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MEETING



28 April 2023

**Considerations of the outgoing Board
of Statutory Auditors consistently
with the *CNDCEC Rules of Conduct
of the Board of Statutory Auditors of Listed
Companies* of 26 April 2018**



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1. Foreword – the CNDCEC Rules of Conduct of the Board of Statutory Auditors of Listed Companies of 26 April 2018 and the purpose of this document

As is well known, the mandate of the Board of Statutory Auditors of Assicurazioni Generali S.p.A. (“Generali” or the “Company”) currently in office will expire on the date of the general meeting convened to approve the financial statements of the Company as at and for the year ended 31 December 2022, and on that occasion the shareholders will be asked to appoint a new board.

According to point Q.1.6. of the *Rules of Conduct of the Board of Statutory Auditors of Listed Companies* drawn up by the Italian Accounting Profession, or CNDCEC, and dated 26 April 2018 (hereinafter the “*Rules of conduct*”), it is “*appropriate that, before the expiry of its term of office, the outgoing board of statutory auditors summarise in a specific document the activities performed by the board of statutory auditors, indicating the number of meetings and their average duration, as well as the time required for each activity and the professional resources used*”.

This document has therefore been drawn up by the current Board of Statutory Auditors in compliance with the above indication in order to provide the general meeting and the candidates for the position of statutory auditor with an overall picture of the activities that the Company Board of Statutory Auditors is called upon to perform. All of the above, also in order to allow for a thoughtful assessment of the professional skills required, as well as the adequacy of the proposed remuneration for serving as the Company's Statutory Auditor.

Indeed, with reference to the professionalism profile, Rules of Conduct (cf. Rule Q.1.2) state “*The composition of the board of statutory auditors should be tailored to the characteristics of the company*” and “*when the list of candidates is submitted, the professional characteristics, experience, including managerial experience, and gender of the candidates should be considered, in relation to the size of the issuer, the complexity and specific nature of its sector of business, and the size of the board of statutory auditors*”¹. Indications of this type are also set out in s. 19.3 of leg. decree 39/2010 (as amended by leg. decree 135/2016 whereby “*the members of the internal control and audit commit-*

tee, as a whole, are competent in the sector in which the entity under audit operates”.

With regard to the question of remuneration, Rules of Conduct (cf. Rule Q.1.6) state “*Determination of the remuneration of the members of the board of statutory auditors must be adequate and in any case determined in consideration of the complexity and onerousness of each engagement, also in relation to the size and activities of the issuer, the number and size of the companies included in the consolidation, and the extent and articulation of the organisational structure. Special attention should also be paid, when determining an adequate remuneration, to the commitment devoted to the board of statutory auditors' activities and specifically to active participation in the meetings of the board committees*.” Similar guidance can also be found in the Corporate Governance Code, (s. 5 (Recommendation 30), effective 1 January 2021.

This document, before being made available to shareholders, was sent to the Chairman of the Board of Directors.

2. Evolution of the activities of the Board of Statutory Auditors envisaged by law

2.1. During the nine-year period, the activities of the Board of Statutory Auditors were heavily influenced by the legislation introduced by a number of reforms, notably the following.

First, attention is drawn to the provisions of European Directive 2009/138/EU (known as Solvency II), enacted by leg. decree 74/2015, which updated leg. decree 209/2005 (Insurance Code) - amended by leg. decree 187/2020, effective 9 February 2021, with new developments pertaining to the scope of insurance product distribution - as well as related implementing regulations issued by IVASS.

Again in the area of regulatory provisions issued by the Supervisory Authority, the significance of **IVASS Regulation no. 38** of 3 July 2018 should be noted, under which the board of statutory auditors has the responsibility, among other things, of:

- verifying the suitability of the definition of the powers, as well as the adequacy of the organisational structure, with particular attention to the separation of responsibilities in tasks and functions (s. 8.1.b);
- verifying the efficiency and efficacy of the corporate governance system, specifically

¹ To assist the reader, the text of Rules Q.1.2. and Q.1.6. is provided at the end of this document.

as regards the operation of the internal audit function, whose autonomy, independence and functionality must be verified; should this function have been outsourced, the content of the engagement is assessed through reference to the contract (s. 8.1.c).

