



Recommendations on the ideal qualitative and quantitative composition of the Board of Directors

pursuant to the Circular Letter No. 285/2013 issued by the Bank of Italy, and Article 2 of the Corporate Governance Code.

1. Foreword

Corporate bodies are responsible for managing the risks to which banks are exposed, primarily through the timely identification of the sources of risk, their related trends, and effective risk containment.

Ultimate responsibility for most of these tasks lies with the Board of Directors which is (solely) accountable for strategic oversight and determines management policy in concert with other corporate functions (Chief Executive Officer and General Manager).

For the Board of Directors to function properly, it must be made up of members with professional qualifications, skills and experience commensurate with their responsibilities, taking due account of the extent and nature of the Bank's business operations. The skill set, qualification and experience represented on the Board of Directors must be broad and diversified so that each Company director, both whilst acting as a member of a Board committee, or when contributing to decisions to be made by the Board as a whole, is in a position to ensure effective risk management in all the bank's and the banking group's areas of operation.

The Bank of Italy's supervisory instructions on corporate governance and organisation, provided for in Circular Letter No. 285/2013, as amended through the 20th update issued on 21 November 2017, place particular emphasis on these specific issues, and lay down implementing guidelines and principles to be followed by financial institutions in determining the composition of their respective Boards of Directors.

Within the same context, the Order issued by the Bank of Italy on 6 May 2014 further already required the Board of Directors to define its ideal qualitative and quantitative composition, in a report duly supported by a statement of grounds, the requirements individual candidates for Board membership ought to meet in theory — in terms of professionalism, as well as independence, where necessary — to ensure an ideal Board.

Pursuant to the supervisory instructions, the procedures through which Board appointments are made must be transparent, set out in the Articles of Association, and ensure adequate representation of the various components of the Company's base, on supervisory and governing bodies (institutional investors, qualified minorities).

The process for appointing Board members — involving several bodies and functions — aims at ensuring that governing and control bodies comprise persons capable of effectively discharge the tasks they were assigned. Accordingly, the professional expertise required to achieve this result shall be defined in advance, and reviewed time by time, where necessary, and the process for selecting and appointing candidates shall comply with these guidelines.

From a qualitative standpoint, the proper discharge of the functions assigned requires strategic supervisory and managing bodies to include Board Members who: a) are fully aware of the powers and obligations inherent in the functions that each of them is called upon to perform; b) possess

professional expertise suited to the positions they fill, including in Board Committees, if present, and appropriate to the bank's operational characteristics and size; c) have a wide range of skills amongst all members, diversified in such a way that each member — within an individual Board committee or with respect to decisions entailing the whole Board — may also effectively contribute to identifying and implementing adequate strategies, thus ensuring effective risk management in all areas of the bank; d) devote adequate time and resources to their offices, without prejudice to the maximum number of concurrent offices held; e) commit to achieving the bank's interest, regardless of the members who voted for them or the list to which they belonged.

Similar goals are also pursued by the Corporate Governance Code for Listed Companies, adopted by the Corporate Governance Committee in March 2006, and recently amended in July 2015. In the comment to Article 2, the Code puts forward a recommendation for the Shareholders, who — upon the presentation of lists and subsequent appointment of Directors, and in light of the Board's opinion thereon — are required to evaluate the general and professional features, including experience, also in managerial positions, and the gender of candidates, taking due account of the dimensions, complexity and peculiarities of the Issuer's business operations, as well as the size of the Board of Directors in question.

Moreover, the above-mentioned provisions issued by the Bank of Italy on 6 May 2014, which were maintained also when the document was most recently updated on 21 November 2017, require the results of the analyses undertaken to be brought to the attention of the Bank's shareholders in a timely manner so that they may take the recommended professional requirements into account when drawing up and subsequently voting on lists of candidates for Board membership.

2. Procedures for the appointment of the Board of Directors

The procedures for the appointment of the Board of Directors are regulated under Article 15 of the Articles of Association, which provide for:

- (i) adequate representation of qualified minorities through list-voting mechanism;
- (ii) adequate presence of independent directors, via the replacement mechanism, where necessary; and
- (iii) adequate gender balance, through the replacement mechanism, where necessary.

In order to ensure that qualified minorities are adequately represented on the Board, a list of candidates for appointment as members of the Board of Directors by the relevant General Shareholders' Meeting may be submitted by any and all shareholders who, on their own or together with others, hold the percentage of share capital set forth in applicable regulations (which for Banca Generali currently is 1% of share capital).

