



**ILLUSTRATIVE REPORT
OF THE BOARD OF DIRECTORS OF BANCA GENERALI S.P.A.
CONCERNING ITEM 3 ON THE AGENDA OF THE ORDINARY
SHAREHOLDERS' MEETING**

“Appointment and definition of the remuneration of the Board of Statutory Auditors and its Chairman for the three-year period 2021-2023:

- (a) Appointment of the members of the Board of Statutory Auditors in office for the financial years ending 31 December 2021, 2022 and 2023. Relevant and ensuing resolutions;***
- (b) Definition of the annual remuneration of the members of the Board of Statutory Auditors for the financial years ending 31 December 2021, 2022 and 2023. Relevant and ensuing resolutions.”***

(Prepared pursuant to Article 125-ter of Legislative Decree No. 58 of 24 February 1998, as subsequently amended and extended, and pursuant to Article 84-ter of the Regulation adopted with Consob Resolution No. 11971 of 14 May 1999, as subsequently amended and extended)

Shareholders,

upon the Ordinary Shareholders' Meeting called to approve the Financial Statements for the year ended 31 December 2020, the mandate of your Company's Board of Statutory Auditors, conferred by the General Shareholders' Meeting on 12 April 2018 for the three-year period 2018-2020 is coming to an end.

Therefore, you are called upon to pass a resolution, pursuant to Article 20 of the Articles of Association, appointing the new Board of Statutory Auditors which will remain in office through to the date on which the General Shareholders' Meeting scheduled for the approval of the Financial Statements for the year ending 31 December 2023 is actually held.

We extend our heartfelt thanks and appreciation to the members of the current control body for their fruitful efforts carried out to date in the interest of the Company, and remind you that, pursuant to Article 20 of the Articles of Association, the Board of Statutory Auditors is composed of three (3) Acting Auditors and two (2) Alternate Auditors.

In particular, it is recalled that:

- the Statutory Auditors must be fit to perform their duties and, in accordance with applicable legislation governing the conduct of the office of Statutory Auditor of a bank that issues shares listed on a regulated market, they must therefore: (i) possess the requirements of professionalism, integrity, independence and independent judgement, and (ii) meet the criteria of competence, correctness and time commitment, as well as comply with the specific limits on the number of positions established by applicable legislation;
- in addition to meeting all the eligibility requirements imposed under the law for those who hold the office of Auditor, in compliance with Article 20 of the Articles of Association, all the acting and alternate Statutory Auditors must be free of criminal convictions for any of the offences listed in Legislative Decree No. 231/01, nor should they have been convicted for any other malicious offence. Similarly, Statutory Auditors should not be committed for trial in relation to the same offences, being the said trial still underway;
- candidates who fall within situations that are incompatible pursuant to applicable laws, including Article 36 of Law No. 214 of 22 December 2011, may not be appointed to the Board of Statutory Auditors and if so appointed will fall from office;
- each candidate may appear on only one list, under penalty of ineligibility.

The composition of the Board of Statutory Auditors must also comply with the gender diversity criteria set forth in applicable regulations. In particular, reference should be made to Article 148, paragraph 1-*bis*, of Legislative Decree No. 58 of 24 February 1998, which imposes observance of a gender composition criterion for the Board of Statutory Auditors, according to which at least two-fifths of the members elected must be of the less represented gender. In this regard, pursuant to Article 144-*undecies*.1, paragraph 3, of the Regulation adopted by Consob Resolution No. 11971 of 14 May 1999, where the application of gender balance criteria does not result in a whole number of members of the administration or control bodies belonging to the less represented gender, this number is rounded down by default to the lower unit for the company bodies formed by three members.

Finally, in accordance with Article 12 of Decree No. 169 of the Italian Ministry of the Economy and Finance of 23 November 2020, the outgoing Board of Statutory Auditors determined the qualitative and quantitative composition of the Board of Statutory Auditors deemed optimal, which establishes the individual requirements and the qualitative and quantitative profile that the new control body should reflect collectively. This Report, approved on 23 February 2021, which the Shareholders are invited to take into due account when filing lists, is available from the Company's website at the address www.bancagenerali.com in the "governance/AGM" section.

