintain open, dynamic dialogue with the financial community and, in particular, with shareholders, institutional investors and financial analysts, with the aim of providing them with accurate information regarding the Bank's business strategies, operating performance and financial results.

To that end, the Bank regularly participates in road shows and industry conferences organised in major international financial centres, in addition to regularly hosting meetings with institutional investors and financial analysts at its headquarters. In 2010 a total of 140 meetings were organised with institutional investors and buy-side analysts from 83 leading Italian and international investment firms.

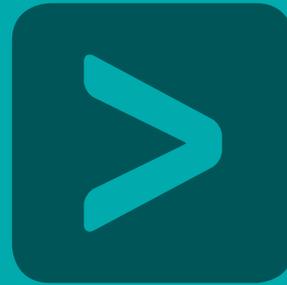
Such activity is in addition to the now-traditional organisation of management conference calls with the financial community when financial results are published.



<b>INVESTOR RELATIONS MARKETING</b>			
	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Presentations</b>	<b>5</b>	<b>9</b>	<b>12</b>
Institutional presentations (Analyst Meetings)	4	4	4
Presentation at Broker Sector Conference	1	5	8
<b>Road Shows</b>	<b>9</b>	<b>10</b>	
of which: Italy	5	4	
of which: Abroad	4	6	
<b>Number of meetings with analysts and institutional investors</b>	<b>109</b>	<b>113</b>	<b>84</b>
Number of companies met	83	85	62
Number of investors met	140	139	89
<b>Broker coverage</b>			
Number of buy-side analysts covering BG stock	10	10	10
Number of published reports and daily notes	85	108	85

At the end of 2010, Banca Generali stock was officially covered by ten leading Italian and foreign brokerage firms (Mediobanca, Goldman Sachs, HSBC, Intermonte, Equita, Unicredit, Deutsche Bank, CAI-Chevreux, Banca Leonardo and Banca Akros).

In 2011 Banca Generali's Investor Relations service aims to open a channel for communication with retail investors as well. To that end, the Bank will launch a semi-annual newsletter intended for retail investors. The newsletter is intended to provide retail shareholders with a concise update regarding the Bank's financial results and major commercial initiatives. The main projects and events organised by the Bank in support of the community and volunteer associations will also be presented.



# Social Report

## Suppliers



# Suppliers

## 1. PURCHASING POLICIES AND PRACTICES

In 2010 the Banca Generali Group engaged in dealings with 1,517 suppliers, for total costs of over 76 million euros. The number of active suppliers decreased by 13% compared to 2009, a decrease also confirmed by the total expenditure incurred, which was also down by approximately 14% compared to 2009.

NUMBER OF SUPPLIERS		EXPENDITURE ON SUPPLIERS (*)	
2010	2009	2010	2009
1,517	1,751	76,412.07	88,443.90

(\*) € thousand

While maintaining an autonomous purchasing policy, Banca Generali acts in accordance with the Generali Group's Code of Ethics, which calls for a commitment in dealings with contractual partners to adhere to principles of integrity, impartiality and transparency and to choose suppliers solely on the basis of criteria relating to competitiveness and the quality of the services and products offered.

The Generali Group's Code of Ethics requires that the choice of suppliers also be based on contractual partners' compliance with the Code's ethical principles.

The Banca Generali Group has issued a specific circular entitled Purchasing Management governing the procedures applicable to its procurement process.

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

The expenditure on national suppliers in 2010 came to 73.2 euros (95.77% of the total), whereas the expenditure on foreign suppliers was limited to 3.2 euros (4.23% of the total).

This policy is also positively reflected in the social and economic fabric of the communities in which Group companies are based, creating jobs and promoting economic growth.



**BREAKDOWN OF SUPPLIERS BY GEOGRAPHICAL AREA**

<b>REGION</b>	<b>2010</b>	<b>2009</b>
Abruzzo	11	10
Basilicata	1	1
Calabria	9	13
Campania	58	50
Emilia Romagna	122	107
Friuli Venezia Giulia	112	124
Lazio	102	165
Liguria	64	62
Lombardy	518	640
Marche	29	17
Molise	0	2
Piedmont	104	129
Puglia	25	34
Sardinia	7	13
Sicily	25	34
Tuscany	78	96
Trentino Alto Adige	9	12
Umbria	8	11
Valle d'Aosta	6	12
Veneto	88	128
<b>Total Italy</b>	<b>1,376</b>	<b>1,660</b>
<b>Total abroad</b>	<b>141</b>	<b>91</b>
<b>Total</b>	<b>1,517</b>	<b>1,751</b>

Supplier selection falls to the manager responsible for the area in question, in concert with the Purchasing and Logistics Service, and purchases are made both through specific Generali Group service companies and suppliers specifically identified according to the principles enunciated above.