The lists must contain a number of candidates such as to guarantee gender balance, not higher than the number of members to be elected, listed by progressive number with a specific indication of the candidates who meet the statutory requirements of independence. Each candidate may appear on only one list, upon penalty of ineligibility.

Should only one list be submitted, all the members of the Board of Directors shall be appointed from the said list.

Should, on the other hand, two or more lists be submitted, the first candidates on the list obtaining the greatest number of votes, equal to eight ninths of the number of members of the Board of Directors determined by the Shareholders' Meeting — with rounding down in the case of split number — will be elected Board members. In the case where the number of Board members belonging to the gender less represented, and appearing on the list that obtained the highest number of votes, is lower than the number required under applicable statutory provisions, the elected candidate with the highest serial number, and belonging to the more represented gender, shall be excluded. The eliminated candidate shall be replaced by the following candidate belonging to the gender less represented and appearing on the same list as the eliminated candidate. In the case where it is not possible to draw from the list obtaining the highest number of votes, the required number of Directors belonging to the gender less represented, the Board seats in question will be filled by appointments made by the General Shareholders' Meeting, by majority vote. The remaining directors shall be drawn from the other lists, which may in no event be directly or indirectly linked to shareholders that have submitted or, otherwise, voted in favour of the list that received the highest number of votes.

To ensure that the Board of Directors comprises the required number of Independent Directors, Article 15 of the Articles of Association provides for a replacement mechanism that is triggered in the event the number of elected Board members who satisfy independence requirements is not sufficient to ensure compliance with the regulatory provisions applicable to the Company.

3. Role of the Board of Directors

Under Banca Generali's corporate governance system, responsibility for strategic oversight vests with the Board of Directors which is accordingly in charge of approving resolutions on the Bank's strategic policy and monitoring the implementation of the latter over time.

Pursuant to Article 18 of the Articles of Association, in implementing the principles of the surveillance regulations, the Board of Directors is vested with full powers of ordinary and extraordinary management of the Company. It has the authority to resolve on all matters pertaining to the corporate purpose that are not reserved to the exclusive competence of the Shareholders' Meeting. Moreover, Article 18 of the Articles of Association vests the Board of Directors with exclusive decision-making authority over all strategic matters, including:

- a) determining the general management policy and the approval of strategic programmes, guidelines and transactions, as well as the Company's strategic and financial plans and transactions entailing a significant impact on the Company's balance sheet, profit and loss account or cash flow, including related and connected party transactions;
- b) appointing, when it sees fit, a General Manager, Joint General Managers and Deputy General Managers, assigning their relative powers and deciding upon their retirement;
- c) appointing the Internal Auditor, after having heard the opinion of the Board of Statutory Auditors;
- d) appointing the Compliance Officer, after having heard the opinion of the Board of Statutory

Auditors;

- e)* upon hearing the Board of Statutory Auditors, appointing and dismissing the Executive in charge of drawing up the company's accounting documents, determining the powers and resources thereof, as well as supervising the tasks carried out by the same and monitoring actual compliance with administrative and accounting procedures;
- f)* authorising company representatives fulfilling managerial, executive and supervisory roles and other parties identified by law to perform transactions or assume obligations of any kind with the Company or to carry out direct or indirect sales and purchases;
- g)* purchasing or selling shareholdings that cause changes in the Banking Group or controlling or associative shareholdings; selling companies and/or company branches; entering into agreements pertaining to joint ventures or strategic alliances;
- h)* approving the organisational structure and any and all amendments to internal rules and policies; carrying out periodic checks to ensure that tasks and responsibilities are clearly and coherently defined within the organisational structure;
- i)* carrying out periodic checks to ensure that the internal control structure is respectful of the principle of proportionality and complies with strategic guidelines, and that internal control functions are afforded a sufficient degree of independence within the organisational structure and are endowed with adequate resources to allow them to function properly;
- l)* carrying out checks to ensure that the system of information flows is adequate, complete and timely;
- m)* drawing up guidelines for the recruitment and internal placement of Company executives;
- n)* carrying out checks to ensure that the remuneration and incentive systems applicable to persons in top managerial positions within the organisational structure take due account of risk containment policies and are in line with the bank's long-term objectives, corporate culture and overall internal control and corporate governance system;
- o)* creating committees or commissions with control, consultation, recommendatory or coordination functions, also for the purpose of ensuring that corporate governance complies with prevailing recommendations on the matter, establishing the components, the duration, the powers and authority of said committees or commissions at the time they are set up;
- p)* ongoing monitoring to ensure that the system of information flows amongst corporate organs is adequate, complete and timely;
- q)* approving Related Party and Connected Party transactions, in accordance with the provisions set forth in the procedure adopted by the Company in compliance with applicable regulations governing Related Party and Connected Party transactions.

