

Report of the Board of Directors to the General Shareholders' Meeting

Remuneration Policies: Banking Group's Remuneration and Incentivisation Policies and Report on the Application of the said Policies in 2016

Shareholders,

We hereby remind you that the provisions issued on 20 November 2014 by the Bank of Italy in the 7th update to its Circular Letter No. 285 of 2013, to implement the CRD IV Directive, set forth specific principles and requirements that banks must comply with so as to ensure that: remuneration and incentivisation 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.

In line with previous regulations, the proposed Italian text is aimed at promoting — in the interest of all stakeholders — the implementation of remuneration and incentivisation 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 individual banks and within the whole system.

The aforementioned provisions call for the implementation of measures chiefly envisaging:

- 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 qualitative and appropriate 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) 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 incentivisation 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 organs, the Ordinary Shareholders' Meeting shall also approve the remuneration and incentivisation policies applicable to bodies and functions of strategic oversight, management and control, as well as to other personnel;

(ii) the General Shareholders' Meeting itself 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 23 December 2011, CONSOB laid down systematic rules streamlining currently applicable instructions on transparency and the disclosure of the remuneration of management level executives of issuers of listed securities. Under the said rules, issuers of listed securities are required, *inter alia*, to draw up a report on remuneration, 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 entrench 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, we therefore call your attention on the attached Remuneration and Incentivisation Report, made up of three sections: the first and the second illustrate the proposed Company and Group remuneration and incentivisation policy; the third highlights the procedures through which the said policy has been implemented in the financial year 2016, and specifies the emoluments actually paid.

In referring you to the attached document for further details, in accordance with the aforementioned Bank of Italy Instructions and CONSOB regulations, you are invited to approve in particular the contents of the first and second sections of the Report which, as noted above, illustrate the remuneration and incentivisation policies proposed by the

Company and the Group, as well as the procedures to be followed for the adoption and implementation of the said policies. With regards to the third section, the regulations only provide for reporting obligations towards the General Shareholders' Meeting.

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

- in defining remuneration and incentivisation 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 attached document therefore provides a summary of the results of the aforesaid checks which confirm (i) the compatibility of the Banking Group's remuneration and incentivisation policies for 2017 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 21 April 2016.

Lastly, we remind the attendees that pursuant to the Bank of Italy's Supervisory Provisions, the Remuneration Committee is required to report to corporate bodies, including the General Shareholders' Meeting, on the activities undertaken by the said committee in respect of remuneration and incentivisation policies and that such report is also included in the attached document.

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., held in ordinary session, at the offices of Assicurazioni Generali S.p.A. in Trieste, Via Machiavelli 6,

- having regard to Part I, Chapter 2 “Remuneration and Incentivisation Policies and Procedures”, Title IV “Corporate Governance, Internal Control, Risk Management”, of Bank of Italy Circular Letter No. 285 dated 17 December 2013;
- having regard to Article 123-ter of Legislative Decree 58 of 24 February 1998;
- having regard to Article 84-*quater* of CONSOB Resolution No. 11971 of 14 May 1999, as amended and extended;
- having regard to Article 6 of the Corporate Governance Code for Listed Companies (in its most recent version approved in July 2015 by the Corporate Governance Committee);
- having examined the Remuneration and Incentivisation Report prepared pursuant to Article 123-*ter* of Legislative Decree No. 58 of 24 February 1998 and Bank of Italy Circular Letter No. 285, Part I, Title IV, Chapter 2, dated 17 December 2013;
- 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,

acknowledges

the contents of the Third Section of the Remuneration and Incentivisation Report on the implementation in 2016 of the remuneration policies approved by the General Shareholders’ Meeting on 21 April 2016 and

resolves

- 1) to approve the First and Second Sections of the Remuneration and Incentivisation Report, which explain the remuneration and incentivisation policy of the Company and Group;
- 2) to place the Board of Directors in charge of implementing the remuneration and incentivisation policies, allowing the same to appoint one or more of its members to concretely implement such policies.”

Milan, 20 March 2017

THE BOARD OF DIRECTORS