Moreover, worthy of note is **IVASS Regulation No. 44** of 12 February 2019, issued in implementation of leg. decree No. 231 of 21 November 2007, as amended following the enactment of Directive 843/2018.

Under this Regulation, the board of statutory auditors “oversees compliance with the law and verifies the adequacy of the money laundering risk management and control system” (s. 12).

In exercising these powers, the Board of Statutory Auditors in particular:

- assesses the suitability of the procedures applied to verify clients, store documents, data and information, and report suspicious transactions (s. 12.2.b);
- solicits analysis of the reasons for shortcomings, anomalies and irregularities that have been found and assesses the suitability of the plan adopted by the board of directors to introduce corrective measures to eliminate them (s. 12.2.c);
- informs the IVASS without delay of all the facts that come to its knowledge in the exercise of its functions that might constitute serious, repeated, systematic or multiple breaches of laws or the related enactment provisions (s. 12.3).

2.2. Second, reference is made to the new developments introduced in the legislation governing statutory audits at European level (so-called “European Reform”) with the promulgation of **EU Regulation no. 537/2014** on statutory auditing of the accounts of public-interest entities (so-called PIEs) and of **Directive no. 2014/56** enacted into Italian law with leg. decree 135/2016 which amended the provisions of leg. decree 39/2010.

In this context, the board of statutory auditors:

- informs the board of directors of the company under audit of the outcome of the statutory audit (s. 19.1.a of leg. decree 39/2010) and forwards to the board of directors the additional report accompanied by any observations (s. 11 EU Regulation 537/2014);
- monitors the financial disclosure process and presents recommendations/proposals to gua-

rantee the integrity of the process (s. 19.1.b of leg. decree 39/2010);

- checks the efficacy of the company’s internal quality audit and risk management systems and, if applicable, of the internal audit system in relation to the financial disclosure of the entity under audit (s. 19.1.c of leg. decree 39/2010);
- monitors the statutory audit of the separate and the consolidated financial statements, also taking into account any results and conclusions of the Consob quality controls (s. 19.1.d of leg. decree 39/2010);
- verifies the independence of the external auditor (s. 19.1.e of leg. decree 39/2010);
- is responsible for the procedure for selection of the external auditor (s. 16 EU Regulation 537/2014 and s. 19.1.f of leg. decree 39/2010);
- approves the performance of the non-audit services by the external auditor and entities of its network (s. 5 EU Regulation 537/2014).

2.3. Mention should also be made of the legislation governing non-financial information introduced by **leg. decree 254/2016**, whereby the board of statutory auditors:

- supervises compliance by the directors with leg. decree 254/2016 on the preparation of the non-financial disclosure (“NFD”) (s. 3.7 leg. decree 254/2016);
- informs the general meeting of the outcome of said supervision (s. 3.7, leg. decree 254/2016);
- is consulted by the board of directors in the event that, in exceptional circumstances, information that might compromise the organisation’s commercial position could be omitted from the disclosure (s. 3.8, leg. decree 254/2016).

In this context, for the sake of completeness, it should be noted that preparation of the NFD must also take into account the new developments introduced by **EU Regulation 2020/852** (so-called “**Taxonomy Regulation**”) and by **EU Regulation 2021/2139** (delegated act) containing the technical screening criteria for determining the elements set forth in Regulation 2020/852. The so-called Taxonomy Regulation, in fact, established a general framework for determining whether an economic activity can be considered environmentally sustainable, in order to identify the degree to which an investment is environmentally sustainable and,

in doing so, identified environmental targets to which an economic activity must contribute in order to be considered environmentally sustainable:

- 1) climate change mitigation;
- 2) climate change adaptation;
- 3) sustainable use and protection of water and marine resources;
- 4) transition to a circular economy;
- 5) prevention and reduction of pollution;
- 6) protection and restoration of biodiversity.

The sustainable investment and financial markets provisions established by Regulation 2020/852 apply for targets (1) and (2) from 1 January 2022, and for targets (3) to (6) from 1 January 2023.