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

Moreover, pursuant to the current regulatory framework governing companies providing investment services, the Board of Directors is also tasked with drawing up corporate policies, measures, processes and procedures aimed at containing risks and ensuring financial stability, as well as sound and prudent management.

4. Composition of the Board of Directors – Number of Board members

The composition of the Board of Directors plays a central role in the effective discharge of the tasks entrusted to it pursuant to law, supervisory instructions and the Articles of Association.

The number of Board members must therefore be commensurate with the size and complexity of the bank's organisational structure, so as to ensure that the Board is capable of effectively overseeing all corporate operations from the standpoint of management and supervision. However, the Board of Directors must not be made up of too large a number of members.

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 Shareholders' Meeting after determination of the number of members.

Members of the Board of Directors hold office for a maximum of three financial years. Their term ends on the date of the meeting called to approve the financial statements of the last financial year of said term and they are eligible for reappointment. In the case of appointment during the period of office, the mandate of the newly appointed members will expire with that of members already in office.

On 23 April 2015, the General Shareholders' Meeting established that throughout the financial years 2015, 2016 and 2017, the Bank's Board of Directors was to be made up of 9 members.

The size of the Bank's Board of Directors is in line with the system-specific data recently compiled by the Bank of Italy. As a matter of fact, an analysis conducted in November 2013 by the Bank of Italy on corporate governance issues linked to the qualitative and quantitative composition revealed that the Board members' mean number in the banks analysed generally reflects and proportionally increases with assets volumes. In further detail, the Board members' mean number is as follows: 15.4 in large corporations (assets valued at over 20 billion euros); 12.9 in medium-sized corporations (assets valued at between 3.5 billion euros and 20 billion euros); and 6.7 in small corporations (assets valued at less than 3.5 billion euros). Comparing these results with the analysis on banks' Articles of Associations conducted by the Bank of Italy and the following publication of best practices in December 2011, the mean number of Board members of banks analysed was slightly higher (Source: *Bank of Italy — Analysis of results and self-assessment — Section I — Qualitative and quantitative composition*).

The dimensions of the Company and the Group, as well as the specific features of their sectors of business, require the Board of Directors to comprise a wide variety of skills, experience, general knowledge and specialist know-how pertaining to developments in both, the broad macro-economic context, and more specifically, the fields of banking and finance.

In determining the ideal number of members to be appointed to the new Board of Directors, due account must also be taken of the Bank of Italy's express general recommendation to ensure that the strategic supervisory body is not so large as to negatively impact its functioning.

In consideration of all of the above, and taking due account of the bank's dimensions, a Board of Directors comprising no less than nine and no more than ten members appears ideal, since it would be endowed with all the professional skills and experience required to ensure efficient corporate management and effective Board functioning.

5. Composition of the Board of Directors – Categories of Directors

Since Banca Generali is subject to management and coordination by another Italian company with shares listed in regulated markets, the Board of Directors must consist of a majority of independent directors, pursuant to the provisions of Article 16, paragraph 1, letter d), of the Regulation adopted by Consob in Resolution No. 20249 of 28 December 2017.

Consequently, in light of the recommended composition of the Board — ideally comprised of nine or ten directors — five or six of the latter must qualify as independent directors to be tasked with overseeing corporate management in exercise of their independent judgement, and accordingly, contributing towards ensuring that business operations are conducted in the interest of the Company and in accordance with the principles of sound and prudent business administration.

With regard to the assessment policies to be followed in evaluating the independence of Company directors, in accordance with past practice in respect of previous Board appointments, the Board will assess the independence of its members, placing greater emphasis on substance than on form, and, in any event, deeming to be independent all those directors who meet the requirements of independence set forth in Article 148, paragraph 3, of Legislative Decree No. 58/1998.

