



# **REPORT ON OPERATIONS**

**PART 2**

**REPORT  
ON CORPORATE GOVERNANCE  
AND COMPANY OWNERSHIP**

**pursuant to Section 123-bis  
of Legislative Decree 58/1998**

**BOARD OF DIRECTORS  
13 MARCH 2012**



# ANNUAL FINANCIAL REPORT AS OF 31 DECEMBER 2011

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### Part 2

## REPORT ON CORPORATE GOVERNANCE AND COMPANY OWNERSHIP

pursuant to Section 123-bis  
of Legislative Decree 58/1998

Board of Directors  
13 March 2012

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## GLOSSARY

**Code/Corporate Governance Code:** the Corporate Governance Code of listed companies approved in March 2006 (and amended in March 2010) by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.

**Code/Corporate Governance Code 2011:** the Corporate Governance Code of listed companies approved in December 2011 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria (Confederation of Italian Industry). Where not specified, any references to Principles, Criteria and Comments are to be interpreted as references to the 2011 Code.

**Civil Code:** the Italian Civil Code.

**Board:** the Board of Directors of the Issuer.

**Issuer:** the issuer of securities to which the Report refers.

**Period:** the financial period to which the Report refers.

**Instructions to the Market Rules:** the Instructions to the Rules for the Markets organised and managed by Borsa Italiana S.p.A.

**Rules for the Markets:** the Rules of the Markets organised and managed by Borsa Italiana S.p.A.

**CONSOB Rules on Issuers:** the Regulation on issuers issued under CONSOB resolution No. 11971 of 1999 (as subsequently amended and extended).

**CONSOB Rules for Markets:** the Regulation on markets issued under CONSOB resolution No. 16191 of 2007 (as subsequently amended and extended).

**CONSOB Related Party Regulations:** the Regulation on Related Party Transactions issued under CONSOB resolution No. 17221 of 12 March 2010 (as subsequently amended and extended).

**Report:** the Report on Corporate Governance and Company Ownership that the companies have to prepare pursuant to Art. 123-bis of the TUF.

**TUF:** the Legislative Decree No. 58 of 24 February 1998 (Consolidation Law on Finance).

**TUB:** Legislative Decree No. 385 of 1 September 1993 (Consolidation Law on Banking).

*Save where otherwise specified, the information contained in this Report is updated as at the date of its approval by the Company's Board of Directors (13 March 2012).*

# 1. ISSUER PROFILE

## 1.1 Organisation of the Company

A proper corporate governance system must be based on certain key elements, such as the central role of the Board of Directors and Top Management, the proper management of conflicts of interest, transparency in the disclosure of corporate decisions, and an efficient internal control system.

As a public limited company subject to Italian law, and a bank subject to TUB, 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” (Art. 56 of TUB), by Order No. 264010 of 4 March 2008, entitled “Supervisory Provisions on the corporate organisation and governance of banks”, 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 the changed 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:

- i) Board of Directors;
- ii) Chairman of the Board of Directors;
- iii) Managing Director
- iv) Remuneration Committee;
- v) the Audit and Risk Committee;
- vi) General Shareholders’ Meeting;
- vii) Board of Statutory Auditors.

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

The Company’s organisational structure is based on the classical model of corporate governance.

Responsibility for the strategic supervision of the company lies solely with the Board of Directors (the “Board”).

The Board of Directors is appointed by the Shareholders’ Meeting, for a three-year term. The Board of Directors shall elect, from amongst its members, a Chairman, and if it deems fit, a Vice Chairman, and may also appoint one or more Chief Executive Officers, determining the powers and responsibilities thereof. The Board of Directors can also appoint a General Manager, one or more Joint General Managers and one or more Deputy General Managers, who together constitute the General Management.

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 is in fact tasked with providing the Board of Directors with advisory opinions and non-binding recommendations on issues of remuneration, and is accordingly vested with the authority and independence of judgement required to assess the appropriateness of remuneration policies and plans, and related repercussions in terms of risk taking and risk management. More specifically, the Remuneration Committee is in charge of not only providing the Board of Directors with advisory opinions and non-binding recommendations on the determination of the remuneration of the Chairman of the Board of Directors, the Chief Executive Officer, the General Manager and, where appointed, the Deputy General Managers, as well as managers tasked with oversight and control functions, and any and all other executives and managers invested with powers and responsibilities that could impact the Bank’s risk profile, but also periodically assessing the appropriateness, overall coherence and concrete implementation of the general remuneration policy applicable to executive directors, directors assigned specific tasks and duties, and key management personnel.

The Audit and Risk Committee (so named pursuant to the 2011 Corporate Governance Code), on the other hand, is responsible for assisting the Board of Directors (i) in defining the policies to be followed by the internal control and risk management system, as well as in periodically evaluating the latter’s appropriateness and effectiveness, in light of the bank’s features and risk exposure, especially by ensuring that the main business risks (credit, financial and operating risks) are properly identified, assessed, managed and monitored, whilst also determining, in consultation with the relevant corporate functions, the extent to which prevailing risk levels allow for management policies in line with established strategic targets; (ii) in assessing the proper, uniform and consistent application of accounting standards by group companies; (iii) by expressing an opinion on related party transactions, in compliance

with the procedures and terms specified in the related party transaction procedure approved by Banca Generali pursuant to applicable rules and regulations. The Audit and Risk Committee also provides the Board of Auditors with advisory opinions and guidance on the statutory auditing of accounts.

The General Shareholders' Meeting (the "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.

Responsibility for control lies with the Board of Statutory Auditors, appointed by the Shareholders' Meeting, for a three-year term. The Board of Statutory Auditors is not responsible for statutory auditing of the Company's accounts, a task entrusted to Independent Auditors duly registered with the specific professional rolls set by the Italian market regulator, CONSOB. The Independent Auditors are bound to monitor the proper bookkeeping of the Company's accounts, during the course of the financial year, and to ensure that the Company's books faithfully reflect management trends. The Independent Auditors are also in charge of checking that the figures carried in the annual and consolidated financial statements present a true and fair account of the Company's books and that all accounting documents are compliant with applicable regulations.

The powers and operating procedures of the corporate organs are governed by law, the Articles of Association and the resolutions approved by the relevant organs.

The Articles of Association are available at the Company's registered office and can also be consulted on the Company's website ([www.bancagenerali.com](http://www.bancagenerali.com)) under section "Corporate Governance" – "Corporate Governance System".

It is also worth mentioning that research carried out by FinC (the Finance Centre of the Milan Polytechnic) on the corporate governance of Italian banks has revealed that, with a CGI (Corporate Governance Index) score of 77.22 points, Banca Generali ranked third, in terms of the soundness of its corporate governance system, amongst all the corporations included in Borsa Italiana's FTSE Italia All-Share Banks and Financial Services indices.

## 2. INFORMATION ON COMPANY OWNERSHIP (pursuant to Art. 123-bis TUF) at 13 March 2011

### a) Structure of the Share Capital (pursuant to Art. 123-bis, paragraph 1, letter a) of TUF)

Banca Generali's subscribed and paid up share capital, as shown in the following table, amounts to Euro 111,693,843.00, divided into 111,693,843 ordinary shares of a par value of Euro 1.00 each.

	NO. OF SHARES	% OF SHARE CAPITAL	LISTED (SPECIFY ON WHICH MARKETS)	RIGHTS AND OBLIGATIONS
Ordinary shares	111,693,843	100	Listed on MTA organised and managed by Borsa Italiana S.p.A.	All the rights contemplated under the Italian Civil Code and Articles of Association.

Banca Generali holds 30,071 treasury shares acquired to execute stock-granting and stock-option plans reserved respectively to some financial advisors of the merged company Prime Consult SIM S.p.A. and the Chairman of the Board of Directors of the merged company Banca BSI Italia S.p.A.

The voting rights attaching to the said shares have been suspended pursuant to section 2357-ter of the Italian Civil Code.

The Extraordinary Shareholders' Meeting of 18 July 2006 approved a capital increase, in one or more tranches, in the maximum nominal amount of Euro 5,565,660.00, excluding option rights, pursuant to Article 2441, paragraphs 5 and 8 of the Italian Civil Code, to cover the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers" and the "Stock Option Plan for Banca Generali S.p.A.'s Employees". On the overall, the share capital increase entails the issue of no more than 5,565,660 ordinary shares with a par value of EUR 1.00 each, covering the two plans mentioned above, with no more than 4,452,530 and 1,113,130 of the newly issued shares covering the plans targeted at financial advisors and employees respectively, including in several tranches.

On 21 April 2010, the General Shareholders' Meeting approved a three-year extension to the exercise periods of the aforesaid stock option plans (subject to the terms and conditions notified in the press release published on 9 October 2009 and in the information document published on 2 April 2010, pursuant to Article 84-bis of the "Rules for Issuers") and also resolved to extend the final deadline for the completion of the aforesaid share capital increase to 30/11/2015.

For further information on the aforesaid share-based incentive plans, see part I of the Notes to the Banca Generali's financial statements for 2011, and the Press Release issued on 17 September 2007, drawn up pursuant to CONSOB resolution No. 15915 of 3 May 2007, regarding the allotment of financial instruments to company managers, employees and collaborators,

pursuant to the Plans submitted for approval to the corporate organ in charge of the implementation thereof prior to 1 September 2007, available for consultation on the company's website ([www.bancagenerali.com](http://www.bancagenerali.com)) under the section Investor Relations – Press releases and the Information Document pursuant to Art. 84-bis of the Rules for Issuers published on 2 April 2010 and available for consultation in the corporate website ([www.bancagenerali.com](http://www.bancagenerali.com)) under Corporate Governance – AGM.

The Shareholders' Meeting held on 21 April 2010 also approved two new stock option plans reserved for the distribution networks, respectively one for financial advisors and private bankers and one for relationship managers, as well as the share capital increase in one or more tranches of the option right, pursuant to Art. 2441, paragraphs 5 and 8 of the Italian Civil Code, in service of the above-mentioned two new stock option plans and the subsequent amendment of Art. 5 of the Articles of Association. Overall, the share capital increase envisages the issuance of up to a maximum of 2.5 million ordinary shares of 1.00 euro each, at the service of the two new plans, of which respectively a maximum of 2.3 million euros in service of the plan reserved for financial advisors and private bankers, and a maximum of 0.2 million euros in service of the plan reserved for relationship managers.

### b) Restrictions on the Transfer of Securities (pursuant to Art. 123-bis, paragraph 1, letter b) of TUF)

Apart from the current regulatory provisions on the ownership of shares in banks, there are no other restrictions on the transfer of shares in the Company, other than those indicated below, and pertaining to:

- (i) the Regulations of the Stock Granting Plan reserved for specific financial advisors provides that should the recipient intend to sell all or some of the granted shares, the said recipient must first



inform Banca Generali thereof, since the latter retains the right to indicate a third-party purchaser at the same terms and conditions and at the market price;

- (ii) the Regulations of the Stock Option Plan in favour of employees provides that recipients of the plan be bound to reinvest at least 50% of the gains generated through any disposal of the shares acquired by virtue of exercise of stock options, in ordinary shares in Banca Generali S.p.A., and to hold the said investment in the latter company for at least twelve months following the date on which it was made.

### c) Significant Equity Investments in Share Capital (pursuant to Art. 123-bis, paragraph 1, letter c) of TUF)

The Company's shares are administered through the centralised electronic securities management system of Monte Titoli S.p.A. of Milan.

Shareholders holding more than 2% of the Company's voting stock, directly or indirectly and including through third party intermediaries, trust companies and subsidiaries, as per the Shareholders' Register and the notices received pursuant to law as at 13 March 2012, are indicated in the table below:

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY STOCK	% OF VOTING STOCK
Assicurazioni Generali S.p.A.	Assicurazioni Generali S.p.A.	45.995	45.995
	through the subsidiary INA Assitalia S.p.A.	0.515	0.515
	through the subsidiary Alleanza Toro S.p.A.	2.781	2.781
	through the subsidiary Genertellife S.p.A.	4.974	4.974
	through the subsidiary Generali Vie S.A.	9.948	9.948
	through the subsidiary Genertel S.p.A.	0.455	0.455
	through the subsidiary Fata Vita S.p.A.	0.066	0.066
	Direct and indirect total	64.734	64.734

### d) Securities Bearing Special Rights (pursuant to Art. 123-bis, paragraph 1, letter d) of TUF)

No securities bearing special rights of control have been issued.

### e) Shares held by employees: Mechanism for the exercise of the voting rights (pursuant to Art. 123-bis, paragraph 1, letter e) of TUF)

There are no specific mechanisms for the exercise of the voting rights attendant to the shares held by employees pursuant to current Stock Option and Stock Granting Plans.

### f) Restrictions on voting rights (pursuant to Art. 123-bis, paragraph 1, letter f) of TUF)

Pursuant to Art. 10 of the Company's Articles of Association and Art. 23 of the Rules adopted by the Bank of Italy and by CONSOB with the Provision dated 22 February 2008, as subsequently amended with provision of the Bank of Italy and CONSOB on 24 December 2010, Shareholders with voting rights may attend the Meeting provided that:

- they can provide legal proof of their entitlement to vote;
- the notice from the intermediary responsible for keeping the accounts regarding the shares, in replacement of the deposit giving entitlement to at-



tend the Shareholders' Meeting, has been received at the Company's registered office by the end of the third trading day prior to the date set for the first call of the General Shareholders' Meeting, in accordance with Art. 83-sexies, paragraph 4, of TUF, after the terms specified above, provided that it arrived within the start of the Shareholders' Meeting specifically called.

Moreover, the Company's ownership structure at 2 March 2012, indicates that:

- Banca Generali S.p.A. holds 30,071 treasury shares, which it acquired in order to implement the approved Stock Granting and Stock Option Plans. The voting rights attaching to the said shares have been suspended pursuant to section 2357-ter of the Italian Civil Code.

#### **g) Shareholders' Agreements (pursuant to Art. 123-bis, paragraph 1, letter g) of TUF)**

The Company is not aware of the existence of any significant shareholders' agreements within the meaning of Art. 122 of TUF.

#### **h) Change of control clauses (pursuant to Art. 123-bis, paragraph 1, letter h) of TUF), and statutory provisions regarding takeover bids (pursuant to Art. 104, paragraph 1-ter, and Art.104-bis, paragraph 1)**

The Company has not entered into any significant agreements that enter into force, undergo amendments or are terminated in the event of a change of control of the contracting party.

The Articles of Association provide for no departures whatsoever from the "passivity rule" entrenched in Art. 104, paragraphs 1 and 2, of TUF, and make no provision for the application of the neutralisation rules contemplated in Art.104-bis, paragraphs 2 and 3, of TUF.

#### **i) Powers to increase the share capital and authorisation for the acquisition of treasury shares (pursuant to Art. 123-bis, paragraph 1, letter m) of TUF)**

The Board of Directors has not been empowered to increase the share capital within the meaning of section 2443 of the Italian Civil Code.

Pursuant to sections 2357 et seq. of the Italian Civil Code, in order to implement the Stock Granting Plan put in place by merged company Prime Consult SIM for the managers and financial advisors within its distribution network – a plan which the Company took over following the merger – which provides for a bonus issue in three tranches of a maximum of 1,397,532 ordinary shares of Banca Generali with a par value of 1.00 euro per share, the General Shareholders' Meeting held on 23 April 2008 authorised the purchase of 197,532 ordinary shares of Banca Generali (the difference between the number of treasury shares already held for this purpose and the number needed to complete the assignment of shares under the Stock Granting Plan) at 1.00 euro per share, pursuant to Art. 2357 et seq. of the Italian Civil Code in order to implement the above-mentioned plan and at the following terms and conditions:

- a) within the limits of the distributable profits and reserves as per the last approved financial statements, at a unit price per ordinary share ranging between no less than the par value of the share, that is to say, 1,00 euro and no more than 5% (five percent) of the reference price of the stock on the market day preceding the day on which each acquisition is made;
- b) within the imperative time period of eighteen months following the related shareholders' resolution;
- c) the corresponding unavailable reserve is established pursuant to section 2357-ter of the Italian Civil Code;
- d) acquisitions are made, pursuant to Art. 132 of TUF and Art. 144-bis paragraph 1, letter b, of the Rules for Issuers, with the operating procedures set forth in the organisational and operating rules on the markets themselves, so as to ensure equal treatment for all shareholders. Accordingly, the acquisitions shall be made exclusively, including in several tranches, on regulated markets organised and managed by Borsa Italiana S.p.A., pursuant to operating procedures established by the latter which do not allow for the direct matching of buy orders with pre-placed sell orders.

Again pursuant to section 2357-ter of the Italian Civil Code, the same shareholders' meeting also authorised the Company to assign the said shares, free of charge, to the beneficiaries of the aforesaid Stock Granting Plan, by the deadlines and in accordance with the terms and conditions set forth in the Rules thereof.

At 31 December 2011, as a result of the aforementioned resolution, the Company held 10,071 treasury shares.

Banca Generali also holds 20,000 of its own shares as a result of the merger of Banca BSI Italia S.p.A. which had previously acquired the said shares in implementation of the Stock Option Plan approved in favour of the Chairman of its Board of Directors.

section of the Report focusing on Directors' remuneration (Section 9) as well as in the Remuneration Report to be published pursuant to Art. 123-ter of the TUF;

- the information to be disclosed pursuant to Art. 123-bis paragraph 1, subparagraph (l) ("rules implemented in departure from the statutory and regulatory framework applicable by default to the appointment and replacement of directors and members of the managing board and the supervisory board, as well as the amendment of the Articles of Association") is set forth in the section of the Report focusing on the Board of Directors (Section 4.1).

## **l) Direction and coordination (pursuant to Art. 2497 et seq. of Civil Code)**

Banca Generali is part of the Generali Group.

The Company is subject to management and coordination by its Parent Company, Assicurazioni Generali S.p.A., within the meaning and for the intents and purposes of section 2497 of the Italian Civil Code. Assicurazioni Generali exercises its management and coordination powers by, inter alia, making recommendations to the Shareholders' Meeting of Banca Generali in respect of appointments to Banca Generali's Board of Directors; imparting instructions on the composition of the administrative organs of the Company and its subsidiaries; laying down the deadlines and procedures for drawing up the Generali Group's budget and strategic plan in general; issuing guidelines and instructions on the disclosure of operations and accounting information, in order to ensure the consistence, timeliness and correctness of the information disclosed by or regarding the Generali Group; issuing guidelines in respect of third parties, requiring certain categories of transaction to be subjected to prior authorisation from Assicurazioni Generali's Board of Directors.

It must accordingly be pointed out that:

- the information to be disclosed pursuant to Art. 123-bis paragraph 1, subparagraph (i) ("agreements between companies and directors, members of the managing board or the supervisory board, providing for indemnities in the event of resignation or dismissal without just cause, or otherwise, the termination of their employment contracts as a result of a takeover bid") is contained, where applicable, in the

### 3. COMPLIANCE (pursuant to Art. 123-bis, paragraph 2, letter a) of TUF)

Banca Generali S.p.A. (the “Company”) was admitted for listing on the electronic share market (MTA) managed by Borsa Italiana S.p.A. in November 2006, and on such occasion adopted the Code<sup>1</sup>, having determined that bringing its corporate governance system (and that is to say, the framework of rules, principles and procedures making up a company’s management and internal control system) in line with the international best practices of business administration on which the Code is based is a basic pre-requisite for achieving the Company’s goals.

These goals in fact include not only the creation of value for shareholders and customer satisfaction, but also the quest for excellence in terms of the transparency of decision-making processes, the efficiency of internal control systems and the probity and rigour in third party and intercompany transactions and/or transactions entailing a potential conflict of interests, as well as constant professionalism, probity and respect in all relationships with shareholders, customers and, in general, all the Company’s stakeholders. Fully aware that no corporation can hope to boost its reputation for reliability without implementing effective and efficient operating rules and procedures, the Company also adopted the Code of Ethics of the Generali Group that sets forth the basic ethical principles to be rigorously followed throughout the Group (the “Code of Ethics”)<sup>2</sup>, such as, for instance the principles of professionalism and the enhancement of human resources, the protection of the health of workers, free competition, transparency and correctness of information disclosed.

Given that, in respect of the temporary regime of the 2011 Corporate Governance Code, which provides that “the amendments relating to the composition of the Board of Directors or the relevant committees, and notably the amendments to principles 5.P.1, 6.P.3 e 7.P.4 and the implementing criteria 2.C.3. and 2.C.5. shall apply commencing with the first renewal of the Board of Directors after the end of the financial year beginning in 2011” on 21 February 2012, in compliance with Principle 7.P.4 of the aforesaid Code, Banca Generali’s Board of Directors renamed the Internal Audit Committee, the Internal Audit and Risk Committee, and redefined the said committee’s assigned tasks and functions.

Further and more in-depth information regarding Banca Generali’s progressive compliance, by the applicable deadlines, with the aforesaid principles of the 2011 Corporate Governance Code, is presented in the section of the Report focusing on Internal Board Committees (Section 6) and the Nomination Committee (Section 7).

The Corporate Governance Code 2011 is available to the public on Borsa Italiana website: **[www.borsaitaliana.it](http://www.borsaitaliana.it)**.

<sup>1</sup> March 2006 edition.

<sup>2</sup> A copy of the Code of Ethics is available at [www.bancagenerali.com](http://www.bancagenerali.com) section “Corporate Governance”- Corporate Governance System – Company Regulations”.

## 4. BOARD OF DIRECTORS

### 4.1 Appointment and Replacement of the Board of Directors (pursuant to Art. 123-bis, paragraph 1, letter l) of TUF)

Pursuant to Art. 15 of the Articles of Association, the Company is managed by a Board of Directors 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.

Board members must possess the legal requisites also, within the limits established by law, in terms of independence. It should be recalled that the TUB sets precise integrity and professionalism requirements for banks' directors.

Since the Company is an Italian bank, in compliance with Art. 26 of Legislative Decree No. 385 of 1 September 1993 and related implementing provisions (Regulation No. 161 issued by the Ministry of the Treasury, Budget and Economic Planning, on 18 March 1998), its Board members are selected on the basis of very high standards of professionalism and competency and must have acquired, on the overall, at least three years' experience (i) as a company director, corporate officer or high level executive; (ii) in professional practice in the banking, financial, real estate, insurance sectors or other fields pertinent to the Company's business; (iii) in academia, especially in the fields of law or economics; (iv) as a senior civil servant with public undertakings specialising in the banking, financial, real estate, insurance sectors, or with public administrations, bodies or undertakings that are not directly involved in the aforesaid sectors, provided that the job description pertaining to the position held, entailed 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 Art. 26 of Legislative Decree No. 385 of 1 September 1993 and Art. 147-quinquies TUF, Board members must meet the requirements of personal integrity imposed on members of supervisory organs under Regulation No. 162 issued by the Ministry of Justice on 30 March 2000, as well as the requirements pertaining specifically to bank executives, under Regulation No. 161 issued by the Ministry

of the Treasury, Budget and Economic Planning, on 18 March 1998.

