



**ILLUSTRATIVE REPORT
OF THE BOARD OF DIRECTORS OF BANCA GENERALI S.P.A.
CONCERNING ITEM 4 AND ITEM 5 ON THE AGENDA OF THE ORDINARY
SHAREHOLDERS' MEETING**

“Remuneration and incentive policies of the Banking Group for 2021: examination of Section I prepared pursuant to Article 123-ter, paragraph 3, of TUF; resolutions pursuant to Article 123-ter, paragraphs 3-bis and 3-ter, of TUF.”

AND

“Report on the implementation of the Banking Group’s remuneration and incentive policies in 2020: examination of Section II prepared pursuant to Article 123-ter, paragraph 4, of TUF; resolutions pursuant to Article 123-ter, paragraph 6, of TUF.”

(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,

We hereby remind you that Circular No. 285 of 17 December 2013 currently in force sets forth specific principles and requirements that banks must comply with so as to ensure that: remuneration and incentive systems are properly designed and implemented; potential conflicts of interest are effectively managed; the remuneration system takes due account of current and prospective risks, the degree of capitalisation, as well as liquidity levels of each intermediary; transparency towards the market is maximised; and oversight by regulatory authorities is reinforced.

These provisions are aimed at promoting – in the interest of all stakeholders – the implementation of remuneration and incentive systems that are in line with long-term corporate objectives and strategies, linked to corporate performance but appropriately corrected to reflect all risks, commensurate with the capital and liquidity levels required to cover ongoing business operations, and in any event, designed to avoid distorted incentives that could lead to regulatory violations and excessive risk-taking by the bank and within the whole system.

The aforementioned provisions provide for:

- a maximum limit of 1:1 for the ratio of the variable to fixed component of remuneration, exclusively for Key Personnel;
- the power granted to the General Shareholders' Meeting for raising the said ratio above the level established in the preceding point up to no more than 2:1, provided that certain conditions are met;
- limits on variable remuneration where banks fail to observe specific capital requirements;
- the application of the regulatory technical standards concerning (i) the appropriate qualitative and quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile, as per Commission Delegated Regulation (EU) in force from time to time (currently, RTS No. 604 of 4 March 2014); and specifying (ii) the classes of instruments that adequately reflect the credit quality of an institution as a going concern and are appropriate to be used for the purposes of variable remuneration, as per Commission Delegated Regulation (EU) No. 527 of 12 March 2014;
- remuneration and incentive policies and procedures to be applied, among others, to Financial Advisors authorised to make off-premises offers.

In this context, the legal framework also envisages that:

- (i) in addition to establishing the remuneration of the members of the corporate bodies, the Ordinary Shareholders' Meeting shall also approve the remuneration and incentive policies applicable to bodies and functions of strategic oversight, management and control, as well as to other personnel, and the criteria for determining any amounts to be paid in the event of early termination of the employment or early termination of the office, including limits on such amounts in terms of annual fixed remuneration and the maximum amount that results from the application thereof (said criteria are included in the remuneration and incentive policies);
- (ii) the General Shareholders' Meeting shall be provided information on the procedures through which remuneration policies were applied and implemented.

At the same time, it bears recalling that, by Resolution of 10 December 2020, Consob amended the previous rules by adapting regulations on transparency and the disclosure of the remuneration of corporate officers of issuers of listed securities to Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 (so-called "SHRD II") and to provisions transposing it into Italian law, in particular provisions included in Legislative Decree No. 49 of 10 May 2019. Under the said rules, in keeping with the previous provisions, issuers of listed securities are required, *inter alia*, to draw up a remuneration report, as well as to also provide therein further information in addition to that required by the previous Consob regulations, without prejudice to the remuneration-related obligations imposed under industry-specific regulations applicable by reason of the industrial sector in which the listed corporation operates.

Lastly, the framework of reference outlined above includes recommendations set forth in the Corporate Governance Code for Listed Companies that your Company has voluntarily adopted, and that acknowledge the principles contained in the Recommendations issued by European authorities regarding the content of remuneration policies and the process through which they are defined.