Furthermore, pursuant to the provisions of the Corporate Governance Code for Listed Companies, as a general rule, a director will not be considered independent if he/she:

a) directly or indirectly, including through subsidiaries, trust companies or third-party intermediaries, controls the Company or is in a position as to exert a significant influence over the same, or is party to a shareholder agreement under which one or more parties are afforded control of or a significant influence over the Company;

b) is, or has been in the preceding three financial years, a key executive of the Company or a strategic subsidiary thereof, or a company subject to common control with the Company, or a company or body that, even together with others on the basis of a shareholder agreement, controls the Company or is in a position as to exert a significant influence over the same;

c) directly or indirectly (for instance through subsidiaries or companies in which he serves as a key executive, or professional partnerships or consultancy firms in which he/she is a partner) maintains, or has maintained in the previous financial year, significant commercial, financial or professional relationships with:

- the Company or one of its subsidiaries or one or more of its key executives;

- a person or party that, either alone or together with others pursuant to a shareholder agreement, controls the Company or — in the case where the said party is a legal entity or body corporate — with the key executives thereof;
- one or more of any of the aforesaid persons and/or parties, as an employee, at any time during the previous three financial years;

d) currently receives, or has received in the previous three financial years, from the Company or a subsidiary or corporate parent thereof significant compensation (in addition to the “fixed” emoluments due to non-executive Directors of the Company and the remuneration for attendance at committees), including as part of stock option or other incentive plans linked to corporate performance;

e) has been a Director of the Company for more than nine years during the past twelve years;

f) is an Executive Director in another company in which an Executive Director of the Company also holds a directorship;

g) is a shareholder or Director of a company or entity belonging to the network of the company or firm appointed as the Company’s Independent Auditors;

h) is a close family member of a person in one of the situations described above.

For the intents and purposes of the above, the “key executives” of a corporation or entity shall include: the Chairman of the entity, or the Chairman of its Board of Directors, as well as executive directors and key management personnel of the company or entity considered.

Furthermore, pursuant to the rules set forth in Article 16, paragraph 1(d) of the Regulation adopted by Consob with resolution No. 20249 of 28 December 2017, it is provided that no person who sits on the Board of Directors of a company or body engaging in management and coordination activities in respect of the Company or on the Board of Directors of any listed entity controlled by such company or body may be considered an independent director of the Company.

Lastly, in accordance with regulatory provisions applicable to banks, the Board’s resolution assessing the compliance with the independence requirements shall, among other specifications, include all credit situations with the bank that can be related to the independent Board member in question.

The Rules on the functioning of the Board of Directors further require the Board of Directors to be made up of a majority of non-executive directors who are to play the role of counterweight to the bank’s executive directors and management, and promote internal deliberation and debate, by enriching panel discussions with input based on their specialist know-how and experience, whilst at the same time endeavouring to ensure that all Board decisions are not only well-informed and approved following due reflection but also always in line with the Company’s interests.

The Company’s non-executive directors may in no event be deemed to include:

- (i) the Managing Directors and Chairmen of the Company or a strategic subsidiary thereof, in the case where the same are personally vested with delegated powers or play a specific role in shaping corporate policy and strategy;

- (ii) Directors who also serve as executives within the Company or within a strategic subsidiary thereof, or even within the Parent Company, in the case where the position also involves Banca Generali.

6. Composition of the Board of Directors – Gender representation

Pursuant to Article 2 of Law No. 120/2011 (so-called “Pink Quota” Law) in force since 12 August 2011, listed companies are required to ensure that at least one third of the seats on their respective governing and control bodies are filled by persons who are not of the same gender as the individuals filling the other seats on each of the said bodies. From the standpoint of implementation, the law provides that from the first renewal of any and all the aforesaid governing and/or control bodies whose term is set to expire after 12 August 2012, at least one fifth of the seats must be filled by persons who are not of the same gender as the individuals filling the majority of the seats on the said newly appointed governing and/or control bodies.

The provisions set forth in the aforesaid Law have been applied by Banca Generali upon the election of the Board of Directors for the three-year period 2015-2017.

In adopting the purposes and objectives set forth in the aforementioned regulations —in a perspective of substantial equality and with the aim to promote gender balance and better access of the under-represented gender to board member positions — it bears recalling that, upon the next Shareholders’ Meeting convened to appoint new governing and control bodies, the composition of the Board of Directors shall ensure that at least one third of members belongs to the less represented gender.