It should finally be noted that four members of Banca Generali's Board of Directors have been found to satisfy applicable independence requirements, in accordance with the principles set forth in the Corporate Governance Code 2011 for listed companies (issued by CONSOB in Notice No. DEM/10078683 of 24 September 2010, and equivalent to the standards contemplated in Art. 148, paragraph 3, of Legislative Decree No. 58/1998) and pursuant to Art. 37, paragraph 1, subparagraph (d) of the Regulation adopted by CONSOB Resolution No. 16191 of 29 October 2007, as further amended and extended.

Members of the Board of Directors are appointed on the basis of lists of candidates. Those shareholders who alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company by current applicable regulations are entitled to submit a list. As established by Art. 144-quater of its Rules for Issuers, this percentage is currently 2.00%. The appointment mechanism based on the so-called voting lists ensures transparency as well as timely and adequate information on the personal and professional profiles of the candidates for directorships.

In order to ensure that the governing bodies includes persons capable of ensuring that the role assigned to them is discharged effectively, the Board of Directors, with the advisory support of the independent directors, shall (i) define in advance the professional expertise required to achieve this result, (ii) define the qualitative and quantitative composition of company bodies (determining and justifying the theoretical profiles of candidates considered suitable, including as regards professional qualifications and independence) in relation to the bank's characteristics and (iii) subject such definition to periodic self-assessment. The results of the above analysis shall be submitted to the shareholders' attention in a timely manner so that the process of selecting and appointing candidates may take account of such indications.

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 Art. 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 Art. 122 of Legislative Decree No. 58 of 24 February 1998, 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 submit, either on their own or jointly with other shareholders, directly or through third party intermediaries, or trust companies, a single list of candidates, under pain of disqualification of the list. The lists must contain a number of candidates no 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.

The lists submitted by shareholders must be filed at the registered office no later than twenty-five days prior to the date set for the Shareholders' Meeting in first call. Furthermore, the list will be available at the Company's registered office, on the corporate website and in any other forms required by applicable laws and regulations no later than twenty-one days prior to the date set for the Shareholders' Meeting in first call.

If the outgoing Board of Directors submits its own list, the independent directors must express an opinion on the appropriateness of the candidates proposed by the outgoing Board in exercise of its discretion. The list submitted by the outgoing Board of Directors must be lodged with the company's registered office and published on its website, as well as through the channels and in compliance with the deadlines specified in applicable statutory and regulatory provisions. Any and all shareholders submitting lists, must establish their entitlement to do so, by lodging documentary evidence of their satisfaction of the minimum shareholding requirement, in accordance with applicable statutory and regulatory provisions, no later than the deadline by which the Company is required to make public disclosure of the lists of candidates. Within the same term, shareholders who submitted the lists, shall also file at the Company's registered office: (i) information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; (ii) exhaustive information on the personal and professional features of the candidates included in the list; (iii) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; (iv) the declarations filed by each candidate, in which each candidate accepts his/her nomination and also certifies, under his/her own responsibility, the inexistence of causes of incompatibility and of ineligibility, possession of the requisites of integrity and professionalism which prevailing laws require for the office of director of the Company, as well as those of independence, if applicable, provided for by the law and by the codes of conduct promoted by companies managing regulated markets or by trade categories, to which the Company adheres.

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 Art. 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 Art. 122 of Legislative Decree No. 58 of 24 February 1998, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) shall be entitled to vote for only one list.

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. The remaining directors will be taken from other lists, not linked in any way, not even indirectly, with the shareholders who submitted or voted for the list which gained the highest number of votes, and to this end the votes obtained by said lists will subsequently be divided by one, two, three and so on, according to the number of directors to be elected. The ratios obtained in this way will be progressively assigned to the candidates of each of the lists, according to the respectively established order of said lists. The ratios thus attributed to the candidates of the various lists will be set out in a single decreasing list. In the event of votes being equal between two or more lists, the younger candidates will be elected until all the posts to be assigned have been filled.

Should it emerge that, at the end of voting, a sufficient number of independent Directors, within the meaning of applicable regulations, has not been elected, the director bearing the highest serial number in the list that obtained the greatest number of votes, and who does not meet the requirements of independence, shall be replaced by the next candidate on the same list, who does meet the said requirements. If necessary, this procedure shall be repeated until all the vacancies of independent directors on the Board have been filled. Should it not be possible to cover all the vacancies on the Board, even after following the procedure mentioned above, the Shareholders' Meeting shall proceed with the appointment of the remaining directors, at the proposal of the shareholders in attendance and by resolution approved by simple majority.

Upon the conclusion of the process of appointing, the Board of Directors (with the advisory support of the in-



dependent directors) shall conduct a thorough, formal review that the actual result of the appointment process corresponds to the qualitative and quantitative composition deemed optimal.

The Board of Directors has yet to set up any internal committee to examine proposed appointments to the Board. This decision was based on the fact that the current regulatory framework, together with the Articles of Association that impose the mechanism based on voting lists, provide for sufficient transparency of the procedure for the proposal and selection of candidates. In order to implement the recommendations set forth in the 2011 Corporate Governance Code, the Board of Directors will appoint a committee to be tasked with proposing appointments, as indicated in the Code.

If during the term of office one or more Board members should leave office for whatever reason, they will be replaced according to the procedures established by law. If the leaving director was taken from the minority list that had obtained the greatest number of votes, replacement will occur with appointment of the first eligible candidate taken from the same list as the leaving director and willing to accept office or, where this is not possible, with the appointment of the first eligible candidate who is willing to accept office, and taken, in serial order, from the list to which the first unappointed candidate belonged. The term of the replacement director shall expire together with the term of the directors in office at the time of the replacement Director's appointment to the Board.

Should it prove unfeasible to proceed as described above, as a result of a lack of a sufficient number of willing candidates, the Board of Directors shall proceed by co-opting, within the meaning of Article 2386 of the Italian Civil Code, a director selected by the Board itself in accordance with applicable statutory requirements; the independent directors must express an opinion on the appropriateness of the candidate selected for co-option by the Board in exercise of its discretion. The director thus coopted shall remain in office through to the next Shareholders' Meeting that shall either confirm or replace him following the ordinary procedures and with ordinary majorities, in departure from the list-based voting system mentioned in Art. 15 of the Articles of Association.

The Board of Directors is required to appoint a Secretary who need not necessarily be a Board member.

Amendments to the Articles of Association are regulated pursuant to applicable regulations.

## **4.2 Composition of the Board of Directors (pursuant to Art. 123-bis, paragraph 2, letter d), TUF)**

The Shareholders' Meeting of 21 April 2009 established that the Board of Directors would be made up of ten members and appointed a new Board through the list voting system.

The term of the Board of Directors shall expire on the date of the Shareholders' Meeting called for the approval of the financial statements for the year ended 31 December 2011.

The table provided in Attachment 1 lists the members of the Board of Directors as of 31 December 2011, other information about them and Board and Committees meeting attendance.

All the Directors were chosen unanimously from the only list presented by the controlling shareholder Assicurazioni Generali S.p.A., during the General Shareholders' Meeting convened to renew the Board of Directors. The list was made up of the 10 elected candidates.

All Company Directors are fully aware of the duties and responsibilities attaching to their office and actively participate in initiatives designed to help them deepen their knowledge and grasp of Company operations and dynamics, so as to enable them to make fully informed decisions.

In order to ensure that the Board of Directors includes persons capable of ensuring that the role assigned to them is discharged effectively, the Board of Directors, with the advisory support of the independent directors, shall (i) define in advance the professional expertise required to achieve this result, (ii) define the qualitative and quantitative composition of company bodies (determining and justifying the theoretical profiles of candidates considered suitable, including as regards professional qualifications and independence) in relation to the bank's characteristics and (iii) subject such definition to periodic self-assessment. The results of the above analysis shall be submitted to the shareholders' attention in a timely manner so that the process of selecting and appointing candidates may take account of such indications. Moreover, upon the conclusion of the process of appointing company bodies, the Board of Directors (with the advisory support of the independent directors) shall conduct a thorough, formal review that the actual result of the appointment process corresponds to the qualitative and quantitative composition deemed optimal.

With regard to the composition of the Board of Directors – given that Banca Generali is subjected to management and coordination by another Italian company whose stock is listed for trading on regulated markets

– pursuant to Art. 37, paragraph 1, letter d) of the Rules adopted by CONSOB with resolution No. 16191 of 29 October 2007, as amended, as of the next General Meeting of Shareholders called to appoint a Board of Directors (scheduled for April 2012), the company's Board must be made up of a majority of independent directors.

Summary information on the personal and professional profiles of the Company's Directors is provided below, with an indication, as recommended in paragraph 1.C.2 of the Code, of the directorships and auditorships held by the same in other companies listed on regulated markets, including overseas, as well as in financial institutions, banks, insurance companies or large corporations other than Group companies.

**Giovanni Perissinotto.** Born in Conselice (Ravenna), on 6 December 1953, he graduated in Economics through the University of Trieste in 1977. Certified Public Accountant as from 1978, Giovanni Perissinotto started working at the Generali Group in 1980, first in Brussels and then in New York where he held the post of Financial Director. In 1988 he was assigned to the Group's Head Office in Trieste, where he held key executive positions in various operating sectors (Administrative Secretariat, General Affairs, Administration and Finance). In 1998, he was appointed General Manager of Assicurazioni Generali, and as from 2001, Chief Executive Officer. He currently holds chairmanships and directorships in various Generali Group companies as well as in other companies outside the Group, as specified below:

<b>Fiat Industrial S.p.A.</b>	Non-executive Director
<b>Pirelli &amp; C. S.p.A.</b>	Non-executive Director

**Giorgio Girelli.** Born in Milan on 26 July 1959, he graduated in Business Management at the Università Commerciale Luigi Bocconi, in Milan in 1983. He developed his professional career in consulting companies such as Arthur Young & Co. and Roland Berger & Partner Inc, where he became partner. In 2000, he joined the Banca Generali Group, serving as Chief Executive Officer of Banca Generali. He is also director at other Group companies (BG SGR, BG Fiduciaria, Generali Fund Management) and companies of the Generali Group.

**Paolo Baessato.** Born in Venice on 24 July 1951, he graduated in Law through the University of Ferrara in 1976 and then earned an MBA through SDA Luigi Bocconi of Milan in 1980, before going on to specialise in International Finance and Credit through the same school. After working at several overseas branches of

Banco Ambrosiano Veneto S.p.A. (in Argentina and Brazil), he was assigned to the Head Office of the said bank, as Head of the Controlled Risks Department. He continued his professional career within the Intesa Group and was appointed Head of the Finance and Administration Department. He currently sits on the Boards of several banking and financial institutions, as specified below.

<b>Finanziaria BTB S.p.A.</b>	Director
<b>Obiettivo Nord Est SICAV</b>	Vice Chairman
<b>Itas Mutua</b>	Non-executive Director
<b>Sorin S.p.A.</b>	Non-executive Director
<b>Moneta S.p.A.</b>	Vice President
<b>Cassa di Risparmio di Venezia</b>	Non-executive Director
<b>SETEFI S.p.A.</b>	Non-executive Director
<b>Sudameris S.A.</b>	Non-executive Director

**Luigi Arturo Bianchi.** Born in Milan on 3 June 1958, he graduated summa cum laude in law from the University of Milan, before accepting positions as a visiting scholar in Hamburg, Cologne and Berkeley (University of California). A Full Professor of company law at the Luigi Bocconi University of Milan, he is registered with the Milan Bar Association as a practising attorney, and, as of 2010, is a senior partner of the law firm d'Urso Gatti e Bianchi. He sits on the Boards of other listed and unlisted companies, as specified below.

<b>UBS Fiduciaria S.p.A.</b>	Director
<b>Idea SIM S.p.A.</b>	Chairman
<b>Intesa Sanpaolo S.p.A.</b>	Supervisory Director
<b>Benetton Group S.p.A.</b>	Director

**Amerigo Borrini.** Born in Trieste on 6 August 1948, he graduated in Economics and Commerce through the University of Trieste in 1972. He is registered with the professional rolls of financial advisors instituted pursuant to law, and is also a member of AIMR and AIAF. He currently serves as Head of the Finance Department at Assicurazioni Generali, a company he joined in 1967 and within which he embarked on his professional careers, first as a financial analyst and then as an asset manager, before being appointed member of the Board of Directors of several companies of the Generali Group. He also sits on the Boards of other companies, as specified below.

<b>Premuda S.p.A.</b>	Non-executive Director
<b>Autovie Venete</b>	Non-executive Director
<b>La Centrale Finanziaria S.p.A.</b>	Non-executive Director
<b>Perseo S.p.A.</b>	Non-executive Director
<b>Net Engineering International S.r.l.</b>	Non-executive Director



**Andrea de Vido.** Born in Treviso on 13 November 1955, he graduated in Economics and Commerce through the University of Venice in 1978. After working overseas (in Stockholm and New York) with primary financial consultancies (Scandinavian Institute for Administrative Research) and major banks (Bank of America), he founded Finanziaria Internazionale Holding S.p.A. in 1980. The said company, of which he has been CEO since 1982, specialises in structured finance, corporate finance, asset management and M&As. He also holds directorships in other companies, as specified below:

Abbacus Commerciale Finanziaria S.p.A.	Executive Director
Agorà Investimenti S.p.A.	Executive Director
Agenzia Italia S.p.A.	Executive Director
Banca Credinvest S.A.	Non-executive Director
Cadorfin S.r.l.	Executive Director
David S.p.A.	Executive Director
Eurholding S.p.A.	Executive Director
Ferak S.p.A.	Executive Director
Finanziaria Internazionale Holding S.p.A.	Executive Director
Finanziaria Internazionale Alternative Investment SGR S.p.A.	Executive Director
Finanziaria Internazionale Securitisation Group S.p.A.	Executive Director
Finint Corporate Advisors S.r.l.	Executive Director
Finint Finanziaria S.r.l.	Executive Director
Finint Partecipazioni S.r.l.	Executive Director
Finint S.p.A.	Executive Director
Finitalia Investimenti S.r.l.	Executive Director
Finleasing S.r.l.	Executive Director
Invest Fiduciaria S.p.A.	Executive Director
Garbuio Immobiliare S.r.l.	Non-executive Director
Garbuio S.p.A.	Non-executive Director
Matala Investimenti S.r.l.	Executive Director
Medcentro S.p.A.	Executive Director
Marco Polo Holding S.r.l.	Executive Director
Rete S.p.A.	Non-executive Director
Securitisations Services S.p.A.	Executive Director
Sipi Investimenti S.p.A.	Executive Director
Networking European Infrastructures Partners - NEIP II S.A., SICAR	Non-executive Director

**Attilio Leonardo Lentati.** Born in Milan, on 26 March 1937, he graduated in Economics and Commerce through the Luigi Bocconi University in Milan. He has also served first as General Manager and then as Chief

Executive Officer at RAS S.p.A., and currently holds directorships in other companies, as specified below.

Sofipa SGR S.p.A. – Gruppo Bancario Unicredit	Chairman
I-Faber S.p.A. – Gruppo Unicredit	Chairman

**Angelo Miglietta.** Born in Casale Monferrato (AL) on 21 October 1961, he graduated in Business Management with a major in Corporate Finance at the Luigi Bocconi University in Milan. A tenured professor of economics and business management at the IULM University of Milan, and the current General Secretary of the Cassa di Risparmio di Torino Foundation, Angelo Miglietta is a Certified Public Accountant and a registered Technical Consultant of the District Court of Milan. He sits on the Boards of Directors and Boards of Auditors of several unlisted and listed companies (including Assicurazioni Generali S.p.A.), chiefly companies operating in the financial, banking and insurance sector, as specified below.

Esprinet S.p.A.	Director
S.I.P.A. S.p.A.	Director
Nuova Tagliamento S.p.A.	Director
Intercontabile S.r.l.	Chairman
BLMP S.r.l.	Chairman
Astor Finanziaria Mobiliare S.r.l.	Acting Auditor
Cogetech S.p.A.	Chairman of the Board of Statutory Auditors
E.ON Italia S.p.A.	Acting Auditor
E.ON Energia S.p.A.	Acting Auditor
E.ON Produzione S.p.A.	Acting Auditor
Cogemat S.p.A.	Chairman of the Board of Statutory Auditors
Sisal S.p.A.	Chairman of the Board of Statutory Auditors
Atlantia S.p.A.	Acting Auditor
Effetti S.p.A.	Director
Edizioni Anabasi S.r.l.	Acting Auditor

**Aldo Minucci.** Born in Reggio Calabria on 4 July 1946, he graduated in Law through the University of Trieste in 1970. He joined Assicurazioni Generali in 1971, at the Tax Consultancy Department of which he became Executive Manager in 1983. He continued his career within the company becoming Deputy General Manager. At present, he is Chairman of ANIA also sits on the Boards of Directors of other companies, as specified below.

Acegas – APS S.p.A.	Non-executive Director
Telecom Italia S.p.A.	Vice President

**Ettore Riello.** Born in Forte dei Marmi (LU) on 1 April 1956, Ettore Riello earned his degree at the age of twenty-three in Business Administration at the Ca' Foscari University in Venice. In March 2000, he acquired the entire family Group through an alliance with the American Carlyle investment fund; the Group reorganisation that followed led to the creation of a single company - Riello S.p.A. — for which Ettore Riello has served as President since 2000. He currently sits on the Boards of other companies, as specified below.

<b>Riello S.p.A.</b>	Chairman of the Board of Directors and Chief Executive Officer
<b>Riello Group S.p.A.</b>	Chairman of the Board of Directors and Chief Executive Officer
<b>Palladio Finanziaria S.p.A.</b>	Non-executive Director
<b>Fontecal S.p.A.</b>	Non-executive Director
<b>Fit Service S.p.A.</b>	Executive Director
<b>Ente Autonomo Fiere di Verona</b>	Chairman of the Board of Directors

Cristina Rustignoli, Manager of the Legal Affairs and Compliance Department of Company, serves as Secretary to the Board.

The “Rules on the Functioning of the Board of Directors of Banca Generali S.p.A.” (the “Board Rules”), which were approved by the Board of Directors at their meeting on 16 February 2007 and amended on 21 February 2012 in accordance with section 1.C.3 of the Rules and Art. 15, paragraph 3 of the Articles of Association, establish the maximum number of corporate positions a Director of the Company may hold, as indicated in the following table:

	LISTED COMPANIES			FINANCIAL OR INSURANCE COMPANIES AND BANKING INSTITUTIONS			LARGE CORPORATIONS ( )		
	TOTAL DIRECTORSHIPS	OF WHICH EXECUTIVE POSITIONS	AUDITOR	TOTAL DIRECTORSHIPS	OF WHICH EXECUTIVE POSITIONS	AUDITOR	TOTAL DIRECTORSHIPS	OF WHICH EXECUTIVE POSITIONS	AUDITOR
Executive Directors	5	0	0	5	0	0	5	0	0
Non-executive Directors	7	2	2	7	2	2	7	2	2

The Board of Directors' Rules also envisage that 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 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 Com-

pany's Group, are, in practice, generally considered as a single appointment, with the exception of corporations listed on regulated markets (including abroad) and in financial institutions, banks, insurance companies and large corporations (Art. 5.4 of the Rules).

The table in Attachment 1 also specifies the number of corporate positions each Director holds in the aforementioned companies on the basis of the criteria indicated in the Board Rules.

### 4.3 Role of the Board of Directors (pursuant to Art. 123-bis, paragraph 2, letter d)

The Board of Directors, made of the 10 members, plays a central role in the Company's corporate governance system.

The Board of Directors, charged with strategic supervision, 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. The Board is also the only corporate organ empowered to pass resolutions also on the setting up or closure of secondary offices, and for appointing the Board members vested with powers of corporate representation and signature, as well as on mergers, in the cases permitted under law, on the amendment of the provisions of the Articles of Association that may be incompatible with new imperative regulatory requirements.

In accordance with paragraph 1.C.1., letters (a), (b) and (f) of the Code, Art. 18 of the Articles of Association invests the Board with broad decision-making powers susceptible of significantly impacting the life of the Company and the Group, including, in particular, the power to define the general operating guidelines and approve the Company's strategic, industrial and financial plans, as well as transactions that could have a significant impact on the Company's equity or economic or financial position; the power to define the Company's general organisational layout, approve and amend internal rules and regulations, as well as set up advisory or coordinating committees or commissions.

In particular, pursuant to the Articles of Association, save in the emergency situations contemplated in Art. 18, paragraph 9 of the same, the Board alone is vested with decision-making powers in respect of: a) establishing the general management policies, approving the Company's strategic, industrial and financial plans and the transaction of considerable economic, equity and financial importance; 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 Manager, after having heard the opinion of the Board of Statutory Auditors; e) upon hearing the Board of Statutory Auditors, the appointment and dismissal of the Manager in charge of drawing up the company's accounting documents, the determination of the powers and resources thereof, as well as the supervision of the tasks carried out by the same and monitoring

of actual compliance with administrative and accounting procedures; f) authorising company representatives and representatives of companies belonging to the Banking Group 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 specific 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) 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, duration, 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 transactions, in accordance with the provisions set forth in the procedure adopted by the Company in compliance with applicable regulations governing related party transactions. The Board of Directors may approve highly significant related party transactions, even in disregard of the contrary advice of the independent auditors, provided that the transactions in question are authorised by the Shareholders' Meeting, within the meaning Art. 2364, paragraph 1, subparagraph 5 of the Italian Civil Code, pursuant to a resolution passed with the majorities contemplated in applicable regulations, and in accordance with the procedure adopted by the Company with regard to related party transactions.

The Board of Directors of the bank, in its capacity as Parent Bank of the Banking Group, is also assigned exclusive competence over resolutions concerning the purchase and sale of shareholdings by subsidiaries belonging to the banking group, as well as the estab-

ishment of the criteria for coordinating and managing the banking group companies and for implementing the instructions issued by the Bank of Italy in the interest of group stability.

Finally, 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. The Board of Directors is consequently in charge of: (i) identifying the Company's risk levels, profile, goals and strategies, defining corporate policies as well as policies of the business risk-management system and periodically checking that the same are properly implemented and in line with the development of business operations; (ii) ensuring that the compensation and reward structure does not increase corporate risks and is in line with long-term strategies; (iii) defining and approving the general outline of the Internal Capital Adequacy Assessment Process, and ensuring that the same is adjusted, where necessary, by the deadlines imposed under prudential supervisory provisions for banks.