In some cases, the criteria applied in selecting suppliers reflect a particular focus on the environment through green procurement (e.g., certified paper) and or “kilometre-zero” purchases/services.



Social Report  
Community



# Community

## 1. COMMUNITY RELATIONS

Improving the conditions of the communities with which it interacts and investing in their growth have become fundamental values for Banca Generali, which continues to reinforce its local presence over time.

Events, sponsorships, donations, campaigns and partnerships with entities and associations become a communications vehicle for the Company, which recognises the need to exploit local resources as one of its priorities.

The development of policies aimed at supporting the community has become a key factor to Banca Generali's business, which Trade Marketing (the office responsible for handling this aspect) coordinates by interfacing with all company divisions and functions, with the aim of ensuring that all processes of intervening in the community are consistent.

The Bank's activities are organised into four general areas of intervention:

**Social Concerns:** this area includes all initiatives aimed at developing and improving society in all of its aspects. Particular emphasis is placed on persons in difficulty, yet there is also considerable interest in sensitising the community and supporting academic research and education.

**Culture:** this area refers to all activities aimed at exploiting the artistic heritage, with the goal of improving citizens' enjoyment of that heritage.

**Sports:** this area includes activities related to athletics at both a professional and amateur or youth level, viewed as an excellent means of spreading sound principles and fundamental values.

**Volunteer Work:** this area includes all activities that the Bank's personnel perform on behalf of society. Such initiatives take the form of fund-raising and participation in volunteer work with the aim of aiding the less fortunate.

Of special importance is the Bank's longstanding partnership with the Italian Multiple Sclerosis Association, which results in the organisation of numerous events each year. Among the most noteworthy of this year's events was the concert given by the Italian Chamber Orchestra conducted by Salvatore Accardo.

Also deserving of mention is the initiative Banca Generali: A Champion for a Friend, in which four great athletic champions — Adriano Panatta, Andrea Lucchetta, Jury Chechi and Ciccio Graziani — supported more than 10,000 children ages 6 to 13 in athletic activities organised in ten major Italian cities. The event's goal was to promote the spread of values such as commitment, integrity and dedication, but most importantly the need to save and the value of money, among the very young.

The Bank has also promoted the values of sport by sponsoring Olympic athlete Federica Brignone, the promising Italian skier. Also of significant interest was the partnership with Ducati, which resulted in various initiatives in 2010, including the sponsorship of the World Ducati Week motorcycle event, held from 10 to 14 June at the Misano World Circuit, attended by thousands of Ducati enthusiasts from around the world.

The events that enjoyed support from Banca Generali included some in which network employees acted as spokespeople for the Bank's values of solidarity, dedicating a part of their working days to raising funds on behalf of non-profits. One such initiative that may be considered an undisputed success was the Christmas sale of Borrillo nougat to benefit the Italian Multiple Sclerosis Association, with all proceeds donated to the organisation.





Social Report  
Environment



# Environment

## 1. ENVIRONMENTAL POLICY

As stated in the Group's Code of Ethics and Environmental Policy, safeguarding the environment as a primary good is one of the values pursued by the Generali Group, which is committed to directing its decisions in such a way as to ensure compatibility between economic initiative and environmental concerns.

The Banca Generali Group, which is part of the Generali Group, is well aware that the conduct of its business in settings that vary enormously on a social, environmental and cultural level entails a commitment 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.

In that regard, on 29 September 2010 Banca Generali's Board of Directors adopted the Generali Group's Code of Ethics, which defines safeguarding the environment as a priority, among the various issues covered.

The Banca Generali Group is committed to a project aimed at implementing an Environmental Management System compliant with the requirements of the ISO 14001 standard and the guidelines indicated by the Generali Group.