7. Composition of the Board of Directors – Professional qualifications and experience

In order for the Board of Directors to discharge its duties properly, it must consist of persons who (i) are fully aware of the powers and obligations inherent in the functions that each of them is called upon to perform, (ii) possess professional expertise suited to the positions they fill, including in any Board’s internal committees, and appropriate to the bank’s operational characteristics and size, (iii) provide skills spread amongst all members, diversified in such a way that each member — within an individual Board committee or with respect to decisions made by the whole Board — may contribute to ensuring effective risk management in all areas of the bank, (iv) dedicate adequate time and resources to the overall nature of their offices, without prejudice to the maximum number of concurrent offices held, and (v) commit to achieving the overall bank’s interest, taking autonomous decisions, regardless of the members who voted for them or the list to which they belonged.

In qualitative terms, therefore, the skill set and professional know-how and experience represented on the Board of Directors must be commensurate with the dimensions and complexity of the bank and banking group’s business operations, it being further understood that all Board members must dispose of the time and resources required to effectively discharge their functions.

As a result, the professional profiles represented on the Board must be selected based on their adequate knowledge of the banking sector, the principles of the economic-financial system, the

financial and banking regulations and the risks management and control methods, so as to endowing the Board with the specific specialist know-how required to ensure effective and conscientious corporate management and provide for adequate reflection, and, therefore, informed decision-making by the Board of Directors.

A Board comprising professionals from a broad variety of backgrounds offers the added advantage of allowing for specific tasks incumbent on the Board or Board Committees to be entrusted to pertinent sector specialists.

In light of the above, and as required under Article 26 of Legislative Decree No. 385 of 1 September 1993 and related implementing provisions (Regulation 161 issued by the Ministry of the Treasury, Budget and Economic Planning on 18 March 1998), all Board members must be selected on the basis of professional qualifications and know-how and must have accumulated at least three years of working experience as:

- (i) company directors, control or executive managers;
- (ii) professionals working on matters pertaining to credit, finance, asset management, insurance or other fields related to the bank's business;
- (iii) university level lecturers or professors in law or economic fields;
- (iv) departmental heads, executive managers or key management personnel at public administrations or undertakings operating in areas related to the credit, finance, brokerage or insurance sectors, or at public administrations or undertakings that are not related to the aforementioned sectors, provided that their functions include the management of economic and financial resources.

The persons appointed as Chairman of the Board and Chief Executive Officer must have acquired at least five years' experience in the above fields and/or positions.

Moreover, pursuant to the provisions of Article 26 of Legislative Decree No. 385 of 1 September 1993 and Article 147-*quinquies* of TUF, Board members must meet the requirements of personal integrity imposed on members of supervisory organs under Regulation 162 issued by the Ministry of Justice on 30 March 2000, as well as the requirements pertaining specifically to bank executives, under Regulation 161 issued by the Ministry of the Treasury, Budget and Economic Planning on 18 March 1998.

To define the ideal qualitative composition of the Board of Directors, a list has been drawn up of the professional skill set the Board members as a whole should have to enable the Board to best carry out its tasks. The above-mentioned list of skills was drawn up taking due account of regulatory provisions, the Guidelines on Internal Governance issued by the European Banking Authority (EBA) on 26 September 2017, the recommendations set forth in the Corporate Governance Code for Listed Companies in respect of appointments to various committees, as well as system-wide best practices.

Given the crucial functions of the Chairman of the Board of Directors — promoting internal debate and ensuring power balances, thus guaranteeing the balance of power between the Chief Executive Officer and the other executive directors, as well as to dialoguing with the supervisory body and all

Board committees, in line with the tasks of Board works' organisation and flows of information — the chairmanship ought to be vested in a person who has accumulated adequate professional experience as a bank director, or in companies operating in the financial or insurance sector.

In light of the peculiarities of the bank and banking group's business operations, the ideal solution would entail assigning the position of Chief Executive Officer to a person with experience not only in administrative or managerial capacities within a bank or banking group, but who have also acquired specific knowledge in the field of financial advisors.

Ideally, the other Board members would be professionals with a wide variety of skills, experience, general knowledge and specialist know-how pertaining to developments in both the broad macro-economic context, and more specifically, the fields of banking and finance, as well as regulatory framework and risks management.

In light of the above, the directors must have accumulated adequate experience:

- (i) in business administration in the banking, financial or insurance sectors,
- (ii) in the management of service-sector companies,
- (iii) in marketing,
- (iv) in finance,
- (v) in corporate oversight or risk management,
- (vi) in law and compliance issues,
- (vii) as a lecturer or professor of law, economics, or subjects related to financial markets.