Moreover, the "Board Rules" provide, inter alia, that:

- i. pursuant to paragraph 1.C.1 (b) of the Code, the Board is bound to evaluate the appropriateness of the organisational, administrative and accounting layout of the Company and its strategic subsidiaries, in light of the information received from the competent corporate organs (Art. 8.4 of the Board Rules). The Board periodically deliberates on the bank's organisational structure and assesses the functions aimed at guaranteeing the accurateness and efficiency of the bank's administrative and accounting system. It also defines the guidelines governing the organisational and administrative structures of the bank's subsidiaries;
- ii. pursuant to paragraph 1.C.1 (b) of the Code, the Board is bound to evaluate the appropriateness and effectiveness of the internal control and risk management system, taking due account of the Company's features and risk exposure. In such regard, the Board shall periodically check that the internal control system is in line with the principle of proportionality and the strategic guidelines, and that the corporate control functions are independent within the organisational structure and are endowed with adequate resources to allow them to function properly (Art. 8.4 of the Board Rules); furthermore, the Board of Directors approves the policies and regulations governing the functioning of the control functions, approves regulations on the

management of the main risks to which the Group is exposed and the policy on conflicts-of-interest of the banking group that establishes procedures for handling such conflicts;

- iii. the Board is bound to assess general management trends, with special emphasis on potential conflicts of interests and periodically comparing results against expectations, in accordance with the provisions of paragraph 1.C.1., letter e) of the Code (Art. 8.3 of the Rules of the Board of Directors) The Board periodically assesses the Company's and the Group's operations, compares the results with budget forecasts and analyses any differences;
- iv. since the Company is also the Parent Company of the Banking Group, the Company's Board is further vested with decision-making powers in respect of the acquisition and disposal of participating interests, as well as the policies for the coordination and management of Group companies and compliance with Bank of Italy instructions, with a view to ensuring the stability of the Group. The Board approved Group Rules that establish guidelines for interaction and information flows among Group companies.

Art. 18 of the Articles of Association further empowers the Board to delegate its powers, in accordance with paragraph 1.C.1. letter d) of the Code, subject to the obligation binding especially any and all such delegates, to report to the Board of Directors as well as the Board of Statutory Auditors, at least every quarter, in respect of the management trends and business activities of the Company and its subsidiaries, expected future developments, transactions susceptible of exerting a significant impact on the equity, economic and financial situation of Banca Generali and its subsidiaries, with specific reference to the transactions in which either the Company's Directors or third parties have an interest, or transactions influenced by the party exercising management and coordination powers over the Company, and decisions pertaining to lending policies.

Finally, in accordance with the Corporate Governance Code 2011 and surveillance regulations, the Board of Directors' Rules also establishes that the Board of Directors:

- prior to the appointment of each new Board of Directors, or in the event of the co-optation of directors, identify in advance the qualitative and quantitative composition of the Board deemed optimal by determining and justifying the theoretical profile of candidates considered appropriate and submitting it for the shareholders' attention in a timely manner;
- after a new Board of Directors is appointed or di-

rectors co-opted, verify the correspondence between the qualitative and quantitative composition deemed optimal and the actual composition resulting from the appointment process;

- in order to ensure the proper management of company information, adopt, on the proposal of the Managing Director, a procedure for the internal management and external disclosure of documents and information pertaining to the Company, with special regard to insider information.

### Functioning of the Board of Directors

Pursuant to Art. 17 of the Articles of Association, Board meetings are to be held – in general – on a monthly basis.

As said, on 16 February 2007, in order to ensure that the Board's operating procedures comply with the principles entrenched in the Code and the supervising instructions issued by the Bank of Italy, the Board approved the Regulations of the Board of Directors, amended at the Board Meeting held on 21 February 2012.

The aforesaid Board Rules provide, inter alia, that:

- (i) pursuant to Art. 1.C.2 of the Code, without prejudice to the causes for inelegibility and disqualification, as well as limits on simultaneous offices established in laws and regulations, 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, also in light of their professional activities, 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 (Art. 5.2 of the Board Rules);
- (ii) the Chairman of the Board of Directors shall ensure that documentation pertaining to items of business on the agenda is brought to the attention of the directors and statutory auditors in suitable advance of the date of the Board meeting. (Art. 4.2 of the Board Rules);
- (iii) even if management decisions have already been determined, guided or in any event influenced by a person or party exercising management and coordination powers in respect of the Company or by persons or parties acting pursuant to a share-

holder agreement, each Board member shall be bound to exercise decision-making powers in total autonomy and independence, making decisions that are reasonably likely to result – as a priority objective – in the creation of value for shareholders, in the medium-to-long term (Art. 7 of the Board Rules);

- (iv) pursuant to paragraph 1.C.1, letter g) of the Code, with at least annual frequency, the Board of Directors shall express an opinion of the functioning of the Board of Directors and its committees, as well as their size and composition, also considering factors such as the professional characteristics, experience, including managerial experience, and nature of its members, as well as their length of service, and the adequacy and effectiveness of the provisions set forth in the Board of Directors' Rules (Art. 10 thereof).

In compliance with the said provision, and the provisions of the Order issued by the Governor of the Bank of Italy on 4 March 2008, during the Board meeting held on 21 February 2012, the Board approved the "Self-assessment Report of the Board of Directors of Banca Generali S.p.A." (the "Self-assessment") drawn up taking due account of the outcome of the consultation forwarded by the Chairman of the Board of Directors to all Directors requesting the latter to express their opinions, on a voluntary basis and in strict confidence, on a series of matters related to the size, membership and operations of the Board of Directors, as well as the size and operations of the Board Committees, and expressed the following opinion:

"The Board of Directors of Banca Generali S.p.A.,

- having considered, first and foremost, the size of the administrative organ that seems commensurate with the dimensions and operations of the Company, and also in keeping with the Company's role as Parent Company of the banking group of the same name, insofar as it allows for adequate monitoring and management of the Group's business operations and trends;
- having considered, secondly, the membership of the same administrative organ, which may be deemed appropriate, in light not only of the inclusion of a wide variety of professional competencies featured on the Board of Directors, allowing for an authoritative and knowledgeable approach to the various matters that the Board of Directors is called upon to deal with from time to time, as well as the prevalence of non-executive directors who act as a counterweight in respect of executive directors and the bank's top management in general and the presence of a number deemed adequate (until the full application of



Art. 37 of CONSOB Regulation No. 16191 of 29 October 2007, as amended) of directors meeting the requirements for independence;

- having considered the efficient functioning of the administrative organ which is regulated by specific Rules in addition, obviously, to applicable statutory and regulatory provisions;
- having examined, as a panel body, the answers to the questionnaires that each Board member filled in, individually on a confidential basis;
- bearing in mind the considerations set forth by the Independent and non-executive Directors;

expresses a clean opinion, with nothing to report on:

- the size and functioning of the Board of Directors of Banca Generali S.p.A., as well as any and all delegated organs and/or Board committees set up;
- the fitness of its members to discharge their duties, from the standpoint of professionalism, available time and, where applicable, independence;
- the adequacy and efficacy of the provisions set forth in the Board Rules.”

The Board meetings are held periodically and in general, once a month in compliance with the statutory requirements and pursuant to a schedule of works defined on an annual basis. In 2011, Banca Generali's Board met 12 times. The meetings lasted about 1 hour and 50 minutes on average. In the year underway a total of 13 Board meetings are scheduled; from the beginning of the year to the date of this Report, three have been held.

The attached table sub 1 provides information on the attendance of Directors at the Board meetings held in 2011. Absentee Directors provided justification for non-attendance.

In accordance with the Board Rules and to encourage the development of mechanisms for the free flow of information amongst and within corporate bodies, the information flows towards and within corporate bodies are regulated pursuant to a specific internal company Circular, duly approved by the Board of Directors. The aforesaid Circular lays down the timetable, procedures and contents of the information to be provided to the corporate bodies in question, and identifies the persons and parties bound to submit appropriately exhaustive reports on a periodic basis and/or upon request. The formal rules governing the structure of information flows (in particular towards the Board of Directors and Board of Statutory Auditors) officially establish the consolidated reports already in use at the bank, which are typically systematic and well organised in terms of form and content. These reports satisfy the necessity of

providing a timely flow of information to the Board with regard to the exercise of powers delegated. They are revised on an ongoing basis as necessitated by legislation or operations. The preferred method for ensuring a flow of information towards Directors and Statutory Auditors is by making written documents available in a timely manner, especially reports, explanatory notes, memoranda, presentations, reports prepared by the bank's organisational units, other public and non-public documentation and accounting documentation intended for publication. The information reported through the procedures set forth above shall be supplemented (and where necessary for reasons of confidentiality, replaced) by oral explanations provided to the Chairman, the Chief Executive Officer or members of the Bank top management, either at Board meetings or at informal gatherings open to Board members and members of the Board of Statutory Auditors, organised for the specific purpose of allowing the latter to discuss and acquire deeper insight into issues of interest in terms of the Bank's operations. Apart from matters over which the Bank's Board of Directors is vested with exclusive powers of decision and approval pursuant to law and the Articles of Association, reports to the members of the Board of Directors and the Board of Statutory Directors, shall focus primarily on: (i) general business performance and foreseeable developments, with an indication of departures from previous forecasts; (ii) activities undertaken, with specific reference to transactions that could have a particularly significant impact on the company's balance sheet, income statement and/or cash flow, related party transactions, and atypical, unusual or innovative transactions, and the risks associated with each of the above; (iii) the internal control system and the level of Bank's exposure to all significant types of risk; (iv) the performance of the products placed and the relevant returns; (v) the performance of lending activities; (vi) the performance of the bank's investing activities; (vii) any and all other activities, transactions or events deemed worthy of the attention of the Board of Directors and the Board of Statutory Auditors.

In addition to the activities dealt with in the various chapters of this Report, in discharging its tasks pursuant to the Articles of Association and the supervisory regulations governing banking in Italy, the Board of Directors, also:

- a) periodically passed resolutions pertaining to the Company's organisational layout, with specific emphasis on corporate functions involved in providing services to the entire banking group headed by the Company;
- b) on 31 August 2011, approved pursuant to the Bank of Italy order of 10 March 2011, the establishment of an Anti-money laundering function for the Group,

entailing the setting up of a specific Anti Money Laundering Compliance Organisational Unit, directly answerable to the Compliance Service, and invested with anti-money laundering tasks;

- c) examined general business trends, on a quarterly basis, especially in light of information received from the Chief Executive Officer, as well as carried out quarterly comparisons of results achieved against expectations and forecasts;
- d) determined, as proposed by the Remuneration Committee and after hearing the opinion of the Board of Statutory Auditors, the compensation of the Chief Executive Officer and Directors serving on sub-committees, for the General Manager and other professional figures who can influence the risk profile of the Bank, as well as those responsible for control functions.

#### 4.4. Delegated organs

The Board of Directors has delegated executive powers to the Chief Executive Officer, Giorgio Angelo Girelli. Another Board member was found to qualify as an Executive Director, as a result of his Chairmanship of a subsidiary, vested with delegated powers on an individual basis (and more specifically, Amerigo Borrini, Chairman of the Board of Directors of the subsidiary BG Fiduciaria SIM S.p.A.).

##### Chief Executive Officer

Pursuant to Art. 18, paragraph 6, of the Articles of Association, the Board may, within the limits imposed under law and the Articles of Association themselves, delegate the powers not strictly reserved to its competence pursuant to statute, to one or more Chief Executive Officers, establishing the powers and term in office, of the same.

On 21 April 2009, the Board of Directors accordingly vested the Chief Executive Officer, Giorgio Angelo Girelli with the powers specified below, which were subsequently updated by the Board of Directors on 17 December 2009, following the merger of the subsidiary Banca BSI Italia into Banca Generali:

1. to oversee the implementation of Board resolutions by Company General Managers;
2. to prepare the strategic guidelines to be approved by the Board in respect of the bank's strategic planning and to lay down the guidelines to be followed by the General Manager;
3. to determine and orient, within the framework of the guidelines established by the Board of Directors, the Company's human resources management policies and to directly oversee the Company's internal control, corporate and legal affairs, human resources, external relations and investor relator departments;
4. at the behest of the General Manager, where applicable, to examine and issue opinions on any and all transactions and business to be submitted for approval to the competent decision-making organs;
5. to liaise with any and all public authorities and bodies, the Bank of Italy, the Italian market regulator CONSOB, as well as any and all national and international entities and organisations, to effect any and all transactions with the Public Debt Office, the Italian investment organisation known as Cassa Depositi e Prestiti, the Bank of Italy, the manager of the electronic securities administration system, Monte Titoli, the Italian Inland Revenue Service, the Italian state railways, the Post Office, customs, energy and other utilities companies, and any and all other bodies, undertakings and corporations in general, making collection of any and all securities, monies and other receivables, and issuing valid receipt in respect of the same;
6. to represent the Company before any and all offices of the Financial Administration and to effect any and all tax filings and related formalities; to resist tax assessments and audits and to settle tax disputes;
7. to ensure the Company's assets and financial resources meet any and all applicable regulatory requirements;
8. to forward to the Board, his own opinions, proposals and recommendations regarding the strategic plan, the annual budget, the draft and consolidated financial statements drawn up by the Chief Executive Officer as proposed by the General Manager;
9. to represent the Company at the shareholders' meetings of other companies and entities, exercising all the related rights and issuing all the related proxies for participating in the said general meetings;
10. to open and close, in the Company's name and on the latter's behalf, current and securities deposit and management accounts of any nature, sort, type or kind whatsoever, with banks, post offices or other authorised custodians, to make deposits subjected to central management by the Bank of Italy as well as with bodies specialising in the ad-



ministration of securities, negotiating and stipulating any and all related contractual terms and conditions;

11. to bring, defend and resist legal action at any and all instances and degrees, before any and all national, Community or foreign ordinary, administrative and taxation courts, including appellate jurisdictions, and with the right to retain and dismiss counsel, make filings and motions, lodge complaints and claims, as well as to withdraw the same, authorise appearance as the injured party in criminal proceedings, initiate insolvency proceedings as well as to proceed at arbitration and file quitclaim and/or settle any and all disputes up to the maximum amount of € 150,000.00 per dispute, without prejudice, however, to the provisions set forth in the following subparagraph in respect of lending;
12. to process and authorise the write-off of bad debts and to totally or partially write off any and all loans granted, with the consequent waiver of any and all guarantees acquired, as well as to issue any and all authorisations for the cancellation, subrogation, restriction, reduction and/or postponement of mortgages and/or liens and/or guarantees in rem, up to the threshold of € 50,000.00 per transaction, net of interest and expenses, in light of: the full exhaustion of any and all avenues of recourse for obtaining relief either individually or together with other creditors, or the futility of legal action for debt recovery in consideration of the economic and financial situation of the debtors or the out-of-court settlement of disputes to Company's satisfaction;
13. to foreclose loans and collect any and all monies or amounts due to the Company, issuing full redemptory receipt therefor;
14. to sign and execute any and all deeds necessary or useful for the registration of trademarks, patents and distinctive markings, with any and all the competent administration bodies;
15. to set up, transfer or shut down secondary offices, representative offices and branches;
16. within the framework of the budget approved by the Board, to cover the Company's current expenses;
17. within the framework of the approved budget and up to the threshold of € 200,000.00 for each individual asset, to acquire, dispose of, barter or otherwise exchange or transfer real estate and personal property, including personal property subject to registration, to collect amounts due by way of prices and to delegate, in whole or in part, the payment thereof, as well as the power to authorise payment by instalments with or without mortgage guarantees or hypothecation;
18. within the framework of the approved budget, to negotiate and enter into, amend and terminate lease agreements, tender agreements as well as agreements for rental, maintenance, supply, insurance, carriage, loan for use, security and transport services for cash and cash equivalents, brokerage, intermediation, advertising, agency and deposit services, as well as to enter into commitments for the supply of tangible assets, the acquisition of intangible assets, and the procurement of services rendered by third parties or consultants or other professionals, up to the ceiling of € 200,000.00 per transaction, it being understood that, in the case of multi-year transactions the aforesaid ceiling shall apply on a per annum basis, provided that the said multi-year transactions do not extend over more than three years, save in the case of finance leases and/or loans for use, and further provided that the aforesaid thresholds shall not apply to contracts with ordinary utilities companies providing essential services (electricity, telecommunications, etc), or payments required pursuant to law;
19. to enter into agreements and commit the Company to expenditure in connection with advertising and/or promotional initiations up to the ceiling of € 200,000.00 per contract and/or commitment;
20. to book as losses, any and all liabilities incurred by the Company as a result of mistakes made by employees, up to an amount of no more than € 50,000.00 per transaction;
21. to establish guidelines for the granting of discounts, facilitations, reductions, etc. to customers, within the limits laid down by the Board from time to time;
22. to approve loans within the limits imposed under lending rules and regulations, from time to time;
23. to forward proposals for loans that exceed the limits of his powers, processing any and all related deeds and documents;
24. at the behest of the General Manager, and always within the framework of the pre-established budget and the guidelines issued by the Board of Directors in respect of company executives, to enter into, amend and terminate the employment contracts of individual employees, as well as to make decisions regarding the promotion, subjection to disciplinary measures and dismissal of the same;
25. within the limits of his delegated powers or with the approval of the relevant corporate organ, to operate the Company's accounts and effect any and all withdrawals in general, drawing the related

cheques or other negotiable instruments, up to the extent of actual deposits;

26. to endorse and issue receipt for any and all securities, including, regardless of form, bills of exchange, cheques, money orders, securities and the like, as well as bills of lading and other deeds representing documentary credit, and equity and debt securities, and any and all other financial instruments and commercial paper in general;
27. within the limits of his delegated powers or with the approval of the relevant corporate organ, to approve loans, agreements for the rendering of any and all types of banking services, financing, exemptions from liability in the case of the loss, theft and/or destruction of securities and cheques, personal guarantees, including performance bonds, payment bonds, suretyships, and commitments to honour bills of exchange;
28. to issue demand drafts;
29. to execute cash withdrawals and advance notices of cash withdrawals on management accounts held with the Bank of Italy, and on the centralised treasury accounts mentioned in the Bank of Italy form 144 dir.;
30. to execute the transactions contemplated under Bank of Italy forms 145, 146, 147 and 148 dir.;
31. to sign, on the behalf and in the name of the Company, any and all ordinary correspondence and deeds pertaining to the exercise of delegated powers;
32. to concretely implement the provisions of subparagraphs (h), (i), (l) and (p) of Art. 18 of the Articles of Association;
33. to exercise any and all powers conferred on him by the Board on an ad hoc or ongoing basis;
34. to delegate to third parties who need not necessarily be Company employees, the completion of specific tasks or categories of tasks that fall within the scope of the powers conferred on him pursuant to the foregoing points, establishing, in advance, the limits to the powers thus delegated.

The aforesaid powers must be exercised in compliance with the general guidelines established by the Board of Directors and in accordance with strategic corporate policies adopted by the Group.

Pursuant to Art. 22 of the Articles of Association the Chief Executive Officer is vested with full powers to represent and sign on behalf of the Company in respect of any and all the powers invested in him.

Furthermore, in compliance with current regulations governing the provision of investment services, in light

of his delegated powers and pursuant to the guidelines approved by the Board of Directors, the Chief Executive Officer is in charge of:

- implementing the company policies and company risk management system policies defined by the Board of Directors;
- checking the ongoing appropriateness of the risk management system;
- defining the information flows aimed at ensuring that corporate organs are kept abreast of significant management events;
- clearly defining the tasks and responsibilities of corporate structures and functions;
- ensuring that all the staff concerned are given timely notice of corporate policies and procedures;
- implementing the Internal Capital Adequacy Assessment Process (also referred to as ICAAP), ensuring that it is in line with the strategic policies and guidelines drawn up by the Board of Directors and meets the requirements imposed under the prudential supervisory rules for banks.

On at least a quarterly basis, the delegated bodies will report to the Board of Directors and to the Board of Statutory Auditors on management performance and on the activities performed by the Company and by its subsidiaries, on the business outlook, on the most significant economic, financial and equity transactions implemented by the Company and its subsidiaries, as well as on decisions on the matter of credit disbursement and management, on which a report containing global figures must be provided.

### **Chairman of the Board of Directors**

The Chairman of the Board of Directors was appointed by the Board on 21 April 2009.

The Bank of Italy Order of 4 March 2008 highlights the importance of the role of the Chairman of the Board of Directors who is in charge of promoting internal debate, ensuring the balance of powers, including with regard to the Chief Executive Officer and the other executive directors, as well as discharging coordination and supervisory functions with a view to ensuring not only the smooth functioning of the Board of Directors and the Shareholders' Meeting, but also facilitate the proper flow of information.

According to the Bank of Italy, in order to effectively discharge this key function, the Chairman must play a non-executive role and must be free from operating responsibilities.

In compliance with the aforesaid requirements of the Bank of Italy, the Regulations of the Board of Directors specifically govern the procedures through which the Chairman 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.

Therefore, in addition to the powers vested by law and the Articles of Association, on 21 April 2009 the Board has vested its Chairman, Giovanni Perissinotto, with powers to coordinate the activities of the Company's corporate organs, oversee the implementation of the resolutions approved by the Shareholders' Meeting and the Board, ensure the prompt and proper execution of the decisions made by the Chief Executive Officer, monitor business operations and compliance with strategic policy guidelines, as explained below.

1. monitoring general business operations and laying down management policies in concert with the Chief Executive Officer;
2. laying down general guidelines for ordinary business operations;
3. overseeing relations with public bodies, shareholders and managing the Company's public relations in general;
4. promoting and coordinating the Company's communications strategies, enhancing the Company's public image and managing the Company's press and media relations;

Moreover, under Art. 18, paragraph 9 of the Articles of Association, the Chairman of the Board is vested with exceptional emergency decision-making powers pertaining to all matters falling outside the scope of the powers delegated to the Chief Executive Officer and not reserved to the sole and exclusive competence of the Board as a whole, under imperative statutory provisions. The Board will be informed of such decisions at the next Board meeting.

Pursuant to Art. 22 of the Articles of Association, powers of representation and signature before the Courts, public authorities and third parties, are vested in the Chairman of the Board of Directors.

### Report to the Board

The Chief Executive Officer reports periodically to the Board of Directors with regard to activities carried out. Specifically:

- usually, on a monthly basis:
  - (i) on any and all transactions that could have a par-

ticularly significant impact on the balance sheet, income statement or cash flow of the company or any of its subsidiaries;

- (ii) on decisions pertaining to lending policies and, in general, on credit trend;

- (iii) on property investments;

- (iv) on the performance of sales and inflows;

- on a quarterly basis:

- (i) on the general state of operations, the outlook for the Company and Group and comparisons with budget forecasts.

- (ii) on activities carried out by the Company and the Group with related parties;

- (iii) on the Internal Control System;

- (iv) on the type and performance of managed products;

- every four months:

- (i) on activities associated with evaluating conformity;

- on a half-yearly basis

- (i) on the situation of litigations;

- (ii) on the need to update reserves or provisions.

## 4.5 Other Executive Directors

Pursuant to the Code, another Board member was found to qualify as an Executive Director, as a result of his Chairmanship of a subsidiary, vested with delegated powers on an individual basis. Amerigo Borrini, Chairman of the Board of Directors of the subsidiary BG Fiduciaria SIM S.p.A.