As part of the project to implement the System, the Group has defined its Environmental Policy, which reiterates Generali's commitment to safeguarding the environment as stated in the Code of Ethics. Specifically, the document defined the objectives and undertakings that guide the Group's choices and actions in order to make a positive contribution to sustainable development. The objectives that have been identified refer not only to the direct environmental impacts attributable to the Group's insurance and financial operations, but also indirect impacts connected with the procurement, planning and distribution of insurance and financial products, as well as corporate investment activities.

In order to identify the significant impacts of the Company's activity on the environment, an environmental analysis was conducted for the main offices at Via Ugo Bassi 6 in Milan and Corso Cavour 5/a in Trieste.

The facilities in question host 550 employees, accounting for 72% of the Banca Generali Group's workforce.

With the aim of implementing and upholding the goals stated in the Group's Environmental Policy, the Banca Generali Group has also conformed to the Group's environmental improvement goals and targets. The Banca Generali Group's initial values, which were used to set targets, refer to 31 December 2010. The following table presents a summary of the Group's goals and targets in the area of direct environmental impacts.

**Group's environmental improvement goals and targets**

	<b>GOAL</b>	<b>TARGET/TIMETABLE</b>	<b>INDICATOR</b>
Energy	Optimisation of electrical power consumption	5% reduction in per-capita electrical power consumption by 2012	Annual per-capita electrical power consumption
Paper	Optimisation of paper consumption	5% reduction in total paper consumption by 2012	Total annual paper consumption
Water	Optimisation of water consumption	5% reduction in per-capita consumption by 2012	Annual per-capita water consumption
Waste	Optimisation of waste management	10% increase in sorted waste collection by 2012	Sorted waste as a percentage of total waste
Green hose-gas emissions	Reduction of atmospheric emissions caused by company mobility	10% reduction in CO2 emissions caused by company mobility by 2012	Annual CO2 emissions caused by company mobility

The Group is also committed to meeting an increasing share of its needs using renewable energy and green paper.

## 2. ENVIRONMENTAL PROTECTION

### Direct environmental impacts

In 2010 Banca Generali brought the ways in which it gathers data concerning the consumption of energy, paper and water and information about how waste is collected and disposed of into compliance with the guidelines specified in the Group's Environmental Management System.

### Energy

In 2010 the offices of the Banca Generali Group included in the Environmental Management System consumed a total of 13.51 terajoules (TJ) of energy.

Direct consumption of natural gas, used to heat working environments, accounted for 57% of consumption, while the remaining 43% consisted of electrical power consumption.

Accordingly, the reporting perimeter is no longer consistent with 2009, meaning that the 2009 figures diverge from those published in the previous Sustainability Report in that they have been restated to render them consistent with 2010.

Consumption in per-capita terms, calculated as the ratio of total consumption to the total number of employees working at the offices monitored by the system, came to 0.025 terajoules.

The Banca Generali Group currently does not produce any of its own energy, which it thus purchases from suppliers or directly from producers.

	<b>ELECTRICAL POWER CONSUMPTION (KWH)</b>	<b>PER-CAPITA CONSUMPTION (KWH)</b>	<b>NATURAL GAS CONSUMPTION (m3)</b>	<b>PER-CAPITA CONSUMPTION</b>
	<b>(m3)</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
Milan Bassi and Trieste C.so Cavour offices	1,611,922	2,931	197,511	359

The comparative figures for 2009 have not been published inasmuch as the survey criteria and reporting perimeter were revolutionised by the Banca Generali Group in order to adopt the Generali Group's Environmental Management System. Accordingly, it is impossible to determine whether a net energy savings was achieved.

Electrical energy is used primarily for lighting, machinery and air-conditioning.

Turning to thermal power consumption, in 2010 a total of 197,511 cubic metres of natural gas was consumed at the offices monitored by the Environmental Management System. It should be noted that the Trieste office also uses natural gas for the necessary summer cooling (chilled-beam system).

## Company building and facility management

The Banca Generali Group does not own any real property. The offices monitored by the Environmental Management System are owned by the Generali Group and are governed by a Facility Management Agreement provided by Generali Gestione Immobiliare S.p.A. of the Generali Group.

### Main measures taken to improve energy efficiency

- presence of devices that automatically turn on/turn off lighting systems; and
- presence of devices that automatically turn on/turn off/control climate-control systems.