Under the Articles of Association mentioned, the Board of Statutory Auditors is appointed based on lists of candidates, made up of two sections: one for the appointment of the Acting Auditors and the other for the appointment of the Alternate Auditors. The lists contain a number of candidates no higher than the number of members to be elected, listed by progressive number. Each of the two sections of the lists must present

candidates in a manner that ensures compliance with the gender diversity criterion, as required by applicable laws.

With reference to the methods of submission of the lists, we remind you that shareholders who individually or jointly represent at least 1.00% of share capital are entitled to submit a list.

In accordance with Article 20, paragraph 5, of the Articles of Association, each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Italian Civil Code, and each subsidiary controlled by, or under the common control of, the said party, or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of Legislative Decree No. 58 of 24 February 1998, as subsequently amended, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) may contribute to the submission of only one list. In the event of breach, account will not be taken of the support given to any of the lists.

The lists, signed by entitled Shareholders must be filed no later than twenty-five days prior to the scheduled date of the first calling of the General Shareholders' Meeting (*i.e.* no later than 28 March 2021), by the means illustrated in detail in the notice of meeting. Contrary to the case of the postponement of the deadline for filing the lists of candidates for the office of member of the Board of Directors, in this case, considering that the deadline for the filing of lists of candidates for the office of member of the Board of Statutory Auditors also falls on a holiday, the deadline has not been postponed until the next business day in order to avoid reducing the possible additional period in the eventuality, illustrated below, set out in Article 144-*sexies*, paragraph 5, of Consob Regulation No. 11971/1999.

In fact, if at the above deadline no list has been filed, or only one list has been filed or lists have only been filed by shareholders related to one another, lists shall be submitted through to the third day after the said deadline. In such an event, shareholders who individually or jointly represent at least 0.50% of share capital are entitled to submit a list.

The lists must be accompanied by the information on the identity of shareholders who submitted them, with an indication of the percentage of share capital held jointly, as well as the following documentation:

- a) the *curriculum vitae* of the candidates, containing a thorough presentation of their personal and professional characteristics, as well as, *inter alia*, their expertise in insurance, finance and/or banking and the additional expertise required by the aforementioned report on the optimal qualitative and quantitative composition of the Board of Statutory Auditors;
- b) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting to the absence of associative relationships with the latter;
- c) the declarations in which each candidate accepts nomination and also commits — if elected — to accept the office and also certifies, under his own responsibility, the inexistence of causes of incompatibility and of ineligibility, as well as compliance with the requisites established by law and soft law in order to hold the office of Auditor as cited in the report on the optimal qualitative and quantitative profile of the Board of Statutory Auditors.

Certifications from authorised brokers attesting to the collective ownership interest held as at the date of filing of the list must be delivered to the Company by 1 April 2021.

Those who intend to file lists for the appointment of the Board of Statutory Auditors are also invited to adhere to the recommendations formulated by Consob in Communication No. DEM/9017893 of 26 February 2009, to which reference is made, which provides that lists submitted by shareholders who, separately or collectively, do not hold a controlling or majority interest must be accompanied by a declaration that there are no associative relationships in respect of such shareholders pursuant to Article 147-*ter*, paragraph 3, of Legislative Decree No. 58 of 24 February 1998 and Article 144-*quinquies* of Consob Regulation No. 11971/1999, also considering the cases specified in the above Consob Communication No. DEM/9017893.

The election of the Board of Statutory Auditors will be carried out as provided for by Article 20, paragraphs 8, 9 and 10, of the Articles of Association. The following will be elected:

- as Acting Auditors: *i*) the first two candidates on the list obtaining the highest number of votes and *ii*) the first candidate on the list obtaining the highest number of votes and submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes (the “**Minority List**”);
- as Alternate Auditors: *i*) the first candidate on the list obtaining the highest number of votes and *ii*) the first candidate on the Minority List.