## 4.6 Independent Directors

Considering that Banca Generali is subject to management and coordination by another Italian company with shares listed in regulated markets, as of the next renewal in April 2012, the Board of Directors will have to consist of a majority of independent directors, pursuant to the provisions of Art. 37, paragraph 1, letter d), of the Regulation adopted by CONSOB in resolution No. 16191 of 29 October 2007, as amended.

Independent Directors are tasked with independently overseeing corporate management, and contributing towards ensuring that the company is administered in the interest of its shareholders and in accordance with

the principles of good corporate governance (Art. 12.6 of the Board Rules).

Currently, four members of Banca Generali's Board of Directors have been found to satisfy applicable independence requirements, in accordance with the principles set forth in the Corporate Governance Code for listed companies (issued by CONSOB in Notice No. DEM/10078683 of 24 September 2010, and equivalent to the standards contemplated in Art. 148, paragraph 3, of Legislative Decree No. 58/1998) whilst three directors satisfy the independence requirements as specified in Art. 37, paragraph 1, subparagraph (d) of the Regulation adopted by CONSOB Resolution No. 16191 of 29 October 2007, as further amended and extended.

Moreover, Art. 12.5 of the Board Rules requires the Board to be made up primarily of non-executive directors.

In accordance with the provisions of paragraph 2.C.1 of the Code, for the intents and purposes of the Board Rules, executive directors are defined to include:

- i) the Chief Executive Officers 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;

Within the meaning of the definitions set forth above, the Company's Board at 31 December 2011 was made up of two executive and eight non-executive directors. The said situation still prevails to date.

In compliance with the recommendations set forth in the Code, the number and acknowledged expertise of the Company's non-executive Directors lend their opinions decisive weight in the Board's decision-making process.

Non-executive Directors help ensure that Board resolutions are always in keeping with the interests of the Company. By contributing their specialist know-how, non-executive Directors help ensure that Board members are in a position to make informed decisions reached after due reflection. The Board Rules require that non-executive Directors meet at least once a year without the other Directors.

In compliance with this requirement, Banca Generali's Independent Directors met separately on 12 January 2012, to discuss the following matters:

- verification of the "non-executive" status of Directors;

- role and activity of non-executive Directors;
- functioning of information flows towards the Board of Directors.

Within the Board of Directors, four non-executive Directors are also Independent Directors

- (i) both pursuant to the rules set forth in Art. 37, paragraph 1, letter d) of the CONSOB Resolution No. 16191 of 29 October 2007, which provides 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;
- (ii) and within the meaning of the Code (paragraph 3.C.1), defined by CONSOB with Notice DEM/10078683 of 24 September 2010, equal to that of Art. 148, paragraph 3 of Legislative Decree 58/1998, which is also reflected in Art. 13 of the Board Rules, pursuant to which a Director may not, as a general rule, be considered independent in the following cases, which are however not imperatively applicable:
  - a) directly or indirectly, including through subsidiaries, trust companies and 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 subjected 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: (i) the Company, or one of its subsidiaries or one of its key executives; (ii) a person or party that, including together with others on the basis of a shareholder agreement, controls the company, or – in the case where the said party is a body corporate or legal entity – with the key executives thereof; or is or has been an employee of the aforesaid persons or parties, during the current or 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, including as part of stock option or other 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 the entity’s legal representatives, executive directors, managers and executives with strategic responsibilities.

The Board Rules (Art. 14), pursuant to the Code (paragraph 3.C.6), require the Company’s Independent Directors to meet at least once a year, without the presence of other Directors.

In compliance with the said requirement, Banca Generali’s Independent Directors met separately on 12 January 2012, to discuss the following matters:

- i) Art. 36 of Decree 201/2011 (Monti Decree) analysis and comments
- ii) functioning of information flows towards the Board of Directors.

Moreover, in light of Art. 3.C.4 of the Code, the Board Rules require the Board to examine, at the time of the appointment of any independent directors and, in accordance with the policies and procedures set forth in the same Board Rules, any and all the information and declarations submitted by appointee independent directors, or otherwise acquired by the Board, with a view to ensuring that the requirements for independence have been fully met, and to further check, on a yearly basis, that the said independent directors continue to qualify as such.

The Board Rules also require the Chairman to ensure that the Board of Statutory Auditors is placed in a position to independently verify the outcome of the aforesaid checks, as recommended in Art. 3.C.5 of the Code.

In compliance with the said provisions, at the time of appointment, the Board of Directors checked that each of the directors who had declared themselves independent, in fact, fully met all the statutory requirements of independence. Moreover, on 21 February 2012, following its scheduled annual assessment of satisfaction of the requirements of independence, the Board of Directors, acting as a panel, found that the Directors Paolo Baessato, Luigi Arturo Bianchi, Attilio Leonardo Lentati and Ettore Riello, qualified as independent directors within the meaning of articles 147-ter, paragraph 4, and 148, paragraph 3, of Legislative Decree 58/1998, as well as in light of the requirements set forth the Application Criteria of Art. 3 of the Code, and pursuant to article 37, paragraph 1, subparagraph (d) of Regulation No. 16191 adopted by CONSOB on 29 October 2007, as further amended and extended.

On 21 February 2012, the Board of Statutory Auditors, after examining the documentation provided, confirmed the results of the checks performed by the Board and determined that the criteria and procedures used to evaluate the independence of the independent Directors had been correctly applied.

#### 4.7 Lead Independent Director

The Company has not appointed a lead independent director within the meaning of Art. 2.C.3 of the Corporate Governance Code of Listed Companies, although the current Chairman of the Company’s Board, Giovanni Perissinotto, also serves as the Chief Executive Officer and sits on the Executive Committee of the Company’s Parent Company, Assicurazioni Generali S.p.A.

This is because the Company feels that Mr Perissinotto’s directorship and role within Assicurazioni Generali S.p.A. does not entail potential conflict of interests or unchecked concentration of corporate decision-making powers. As a matter of fact, within Banca Generali, Mr Perissinotto is devoid of any responsibility whatsoever in respect of business operations and corporate management, and is tasked only with overseeing and monitoring the implementation, by the Board of Directors, of the resolutions passed by the Shareholders’ Meeting, and compliance by delegated corporate officers and organs with the provisions of Board resolutions.

Mr Perissinotto, therefore, serves as an outside observer, monitor and supervisor tasked primarily with ensuring that Company Management scrupulously complies with strategic corporate guidelines and policy.



## 5. HANDLING OF CORPORATE INFORMATION

Members of the Board of Directors and the Board of Statutory Auditors shall handle with the utmost confidentiality any and all documents and information of which they may become aware in the discharge of their duties, and shall strictly comply with Company procedures for the internal handling and outside disclosure of the said documents and information.

Pursuant to the above, and to Articles 114 and 115-bis of TUF, and Articles 65-duodecies et seq. and 152-bis et seq. of CONSOB Regulation (the “Rules on Issuers”), on 18 July 2006, the Board, upon request of Chief Executive Officer, approved the rules of conduct to be followed in the management and public disclosure of inside information (the “Code on Inside Information”).

A copy of the “Code on Inside Information” is available on the website [www.bancagenerali.com](http://www.bancagenerali.com), section “Corporate Governance”- Corporate Governance System – Company Regulations”.

The Code on Inside Information is aimed at regulating the obligations of persons who, by virtue of the exercise of their employment or profession or by virtue of their official functions, have access on a regular or an occasional basis to inside information pertaining to Banca Generali and/or its subsidiaries. More specifically, the Code on Inside Information sets forth specific provisions for the handling of corporate information, with a view to: (i) preventing the abuse of information and market manipulation; (ii) regulating the handling and processing of inside information, as well as (iii) establishing the disclosure, both within the company and to the public, of documents and information pertaining to the Company and/or its subsidiaries, with specific reference to inside information. The Code on Inside Information is also designed: (i) to ensure the timely, complete and adequate processing of inside information, with a view to avoiding asymmetrical information; and (ii) to protecting the market and investors through adequate disclosure of the events involving the Company, with a view to enabling investors to make informed investment decisions.

The essential elements of the Code on Inside Information are summarised below.

Inside Information means information of a precise nature which has not been made public relating, directly or indirectly, to the Company and which, if it were made public, would be likely to have a significant effect on the prices of the financial instruments issued by the Company.

The procedures set forth in the Code on Inside Information must be followed by the members of the Board of Directors and the Board of Statutory Auditors, and the employees of the Company and its subsidiaries as well

as any and all insiders, and that is to say, persons who, by virtue of the exercise of their employment or profession or by virtue of their official functions, have access on a regular or an occasional basis to inside information pertaining to Banca Generali and/or its subsidiaries (the “Insiders”).

In handling the confidential information of which they may become aware in the course of their duties, company executives and insiders are bound to exercise the utmost confidentiality and implement any and all suitable precautions so as to allow the said information to be circulated within the Company and amongst subsidiaries without any breach of the confidentiality thereof.

The aforesaid persons are barred from issuing interviews to the press and media, or in general, any declarations containing Inside Information not included in documents already disclosed to the public.

Any and all relationships with financial analysts and institutional investors entailing the disclosure of Inside Information must take place solely through the Investor Relations department, following authorisation from the Chief Executive Officer, whose responsibilities include the procedures for managing Inside Information pertaining to the Company and its subsidiaries, relations between the Company and institutional investors as well as press relations, availing for such purpose of the support and assistance of the Public Relations department.

The Board of Directors has appointed the Head of the Public Relations Department to act as the referee (the “Referee”) who, with the support of his/her direct collaborators, liaises with the media, prepares the drafts of the press releases pertaining to Inside Information regarding the Company or its subsidiaries, and, in concert with the Legal Affairs and Compliance Department of the Banking Group, ensures proper compliance with public disclosure obligations, by proceeding with the publication of the press releases pertaining to Inside Information, following approval by the Company’s Chief Executive Officer. Only persons specifically authorised for such purpose by the Chairman of the Board of Directors of Banca Generali (or in the case of the absence or unavailability thereof, the Chief Executive Director) may meet with market operators in Italy and abroad.

The Company has also set up the Register of Insiders, within the meaning of Art. 115-bis TUF, establishing procedures for the maintenance of the said Register and appointing the Head of the Banking Group’s Legal Affairs and Compliance Department to maintain and update the same.

## Internal Dealing

In accordance with the provisions of Art. 114, paragraph 7 of the Consolidation Law on Financial Intermediation, as well as Articles 152-sexies et seq. of the Rules on Issuers, on 18 July 2006, the Board of Directors approved a code of conduct in respect of internal dealing (the "Code on Internal Dealing") which was subsequently amended by Board resolution of 20 February 2008.

The said Internal Dealing Code defines "Relevant Persons" (which include, in particular, the members of the Board of Directors and the Board of Statutory Auditors of the Issuer, persons performing managerial responsibilities within the Company as well as the independent auditors), and persons closely associated therewith, who are bound to give notice to the Company, CONSOB and the public, any and all Significant Transactions involving shares issued by the Issuer or other financial instruments thereto related, that they may effect, including through third party intermediaries.

The Internal Dealing Code identifies as significant transactions any and all purchases, sales, subscriptions, exchanges or barter of Banca Generali shares or financial instruments linked to shares, effected, including through third party intermediaries, by Relevant Persons and Persons closely associated with Relevant Persons.

On the other hand, the definition of Significant Transactions excludes transactions:

- (i) amounting, on the overall, to no more than 5,000.00 (five thousand/00) euros per calendar year, taking into account, for the purposes of determining whether or not the said threshold has been exceeded, all the transactions effected during the twelve months immediately following the date of the last transaction;
- (ii) effected free of charge, such as gifts and legacies, and the assignment free of charge of shares and subscription rights as well as the exercise of any and all such rights deriving from stock option plans, it being understood that, in all the cases contemplated in this point, any subsequent re-sale must be deemed to fall within the scope of the Code;
- (iii) effected between Relevant Persons and Persons closely associated with Relevant Persons;
- (iv) effected by the Company and its subsidiaries.

The Internal Dealing Code also contains rules governing the management, handling and disclosure of information pertaining to the said transactions.

Pursuant to the Internal Dealing Code, no Significant Transactions (as defined in the Code) may be effected during the 30 days immediately preceding the scheduled dates of any and all Board meetings called (i) to examine the draft separate and consolidated financial statements or the condensed half-year reports; and (ii) to formulate the proposal for the distribution of dividends, and within the 15 days immediately preceding the scheduled dates of the Board meetings called to examine the quarterly reports as at 31 March and 30 September of each year. The aforesaid Code, furthermore, empowers the Board of Directors to further prohibit or restrict purchases, sales, exchanges or other transactions entailing a transfer of title in shares issued by the Company or in financial instruments linked to the said shares, by the said relevant persons, including through third party intermediaries, during specific periods of the year and/or on occasions marking specific events in the Issuer's corporate life.

The Board of Directors has appointed the Head of the Legal Affairs and Compliance Department to implement the provisions of the Code.



## 6. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS (pursuant to art. 123-bis, paragraph 2, letter d) of TUF)

The Code sets forth a recommendation for listed companies to set up certain Committees within their Boards of Directors, to be assigned responsibility for certain specific matters.

The roles of these Committees, set up for the purposes of improving the functioning of the Board, are primarily consultative and recommendatory.

In particular, the Code recommended the setting up of an Internal Control Committee and a Remuneration Committee, whilst leaving it up to individual companies to decide whether or not they also need a Nomination Committee for proposing appointments as Director.

In accordance with the above, the Board set up both the Internal Control Committee and the Remuneration Committee, requiring the same to be made up entirely of non-executive directors and, with reference to the Internal Control Committee, including independent.

The Corporate Governance Code 2011, besides changing the name of the Internal Audit Committee into Internal Audit and Risk Committee, also recommends that a Nomination Committee be set up.

## 7. NOMINATION COMMITTEES

With reference to the aforesaid provision of the 2011 Corporate Governance Code, it must be pointed out that the Board of Directors has not yet appointed a Board Committee tasked with proposing appointments, given that, in light of the contents of the Code, the rules and regulations currently applicable pursuant to law and the Articles of Association, such as, in particular, the appointment mechanism based on list voting, provided for sufficient checks and balances to ensure the transparency of candidate selection and appointment procedures.

Furthermore, to ensure compliance with the recommendations set forth in the 2011 Corporate Governance Code, following the appointment of the new directors and officers by the next General Shareholders' Meeting called for April 2012, inter alia, for such purpose, the Board of Directors will appoint a specific Board Committee tasked with the appointment-related functions contemplated in the 2011 Code.

## 8. REMUNERATION COMMITTEE

Banca Generali's Board of Directors has set up, within the Board itself, a Remuneration Committee tasked with assisting the Board in laying down Company policies in respect of the remuneration of the Company's directors, officers and top management.

The current Committee was appointed by the Board of Directors of 21 April 2009 (subsequently the composition was changed by the Board of Directors on 10 May 2011, with the appointment of professor Luigi Arturo Bianchi to replace a member of the Committee who had resigned), and is made up as follows:

NAME AND SURNAME	OFFICE HELD (AS OF 13 MARCH 2012)
Attilio Leonardo Lentati	Chairman of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Art. 37, paragraph 1(d) of the CONSOB Regulation No. 16191/2007.
Luigi Arturo Bianchi	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Art. 37, paragraph 1(d) of the CONSOB Regulation No. 16191/2007.
Andrea de Vido	Member of the Committee Non-executive Director

Ms Cristina Rustignoli, the Board Secretary, also serves as Internal Control Committee secretary.

In compliance with the provisions of paragraph 6.P.3 of the Code, all three members of the Remuneration Committee are non-executive directors and majority of them are also independent. And the Chairman of the Committee was chosen among them. Pursuant to Art. 37, paragraph 1, subparagraph (d) of Regulation No. 16191 adopted by CONSOB on 29 October 2007, following the appointment of the new directors and officers by the next General Shareholders' Meeting called for April 2012, inter alia, for such purpose, the Committee shall be made up entirely of Independent Directors.

The Committee's responsibilities include advising and making recommendations and proposals to the Board of Directors on matters pertaining to remuneration. More specifically, the Remuneration Committee is entrusted with the following tasks and responsibilities:

1. periodically assessing the appropriateness, overall coherence and concrete implementation of the general remuneration policy applicable to executive directors, directors assigned specific tasks and duties, and key management personnel;
2. submitting general recommendations on remuneration, to the Board of Directors;
3. providing the Board of Directors with opinions on the determination of the criteria for the remuneration of professionals in a position to impact the Bank's risk profile, and directly overseeing the proper application of the said criteria;
4. providing the Board of Directors with non-binding

opinions and recommendations on the determination of the emoluments of company top management, as well as managers tasked with internal control functions;

5. monitoring the proper implementation of the decisions made by the Board in respect of submitted proposals and recommendations;
6. providing the Board of Directors with opinions on the determination of severance indemnities to be offered in the event of termination in office ahead of the scheduled expiry of the term of appointment, assessing, where necessary, the effects of such termination on the rights accrued and accruing under share-based incentive plans;
7. providing the Board of Directors with advisory opinions and recommendations regarding proposed stock-option, stock-award or other stock-based incentive plans, further suggesting the goals to be pursued through the said incentive programs and the assessment criteria to be used to evaluate success in attaining the said goals;
8. providing assessments – albeit without overstepping the bounds of its sphere of competence – on the attainment of performance targets underlying access to incentive plans, and monitoring the evolution and implementation of approved plans, over time;
9. providing the Board of Directors with reports, recommendations and opinions, duly supported by grounds, as well as, with the timeliness necessary to allow for due preparation of Board meetings called to pass resolutions on matters pertaining to remuneration, a full account of the Committee's activities.

The procedures governing the functioning of the Remuneration Committee are set forth in the Remuneration Committee Rules approved by the Board of Directors on 27 November 2006 and last amended by the Board of Directors on 23 June 2011.

Committee meetings are generally held at least once a year and, in any event, with the timeliness necessary to allow for a full treatment and discussion of any and all matters on which the Committee may be requested or required to report to the Board of Directors.

Apart from Committee members, the Chairman of the Board of Auditors shall attend Committee meetings and other Auditors. The Chief Executive Officer can be invited to participate in meetings of the Committee, save during the discussion of matters regarding him.

Upon invitation, non-members may also attend Committee meetings so as to provide assistance with regard to specific items placed on the agenda.

Directors do not take part in Committee meetings at which recommendations in respect of their own remuneration are drawn up for submission to the Board of Directors.

Remuneration Committee members are appointed for a period that is coterminous with the term of the Board, and are entitled to annual remuneration.

In 2011 the Remuneration Committee met four times. The meetings lasted about 1 hour and 10 minutes on average. In the year underway a total of two Board meetings are scheduled; since the beginning of the year as at the date of this report, no meeting was held.

The main activities carried out by the Committee during the year are listed below.

In its meeting on 21 January 2011, the following aspects were examined:

- i) inclusion of certain company executives as beneficiaries of the LTIP, subject to Shareholder approval;

In its meeting on 9 March 2011, the following were examined:

- i) information regarding the application of the remuneration policy in 2010;
- ii) proposed amendments to the remuneration policy for 2011;

In its meeting on 19 April 2011, the following were examined:

- i) opinion to be addressed to the General Shareholders' Meeting regarding remuneration policies to be subjected to Shareholder approval;
- ii) recommendations regarding the overall fixed and variable remuneration of the Chief Executive Officer, the Managing Director, the Deputy Managing Directors and the heads of control functions, and the definition of related lists of objectives underlying the variable component of the remuneration of the aforesaid company officers;
- iii) information on the remuneration policies applicable to other executives;

In its meeting on 10 October 2011, the following aspects were examined:

- i) presentation of the Long Term Incentive Plan 2011/2013.

Two of the said Committee meetings, the proceedings all of which were duly recorded in minutes, were attended by all the Committee members, whilst one Committee member was absent at the others.

The attached table sub 2 provides information on the attendance rate of each member at the Committee meetings.

The Compensation Committee is afforded unhindered access to any and all the corporate information and functions it may deem necessary or useful for the proper discharge of its assigned tasks.

Additional, more detailed information on the Remuneration Committee will be provided in the relevant portions of the Remuneration Report to be published pursuant to Art. 123-ter of TUF.

## 9. DIRECTORS' REMUNERATION

By Board resolution of 27 November 2006, approved pursuant to Art. 6.P.3 of the Code, the Board set up the Remuneration Committee tasked with, *inter alia*, making recommendations to the Board in respect of the remuneration packages of Chief Executive Officers and other Board members entrusted with specific tasks (see, below, "Remuneration Committee").

With regard to remuneration, the Company is subject to Provision No. 264010 of 4 March 2008 of the Bank of Italy. With such provision, the Supervisory Body also requires banking sector operators to adopt and implement compensation mechanisms that are in line with risk-management policies and long-term strategies. Towards such end, under the regulations, in addition to establishing the remuneration due to the members of the corporate organs it appoints, the Ordinary Shareholders' Meeting must also approve the compensation policies applicable to directors, and employees, as well as outside consultants and collaborators other than employees. Accordingly, on 20 April 2011, including pursuant to the clarification published by the Bank of Italy on 19 February 2009, the Shareholder's Meeting not only acknowledged receipt of the notice regarding the implementation in 2010 of Remuneration Policies defined, in accordance with applicable regulations, with a view to promoting prudent risk management and alligning the long-term interests of shareholders and management, but also approved certain amendments to the Remuneration Policies applicable to directors, employees, as well as outside consultants and collaborators other than employees so as to bring the same in line with the recommendations issued by the Governor of the Bank of Italy on "Remuneration and Incentive Systems" and set forth in Order No. 321560 of 28 October 2009 and the provision of the Bank of Italy dated 30 March 2011 (effective as of 8 April 2011), which transposed in the regulations the the Capital Requirements Directive III (so-called CRD III) that introduces harmonised rules at EU level in respect of remuneration and incentive mechanisms for banks and investment companies.

In implementing its remuneration policies, Banca Generali thus aims at ensuring the greatest possible convergence of the long-term interests of the banking group's shareholders and management, especially by focusing on careful corporate risk management and commitment to long-term strategies. The remuneration package consists of fixed components and variable components. The variable component of the remuneration relative to the fixed component increases in percentage terms the greater the strategic importance of the position to which the remuneration refers (this does not normally exceed 10% for the professional areas and middle managers; for top managers responsible for commercial operating units it may reach at most

60%, when the objective results assigned have been achieved in full).

In 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 and all other managers who earn a bonus in excess of € 75,000. In further detail, 60% of the amount owed will be paid immediately after the Board of Directors verifies the earnings and financial results for the year in question, 20% after the results for the following year have been verified and the remaining 20% after an additional year.

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 needs of the activities undertaken, accrual of bonuses will be 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.

The remuneration patterns of high-level executives and managers are monitored, taking due account of trends recorded on reference markets, using the HAY point-factor job evaluation method. This weighting system enables effective mechanisms to be adopted for monitoring the remuneration dynamics, also with reference to the markets in which the company operates.

The fixed components of the remuneration serve 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 plans, stock granting schemes and deferred bonus systems), on the other hand, is to balance directly the interests of the shareholders and those of management.