PAPER – PAPER CONSUMPTION				
		2010	2009	CHANGE
White paper	quintals	232	270	-14.1%
Of which green paper	quintals	232	270	-14.1%
Printed paper	quintals	131	98	33.3%
Of which green printed paper	quintals	131	98	33.3%
<b>Total paper</b>	<b>quintals</b>	<b>363</b>	<b>368</b>	<b>-1.4%</b>

In 2010 a total of 363 quintals of paper were consumed, down 1.4% compared to 2009. Total consumption includes 232 quintals of white paper and 131 quintals of printed paper, i.e. paper acquired from suppliers for printing contractual documents, advertising materials, financial statements, etc.

All white and printed paper used by the Banca Generali Group is environmentally friendly and certified by the FSC - Forest Stewardship Council.

In 2010 Banca Generali Group companies purchased three quintals of toner.

The Banca Generali Group also uses the same catalogue of green products provided by the Generali Group's Purchasing Department, which also includes stationery and toner with a small environmental footprint.

### Main measures taken to improve paper management

- Replacement of individual printers, photocopiers and fax machines with multi-purpose devices or centralised printers for each office/floor;
- Use of low basis weight green paper;
- Limitation of pre-printed forms for printing contractual documentation to actual needs only;
- Use of alternative non-paper systems for communications between companies, branches, offices and agencies. The Bank's sales network obtains commercial and customer information by accessing the dedicated online portal;
- A container that may be reused more than 30 times is employed when dispatching printed communications between the Bank's offices.

<b>WATER – WATER CONSUMPTION</b>		
	<b>CONSUMPTION (m3)</b>	<b>PER- CAPITA CONSUMPTION (m3)</b>
	<b>2010</b>	<b>2010</b>
Milan Bassi and Trieste C.so Cavour offices	11,928	22

Comparative figures for 2009 have not been published inasmuch as both the survey criteria and reporting perimeter were revolutionised by the Banca Generali Group in order to adopt the Generali Group's Environmental Management System.

Water is used primarily for the purposes of hygiene and sanitation and to supply and cool climate-control systems. All the water that is consumed comes from municipal or state mains. The Banking Group generates waste water that flows into city sewers. The Banca Generali Group does not recycle or reuse water.

<b>WASTE - SORTED WASTE COLLECTION IN QUINTALS</b>		
Total sorted waste collection	quintals	468
Paper and cardboard	quintals	421
Plastic and cans	quintals	25
Electronics (computers, etc.)	quintals	4
Spent toner cartridges bound for final disposal	quintals	11
Spent toner cartridges bound for recycling	quintals	6
<b>Total sorted waste</b>	<b>quintals</b>	<b>468</b>
<b>Total waste 2010</b>	<b>quintals</b>	<b>473</b>

Comparative figures for 2009 have not been published inasmuch as both the survey criteria and reporting perimeter were revolutionised by the Banca Generali Group in order to adopt the Generali Group's Environmental Management System.

In 2010 the Banca Generali Group produced a total of 473 quintals of waste, 468 (99%) of which were sorted and five of which were incinerated or disposed of in dumps. Paper and cardboard, plastic and aluminium, electronics and toner are sorted.

Most sorted waste comprises paper and cardboard (90% of sorted waste).

Spent toner cartridges and hazardous waste (neon tubes, batteries, etc.) are collected and disposed of separately as appropriate, in accordance with applicable legislation, by specialised firms, while keeping the compulsory registers and documentation.

Figures for hazardous waste are not published inasmuch as such waste is handled directly by the supplier.

## Greenhouse-gas emissions

For a banking and financial company, greenhouse gases released into the atmosphere as part of operations are chiefly attributable to the consumption of electricity and the energy used by heating/air-conditioning systems and mobility.

MOBILITY				
KILOMETRES TRAVELLED BY EMPLOYEES ON BUSINESS TRIPS BY CAR				
	2010 TOTAL	OF WHICH, THE FLEET	2009 TOTAL	OF WHICH, THE FLEET
Banca Generali Group	864,131	556,178	907,640	546,287

Owing to the various mobility management initiatives, the kilometres travelled by employees on business trips by car decreased by 5%.