In the case where the number of Acting Auditors belonging to the gender less represented falls short of the threshold established under applicable statutory provisions, the candidates appearing in the Acting Auditor section of the list obtaining the highest number of votes will be replaced following the order in which the candidates were presented for election. Should only one list be submitted, all the members of the Board of Statutory Auditors shall be appointed from the said list.

The Acting Auditor elected from the Minority List shall be the Chairman. In the event of submission of a single list, the first candidate specified therein will take the chairmanship.

Lists submitted in disregard of the provisions set forth in Article 20 of the Articles of Association shall be considered as never having been submitted.

In light of the above, in inviting you to pass a resolution on the appointment of the members of the Board of Statutory Auditors, expressing your preference for one of the lists submitted by the persons and parties entitled to do so, in accordance with Article 20 of the Articles of Association, it is pointed out that the text of the related shareholders’ resolution will reflect the outcome of the ballot.

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In addition to appointing the Board of Statutory Auditors for the three-year period 2021-2023, you are also called to the Shareholders’ Meeting to pass a resolution on the annual remuneration of members of the Board of Statutory Auditors. In such regard, it must be pointed out that the remuneration of the Company’s Board of Auditors, as per the resolution passed by the General Shareholders’ Meeting held on 12 April 2018, is currently established *i*) at the gross annual amount of 60,000.00 euros for the Chairman and *e ii*) at the gross annual amount of 40,000.00 per each Acting Auditor, over and above reimbursement of out-of-pocket expenses incurred in the performance of their duties.

In relation to the foregoing, in view of the appointment of the new Board – in accordance with the recommendations of the Chairman of the Italian Corporate Governance Committee that it be verified whether the amount of the remuneration of non-executive directors and of the members of the Board of Statutory Auditors is adequate to the expertise, professionalism and commitment required by their duties – the Company engaged an independent external expert to conduct a benchmark analysis on a sample of the main Italian financial companies listed on the FTSE MIB and FTSE MID CAP index comparable to Banca Generali by size, in which the current remuneration of the members of the control body was found to be below the market median.

Therefore, in view of the above illustrated indication arising from the outcome of benchmark analysis, as well as the changes in the Bank’s size and operations compared to the previous term, and of the future challenges that it will be called upon to face, and thus of the correlated greater commitment required due to their specific role and the new legislative framework established in the interim, which has increased competition amongst intermediaries by introducing stringent selection criteria for members and limits on concurrent positions also applicable to listed Italian banks not subject to supervision by the ECB (see, in this regard, Decree of the Italian Ministry of the Economy and Finance No. 169/2020), the outgoing Board of Directors proposes that:

- it be put to the Shareholders to formulate, when filing lists of candidates, a proposal for the remuneration to be awarded to the Chairman of the Board of Statutory Auditors (not exceeding the gross annual amount of 90,000.00 euros) and each Acting Auditor (not exceeding the gross annual amount of 60,000.00 euros), in addition to reimbursement of out-of-pocket expenses incurred in the course of duty, for the entire three-year term of the Board of Statutory Auditors, and thus until the date of approval of the financial statements for the year ending on 31 December 2023.

Since the Board of Statutory Auditors also acts as Supervisory Body pursuant to Legislative Decree No. 231/2001, the incoming Board of Directors, exercising the powers granted to it, will also determine the specific

remuneration for the financial year for the position in question, while continuing to ensure that the amount of the remuneration granted is adequate to the expertise, professionalism and commitment required by the office.

In light of the foregoing, the relevant text of the shareholders' resolution will reflect the outcome of the motions submitted and the resulting votes.

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The Board of Directors therefore invites you to pass the appropriate resolutions regarding the appointment and determination of the remuneration of the Board of Statutory Auditors and its Chairman for the three-year period 2021-2023, and specifically:

- (a) to appoint the members of the Board of Statutory Auditors and the Chairman in office for the financial years ending 31 December 2021, 2022 and 2023, according to list voting procedures pursuant to the laws and the Articles of Association;
- (b) to set the annual remuneration for Statutory Auditors for the financial years ending 31 December 2021, 2022 and 2023.

Milan, 5 March 2021

THE BOARD OF DIRECTORS