A Management by Objectives mechanism, consistent with the achievement of the operating and financial results indicated by the budget for the reference year and with indicators reflecting the weighting of business risks, is used for the Managing Director and Executives. The Management by Objectives system is linked to the Balanced Scorecards principle. The variable remuneration is hence linked on a straight-line basis to the degree to which the individual objectives are achieved, with a minimum access threshold.

The remuneration of the Chief Executive Officer is accordingly comprised of a recurrent fixed component

and a variable component linked to the attainment of pre-set performance targets, without any guaranteed minimum.

Information regarding the emoluments received by Board members and the General Manager during the year is contained in Banca Generali's Remuneration Policy, under the section focusing on the application of the said policy in 2011.

Information regarding the cumulative remuneration received during the year by executives with strategic responsibilities – and that is to say, the Deputy General Managers, Stefano Grassi and Giancarlo Fancel – as well as further details pertaining to the Company's remuneration policy, will, similarly, be provided in Banca Generali's Remuneration Policy, to be published pursuant to Art. 123-ter of TUF.

Pursuant to Art. 6.C.4 of the Code, the remuneration due to non-executive directors may not be linked to the Issuer's financial performance. Non-executive directors may not benefit from any stock-based remuneration plan, and are consequently remunerated solely on the basis of fixed compensation established by the General Shareholders' Meeting.

In order to motivate key management personnel and the distribution network to pursue strategic results for the Company, on 24 May 2006 the Board of Directors approved two stock option plans, both subjected to the condition precedent of the commencement of trading of shares in the Company on the electronic share market (such condition precedent having been met on 15 November 2006): (i) the first of these is reserved to employees of Banca Generali Group companies, whilst (ii) the second is reserved to Banca Generali's financial advisors, area managers and business managers.

In order to cover the aforesaid Stock Option Plans, on 18 July 2006, the Company's Extraordinary Shareholders' Meeting approved a capital increase, in one or more tranches, in the maximum nominal amount of € 5,565,660.00, through the issue of a maximum number of 5,565,660 ordinary shares of a par value of € 1.00 each, as follows:

a) an issue in the maximum nominal amount of € 4,452,530.00, represented by a maximum number of 4,452,530 ordinary shares of a face value of € 1.00 each, with specific exclusion of the option rights afforded to shareholders pursuant to section 2441, paragraph 5, of the Italian Civil Code, so as to cover the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers", reserved to the financial advisors of Banca Generali Group, all of the above in one or more tranches, with the last being effected no later than 30 May 2011;

b) an issue in the maximum nominal amount of € 1,113,130.00, represented by a maximum number of 1,113,130 ordinary shares of a face value of € 1.00 each, with specific exclusion of option rights afforded to shareholders pursuant to section 2441, paragraph 8, of the Italian Civil Code, so as to cover the "Stock Option Plan for Banca Generali S.p.A. Employees", reserved to Banca Generali employees, all of the above in one or more tranches, with the last being effected no later than 30 November 2012.

In order to compensate optionees for the loss in value of the above-mentioned Stock Option Plans due to the well-known market conditions that occurred in 2007 and 2008, which had a negative impact on the stock performance, despite the achievement of excellent results in terms of net inflows, the Shareholders' Meeting held on 21 April 2010 resolved to approve an extension by three years of the exercise period for both of the above-mentioned Plans.

The price of the aforesaid options shall be determined at a whole number reflecting the arithmetic mean of the listed prices of shares in the Company on the electronic share market from the date of assignment of the stock options to the same day of the previous month.

The exercise of the options is subject to the attainment of overall targets and, in the case of the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers", even personal targets.

Pursuant to the applicable Rules, the Delegated Organs awarded:

- 2,540,136 option rights in application of the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers";
- 829,000 option rights in application of the "Stock Option Plan for Banca Generali S.p.A. Employees".

In total, 3,369,136 stock options were awarded pursuant to the aforesaid Plans.

Moreover, on 21 April 2010, the Shareholders' Meeting approved a broad-ranging retention programme, which comprised two Stock Option Plans targeted at (a) financial advisors and private bankers, as well as (b) employees serving Banca Generali as Relationship Managers.

This initiative has a twofold objective: maintaining the interest of the distribution network and network managers in line with the interest of shareholders, in the medium- and long-term, as well as enhancing the loyalty of the most promising professionals, by involving the same economically in overall value creation within the Company, whilst also providing incentives to boost productivity in the medium term.

The new Plans will apply to financial year 2010, in ad-

dition to the fourth quarter of 2009, as limited to net inflows associated with the so-called “tax shield”.

The retention programme called for the granting of a total maximum of 2,500,000 options for the subscription of Banca Generali ordinary shares (of which 2,300,000 reserved for financial advisors and network managers and 200,000 for employed relationship managers).

In this regard, options were to be granted in a single instalment to the optionees identified as included in one of the above-mentioned categories by the relevant Plan Management Committee. The grant was conditional upon the achievement of both consolidated Group objectives and individual objectives for the development of net inflows in the reference period.

Pursuant to the applicable Rules, in 2011 the Delegated Organs awarded:

- (i) 2,300,000 option rights in application of the Stock Option Plan for Banca Generali S.p.A.’s Financial Advisors and Network Managers;
- (ii) 200,000 option rights in application of the Stock Option Plan for Banca Generali S.p.A. Relationship Managers.

In total, 2,500,000 stock options were awarded pursuant to the aforesaid Plans.

The options shall be exercisable within 6 years from 1 July 2011 in the amount of one sixth per year. The recipients will have the right to subscribe to Banca Generali ordinary shares for consideration equal to the arithmetic mean of the market listing prices of the shares in question on the electronic share market (MTA), organised and managed by Borsa Italiana S.p.A. surveyed during the period from the option grant date to the same date of the previous solar month.

In order to give full effect to the Stock Option Plan for the financial advisors and network managers of Banca Generali S.p.A. for 2010 and the Stock Option Plan for the Relationship Managers of Banca Generali S.p.A. for 2010, the Shareholders’ Meeting held on 21 April 2010 resolved, pursuant to Art. 2441, paragraphs 5 and 8 of the Italian Civil Code, on a divisible increase in the Company’s share capital by an amount equal to the maximum number of options that may be granted under the above-mentioned Plans, and thus in a maximum nominal amount of € 2,500,000.00, broken down as follows:

- (a) for a maximum amount of € 2,300,000.00, reserving the same for financial advisors and private bankers of the Banca Generali Group, to serve the “Stock option plan for financial advisors and network managers of Banca Generali S.p.A. for 2010”;
- (b) for a maximum nominal amount of € 200,000.00,

reserving the same to Banca Generali employed relationship managers and their coordinators, to serve the “Stock option plan for Relationship Managers of Banca Generali S.p.A. for 2010”.

Moreover, as a result of the merger of Prime Consult SIM S.p.A., as of 31 December 2002, the Company has assumed the merged company’s commitments under the stock granting plan approved by the latter on 13 June 2001 in favour of its network managers and financial advisors.

Beneficiaries of the plan include: (i) financial advisors in the exclusive service of Prime Consult as at 1 October 2000; (ii) former Prime Consult network managers; (iii) financial advisors falling within the aforesaid categories in the period between 1 October 2000 and 31 December 2001.

The shares were issued in three tranches, to persons who met or maintained specific individual targets. The Delegated Organ awarded, free of charge, 1,402,474 Banca Generali ordinary shares.

Lastly, with regard to long-term incentives, in approving the Remuneration Policies on 20 April 2011, the General Shareholders’ Meeting resolved to increase the variable component of the remuneration of some of Banca Generali’s managers by admitting the same beneficiaries of the Generali Group’s Long Term Incentive Plan (“LTIP”) for executives serving the Generali Group in Italy and abroad, approved by the General Shareholders’ Meeting of Assicurazioni Generali S.p.A. on 24 April 2010 and 30 April 2011. The said plan is targeted at the Generali Group’s key management personnel and talented managers, and is designed to pursue medium-to-long term goals with a view to ensuring consistently high levels of performance over time, as measured against technical and yield-based benchmarks. With reference to Banca Generali’s managers and in order to ensure that the aforesaid plan is in line with the recommendations imparted by the Governor of the Bank of Italy in respect of remuneration and incentive systems by virtue of Order No. 321560 of 28 October 2009, the relevant corporate body drew up a specific appendix pursuant to Art. 12.2 of the said Plan Rules, with a view to ensuring (i) that the bank’s targets take precedence over those of the Generali Group, so that Banca Generali’s top management focuses, above all, on the bank’s results, thereby respecting the interests of the bank’s shareholders and (ii) that the bonuses arising under the Long Term Incentive Plan are subject to access gate conditions entailing the attainment of specific stability goals.



**Directors' Severance Indemnities in the Event of Resignation, Dismissal or Severance as a Result of a Takeover Bid (pursuant to Art. 123-bis, paragraph 1, letter i) of TUF)**

Provision has been made to cover the Chief Executive Officer's severance indemnity, in the amount of 200,000.00 euros per year (or 25% of his annual salary), payable by way of premium on a life insurance policy featuring the Chief Executive Officer himself as the direct recipient.

In the event the relationship underway between the bank and the Chief Executive Officer is terminated – for reasons other than resignation or dismissal for cause – prior to the end of his term of appointment as Director (which shall be deemed to expire with the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2011), the Chief Executive Officer shall be entitled to a lump-sum payment equivalent to his fixed annual salary (and that is to say, 800,000.00 euros) and the annual amount of the severance benefit (i.e. 200,000.00 euros) that would have been payable upon expiry of the original term of appointment, it being further understood that in the event where such termination takes place during the period between the Shareholders' Meeting called for the approval of the financial statements of the year ended 31 December 2010 and that called to approve the financial statements for the year ending 31 December 2011), the said lump-sum payment shall be further increased by the gross amount of 875,000.00 euros, including by way of additional severance benefit.

In the event the Chief Executive Officer ceases to serve as a Director prior to the expiry of his term of appointment, for reasons other than resignation or dismissal for cause or subjective good reason, he shall nevertheless be entitled to receive any and all bonuses accruing to him and previously subjected to deferred payment.

The Issuer has not entered into any other agreements with directors entailing the payment of indemnities in the event of resignation, dismissal without cause, or termination in office following a takeover bid, or otherwise requiring the assignment or continued provision of benefits or remuneration for non-competition obligations after termination in office.



## 10. INTERNAL AUDIT COMMITTEE (NOW INTERNAL AUDIT AND RISK COMMITTEE)

The Board of Directors has endowed itself with an Internal Control Committee made up of four Board members, all of whom are non-executive and independent, vested with consulting and recommendatory functions regarding internal controls.

Appointees to the Internal Control Committee must not only be non-executive directors, but must also meet the further requirement of independence.

The current Committee was initially appointed by the Board of Directors on 21 April 2009 and subsequently:

- on 29 September 2010, the Board of Directors increased from three to four the number of components of the Internal Control Committee, appointing Director Paolo Baessato as fourth member;
- on 10 May 2011, the Board of Directors appointed Luigi Arturo Bianchi as new member to replace a member who had resigned, further electing him as Chairman of the Committee.

As of today's date, the Committee is composed of the following members:

NAME AND SURNAME	OFFICE HELD (AS OF 13 MARCH 2012)
Luigi Arturo Bianchi	Chairman Non-executive and independent Director pursuant to the Corporate Governance Code and Art. 37, paragraph 1(d) of CONSOB Regulation No. 16191/2007.
Paolo Baessato	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Art. 37, paragraph 1(d) of CONSOB Regulation No. 16191/2007.
Attilio Leonardo Lentati	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Art. 37, paragraph 1(d) of CONSOB Regulation No. 16191/2007.
Ettore Riello	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Art. 37, paragraph 1(d) of CONSOB Regulation No. 16191/2007.

The Board of Directors has determined that Luigi Arturo Bianchi and Attilio Leonardo Lentati have accumulated appropriate experience in accountancy and finance.

Ms Cristina Rustignoli, the Board Secretary, also serves as Internal Control Committee secretary.

In compliance with Principle 7.P.4 of the 2011 Corporate Governance Code, on 21 February 2012, the Board of Directors, renamed the Committee, the Internal Audit and Risk Committee, and redefined the said committee's assigned tasks and functions.

The functioning of the Internal Audit and Risk Committee is regulated by specific rules (the "Internal Audit and Risk Committee Rules") approved by the Board on 27 November 2006 and last amended during the Board meeting of 21 February 2012.

The Committee is charged with the following tasks and powers: (i) the task of supporting the Board of Directors with adequate investigative activity in its evaluations and decisions concerning the internal control and risk management system and the approval of periodic financial reports; (ii) advisory powers in the area of related party transactions, in accordance with the terms and

conditions established by the related party transaction procedure approved by Banca Generali (the "Related Party Transaction Procedure") pursuant to current laws and regulations; and (iii) advisory and investigative powers in relation to the Board of Statutory Auditors in the area of the statutory auditing of the accounts, pursuant to Italian Legislative Decree 39 of 27 January 2010.

With reference to the internal control System, the Committee assists the Board of Directors in laying down the guidelines of the internal control and risk management system, periodically checking that said system is adequate to the bank's characteristics and risk profile, reviewing its effective functioning and also ensuring that the major company risks (credit, financial and operating risks) have been identified, adequately measured, managed and monitored, as well as determining the degree to which such risks are compatible with management of the enterprise in accordance with the strategic goals identified, in liaison with the responsible company functions.

In this context:

- assists the Board in carrying out the tasks incum-

bent on the latter pursuant to the Corporate Governance Code of Listed Companies, in respect of the internal control and risk management system;

- expresses opinions concerning the appointment and dismissal of the Internal Auditor and the compensation for this position;
- 2.3.3. monitors the independence, adequacy, efficacy and efficiency of the Internal Audit, Compliance and Risk Management functions;
- ensures that the Internal Audit, Compliance and Risk Management functions possess adequate resources to discharge their duties;
- assesses the work programme prepared by the Compliance, Audit and Risk Management officers and examines the periodic reports prepared by said officers for further submission to the Board for its approval;
- assesses, together with the company Manager responsible for preparing the Banca Generali's financial reports and after having heard the statutory Auditor and the Board of Statutory Auditors, the purpose of preparing the consolidated financial statements;
- expresses opinions on specific aspects pertaining to the identification of the main corporate risks;
- reports to the Board of Directors on its activity and the adequacy of the internal control and risk management system, during the Board meetings called to approve the annual and half-yearly financial statements;
- requests that the Internal Audit, Compliance or Risk Management functions (according to their various specific competencies) perform checks on specific areas of operation while simultaneously notifying the Chairman of the Board of Statutory Auditors thereof;
- may be consulted on specific transactions directly or indirectly entailing a conflict of interests;
- advises, upon request, the Managing Director, the Compliance Officer, the Internal Auditor and Risk Management Officer on issues or questions that must be dealt with before being submitted to the Board of Directors for its information and/or approval;
- performs the other duties entrusted to it by the Board of Directors;
- undertakes whatsoever may be required pursuant to the resolution establishing its powers and responsibilities, and whatsoever may be necessary or useful for implementing the said resolution.

Regarding related party transactions, in compliance with the provisions set forth in the Regulation on related party transactions approved pursuant to CONSOB resolution No. 17221 of 12 March 2010, as further amended and extended by CONSOB Resolution No. 17389 of 23 June 2010, and as required pursuant to the Related Party Transaction Procedure adopted by the Company, the Committee's tasks include:

- in respect of Moderately Significant Related Party Transactions, as defined in the Related Party Transaction Procedure, expressing, in the manner and form and in accordance with the deadlines established in the Procedure, a non-binding, opinion, duly supported by grounds, on the extent to which it is in Banca Generali's interest to effect each such transaction, as well as on the fairness and substantive correctness of the related terms and conditions;
- in respect of Highly Significant Related Party Transactions, as defined in the Related Party Transaction Procedure, (i) playing an active role in the preliminary fact-finding and negotiation phases of each such transaction, including by seeking information from and/or forwarding comments and observations to any and all the persons and parties involved in the said phases; and (ii) expressing, in the manner and form and in accordance with the deadlines established in the Related Party Transaction Procedure, a binding, opinion, duly supported by grounds, on the extent to which it is in Banca Generali's interest to effect each such transaction, as well as on the fairness and substantive correctness of the related terms and conditions.

The Committee is placed in charge of providing support to the Board of Auditors, at the latter's request, especially in the form of advice and assistance in conducting the fact-finding inquiries required to discharge the duties entrusted to the Board of Auditors with regard to the statutory auditing of accounts pursuant to Legislative Decree No. 39 of 27 January 2010. More specifically, the Committee shall:

- assess the proposals put forward by auditing firms to obtain the audit engagement, within the framework of the Company's procedures for appointing the independent auditors in charge of certifying the consolidated financial statements and half-yearly financial statements, with specific reference to the subject-matter of the appointments and the related economic terms and conditions, reporting its findings to the Board of Auditors;
- assess the work schedule of the audit, and examine the results set forth in the report drawn up by the independent auditors together with any suggestions the latter may have put forward, reporting its find-

ings to the Board of Auditors;

- monitor the effectiveness of the processes followed for the statutory auditing of accounts, reporting its findings to the Board of Auditors;
- undertake any and all further tasks that the Board of Statutory Auditors may entrust to it in respect of the statutory auditing of accounts.

Remuneration Committee members are appointed for a period that is coterminous with the term of the Board, and are entitled to annual remuneration plus an attendance fee payable for each meeting they attend.

Committee meetings are generally held at least four times a year and, in any event, with the timeliness necessary to allow a full treatment and discussion of any and all matters on which the Committee may be requested or required to report of the Board of Directors.

At the invitation of the Committee Chairman, Committee meetings may be attended by statutory Auditors, top managers, the Compliance Officer, Internal Auditor, the Risk Management Officer, the Heads of other corporate functions, the Manager responsible for preparing the Banca Generali's financial reports and any and all other persons whose presence is deemed useful.

In 2011 the Internal Control Committee (now Internal Audit and Risk Committee) met twelve times, for an average of approximately one hour and thirty minutes each time. In the year underway a total of 8 Board meetings are scheduled; from the beginning of the year to the date of this Report, two have been held.

The main activities carried out by the Committee during the year are listed below.

In its meeting on 19 January 2011, the following aspects were examined:

- i) analysis and discussion of the Bank's organisational layout;
- ii) Annual Report of the Compliance Service and Work Schedule for 2011;
- iii) Annual Report of the Internal Audit Service and Work Schedule for 2011;
- iv) Annual Report of the Risk Management Service and Work Schedule for 2011;

In its meeting on 17 February 2011, the following aspects were examined:

- i) notices regarding the analysis of a highly significant related party transaction;
- ii) assessment of the tasks, organisational layout and resources of internal control functions;
- iii) analysis of compliance assessment mechanisms upstream of corporate macro processes;

iv) information on projects launched in support of regulatory compliance activities;

v) annual report on the internal control system and assessments carried out at the subsidiary companies;

vi) amendment of the Compliance Regulation;

In its meeting on 09 March 2011, the following aspects were examined:

i) check of the adequacy of the accounting policies followed in preparing the financial statements;

ii) analysis of a highly significant related party transaction;

iii) information on projects launched in support of regulatory compliance activities;

iv) report within the meaning of Art. 2.2.7 of the Internal Control Committee Rules;

v) illustration of the Financial Audit Report;

In its meeting on 19 April 2011, the following aspects were examined:

i) presentation of the ICAAP report and process;

ii) presentation of public disclosures and the Pillar 3 process;

iii) periodic report on the activities undertaken by the Internal Audit Service;

In its meeting on 09 May 2011, the following aspects were examined:

i) information on an application for mortgage financing, submitted by a related party;

ii) periodic report on the activities undertaken by the Compliance Department;

In its meeting on 14 June 2011, the following aspects were examined:

i) information on the organisational layout and functioning of the internal control system;

ii) update on the activities undertaken by the internal control system, inclusive of an assessment of compliance with the approved work schedule;

iii) amendment of the placement agreement with Gentellife;

iv) information on the tax savings situation for the funds managed by BG SGR;

In its meeting on 14 July 2011, the following aspects were examined:

i) information on a highly significant related party transaction;

In its meeting on 25 July 2011, the following aspects

were examined:

- i) opinion on a related party transaction;
- ii) check of the adequacy of the accounting policies followed in drawing up the interim financial statements;
- iii) periodic report on the activities undertaken by the Internal Audit Service;
- iv) report within the meaning of Art. 2.2.7 of the Internal Control Committee Rules;
- v) submission of the Governance Risk & Compliance (GRC) Management project;
- vi) structuring of the risk management function;
- vii) submission of the project for monitoring the quality of the customer portfolio;

In its meeting on 31 August 2011, the following aspects were examined:

- i) setting up of the Group's Anti-money laundering Function and ensuing organisational changes;
- ii) approval of the Banca Generali Banking Group Policy for managing money-laundering and terrorist financing risks

In its meeting on 26 September 2011, the following aspects were examined:

- i) opinion on a related party transaction;
- ii) information on a change in a related party transaction;
- iii) periodic report on the activities undertaken by the Compliance Department;

In its meeting on 27 October 2011, the following aspects were examined:

- i) periodic report on the activities undertaken by the Internal Audit Service;
- ii) Information on changes to the organisational structure;

In its meeting on 18 November 2011, the following aspects were examined:

- i) examination of the findings set forth in the periodic report submitted by the Internal Audit Service.

The proceedings of each meeting were duly recorded in minutes.

Seven of the said Committee meetings, the proceedings of all of which were duly recorded in minutes, were attended by all the Committee members, whilst one Committee member was absent at the others.

The attached table sub 2 provides information on the attendance rate of each member at the Committee meetings.

The Internal Control Committee (now Internal Audit and Risk Committee) is afforded unhindered access to any and all the corporate information and functions it may deem necessary or useful for the proper discharge of its assigned tasks.

## 11. INTERNAL CONTROL SYSTEM

The bank's Board of Directors adopted an organisational model for the Group's internal control system, under which so-called second and third control functions are centralised within the Parent Company.

especially so as to meet the need for managerial as well as technical-operating coordination that is as deep-reaching as the strong strategic coordination of group companies, achieved through the presence of representatives of the Parent Company on the governance and control bodies of subsidiaries.

As required pursuant to the Italian Civil Code and the supervisory regulations for banks and, as recommended in the Corporate Governance Code, the Bank has adopted an internal control system capable of continuously monitoring typical business risks.

The internal control system is therefore a structured set of organisational functions, procedures and rules of conduct aimed at ensuring sound and proper corporate governance in line with pre-set targets, through adequate processes for identifying, measuring, managing and monitoring the main business risks. The system forms an integral part of the Company's operations and entails the involvement of all corporate structures and sectors, each of which is called upon to ensure constant and continuous risk monitoring, within the limits of its specific sphere of competence.