KILOMETRES TRAVELLED BY EMPLOYEES ON BUSINESS TRIPS BY AIRPLANE		
	2010 TOTAL	2009 TOTAL
Banca Generali Group	840,287	744,682

KILOMETRES TRAVELLED BY EMPLOYEES ON BUSINESS TRIPS BY TRAIN		
	TOTALE 2010	TOTALE 2009
Banca Generali Group	1,038,486	n.a.

During the year the processes of gathering accounts of travel by airplane and train were perfected by obtaining data directly from the travel agencies that make bookings for employees.

The kilometres travelled by airplane increased by 13% compared to 2009.

It should be noted that the means of transport most used by employees on business trips in 2010 was the train (40% of kilometres travelled, compared to 32% for airplanes and 28% for cars), known for being among the least polluting.

### Main measures taken to improve mobility

- Adoption of the Generali Group's travel policies, which privilege the use of public transport and promote the cleanest forms of public transport;
- Adoption of the Generali Group's car policy, which calls for maximum carbon dioxide (CO<sub>2</sub>) limits for company vehicles;
- Reduction of public transport costs for employees: reduction of the cost of annual passes for public transport systems belonging to the Milanese network;
- Promotion of bicycle use: bicycle parking is available at the main offices.

Videoconferencing systems continued to be developed in 2010 with the aim of decreasing travel and also establishing visual links between the Banca Generali Group's various offices. In particular in 2010 the number of videoconferencing connections totalled 680, up by 10% compared to 2009.

2010, in order to encourage sustainable mobility in commuting between the home and workplace, bicycle parking racks were installed at the Milan office and an agreement was reached with a local public transport provider to allow employees to purchase annual passes at discounted prices through subsidies provided by the Bank.

## Calculating emissions

In the area of greenhouse-gas (GHG) emissions caused by direct and indirect consumption of energy deriving from fossil fuels, estimates have been prepared for emissions deriving from the consumption of fuel for heating (natural gas), the electrical power purchased and company mobility, where company mobility is understood as the kilometres travelled by employees on business trips by car, train and airplane.

In 2010 total GHG emissions came to 1,367.3 tonnes of carbon-dioxide equivalents (CO<sub>2e</sub>), calculated by using appropriate coefficients to transform quantities of nitrogen oxide (N<sub>2</sub>O) and methane (CH<sub>4</sub>). Electrical power consumption accounted for 47% of such emissions, while 27% was due to thermal power and 26% to company mobility.

The following is an account of GHG emissions, grouped into three different categories (Scopes) according to the Greenhouse Gas Protocol approach.

**Scope 1** – Direct emissions produced by heating systems and the fleet of company cars have been estimated at 489 tonnes of CO<sub>2e</sub>. Total emissions have been estimated to come to 373.2 tonnes of CO<sub>2e</sub> based on power consumption deriving from 197,511 m<sup>3</sup> of natural gas. The emissions directly produced by the company fleet have been estimated at 115.8 tonnes of CO<sub>2e</sub>.

**Scope 2** – Indirect emissions caused by power consumption associated with the use of electrical power generated using fossil fuels have been estimated at 642.3 tonnes of CO<sub>2</sub> and derive essentially from the purchase of 1,611,922 kWh of electrical power.

**Scope 3** – Indirect emissions other than power consumption associated with employees' business trips have been estimated to total 236.0 tonnes of CO<sub>2e</sub>, of which 64.1 tonnes of CO<sub>2e</sub> was associated with travel by car, 113.1 tonnes of CO<sub>2e</sub> with travel by airplane and 58.7 tonnes of CO<sub>2e</sub> with travel by train.

Emissions have been estimated by adopting the guidelines of the Greenhouse Gas Protocol, prepared by the World Business Council on Sustainable Development (WBCSD) and World Resources Institute (WRI), as well as the emissions factors indicated in the calculation tools that accompany them. The Distance-based Methodology has been adopted for emissions associated with company mobility.

## Initiatives aimed at reducing greenhouse-gas emissions

In addition to the measures described in the paragraph on energy, aimed at limiting the consumption of energy and thus emissions deriving from heating, cooling and lighting, and those in the paragraph on mobility, aimed at reducing greenhouse-gas emissions due to company mobility, the offices included in the Environmental Management System have implemented a procedure that monitors systems and the proper functioning of such systems (for which the Generali Group's Facility Management Service is responsible). In accordance with applicable legislation, this procedure involves periodic inspections by external firms and Group technicians, as well as all other measures required to ensure that systems are efficient and prevent the release of harmful emissions into the atmosphere.