Moreover, in order to ensure the effectiveness of the Board Committees to be appointed, it would be advisable for the Board of Directors to comprise:

- (i) at least one independent director with appropriate experience in finance or remuneration policies, and
- (ii) at least one independent director with appropriate experience in accounting and finance, or risk management.

In light of the foregoing ideal composition of the Board of Directors in terms of the number and professional qualifications and experience of its members, it is the considered opinion of the outgoing Board of Directors that, to enable the new Board of Directors to function most effectively, the seats on the same must be filled by persons with specific professional qualifications and experience in fields outlined above.

To ensure compliance with the provisions of the Bank of Italy in respect of the corporate governance of Banks as set forth in the 1st update of its Circular Letter No. 285 on 6 May 2014, it appears advisable for the information statement on the personal and professional features of each of the candidates for Board membership to be filed together with the related lists pursuant to Article 15, paragraph 9 of the Articles of Association, to include a curriculum vitae allowing for an assessment of the candidate in terms of the extent to which he or she could contribute towards ensuring that the Board is endowed with the ideal professional skill set described above.

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

8. Composition of the Board of Directors – Cumulation of appointments

In light of the nature and quality of the tasks and responsibilities assigned, all Board Members must devote to the duties of their office the time and effort necessary to ensure the diligent and effective discharge of their functions, and all the more so, if they are vested with specific executive tasks or otherwise appointed to Board Committees.

Appointments to the Board of Directors may therefore 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, taking due account of their other professional and work-related commitments, 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, with special reference to positions entailing greater involvement in routine, day-to-day business management.

Towards such end, pursuant to the Rules governing the functioning of the Board of Directors, the number of appointments to the Boards of Directors and/or Boards of Auditors of other corporations a Company director may simultaneously hold, whilst considering to properly discharge his duties towards the Company has been determined — in light of the regulations in force from time to time — as illustrated in the table below:

	Listed Companies ⁽¹⁾			Financial institutions, banks or insurance companies			Large corporations ⁽²⁾		
	Executive Director	Non-executive Director	Auditor	Executive Director	Non-executive Director	Auditor	Executive Director	Non-executive Director	Auditor
Executive Directors	0	5	0	0	5	0	0	5	0
Non-executive Directors	2	5	2	2	5	2	2	5	2

In determining the total number of companies in which appointees to the Company’s Board of Directors hold directorships or auditorships, no account may be taken of companies belonging to the Company’s Group, with the exception of corporations listed on regulated markets (including

⁽¹⁾ If a financial institution, insurance company or bank is listed on the stock exchange or qualifies as a “large corporation”, a directorship within a legal entity belonging to more than one of the aforesaid categories, counts as a single directorship for the intents and purposes of calculating the total number of directorships held.

⁽²⁾ Companies with no less than two hundred employees for no less than a year.

abroad) and in financial institutions, banks, insurance companies and large corporations. Appointments to the corporate organs of several companies belonging to a single corporate group, other than the Company's Group, are, in practice, generally considered as a single appointment, with the exception of corporations listed on regulated markets (including abroad) or large corporations.

9. Considerations that could impact the recommendatory opinion to be submitted by the Board of Directors at the forthcoming General Shareholders' Meeting.

The self-assessment undertaken in 2017 revealed a broad consensus on the importance of maintaining the Board of Directors' qualitative composition, and that is to say, the skill sets, professionalism and experience of its members, especially with a view to striking the right balance between the standing and prestige associated with the office of Board member, and the demands of such office, in terms of time and effort.

More specifically, the outgoing Board of Directors is convinced that:

1. the current number of Board members is appropriate and ought to be confirmed at the time of the appointment of the new Board of Directors;
2. the current substantively appropriate ratio between Executive and Non-executive, as well as Independent and Non-independent directors, ought to be maintained;
3. while appreciating the current qualitative composition of the Board of Directors in terms of the mix of skill sets and professional experience of its members, and the "diversity" represented on the Board in respect of a variety of aspects, in order to further enrich the expertise within the new Board of Directors, it would be advisable to strengthen specialist know-how, such as strategic orientation, experience in the specific business field of the company, as well as in human resources, organisation and management in general.

Milan, 1 March 2018

THE BOARD OF DIRECTORS