Within this framework, Banca Generali has set up an internal control system, fully compliant with the provisions of Art. 7 of the 2011 Corporate Governance Code and, moreover, specifically designed to ensure healthy and prudential corporate management of the bank and the group, whilst at the same time reconciling the attainment of corporate targets, the proper and timely monitoring of risks and appropriate operating procedures.

Banca Generali S.p.A.'s Internal Control System was most recently updated by the Board of Directors on 24 January 2008 (with effect as of 1 March 2008) with a view to bringing the same in line with regulations introduced through the provisions for the implementation of MiFID in Italy. The Internal Control System was revised by the Board on 07 November 2011.

Pursuant to the said provisions and applicable supervisory regulations, it is made up of:

- (i) checks involving the business line: systematic or periodic checks on samples of information, carried out by the heads of individual operating units with a view to ensuring the proper completion of the transactions effected by the same production structures, or incorporated into procedures, or performed as part of middle/back-office processes;
- (ii) risk management checks: checks carried out by the

heads of individual operating units and by the Risk Management Department, as part of the process of determining risk measurement methods, with a view to ensuring compliance with the thresholds assigned to the various operating departments, as well as in order to maintain the operations of individual production units in line with the risk/return targets set for specific types of risk (credit risk, market risk, operating risk);

- (iii) compliance checks: checks carried out by the Compliance Department on the conformity of transactions with statutory requirements, orders and instructions imposed under supervisory authorities and the Company's self-imposed rules of conduct;
- (iv) internal auditing: checks carried out by the Internal Audit Service with a view to ensuring, also through on-site inspections, the propriety of the Company's operations, risk trends, the overall functioning of the internal control system, whilst at the same time identifying abnormal trends, breaches of procedure and regulations, as well as assessing the effectiveness of internal control.

The Company's Internal Control system is structured to ensure proper disclosure of information and adequate oversight of all the Group's activities, with a view to promoting fairness and transparency, in both form and substance, whilst also ensuring the efficiency, traceability and auditing of transactions, and more in general all management activities; the reliability of accounting and management data; compliance with laws and regulations, and the protection of the integrity of the Company's assets, especially in order to prevent fraud against the Company and the financial markets.

The key principles underlying the Company's Internal Control System include:

- the separation of roles in the performance of the main tasks involved in individual production processes;
- the traceability and constant visibility of choices;
- objective decision-making with regard to individual operating processes.

Responsibility for the Internal Control System, pursuant to applicable regulations, resides with the Board of Directors that is in charge of: (i) establishing the guidelines, strategic orientation and risk management policies pertaining to the internal control system; (ii) approving the bank's organisational structure, ensuring that tasks and responsibilities are clearly and properly assigned, and periodically checking the adequacy and effectiveness of the said structure, further ensuring that the main corporate risks are identified and appropriately managed, that the Company's control

structures are endowed with sufficient autonomy and independence within the Company's organisation as well as with adequate resources to ensure the proper functioning thereof.

The Board of Directors also carries out periodic assessments of the functioning, effectiveness and efficiency of the internal control system, taking timely corrective action in case of shortcomings and/or anomalies in the performance of the checks themselves.

Pursuant to supervisory regulations, internal control functions must be independent of other operating functions, and report directly to the Board of Directors and Board of Statutory Auditors, on a periodic basis, in respect of the outcome of its activities.

On 25 September 2003, the Board of Directors appointed Francesco Barraco head of the Internal Control Department and Head of the Internal Audit Department, with effect as from 1 October 2003. His remuneration is examined each year by the Board of Directors and is in line with best market practice.

In keeping with Banca Generali's organisational model, the Internal Audit function is vested with a dual role: (i) an institutional role arising from the fact that the Company is the parent company of a banking group and involving the direct auditing of all the Group's operating and managerial processes, whilst also developing control models, methods and tools; (ii) a service role under which the Company's Internal Audit department undertakes internal auditing activities for other Group companies, pursuant to outsourcing arrangements.

The auditing method on which internal auditing activities are based, is defined under the Internal Audit Rules (as most recently amended by resolution of the Board of Directors on 29 September 2010) and the supervisory model, also approved by the Board of Directors and constantly implemented in light of developments in oversight compliance and best auditing practices (CoSo Report, professional standards).

Pursuant to applicable regulations, on 24 January 2008, the Board of Directors appointed Paolo Rupil to head the Compliance Service as of 1 March 2008.

On 24 June 2008, the Board of Directors approved the Banking Group's Compliance Policy and related Compliance Rules (subsequently amended by Board resolution of 22 February 2011), ordering the timely notification thereof to all subsidiaries, with a view to ensuring that the said Policy and Rules are fully implemented throughout the banking group.

On 27 August 2008, the Board of Directors appointed Antonino Fici to head, with effect as of 1 September, the Risk Management Service.

As already noted, in compliance with the Code's recommendations regarding internal control, on 27 November 2006, the Board set up within itself an Internal Control Committee (now Internal Audit and Risk Committee) in charge, among other tasks, of completing all the preparatory activities required for the Board to properly undertake its internal control tasks (for further information, see "Internal Control Committee", above).

Moreover, with regard to risks, the Chief Executive Officer may also avail of the advice of the Risks Committee established by Board resolution of 23 September 2008 with a view to coordinating the banking group's risk management and control system, and identifying and implementing appropriate risk containment measures.

As recommended by the Code, Art. 8 of the Board Rules requires the Board to:

- (i) define guidelines for the Internal Control and Risk Management System so that the primary risks affecting the Company and its subsidiaries are properly identified and adequately measured, managed and monitored, and also determine the degree to which such risks are compatible with management of the Company consistent with the strategic goals identified;
- (ii) assess, with at least annual frequency, the adequacy of the Internal Audit and Risk Management System with respect to the Company's characteristics and the risk profile assumed, as well as the effectiveness of the System;
- (iii) approve the working plans drafted by the Heads of the Compliance, Internal Audit and Risk Management functions and review the periodic reports drafted by those functions;

As part of his/her activities concerning the management and coordination of the Group, the person in charge of internal control also exercises:

- a) strategic control over the development of various business areas in which the Group operates, and the risks arising from the range of business activities conducted. This type of control is aimed at monitoring the expansion of the business operations of group companies, and their policies in terms of mergers, de-mergers and acquisitions. Strategic coordination is ensured primarily through presence of a certain number of persons appointed by the Bank's Board of Directors, on the Board of Directors of group companies;
- b) operating control aimed at ensuring that the income statements, cash flow and balance sheets of both, individual group companies and the group as a whole, are appropriately balanced. These checks



are carried out preferably through the drawing up of plans, programmes and budgets (for each group company and for the group as a whole) and by analysing the quarterly performance, interim results and annual financial statements of each group company and the group as a whole, duly broken down by specific business sector, and with regard to the entire group. Operations are coordinated by the Planning and Control Department which liaises with the corporate bodies/functions of each of the subsidiaries;

- c) technical-operating control aimed at assessing the profiles of the various risks incurred by the group as a whole as a result of the business operations of individual subsidiaries.

### 11.1 Executive Director in charge of the internal control system

The Board of Directors has appointed the Chief Executive Officer, the executive director in charge of overseeing the functioning of the internal control system.

The Chief Executive Officer defines operating policies and related risk control procedures, identifying and evaluating, including on the basis of management trends and departures from forecasts, any and all factors giving rise to risks, and assesses the functioning, effectiveness and efficiency of the internal control system, promoting the updating of the same as may be necessary or useful, from time to time.

the Chief Executive Officer to whom the Internal Audit function reports on an operating basis, to undertake the following tasks in addition to his/her regulatory duties, and that is to say:

1. identify the main corporate risks, taking due account of the business operations of the Company and its subsidiaries, and submit periodic reports on the same to the Board of Directors and the Internal Control Committee (now Internal Audit and Risk Committee);
2. implement the guidelines laid down by the Board of Directors in designing, setting up and managing the internal control system, and constantly monitor the overall adequacy, effectiveness and efficiency of the same, whilst also adapting the said system to changes in operating conditions and in the applicable statutory and regulatory framework;
3. recommend to the Board, after hearing the opinion of the Internal Audit Committee, the appointment, dismissal and remuneration of a person in charge of Internal Audit.

### 11.2 Internal Auditor

On 25 September 2003, the Board of Directors appointed Francesco Barraco head of the Internal Control Department and Head of the Internal Audit Function, with effect as from 1 October 2003. In keeping with Banca Generali's organisational model, the Internal Audit function is vested with a dual role: (i) an institutional role arising from the fact that the Company is the parent company of a banking group and involving the direct auditing of all the Group's operating and managerial processes, whilst also developing control models, methods and tools; (ii) a service role under which the Company's Internal Audit department undertakes internal auditing activities for other Group companies, pursuant to outsourcing arrangements.

The Internal Auditor:

1. is tasked with monitoring the constant adequacy, full functionality and effective operation of the internal control system;
2. is not to be assigned responsibilities for any operating department and not to be hierarchically answerable to the head of any operating department, including the administration and finance department;
3. is to be afforded direct access to any and all the information that may be useful for the performance of his duties;
4. is to be endowed with adequate resources for the performance of his assigned duties;
5. answers to the Internal Control Committee (now Internal Audit and Risk Committee), the Board of Statutory Auditors, the Board of Directors and the Chief Executive Officer, expresses an opinion, in particular on the effectiveness of the Internal Control System in ensuring an acceptable overall risk profile;
6. has a budget to refer to for completing his/her tasks and activities.

#### **Main features of the Company's risk management and internal control systems related to the financial reporting process (pursuant to Art. 123-bis, paragraph 2, letter b) of TUF)**

The risk management and internal control systems as they relate to the financial reporting process adopted by the bank (the "System") are part of the broader Internal Control and Risk Management System described in the previous section.

The System addresses the issues of internal control and risk management arising in respect of the financial reporting process, from an integrated perspective, with

a view to identifying, assessing and containing the so-called financial reporting risks: (i.e., risks of errors leading the annual financial statements, the condensed half-yearly financial statements, the consolidated financial statements and/or other financial disclosures and filings, to reflect a view of the balance sheet, income statement and/or cash flow that cannot be described as true and/or fair) to which the Company and the Group are exposed.

The System is thus intended to guarantee the reliability, accuracy and timeliness of financial reports. To this end, the bank created a financial reporting risk model consisting of principles and rules that aim to guarantee an adequate administrative and accounting system, in part by ensuring the availability of procedures and instructions.

The Manager in charge for the Company's financial reports works within this framework. The Manager is charged by Italian Law No. 262 of 28 December 2005 ("Law 262") with the critical task of ensuring the reliability of accounting documents and availability of adequate administrative and accounting procedures for listed companies based in Italy.

The Manager in charge for the Company's financial reports is responsible for defining the methodological and organisational aspects of adopting the financial reporting risk model within the Company and Group to the extent of the powers and means granted to him/her under paragraph 4 of Art. 154-bis of the TUF.

The financial reporting risk model adopted is based on a process developed by the Company in accordance with the following reference frameworks, which are generally recognised and accepted internationally:

- (i) the CoSO (Committee of Sponsoring Organisation of the Treadway Commission). Internal Control – Integrated Framework, released in 1992, defines guidelines for assessing and developing an internal control system. In the CoSO Framework, the model refers to the component of the internal control system concerning the processes of collection, processing and publication of financial information flows (financial reporting);
- (ii) COBIT (Control Objective for IT and Related Technology, built by the IT Governance Institute based on the CoSO Framework), provides specific guidelines for IT and can be used together with ITIL (Information Technology Infrastructure Library, a framework already used by the Group) and ISO/IEC 27001 (International Organisation for Standardisation/Information Electrotechnical Commission).

Within the Group, the financial reporting risk model has been extended to companies identified as relevant in

the context of the model ("Companies within the Scope of Application"). In particular, the Companies within the scope of analysis area adopt a financial reporting risk model that is consistent with the model used by the Company so as to create a uniform system throughout the Group. The models are then changed as indicated by Banca Generali's manager in charge of the Company's reports.

### **Key characteristics of the existing risk management and internal control system as it relates to the financial reporting process**

The key characteristics of the financial reporting risk model adopted by Banca Generali are summarised below, with particular reference to: (a) phases of the model; (b) departments/employees involved in the model and their respective roles; (c) information flows.

#### **(a) phases of the financial reporting risk model**

The different phases of the financial reporting risk model were defined by the Company based on the reference framework (CoSO Framework). In detail, the model may be divided into the following phases: (i) identification and assessment of financial reporting risks, (ii) identification and assessment of controls for mitigating identified risks.

#### **(i) identification and assessment of financial reporting risks:**

to identify and assess financial reporting risks, the Company identifies the relevant companies and significant information (consolidated accounts and company-wide processes), considering both quantitative and qualitative elements. Companies within the scope of analysis are those that, in considering the relationships between the assets, revenues and profit or loss of the individual companies and consolidated balances, exceed specific limits established by best market practice (in 2011, such companies accounted for nearly all of consolidated assets). In relation to the consolidated accounts, significance is determined based on the guidelines generally used in audit procedures. Processes are considered significant and therefore subject to analysis if, from an accounting perspective, they have a potential impact on the consolidated accounts. All processes involved in period-end reporting are included in the scope of processes to be analysed. Each process is assigned an analysis priority based on quantitative elements. Lastly, qualitative elements referring to the companies' risk profiles, which are based on both internal and external factors, are added to the scope of analysis. The

scope of analysis is revised at least annually or when warranted by changes in the Group's structure.

Each risk is evaluated to determine its level of significance based on its inherent risk (or gross risk), which does not consider the mitigating effect of controls associated with it. The assessment of gross risk is based on a combination of (i) the probability that the event, that could potentially cause an administrative or accounting error, will occur during a specific timeframe, and (ii) the impact that such event could have on accounting and financial data and, consequently, on the presentation of a true and fair view of assets, liabilities, profit or loss and financial position. The probability is determined by the frequency of controls and how they are carried out, while the impact is measured based on the priority of the analysis process, as described above. The result of the assessment process can be either "high", "medium" or "low". Furthermore, as part of the assessment, control objectives are established in accordance with best market practice. Each control objective is associated with a specific financial assertion (existence or occurrence, completeness, valuation or allocation, presentation and disclosure, rights and obligations).

#### **(ii) Identification and assessment of controls for mitigating identified risks;**

The financial reporting risk model includes the following types of controls: (a) company-level; (b) process-level; (c) information technology.

The structure of the controls is designed so as to allow adequate identification and assessment and is based on four main characteristics:

- (a) time of execution: controls can be either preventative or after-the-fact;
- (b) the execution procedure: manual, automatic or semi-automatic;
- (c) nature (i.e., structural characteristics): authorisation, reconciliation, management review, etc.;
- (d) frequency (i.e., time interval of controls): weekly, monthly, quarterly, etc.

Control analyses include a phase in which the adequacy of the design is evaluated and a phase in which the actual application is evaluated according to specific methods for each type of control. If during these phases shortcomings are identified in the management of financial reporting risk, the appropriate corrective measures or actions are determined. The implementation of corrective measures or actions is constantly monitored by the manager in charge of the Company's financial reports.

#### **(a) Company-level controls**

The goal of company-level controls is to ensure the existence of an organised, formal company structure designed to reduce the risk of improper conduct through adequate governance systems, standards of conduct based on ethics and integrity, efficient organisational structures, clarity in the assignment of powers and responsibilities, adequate risk management policies, employee disciplinary systems, efficient codes of conduct and fraud-prevention systems. Adequacy assessments focus on ensuring the existence and dissemination of the appropriate tools (such as policies, codes, rules, service rules, etc.) used to identify rules of conduct applicable to company employees. The next phase involves evaluating the actual application of the aforementioned rules.

#### **(b) Process-level controls**

Process-level controls are carried out at a more detailed level than company-level controls and are aimed at mitigating financial reporting risk through controls included in the Company's operating processes. Assessments of control adequacy are carried out by identifying company processes, determining the key controls used to manage financial reporting risk and evaluating the appropriateness of such controls in mitigating this risk. Efficiency assessments involve verifying the actual and correct execution of controls and the adequacy of related documentation.

#### **(c) Controls on Information Technology (IT)**

IT controls focus on processes associated with managing and handling information stored in the computer systems used to create the financial statements. Specifically, analyses are performed on controls concerning software purchases and maintenance, physical and logical security management, application development and maintenance, data completeness and accuracy, IT risk analysis and information system management. As for the applications used to create the financial statements, in relation to business processes as well as period-end reporting, analyses focus on evaluating the adequacy of controls as they pertain to the key best practices and reference frameworks used and ensuring that controls remain functional according to standardised methodologies. The analyses also evaluate the efficiency of the main automatic controls performed by applications as part of major processes.

**(b) the functions involved in the model, their roles and information flows**

Consistent with the internal control and risk management system adopted by the Company, the financial reporting risk model engages its corporate boards and operating and control units in an integrated management approach based on the various levels of responsibility so as to guarantee the model's ongoing adequacy.

The Board of Directors, with the support of the Internal Control Committee (now Internal Audit and Risk Committee), ensures that the model enables the identification, assessment and control of major risks, at both the Company and Group level, through the definition of strategies and general internal-control and risk-management guidelines. In compliance with applicable legislation, the Board also ensures that the manager in charge of the Company's financial reports has the necessary means and powers to perform the duties assigned to him/her under Italy's Law 262.

The manager in charge of the Company's financial reports is responsible for implementing, maintaining and monitoring the financial reporting risk model in compliance with the strategies defined by the Board. Accordingly, he/she is responsible for evaluating the adequacy and use of administrative and accounting procedures and their ability to present a true and fair view of the assets, liabilities, profit or loss and financial position of the Company and Group. In fulfilling these responsibilities, the manager in charge of the Company's financial reports is supported by a special unit (Law 262 Organisational Unit) that is charged with the task of coordinating all activities necessary for the correct performance of the duties assigned to him/her. The Unit also serves as a point of reference for the entire Group as regards the management of administrative and accounting risks through guidance and coordination activities.

Banca Generali's Internal Regulations and Procedures Service is responsible for mapping the administrative and accounting processes of the Company and Group and ensuring that the information and documentation pertaining to them is kept up-to-date.

The Internal Audit Service periodically evaluates the efficiency of procedures and controls included in these processes and supports the Law 262 Organisational Unit in its assessment of the risks and related controls within the Group's administrative and accounting processes.

Compliance Service is responsible for checking and assessing the appropriateness and effectiveness of administrative and accounting processes, with a view to ensuring compliance with any and all applicable regulatory provisions governing the performance of any and all the banking and investment services offered by the

Banking Group, especially so as to minimise the risk of non-conformities.

Process Owners (managers of the Company's and Group's Organisational Units) are appointed by Top Management and are in charge of managing one or more major processes in accordance with Law 262. They are responsible for ensuring that the documentation system put in place by the Group's dedicated units is consistent with actual operations. This is achieved by promptly communicating changes that have been made and implementing corrective actions designed to address any shortcomings found.

Furthermore, if key activities and/or controls that are the responsibility of a department other than the Process Owner's are identified within a process, a Sub-Process Owner is appointed with the duty and responsibility of ensuring that operations are consistent with company procedure. This is achieved by identifying, formalising and continuously updating the portion for which he/she is responsible.

The Company also developed – through a special circular related all Group companies – a documentation system that ensures that all boards, departments and employees with specific tasks within the internal control and risk management system work together to complete their respective duties.

The activities, information and documents included in the financial reporting risk model are managed using computer applications that are shared with other control units.

The manager in charge of the financial reports of the Company reports to the Board of Directors on a regular basis as to the activities carried out in exercising his/her functions.

### 11.3 Organisational model pursuant to Legislative Decree 231/2001

Legislative Decree No. 231 of 8 June 2001 introduced the principle that corporations may be held liable for specifically listed offences committed or attempted in their interest and/or for their benefit by individuals entrusted with corporate representation, administration and management, or individuals subjected to the management or oversight of one of the latter.

The above-mentioned Decree provides for exemption from this form of liability in the case of entities which have adopted and effectively implemented organisational and management models designed to prevent the aforesaid offences.

The adoption of an Organisational and Management Model (hereinafter the "Model") is not an obligation or duty, but a right, that the Company has decided to exercise in order, not only to restructure and formalise, where necessary, a system of preventive checks aimed at preventing conduct entailing administrative liability for the Company pursuant to the above-mentioned Decree, but also to ensure the Company's own integrity, and to boost the effectiveness and the transparency of corporate operations.

On 19 June 2006, the Board of Directors approved the Company's Organisational and Management Model, drawn up in light of the Company's specific operating conditions and requirements. The aforesaid Model must be constantly updated taking due account of changes in the relevant regulatory framework. A copy of the Model is available on the website [www.bancagenerali.com/About us/Corporatestructure/BancaGenerali](http://www.bancagenerali.com/About us/Corporatestructure/BancaGenerali).

Apart from meeting all the necessary formal requirements, the Model fully achieves, even in substance, the aforesaid main goal underlying its adoption. The Model is made up of a structured set of principles, rules, provisions and organisational layouts pertaining to the management and oversight of business operations, and is contained in an illustrative document that sets forth the general rules that make it impossible for the offences to be committed without fraudulently violating the model.

In accordance with the provisions of the aforesaid Decree, the task of supervising compliance with the Model and updating the same, must be entrusted to an independent and qualified body set up within the entity, and endowed with autonomous powers of initiative and oversight.

The Company has therefore set up a panel to act as a Supervisory Board (reporting to the Board of Directors), defining the tasks and functioning thereof. The Company has opted to appoint to the said Supervisory Board, persons who hold positions within the Company's organisational structure, that, for technical and/or organisational reasons, enable them to make meaningful contributions to performing the tasks and attaining the goals of the Supervisory Board.

Accordingly, the Board of Directors has decided that the Company's Supervisory Board shall consist of a panel made up of a non-executive Director, the Head of the Legal Affairs Department and the Head of the Internal Audit department.

The make-up of the current Supervisory Body, the members of which are specified in the table below, was approved by the Board of Directors on 21 April 2009:

NAME AND SURNAME	OFFICE HELD
Aldo Minucci	Chairman and Non-executive Director
Francesco Barraco	Internal Auditor
Cristina Rustignoli	Head of the Legal and Compliance Department

In carrying out its tasks, the Supervisory Board is to avail of the support of other corporate departments, especially the Compliance Department.



## 11.4 Independent Auditors

In light of the regulatory framework following the entry into force of the Italian Legislative Decree 303/2006, the Ordinary Shareholders' Meeting held on 24 April 2007 extended the appointment of the auditing firm Reconta Ernst & Young S.p.A., appointed with the resolution passed at the Shareholders' Meeting of 18 July 2006, to the date of approval of the financial statements for the year ending 31 December 2014. As a consequence of this extension, the total number of consecutive years subject to auditing is nine, and, therefore, the appointment complies with the provisions of Art. 17, of Legislative Decree 39 of 27 January 2010.