In light of all of the above, you have been convened to resolve on the Remuneration Report, pursuant to Articles 123-ter of Legislative Decree No. 58/1998 and 84-quarter of the Rules for Issuers adopted by Consob by Resolution No. 11971 dated 14 May 1999 (as updated from time to time), and Article 5 of the Corporate Governance Code for Listed Companies (hereinafter the “**Report**”).

The Report was prepared in compliance with Annex 3A, Layout 7-bis, of the Rules for Issuers (and, more generally, in compliance with the overall legal and regulatory reference framework) and is comprised of two sections: the first illustrates the proposed Company and Group remuneration and incentive policy of the members of administration bodies, general managers, key management personnel, members of control bodies and, pursuant to the provisions of the Circular, the remaining personnel, for 2021, as well as the procedures used for the adoption and implementation of said policy; the second highlights the procedures through which the Company and Group remuneration and incentive policy for 2020 has been implemented in financial year 2020, and analytically discloses the emoluments actually paid.

In referring you to the Report for further details, we submit to you the content of Section 1 on which the Shareholders’ Meeting is called to pass a binding resolution in favour or against, and the content of Section 2 on which the Shareholders’ Meeting is called to pass a non-binding resolution, in favour or against.

Furthermore, it must be borne in mind that, pursuant to the Bank of Italy’s Supervisory Instructions:

- in defining remuneration and incentive policies, the compliance function is required to assess the compatibility of the said policies with the regulatory framework of reference, with specific emphasis, *inter alia*, on the extent to which the Company’s incentive system is in line with objectives of compliance with regulations, the Articles of Association, as well as any and all other codes of ethics, rules of conduct, or standards that the bank is required to comply with, above all with a view to appropriately containing the legal and reputational risks associated, in particular, with customer relations;
- the internal audit function is required to verify, at least once a year, the extent to which remuneration practices are compliant with the approved policies and the Supervisory Instructions.

The Report provides a summary of the outcome of the aforesaid checks regarding (i) the compliance of the Group’s remuneration and incentive policies for 2021 with the current regulatory framework of reference, and (ii) the operating compliance of remuneration practices with regulations and the remuneration policies approved by the General Shareholders’ Meeting on 23 April 2020.

An outline draft of the resolution that the General Shareholders’ Meeting is invited to pass by way of approval of the aforesaid proposal is provided below:

“The General Shareholders’ Meeting of Banca Generali S.p.A.,

- *having examined the Remuneration Report prepared pursuant to Article 123-ter of Legislative Decree No. 58 of 24 February 1998 and Bank of Italy Circular No. 285, Part I, Title IV, Chapter 2, dated 17 December 2013 currently in force;*
 - *having acknowledged the results of the checks carried out by the internal audit and compliance functions;*
 - *having acknowledged the activities undertaken by the Remuneration Committee in such regard;*
 - *having heard the favourable opinion of the Board of Statutory Auditors,*
- 1) *having acknowledged the content of the Report on the implementation in 2020 of the remuneration policies approved by the General Shareholders’ Meeting on 23 April 2020 included in the Remuneration Report, resolves to express a favourable opinion on Section 2 of said Report;*
 - 2) *resolves to approve the Section 1 of the Remuneration Report, which illustrates the remuneration and incentive policy of the Company and the Group, the procedures for its adoption and implementation and the criteria for the definition of the amounts to be eventually paid in the event of early termination of*

the employment or early termination of the office, including limits on such amounts in terms of annual fixed remuneration and the maximum amount that results from the application thereof;

- 3) *resolves to place the Board of Directors in charge of implementing the remuneration and incentive policies, allowing the same to appoint one of its members to concretely implement such policies”.*

The Remuneration Report will be made available to the public from the registered office of Banca Generali S.p.A., the Milan operating offices, *Direzione Affari Societari e Rapporti con le Authorities*, Piazza Tre Torri 1, on the Company’s website www.bancagenerali.com, at Borsa Italiana S.p.A. and via the website of the authorised storage service eMarketstorage www.emarketstorage.com, by the legal deadline, no later than 21 days prior to the holding of the Shareholders’ Meeting.

With regard to this item on the Agenda, specific reference is accordingly made to the contents of the said Remuneration Report.

Milan, 5 March 2021

THE BOARD OF DIRECTORS