The process of eliminating refrigerant gases (R22) is currently underway at the Banca Generali Group offices included in the System. At this time there are still two independent air-conditioners that use R22 gas servicing the IT rooms in the Trieste office and a room in the Milan office.

### **Environmental protection expenditures and investments**

In 2010 the Banca Generali Group began to prepare itself to survey the expenditures and investments aimed at renovating offices, disposing of waste, training and sensitisation measures and so forth. These figures will be available shortly.

### **Fines and penalties**

Based on documentation available for 2010, the companies of the Banca Generali Group were not given any non-monetary fines or penalties for failing to respect environmental regulations and laws.

### **Biodiversity**

Banca Generali Group companies do not operate in protected areas or areas with a high level of biodiversity.

### **Training and sensitisation measures**

Under the conviction that education is of fundamental importance in spreading environmentally compatible behaviour, the Banca Generali Group participates in the initiatives implemented by the Generali Group in this area.

### **Indirect environmental impacts**

The Banca Generali Group's activity also has indirect impacts on the environment, in particular through the process of purchasing, planning and providing banking and investment products and services.

In this regard, the Bank has not provided loans to companies that engage in activities involving significant environmental risk (e.g., climate change).

Please refer to the chapter Suppliers for information regarding environmental issues relating to purchasing.



# Annexes



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EC3. Core	Coverage of liabilities related to the organisation's defined benefit plans.	85
EC4. Core	Significant financial assistance received from government.	39

<b>&lt; ECONOMIC PERFORMANCE INDICATORS</b>		
<b>ASPECT: Market Presence</b>		
EC5. Additional	Range of ratios of standard entry-level wage compared to the local minimum wage at significant locations of operation.	85
EC6. Core	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation.	106
EC7. Core	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	87
<b>ASPECT: Indirect Economic Impacts</b>		
EC8. Core	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.	110
EC9. Additional	Understanding and describing significant indirect economic impacts, including the extent of impacts.	
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>		
<b>ASPECT: Materials</b>		
EN1. Core	Materials used by weight or volume.	117
EN2. Core	Percentage of materials used that are recycled input materials.	117
<b>ASPECT: Energy</b>		
EN3. Core	Direct energy consumption by primary energy source.	116
EN4. Core	Direct energy consumption by primary energy source.	116
EN5. Additional	Energy saved due to conservation and efficiency improvements.	116
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.	
EN7. Additional	Initiatives to reduce indirect energy consumption and reductions achieved.	117
<b>ASPECT: Water</b>		
EN8. Core	Total water withdrawn by source.	118
EN9. Additional	Water sources significantly affected by withdrawal of water.	118
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<b>ASPECT: Biodiversity</b>		
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.	121
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.	121
EN13. Additional	Protected or restored habitats.	Not relevant to banking activities
EN14. Additional	Strategies, current actions and future plans for managing impacts on biodiversity.	121
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.	Not relevant to banking activities

<b>&lt; ENVIRONMENTAL PERFORMANCE INDICATORS</b>		
<b>ASPECT: Emissions, Effluents and Waste</b>		
EN16. Core	Core Total direct and indirect greenhouse gas emissions by weight.	119
EN17. Core	Other relevant indirect greenhouse gas emissions by weight.	119
EN18. Additional	Initiatives to reduce greenhouse gas emissions and reductions achieved.	120
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EN20. Core	NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions by type and weight.	120
EN21. Core	Total water discharge by quality and destination.	118
EN22. Core	Total amount of waste by type and disposal method.	118
EN23. Core	Total number and volume of significant spills.	Not relevant to banking activities
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.	118
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.	Not relevant to banking activities
<b>ASPECT: Products and Services</b>		
EN26. Core	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	
EN27. Core	Percentage of products sold and their packaging materials that are reclaimed by category.	Not relevant to banking activities
<b>ASPECT: Compliance</b>		
EN28. Core	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	121
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LA4. Core	Percentage of employees covered by collective bargaining agreements.	91
LA5. Core	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	91

<b>&lt; SOCIAL PERFORMANCE INDICATORS</b>		
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<b>ASPECT: Training and Education</b>		
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LA12. Additional	Percentage of employees receiving regular performance and career development reviews.	86
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