## 11.5 Manager in charge of the company's financial reports

Art. 154-bis of Legislative Decree No.58 of 24 February 1998, introduced by Law No. 262 of 28 December 2005, requires inter alia:

- a) the Manager in charge of the company's financial reports to issue a written statement attesting that any and all notices and information the Company discloses on the market in respect of its annual and/or interim financial reports corresponds to the documentary results, books and accounting records;
- b) the Manager in charge of the company's financial reports and the delegated Administrative Bodies to issue a joint written statement to be attached to the annual financial statements, the condensed half-yearly financial statements, and, where applicable, the consolidated financial statements, certifying the appropriateness and effective implementation of all relevant accounting and administrative procedures during the accounting period of reference, as well as warranting that all the related accounting documents were prepared in accordance with the international accounting principles generally accepted and applied within the European Union, and, accordingly faithfully reflect the contents of the Company's accounting books and records, with the result that the said accounting documents may be deemed to provide a true and fair view of the balance sheet, income statement and cash flow of the Company and the Group, and moreover, attesting, in respect of the annual financial statements and the consolidated financial statements, that the related Directors' Report includes a reliable analysis not only of business trends and operating results, but also of the situation of the issuer and all the companies included in the reporting entity, together with a description of the main risks and uncertainties to which the Com-

pany and Group are exposed, as well as, in respect of the abbreviated half-yearly financial statements, that the related interim Directors' Report comprises a reliable analysis of the information mentioned in paragraph 4 of Art. 154-ter of TUF;

- c) the Board of Directors to oversee the appropriateness of the powers and resources made available to the Manager in charge of the company's financial reports and the proper implementation of "administrative and accounting procedures".

Pursuant to Art. 23, paragraph 3 of the Articles of Association, the Board of Directors, after consultation with the Board of Statutory Auditors, shall appoint and dismiss the Manager in charge of drawing up the company's accounting documents, in compliance with Art. 154-bis of Legislative Decree No. 58 of 24 February 1998, establishing the powers and resources of the same.

Paragraph 4 of the same Article provides that the said Manager shall be selected from amongst the company executives in possession of the following professional qualifications:

- suitable professional experience for a suitable length of time or, in any event, of no less than three years, in activities of administration, management or control or professional activities in the banking, insurance and financial sectors; or
- specific know-how in the field of financial reporting and auditing, in respect of listed issuers or their subsidiaries and in the management or oversight of related administrative procedures, acquired over at least five years of experience in positions of responsibility for operating structures within the company, the group or other comparable corporations or entities in terms of business sector and organisational structure.

The said Manager must furthermore meet the requirements of integrity imposed under regulations governing the assumption of corporate offices. Loss of the requisite of integrity determines fall from office.

On 24 January 2007, pursuant to the Articles of Association, and taking into consideration the opinion of the Board of Statutory Auditors, the Board of Directors appointed Giancarlo Fancily to serve, as of 1 February 2007, as Manager in charge of drawing up the company's accounting documents, within the meaning of Art. 154-bis of Legislative Decree 58/1998, after having ensured that he was fit and proper for such appointment within the meaning of Art. 23 of the Articles of Association, and determining the powers and resources to be made available to him for the discharge of his assigned duties.



Giancarlo Fancel is the Vice Deputy General Manager in charge of coordinating the Planning & Control, Administrative and Organisation Department, Organisation and Regulation, Coordination of IT Management Development, Finance and Risk Management service and Trade Marketing Office, tasked with ensuring the proper and timely preparation of the Company and the banking group's accounts, as well as discharging related accounting and regulatory formalities, and drawing up financial reporting and tax compliance guidelines and policies in line with corporate strategies and targets.

Following the entry into force of Legislative Decree No. 195 of 6 November 2007 which implemented the Transparency Directive (2004/109/EC) and amended Art. 154-bis of Legislative Decree 58/1998, on 20 February 2008, the Company's Board of Directors revised the powers and responsibilities invested in Giancarlo Fancel as Manager in charge of the company's financial reports, in which capacity he is required:

- (iv) as Manager in charge of the company's financial reports, within the meaning of Art. 154-bis of Legislative Decree 58/1998, to ensure that any and all notices and information the Company discloses to the market in respect of its annual and/or interim financial reports, are accompanied by a written statement issued by him, and attesting that the said notices and information corresponds to the documentary results, books and accounting records;
- (v) as Manager in charge of the company's financial reports, within the meaning of Art. 154-bis of Legislative Decree 58/1998, to draw up suitable administrative and accounting procedures for the preparation of the annual and consolidated financial reports as well as any and all other financial notices;
- (vi) as Manager in charge of the company's financial reports, within the meaning of Art. 154-bis of Legislative Decree 58/1998, to certify, in a specific report drawn up in accordance with the form established by the Italian stock-market regulator CONSOB and attached to the annual financial statements, the condensed half-yearly financial statements and the consolidated financial statements, the appropriateness and proper application of the procedures mentioned in the preceding point, during the period of reference of the financial statements in question, further attesting that the latter provide a true and fair view of the balance sheet, profit and loss account and cash flow of the issuer and all the companies making up the reporting entity;

- (vii) to certify that the documents were drawn up in accordance with the international accounting principles applicable within the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002;
- (viii) to certify that the Directors' report on operations attached to the annual financial statements and the consolidated financial statements includes a reliable analysis of the business trends, operating result and financial situation of the issuer and all the companies making up the reporting entity, as well as a description of the main risks and uncertainties to which the latter are exposed;
- (ix) to certify that the interim Directors' report on operations attached to the condensed half-yearly financial statements includes a reliable analysis of the information mentioned in Art. 154-ter, paragraph 4, of Legislative Decree 58/1998;
- (x) to assume any commitment, including of an economic nature, and undertake whatsoever else that may be necessary for discharging the tasks mentioned in 154-bis of Legislative Decree 58/1998;
- (xi) for the purposes of discharging the tasks and/or exercising the powers mentioned in Art. 154-bis of Legislative Decree 58/1998, to avail of the support and collaboration of other corporate functions (including the Internal Audit Department) should intervention by the latter be deemed necessary or even merely useful towards such end.

In order to fully comply with the article in question, in early 2007, the Company launched an initiative known as the FARG - Financial Accounting Risk Governance Project, the management of which was entrusted to a project-specific structure charged with centrally coordinating all the related activities and supporting project-related worksites specifically established for such purpose. The previous section "Main features of the Company's risk management and internal control systems related to the financial reporting process" provides further information on FARG.

## 12. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

In compliance with the provisions set forth in Art. 2391-bis of the Italian Civil Code and Art. 4 of the Regulation on Related Party Transactions (approved pursuant to CONSOB resolution No. 17221 of 12 March 2010, as further amended and extended by CONSOB Resolution No. 17389 of 23 June 2010), on 5 November 2010, Banca Generali's Board of Directors – after hearing the opinion of the Internal Control Committee set up within the Board of Directors and made up of independent directors – approved procedures aimed at ensuring the transparency as well as the procedural and substantive correctness of related party transactions (the “Related party Transaction Procedure” or merely the “Procedure”).

The Related Party Transaction Procedure regulates transactions effected with counterparties that qualify as “related parties” within the meaning of the aforementioned CONSOB Resolution No. 17221, which defines the same as any person or party that:

- (a) directly or indirectly, including through subsidiaries, trust companies and third party intermediaries:
  - (i) controls, is controlled by, or is under joint control with the Company;
  - (ii) has an interest in the entity that gives it significant influence over the entity;
  - (iii) exercises control over the Company jointly with other persons or parties;
- (b) is an associate of the Company;
- (c) is a joint venture in which the Company is a venture;
- (d) is a member of the key management personnel, with strategic responsibilities, of the Company or its parent;
- (e) is a close member of the family of any of the parties mentioned in paragraphs (a) or (d) above;
- (f) is an entity company over which a person or party falling within the scope of points (d) or (e) above exercises sole or Joint Control or Significant Influence, or in which the said person or party directly or indirectly holds a significant stake bearing no less than 20% (twenty percent) of the voting rights;
- (g) is an Italian or foreign supplementary, collective or individual pension fund set up in favour of the employees of the Company or any of the latter's related parties.

The Procedure establishes first and foremost that any and all duties and responsibilities in respect of Highly and Moderately Significant RP Transactions, respectively, assigned under the said CONSOB Resolution to what the latter refers to as the “committee”, shall be entrusted to Banca Generali's Internal Control Committee (now Internal Audit and Risk Committee), subject to appropriate mechanisms for the replacement of any and all committee members who may also qualify as related parties.

The procedure defines the term “Related Party Transaction” as any transaction entailing a transfer of resources, services or obligations between related parties, whether for valuable consideration or otherwise, and lays down provisions governing decision-making powers, the requirement to justify the approval of such transactions on the basis of grounds set forth in writing, and the documents to be prepared depending on the type of related party transaction in question. More specifically:

- (i) Moderately Significant RP Transactions – falling short of the threshold defining Highly Significant RP Transactions – must be approved by the relevant corporate officers as established pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Committee in such regard. The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions.
- (ii) Highly Significant RP Transactions – exceeding the threshold of (a) 5% of at least one of the significance indices included in Schedule 1 to the aforesaid CONSOB Resolution No. 17221, or (b) 2.5% of any of the said indices in the event the transaction is to be effected with the Parent Company being a listed company or undertakings related to the Parent Company and therefore in turn related to the Company – must be approved by the Board of Directors. The Internal Control Committee (now Internal Audit and Risk Committee), or one or more of its members specifically entrusted with such task, shall be involved in the negotiation and preliminary assessment of the transactions in question, on the basis of timely and complete information made available to the same. The aforementioned Committee may, through its Chairman or delegates, forward requests for information and submit its views to the delegated corporate bodies and officers and other persons in charge of negotiating or assessing the proposed transaction. The Board of Directors shall pass the related resolution on the basis of the documents underlying the preliminary assessment as well as the Committee's binding favourable opinion. The Board resolution in question shall include a statement of the grounds supporting the advisability of the transaction taking due account of the Company's interest in effecting the same, as well as the fairness and substantive propriety of the transaction and the related terms and conditions. In departure from the above rule, the Board of Directors may approve a Highly Significant RP Transaction, despite an unfa-

avourable opinion by the Committee in such regard, provided that: (i) the Ordinary Shareholders' Meeting authorises the transaction in question; and (ii) in the event the Unrelated Shareholders present at the Shareholders' Meeting at the time of the related ballot hold more than 10% of the sum total of the voting rights, a majority of the said Unrelated Shareholders do not vote against the related motion.

The aforesaid procedural rules shall not however apply to the transactions excluded from the scope of the abovementioned CONSOB Resolution No. 17221 (without prejudice to the public disclosure obligations imposed under Art. 114 of TUF) as well as the following Related Party Transactions:

- (a) Low-value Related Party Transactions, and that is to say: (i) unsecured loans of up to 350,000.00 euros, (ii) loans secured by guarantees in rem and amounting to no more than 500,000.00 euros, (iii) agreements for the performance of works and services, including professional and consultancy services involving the management and development of business operations, entailing amounts of no more than 500,000.00 euros, (iv) the acquisition and disposal of real property rights and for the rent-free use of real estate with a value of no more than 500,000.00 euros, (v) any and all other transactions not subject to mandatory Board approval and featuring a value of no more than 500,000.00 euros;
- (b) share-based remuneration plans approved by the General Shareholders' Meeting within the meaning of Art. 114-bis of the TUF, and related implementing transactions;
- (c) resolutions regarding the remuneration of directors entrusted with specific tasks in cases where the said remuneration is not included in the overall amount awarded pursuant to Art. 2389, paragraph 3 of the Italian Civil Code, as well as resolutions determining the remuneration of Key Management Personnel, provided that all of the remuneration in question is determined pursuant to specific remuneration policies adopted by the Company and drawn up with the involvement of a committee made up entirely of non-executive Board members the majority of whom must also be independent directors, as well as illustrated in a report submitted to the approval or the consultative vote of the Shareholders' Meeting;
- (d) Ordinary Transactions and any and all related financial activities, falling within the category of transfers of resources concluded at arm's-length or standard terms, in the normal course of day-to-day business operations – including, with regard to transactions to be effected through subsidiaries within the meaning of Art. 2359 of the Italian Civil Code, the day-to-day business operations of the latter. Towards such end, arm's-length or standard terms are to be deemed the

conditions usually applied in the general course of business to unrelated parties in respect of transactions of a similar nature, size and risk, or otherwise, conditions based on rates regulated under fixed prices or applicable to parties to which the Company is obliged under law to apply specific prices.

- (e) transactions with or between Subsidiaries, including jointly, as well as transactions with Associates, provided that none of the Company's other related parties holds any interest in the Subsidiaries or Associates in question, with the result that it would stand to benefit from the transfer of resources contemplated under the proposed transaction or transactions. A Significant Interest is said to arise when an entity that controls or otherwise exercises a dominant influence over the Company, at the same time, holds, in the Subsidiary or Associate Company which is the counterparty to the proposed transaction, a shareholding that, considered together with the stake it owns in the Company, would result in advantages to the entity in question, in the event the transfer of resources contemplated under the proposed transaction were to take place.

Furthermore, any and all Related Party Transactions falling within the scope of Art. 136 of TUB, shall be subject to the regulatory framework incorporated within the said law.

This Procedure also envisages that authorisation must be obtained from the Company in any event for any and all Highly Significant RP Transactions to be effected by Italian or foreign subsidiaries within the meaning of Art. 2359 of the Italian Civil Code, as well as any and all transactions falling within the scope of Art. 136 of TUB.

To ensure full and proper disclosure of any and all Related Party Transactions effected by the Company, the Procedure also requires:

- (i) the Company's Board of Directors to include an account of all related party transactions concluded during any financial year, including through Subsidiaries, in the Directors' Report mentioned in Art. 2428 of the Italian Civil Code;
- (ii) the Chief Executive Officer shall report to the Board of Directors as well as the Board of Auditors in respect of the conclusion of any and all Moderately Significant RP Transactions, at least on a quarterly basis.
- (iii) the Chairman of the Board of Directors shall ensure that adequate information on all Moderately Significant RP Transactions pertaining to the Board of Directors and all Highly Significant RP Transactions without exception, is made available not only to all Directors in compliance with Art. 2381 of the Italian Civil Code, but also to the Board of Statutory Auditors;
- (iv) the Board of Statutory Auditors shall monitor com-

pliance with the provisions of the above-mentioned Procedure and shall submit a report in such regard to the Shareholders' Meeting mentioned in section 2429, paragraph 2, of the Italian Civil Code.

Moreover, since Banca Generali belongs to the Generali Group, any and all transactions effected with related parties of the parent corporation Assicurazioni Generali must be identified and managed in accordance with the provisions of the Procedures adopted by Assicurazioni Generali in such regard, with the result that in certain cases, the said transactions may be subject to prior approval by the parent corporation.

The Procedure for Related Party Transactions can be viewed on the corporate website ([www.bancagenerali.com](http://www.bancagenerali.com)), section "Corporate Governance – Corporate Governance System – Governance Policies".

#### **Obligations of Company Officers and Executives Pursuant to Legislative Decree No.136 of TUB**

With regard to the obligations binding on company officers and executives of banks and companies belonging to banking groups, it must be borne in mind that pursuant to Art. 136 of the TUB, the said persons are barred from assuming obligations and/or effecting trading transactions of any nature or kind whatsoever, directly or indirectly, with the bank or banking group companies. By the same token, company officers and executives charged with administrative, managerial and control functions within a banking group company may not effect any of the said transaction with the companies within which they discharge such functions, or any loan transactions whatsoever with another company or bank belonging to the same banking group as the company or companies within which they serve. This prohibition may be lifted only by Board resolution passed unanimously as well as with the approval of all the members of the control body, and the prior consent of the Parent Company in the case of transactions to be effected with any of the companies belonging to the banking group.

Pursuant to law No. 262 of 28 December 2005 "Provisions

for the protection of investors and for regulating financial markets", the requirement of prior consent was extended to obligations entered into with: (a) companies controlled by officers and executives of the bank or other Group companies; (b) companies where such persons perform administrative, management and control functions; (c) companies controlled by or that control those companies.

However, pursuant to the amendments introduced by Legislative Decree No. 303 of 29 December 2006, "Coordination with Law No. 262 of 28 December 2005, of the Consolidation Law on Banking and Credit and the Consolidation Law on Financial Intermediation", the scope of Art. 136 of Legislative Decree No. 385/1993 was narrowed with the lifting of the requirement of prior Board authorisation for obligations entered into between companies belonging to the same banking group, or between banks belonging to the same banking group, in the case of transactions effected on the inter-bank market.

In order to constantly monitor situations that could give rise to potential conflicts of interest, Banca Generali has adopted the specific measures and precautions listed below: (i) at the time of their appointment, all company officers and executives are directly and personally made aware of the contents of the regulations in question, through a summary brochure of the obligations arising under the current regulatory framework as well as a "Personal Data Sheet" to be filled in by company officers and executives, specifying the positions they hold and the relationships relevant for the intents and purposes of Art. 136 of the Consolidation Law on Banking; (ii) custom-designed purpose-specific software is used to record all the information contained in the personal data sheet, as most recently updated; (iii) regulatory compliance is monitored – with a view to preventing conflicts of interest (by subjecting transactions effected by persons vested with powers of business administration, management or control, using the monies, assets or guarantees of the Bank or group companies, to specific assessment by the Bank's governing and control bodies) – through specific computerised processes that prevent the transactions in questions from being completed unless all related regulatory procedures and formalities are strictly complied with.

## **13. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS**

The Board of Statutory Auditors consists of three regular and two alternate Auditors, whose functions, duties and terms of office are defined by the law.

Pursuant to Art. 20 of the Articles of Association, regular and alternate Auditors must possess the requisites required by law and are eligible for reappointment. Those whose situations are incompatible pursuant to law and persons who serve as company directors or officers in other companies beyond the thresholds established under applicable regula-

tions, may not be appointed to the Board of Statutory Auditors, and if so appointed, will fall from office.

Auditors are appointed on the basis of lists of candidates, in accordance with the procedures set forth below.

Those shareholders who, alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company to submit lists of candidates for appointment of the Board of Directors, are entitled to submit a list. Currently, the percentage is 2.00%. 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 Art. 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 Art. 122 of Legislative Decree No. 58 of 24 February 1998 as further 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 relative backing given to any of the lists.

The lists are made up of two sections: one for the appointment of the regular 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 candidate may appear on only one list, upon penalty of ineligibility. Together with each list and within the term established for the filing of lists, the shareholders submitting the lists must also file the following documentation at the registered office: (i) information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; (ii) exhaustive information on the personal and professional features of the candidates included in the list; (iii) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; (iv) the declarations in which each candidate accepts nomination and also certifies, under his own responsibility, the inexistence of causes of incompatibility and of ineligibility, as well as possession of the requisites of integrity and professionalism which prevailing laws require for the office of Auditor of the Company. Within the term specified for the publication of the lists by the Company and in order to prove their entitlement to submit lists, shareholders shall file the documentation proving legal ownership of their shareholdings, in accordance with applicable laws and regulations, at the Company's registered office.

The lists, signed by the submitting shareholders, shall be filed at the Company's registered office no later than twenty-five days prior to the date set for the Shareholders' Meeting in first call. Furthermore, the list will be available at the Company's registered office, on the corporate website and in any and all forms required by applicable laws and regulations, no later than twenty-one days prior to the date set for the Shareholders' Meeting in first call. In the case where, by the aforesaid deadline, submission has been made of only one list or only of lists submitted by shareholders associated amongst themselves, the relevant statutory and regulatory provisions shall apply.

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 Art. 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 Art. 122 of Legislative Decree No. 58 of 24 February 1998 as further 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) shall be entitled to vote for only one list.

The first two candidates on the list obtaining the highest number of votes and the first candidate on the list obtaining the highest number of votes from amongst the lists 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 shall be deemed elected acting Auditors; the first candidate on the list obtaining the highest number of votes and 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 shall be deemed elected alternate Auditors.

In the case where only one list is submitted, the entire Board of Statutory Auditors is appointed from the said list.

Should no list be submitted, the Shareholders' Meeting shall appoint the Board of Statutory Auditors and the Chairman thereof by majority of the votes cast, in accordance with law.

In the event of votes being equal between two or more lists the younger candidates will be elected until all the posts to be assigned have been filled.

The first candidate on the list obtaining the highest number of votes, from amongst those lists 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 on the overall shall be elected Chairman of the Board of Statutory Auditors. In the event of submission of a single list, the first candidate specified therein will take the chairmanship.

In the case of the death, resignation or forfeiture of an acting Auditor, the first alternate Auditor belonging to the same list as the replaced Auditor will succeed him. Such alternate will succeed him for a period conterminous with the term of the other acting Auditors in office at the time of his appointment as an Auditor. Should the outgoing Auditor be the Chairman of the Board of Auditors, his replacement on such Board shall also assume the Chairmanship of the Board of Auditors. In the case where it is not possible to proceed as indicated above, the term of the entire Board of Statutory Auditors shall be deemed to have expired in full with imme-



diate effect, and accordingly, a Shareholders' Meeting must be called to pass resolutions on the appointment of a new Board of Statutory Auditors pursuant to the aforementioned voting list system.

The members of the Board of Statutory Auditors must be selected from amongst persons who have acquired, on the overall, at least three years' experience:

a) professional activities or permanent university teaching in legal, economic, financial and technical/scientific subjects strictly pertinent to the Company's business activities;

b) senior management functions in public entities or public administration operating in sectors strictly pertinent to the Company's activity,

In such regard, Art. 20 of the Articles of Association provides that: (i) fields and sectors closely related to the Company's business activities shall include all those mentioned in point (a) above pertaining to banking, and economic sectors closely related thereto; (ii) economic sectors closely related to banking shall include the credit, parabanking, financial and insurance sectors.

## 14. STATUTORY AUDITORS (pursuant to Art. 123-bis, paragraph 2, letter c), TUF)

Banca Generali's current Board of Auditors, which was appointed by the Shareholders' Meeting of 21 April 2009, and extended as regards an alternate Auditor, by Shareholders' Resolution on 23 November 2009, is to remain in office through the date of approval of the financial statements for the year ended 31 December 2011.

The table provided in Attachment 3 lists the members of the Board of Statutory Auditors as of 31 December 2011, other information about them and Board meeting attendance.

The Shareholders' Meeting of 21 April 2009 unanimously elected the members of the Board of Statutory Auditors from the only list presented by controlling shareholder Assicurazioni Generali S.p.A. The list contained the nominees that were elected, as follows: Acting Auditors (Giuseppe Alessio Verni, Angelo Venchiarutti and Corrado Giammattei) and Alternate Auditors (Alessandro Gambi and Luca Camerini). Following the resignation of Acting Auditor Corrado Giammattei on 8 May 2009, Alternate Auditor Alessandro Gambi took his place as Acting Auditor. In accordance with Art. 20 of the Articles of Association, the appointment will remain in effect until the date the financial statements for the year ended 31 December 2011 are approved. The Shareholders' Meeting of 23 November 2009 decided, by majority vote (in consideration of the only list presented and the provisions of Art. 20 of the Articles of Association), to add one Alternate Auditor to the Board of Statutory Auditors, namely Anna Bruno.

A summary profile of the members of the Board of Statutory Auditors, is provided below.

**Giuseppe Alessio Verni.** Born in Trieste on October 5, 1964, Giuseppe Alessio Verni graduated in Economics

from the University of Trieste in 1989. He is registered with the rolls of Certified Public Accountants and Commercial Experts of Trieste, as well as the list of Certified Auditors, the rolls of the Technical Consultants to the Civil Court of Trieste. Within the framework of his professional activities, he has acquired experience in the field of accounting, business administration, finance, taxation and tax litigation, and as a valuer of corporations and extraordinary corporate transactions. Since 1993, he acts as an Official Receiver with the Civil Court of Trieste. Member of the Board of Governors of the Order of Certified Accounting Consultants and Expert Accountants of Trieste. He is currently the Chairman of the Boards of Statutory Auditors of Banca Generali and Generfid S.p.A. and is also a Statutory Auditor of Assicurazioni Generali and other listed companies.

**Alessandro Gambi.** Born in Ferrara on 17 May 1965, he graduated in Economics from the University of the same city in 1989: he is registered with the Roll of Certified Public Accountants and Commercial Experts of Trieste, in the list of Certified Auditors since 2000 and with the rolls of the Technical Consultants and Experts since 1999.

He provides specialist consultancy services in the fields of corporate accounting, taxation and company law, and is often appointed to value corporations ahead of extraordinary transactions.

Within the banking Group, he also serves as the Chairman of the Board of Auditors of BG Società di Gestione del risparmio S.p.A. He does not serve as an acting or alternate member on the Board of Statutory Auditors of any other listed company.

**Angelo Venchiarutti.** Born in Rome on 20 September



1956, he graduated in Law from the University of Trieste in 1981. He earned a doctorate in Civil Law in May 1983, was appointed Associate Professor of Comparative Private Law in 1999 and subsequently tenured Professor of Private Law. He currently holds various positions with the University of Trieste where he has conducted a large number of university and other courses. He is also involved in research, and has published a large number of papers on civil law, comparative private law and commercial and insurance law. He does not serve as an acting or alternate member on the Board of Statutory Auditors of any other listed company. Within the banking group, he also serves as the Chairman of the Board of Auditors of BG Fiduciaria SIM S.p.A.

**Luca Camerini.** Born in Trieste on 8 October 1963, he graduated in Economics from the University of Trieste in 1988. He is registered with the rolls of Certified Public Accountants of Trieste as well as the list of Certified Auditors. He has had his own practice since 2008. Within the Banking Group, he serves as a sitting member of the Boards of Auditors of BG Fiduciaria SIM S.p.A. and other Generali Group Companies.

**Anna Bruno.** Born in Trieste, Italy on 16 October 1967, Anna Bruno obtained her diploma in Accounting and Business and is registered with the Roll of Certified Accountants and Expert Auditors of Trieste and the Institute of Certified Auditors. She serves as an Acting and Alternate Auditor at various Generali Group companies.

The Board of Statutory Auditors met 22 times in 2011. The average attendance of Auditors at Board of Directors' meetings in 2011 was 94.45 %. A total of 20 meetings are planned for 2012. To date, four meetings have been held since the beginning of the year.

Under the New Bank of Italy Provisions, the corporate body vested with control functions is required to periodically verify its own adequacy in terms of powers, functioning and composition, taking into account the scale, complexity and activities of the Bank. The provisions in question also require the members of the corporate body vested with control functions to meet a level of professionalism in line with the size and operational complexity of the Bank, and to devote sufficient time and resources to discharging their duties, whilst also establishing that on the occasion of the appointment of company officers and periodically over time, the number of similar positions held must be verified and evaluated, with special attention to those requiring greater involvement in the current business of the Company. In light of the above, Art. 20 of the Articles of Association, establishes, by way of reference to applicable

regulations, both, the maximum number of other appointments a member of Banca Generali's Board of Auditors may simultaneously hold, and the requirements of professionalism to be met by the members of the said board.

In addition to meeting the requirements of personal integrity and independence and not labouring under any of the causes of unfitness or disqualification contemplated under special regulations and the Corporate Governance Code for Listed Banks, members of the Board of Auditors must also satisfy the requirements of professionalism set forth below, under penalty of forfeiting their appointments: at least one acting auditor and one alternate auditor (and in any event, the Chairman) must be registered with the Rolls of Certified Public Accountants, it being understood that sitting and alternate members of the said Board who do not meet this requirement must have acquired specific experience: a) as professional practitioners or full university professors specialising in law, economics, finance or technical-scientific fields closely related to the Company's specific sector of business; b) in managerial positions in public administrations or undertakings operating in sectors closely related to the Company's business operations.

Moreover, pursuant to the Bank of Italy Provisions, no member of the control body may hold any position within any body other than control bodies within other companies belonging to the group or financial conglomerate, and/or within companies in which the Bank holds, directly or indirectly, a strategic stake (that is to say, at least 10% of the share capital or voting rights at the Ordinary Shareholders' Meeting of the investee company, and 5% of the Banking Group's consolidated assets).

Satisfaction of the relevant requirements is verified by the Board of Directors in accordance with applicable supervisory regulations as well as the provisions of the Code.

Banca Generali's Board of Directors last verified satisfaction of the relevant statutory requirements for acting members of the Board of Directors on 11 May 2009.

All the members of Banca Generali's Board of Auditors must be enrolled with the Order of Certified Public Accountants and Auditors, save for one member who must, in any event, meet the requirements of professionalism referred to above; all the members of the Board of Auditors must also be independent within the meaning of both Legislative Decree No. 58/1998 and the Self-regulatory Code.

The Board of Auditors has assessed the independence of its members on an annual basis, and more specifically, at its meetings on 23 February 2010, 22 February 2011 and 21 February 2012.

In carrying out the aforesaid assessments, the Board of Statutory Auditors applied all the criteria recommended in the Corporate Governance Code in respect of the independence of Directors.

Any Auditor who holds any interest, whether on his own behalf or on behalf of others, in any transaction effected by the Company, must give timely and exhaustive notice of the nature, origin and terms of the said interest, to the other Auditors and the Chairman of the Board of Directors. The same reporting obligations shall be binding, *mutatis mutandis*, on any Auditor falling within the scope of the cases contemplated in Art. 136 of TUB.

The Board of Statutory Auditors has monitored the independence of the independent auditors, in terms of both compliance with the relevant requirements, and the nature and volume of non-auditing services rendered to the Company and its subsidiaries by the said independent auditors and entities belonging to the same network.

Given that, pursuant to statutory requirements, non-auditing services must be entrusted to an independent auditor, Art. 20 of the Articles of Association vests the Board of Au-

ditors with the power/duty to liaise with the other persons and parties with oversight responsibilities; forms of ongoing coordination have been developed to serve this purpose, entailing, *inter alia*, the scheduling of specific meetings especially for periodic exchanges of information and views between the Board of Auditors and the independent auditor. In respect of these issues the Board of Auditors may, if it deems fit, also avail of the advice and support of the Internal Control Committee (now Internal Audit and Risk Committee), as contemplated in the relevant Committee Rules.

Moreover, the Parent Company's control body must operate in close collaboration with its counterparts within subsidiaries. In performing its duties, the Board of Statutory Auditors coordinated its efforts with the control units (compliance, internal audit and risk management).

## 15. INVESTOR RELATIONS

Banca Generali feels that it has a specific interest — as well as a duty towards the market — to engage in ongoing dialogue, based on a mutual understanding of roles and responsibilities, with its Shareholders, in general, as well as with institutional investors, such dialogue being placed within the framework of procedures for the public disclosure of corporate information and documents.

In particular, the Company avails of Shareholders' Meetings to provide Shareholders with information on the Company and its prospects, obviously, in compliance with the regulations governing inside information, and therefore, whenever necessary, by simultaneously disclosing the same information to the market.

The Company Secretariat Service liaises with Shareholders on a day-to-day basis through the Shareholder Relations and Management Division, set up within the Legal and Compliance Department.

On the other hand, the Investor Relations Department that reports directly to the Chief Executive Officer, is in charge of liaising with institutional investors.

The Company uses its website to allow the public to consult constantly updated information regarding the Company, its products and services.

Apart from a presentation and historical overview of the Company and the Group, the website hosts the most significant documents pertaining to Corporate Governance, all the press releases on the main corporate events as well as financial and accounting data.

The website also presents the Calendar of Events indicating the dates of meetings of Corporate Organs, such as Shareholders' and Board meetings called for the approval of the draft annual financial statements, the consolidated financial statements, the half-yearly condensed report and interim reports, as well as for making decisions in respect of purely financial matters.

In order to ensure the transparency and effectiveness of the information disclosed to the public, the website is constantly updated.

### INVESTOR RELATIONS

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**Investor.relations@bancagenerali.it**

## 16. GENERAL SHAREHOLDERS' MEETINGS (pursuant to Art. 123-bis, paragraph 2, letter c) of TUF)

### **The procedures governing the conduct of Shareholders' Meetings are regulated by the Articles of Association and the Regulations of the Shareholders' Meeting.**

The condition of shareholder implies acceptance of the Memorandum of Association and of the Articles of Association.

The Shareholders' Meeting is the body that expresses the Company's will through its resolutions. Resolutions adopted by Shareholders' Meeting in compliance with the law and the Articles of Association are binding on all shareholders, including those who are absent or dissenting.

The Shareholders' Meeting may be held at the registered office or at another venue, provided that it is in Italian territory. The Shareholders' Meeting is convened by the Board of Directors. Shareholders are called through published notice, under the terms and conditions required by applicable laws and regulations. The Shareholders' Meeting is called whenever the administrative body deems necessary and advisable or upon request of the Board of Statutory Auditors or of the shareholders, in accordance with the law, or in the other cases in which call of the Shareholders' Meeting is obligatory pursuant to law. The ordinary Shareholders' Meeting must be called at least once a year within 120 days of closure of the financial year. This deadline may be extended to 180 days where certain legal conditions are met.

In the cases provided by law, those shareholders who, alone or in conjunction with others, represent at least the percentage of share capital envisaged by current applicable regulations, are entitled to request call of the Shareholders' Meeting. Those shareholders who, alone or in conjunction with others, represent at least one fortieth of the share capital are entitled to request, in compliance with laws in force, integration of the list of items on the agenda.

The notice of call may specify the date of a second or third call, in the event that the Meeting does not prove to be legally constituted.

The persons or parties entitled to participate in the Shareholders' Meeting, in accordance with applicable laws, may participate in the Shareholders' Meeting, provided that they prove their entitlement pursuant to the law and that the notice from the intermediary responsible for keeping the accounts regarding the shares, in replacement of the deposit giving entitlement to attend the Shareholders' Meeting, has been received by the Company by the end of the third trading day prior to the date set for the first call of the Meeting, in accordance with Art. 83-sexies, paragraph 4, of TUF, after the terms specified above, provided that it arrived within the start of the Shareholders' Meeting specifically called.

Shareholders may be represented by others in the Shareholders' Meeting in accordance with the provisions of the law. In compliance with the provisions of Art. 134 of TUF, the Company has appointed a representative for the exercise of voting rights.

Legal provisions are observed with regard to the validity of Shareholders' Meetings and their resolutions.

Ordinary and extraordinary Shareholders' Meetings are attributed all the powers to which they are respectively entitled pursuant to current regulations. The Ordinary Shareholders' Meeting shall establish the remuneration due to the organs it appoints. The said Shareholders' Meeting may provide for a lump-sum amount covering the remuneration of all company directors, including those vested with specific tasks, such lump-sum amount being subject to distribution amongst individual directors pursuant to the determinations of the Board of Directors. The Shareholders' Meeting shall also approve the remuneration policies and compensation plans based on financial instruments, to be implemented in favour of company directors, employees, and outside collaborators other than company employees. In respect of related party transactions, pursuant to the procedure adopted by the Company in such regard, the Shareholders' Meeting is vested with the decision-making powers assigned to it under applicable regulations. In emergency situations arising from corporate crises, any and all related party transactions subject, under law, to shareholder approval, may only be effected pursuant to shareholder resolutions passed in accordance with the terms, conditions, procedures and deadlines imposed under applicable regulations and the aforesaid Procedure adopted by the Company.

Under the Art. 18 of 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.

### **Regulations of the Shareholders' Meeting**

Pursuant to Art. 23 of the Board Rules, the Company encourages Shareholders to attend all Shareholders' Meetings.

The Board shall report to the Shareholders' Meeting in respect of completed and scheduled activities and shall ensure that all Shareholders are provided adequate information on all pertinent matters so as to enable them to make informed decisions about the items placed on the agenda of Shareholders' Meetings.

In compliance with the recommendations of the Code, the Shareholders' Meeting of 3 October 2006 approved its own Regulations (lastly amended by resolution of the General Shareholders' Meeting on 20 April 2011), setting forth the procedures to be followed in order to ensure orderly proceedings. The Regulations of the General Shareholders' Meeting are available for consultation at the Company's registered offices as well as on its website, under the section "Corporate Governance-AGM-Attending the AGM"

The said Regulations are aimed at regulating the proceedings of ordinary and extraordinary Shareholders' Meetings, and ensuring the proper and orderly functioning of the same and, in particular, the right of each shareholder to take part and express an opinion on the items under debate. The Rules, therefore, constitute a valid tool for ensuring the protection of the rights of all the Company's shareholders and the proper approval of shareholders' resolutions.

In particular, persons with the right to speak, the Directors, and the Statutory Auditors have the right to speak on each one of the issues placed up for discussion and make proposals on them.

Pursuant to Art. 127-ter of TUF, shareholders are entitled to submit questions regarding the items placed on the Agenda even before the Shareholders' Meeting. Questions submitted prior to the Shareholders' Meeting shall be answered at the very latest during the course of the Shareholders' Meeting itself, even by treating several questions regarding the same subject-matter as a single query.

Entitled Attendees who intend to take the floor shall submit a written request to the Chairman, after the items on the agenda have been read out and before the discussion on the item subject to the request to speak has been declared closed.

If the Chairman so authorises, requests to take the floor may be made by raising the hand.

In the case where written requests to take the floor are required, the Chairman shall grant the floor in accordance with the order in which requests to speak were received. In the case where requests to take the floor are made by the raising of hands, the Chairman shall grant the floor to the person who first raises his hand; in the case where it is not possible to determine precisely which person was the first to raise his or her hand, the Chairman shall grant the floor in accordance with the order established by the Chairman himself, at his sole discretion.

The Chairman and/or, on his invitation, the Directors and the Statutory Auditors, respond to entitled attendees according to their areas of expertise or when deemed useful by the Chairman, after the speech of each one or after all speeches have been given on each item of the agenda, taking due account of any and all questions raised by shareholders prior to the Shareholders' Meeting and left unanswered until the latter. Persons with the right to speak have the right to make one speech on each item on the agenda, except for a reply and a statement of vote, each of a duration of no more than five minutes. The Chairman, taking into account the issue and the importance of the single items on the agenda as well as the number of persons requesting the floor and any and all questions raised by shareholders prior to the meeting and left unaddressed by the Company, shall announce the period of time available for each Entitled Attendee to take floor, such time, as a general rule, being established at no less than five and no more ten minutes for each speaker. When such period of time has expired, the Chairman may invite the entitled attendee to conclude within another five minutes.

## **17. OTHER CORPORATE GOVERNANCE PRACTICES (pursuant to Art. 123-bis, paragraph 2, letter a) of TUF)**

Further information of corporate governance practices is provided in the relevant individual paragraphs of this Report.

## **18. CHANGES SINCE THE END OF THE FINANCIAL YEAR OF REFERENCE**

The changes brought to the corporate governance structure since the end of the financial year are outlined in the relevant individual paragraphs of this Report.

Trieste, 13 March 2012

THE BOARD OF DIRECTORS

## ANNEX 1: INFORMATION ON COMPANY OWNERSHIP

STRUCTURE OF THE SHARE CAPITAL				
	NO. OF SHARES	% OF SHARE CAPITAL	LISTED (SPECIFY ON WHICH MARKETS)/ NOT LISTED	RIGHTS AND OBLIGATIONS
Ordinary shares	111,681,483	100	Listed on the electronic share market (MTA) of Borsa Italiana SpA	All the rights contemplated under the Italian Civil Code and Articles of Association
Shares with limited voting right	0	0		
Shares without voting right	0	0		

OTHER FINANCIAL INSTRUMENTS (GIVING RIGHT TO UNDERWRITE NEWLY ISSUED SHARES)				
	LISTED (SPECIFY ON WHICH MARKETS)/ NOT LISTED	NO. OF OUTSTANDING INSTRUMENTS	CATEGORY OF SHARES IN SERVICE OF THE CONVERSION/ EXERCISE	NO. OF SHARES IN SERVICE OF THE CONVERSION/ EXERCISE
Convertible bonds				
Warrants				

SIGNIFICANT SHAREHOLDINGS			
DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY STOCK	% OF VOTING STOCK
ASSICURAZIONI GENERALI S.p.A.	ASSICURAZIONI GENERALI S.p.A.	45.995	45.995
	GENERALI VIE S.A.	9.948	9.948
	GENERTELLIFE S.p.A.	4.974	4.974
	ALLEANZA TORO S.p.A.	2.781	2.781
	INA ASSITALIA S.p.A.	0.515	0.515
	GENERTEL S.p.A.	0.455	0.455
	FATA VITA S.p.A.	0.066	0.066



## ANNEX 2: BOARD OF DIRECTORS' AND COMMITTEES' STRUCTURE

BOARD OF DIRECTORS (AS OF 13 MARCH 2012)										INTERNAL CONTROL COMMITTEE		REMUNERATION COMMITTEE		
Office held	Member	In office from	In office until	List (M/n)	Exec.	Non exec.	Indep. As per Code	Indep. Pursuant to Art. 37 of CONSOB Regulation No. 16191/2007	(%)	Number of other offices	Member	(%)	Member	(%)
Chairman	Giovanni Perissinotto	21.04.09	Shareholders' Meeting to approve the fin. statements 31.12.11	M(*)		X(**)			83.33	2				
Chief Executive Officer	Giorgio Girelli	21.04.09	Shareholders' Meeting to approve the fin. statements 31.12.11	M(*)	X				100	/				
Director	Luigi Arturo Bianchi	10.05.11	Shareholders' Meeting to approve the fin. statements 31.12.11	(***)		X	X(***)	X(***)	87.50	4	X Chairman		X	
Director	Amerigo Borrini	21.04.09	Shareholders' Meeting to approve the fin. statements 31.12.11	M(*)	X				100	5				
Director	Paolo Baessato	21.04.09	Shareholders' Meeting to approve the fin. statements 31.12.11	M(*)		X	X	X	91.67	4	X	100		
Director	Andrea de Vido	21.04.09	Shareholders' Meeting to approve the fin. statements 31.12.11	M(*)		X			91.67	9			X	100
Director	Attilio Leonardo Lentati	21.04.09	Shareholders' Meeting to approve the fin. statements 31.12.11	M(*)		X	X	X	91.67	1	X	100	X Chairman	100
Director	Aldo Minucci	21.04.09	Shareholders' Meeting to approve the fin. statements 31.12.11	M(*)		X			50	3				
Director	Angelo Miglietta	21.04.09	Shareholders' Meeting to approve the fin. statements 31.12.11	M(*)		X			91.67	12				
Director	Ettore Riello	21.04.09	Shareholders' Meeting to approve the fin. statements 31.12.11	M(*)		X	X	X	75	3	X	33,33		

(\*) Majority list is the only list presented.

(\*\*) The Chairman, as required by the Bank of Italy's provisions, does not have any operating power within the company.

(\*\*\*) Professor Bianchi was co-opted as Director of Banca Generali on 10 May 2011

(\*\*\*\*) Professor Bianchi became a member of the Internal Control Committee and the Remuneration Committee on 10 May 2011

N.B. On 23 March 2011, the Non-executive Director Prof Angelo Miglietta, resigned as Chairman and member of the Internal Control Committee, and as member of the Company's Remuneration Committee, following his appointment to the Executive Committee of the parent corporation Assicurazioni Generali and the ensuing loss of his status as independent member of Banca Generali's Board of Directors, although he continues to serve as a non-executive director of Banca Generali.

## DIRECTORS WHO LEFT OFFICE DURING THE REFERENCE YEAR

Office held	Member	BOARD OF DIRECTORS (AS OF 13 MARCH 2012)								INTERNAL CONTROL COMMITTEE		REMUNERATION COMMITTEE		
		In office from	In office until	List (M/n)	Exec.	Non exec.	Indep. As per Code	Indep. Pursuant to Art. 37 of CONSOB Regulation No. 16191/2007	(%)	Number of other offices	Member	(%)	Member	(%)
Director	Fabio Buscarini	21.04.09	09.05.11	M		X				75				

## NECESSARY QUORUM TO PRESENT LISTS FOR THE LATEST APPOINTMENT

2.5%

NUMBER OF MEETINGS HELD DURING REFERENCE YEAR	BOARD OF DIRECTORS	INTERNAL CONTROL COMMITTEE	REMUNERATION COMMITTEE
	12	12	4

## ANNEX 3: STATUTORY AUDITORS' STRUCTURE

BOARD OF STATUTORY AUDITORS (AS OF 13 MARCH 2012)							
Office held	Member	In office from	In office until	List (M/n)	Indep. As per Code	(%)	Number of other offices
Chairman	Giuseppe Alessio Verni	21.04.09	Shareholders' Meeting to approve the fin. statements 31.12.11	M(*)	X	95.5	12
Acting Auditor	Angelo Venchiarutti	21.04.09	Shareholders' Meeting to approve the fin. statements 31.12.11	M(*)	X	91	4
Acting Auditor	Alessandro Gambi(**)	08.05.09	Shareholders' Meeting to approve the fin. statements 31.12.11	M(*)	X	91	18
Alternate Auditor	Luca Camerini	21.04.09	Shareholders' Meeting to approve the fin. statements 31.12.11	M(*)	X	/	8
Alternate Auditor	Anna Bruno	23.11.09	Shareholders' Meeting to approve the fin. statements 31.12.11	(***)	X	/	7

(\*) Majority list is the only list presented.

(\*\*) As of 8 May 2009, Alessandro Gambi replaced the Acting Auditor Corrado Giammattei who had resigned from office.

(\*\*\*) Elected by majority vote pursuant to the Articles of Associations, lacking any lists.

## LEAVING AUDITORS DURING REFERENCE YEAR

BOARD OF STATUTORY AUDITORS (AS OF 13 MARCH 2012)							
Office held	Member	In office from	In office until	List (M/n)	Indep. As per Code	(%)	Number of other offices

NECESSARY QUORUM TO PRESENT LISTS FOR THE LATEST APPOINTMENT

2.5%

NUMBER OF MEETINGS HELD DURING REFERENCE YEAR

22