Supplementing this regulatory framework, Regulation 2020/852/EU described the additional disclosures to be made when a financial product invests in an environmentally sustainable activity. In this regard, in fact, the issuers involved must disclose information about the environmental targets to which the investment contributes, as well as a description of how and to what extent these investments relate to economic activities that are considered environmentally sustainable. The same system applies to financial products that promote environmental or social characteristics and to companies required to publish the Non-Financial Disclosure, for which there is a requirement to include therein the information necessary to understand how the company's activities are associated with economic activities that are considered environmentally sustainable.

Lastly, it should be noted that on 16 December 2022, Directive 2022/2624/EU was published in the Official Journal of the European Union – Corporate Sustainability Reporting Directive (CSRD), to be enacted in Italy by 6 July 2024. For companies already required to prepare the NFD, the new rules will apply starting with financial statements for the 2024 financial year.

2.4. In general terms, with regard to the most recent developments in the insurance industry, it should be noted that, as of 1 January 2023, companies that prepare their annual or consolidated financial statements in accordance with international accounting standards will be subject to International Financial Reporting Standard (IFRS) 17 “Insurance Contracts,” as last amended by the International Accounting Standards Board

(IASB) in June 2020, which replaces IFRS 4. In addition, many insurance companies will also begin to adopt IFRS 9 “Financial Instruments” from the same date. The new standard establishes an integrated approach to accounting for insurance contracts, with the goal of ensuring that companies disclose relevant information in their financial statements that give a true picture of insurance contracts. Such information provides users of financial statements with solid evidence for assessing the effect of insurance contracts on the financial position, operating profit and cash flows of companies, and facilitates understanding by investors and others of the risk exposure, profitability, and financial position of insurers.

3. Considerations on the composition of the Board of Statutory Auditors

3.1. Taking into account the industry in which the Company operates, the complexity of the related business organisation, and the size and significant complexity of the Group parented by the Company, in line with the provisions of s. 9 of Ministerial Decree 88/2022 (discussed in more detail below), it is believed that the performance of the tasks entrusted to the board of statutory auditors requires the possession of specific skills, identified annually by the outgoing Board of Statutory Auditors at the outcome of the self-assessments carried out, in the following areas:

- Characteristics and operation of the insurance, banking and financial industry
- Principles and rules of operation of listed companies
- Financial management and strategic planning
- Accounting processes and formation of the separate and the consolidated financial statements
- National and international accounting standards
- Economic and financial assessments
- Impairment testing process and valuations
- Risk management and internal control systems
- Internal auditing
- Compliance
- Actuarial and Solvency II
- Statutory auditing
- Information technology

Expertise and experience in the insurance sector and in listed companies are particularly important.

It is also believed that the high complementarity of the education and past experience of each member of the body represents an element of efficiency for the Board of Statutory Auditors as a whole and for its activities. In other words, it is important that the members of the Board of Statutory Auditors come from different backgrounds and together cover the various sectors. These characteristics ensure functional and complete coverage of the various issues the Board of Statutory Auditors is required to monitor, for constructive action and the professional enrichment of each member of the board.

3.2. It is also noted that, in order to ensure compliance with the Solvency II Directive and ss. 5.2.n) and 71.2.p) of IVASS Regulation 38/2018, the Company has adopted a Fit&Proper Policy, which sets out the standard minimum mandatory requirements of professionalism, respectability and independence for holders of certain key offices or roles, in line with current legislation. Specifically, with reference to the requirement of *“adequate time be dedicated to the position”* required by the legislation, the information provided in par. 4 below give an account of the extensive space dedicated by the current Board of Statutory Auditors to the performance of the position.

The aforementioned requirement must also be taken into adequate consideration when identifying candidates for the role of Statutory Auditor, taking into account the size, risk level and operational complexity of a Group such as Generali. Indeed, Statutory Auditors, in addition to attending all of their Board meetings, which, on average, were held twice a month, also attend meetings of the Board of Directors and its Board committees. Suffice it to mention in this regard, for the sole purpose of providing an estimate and without any claim to being comprehensive or complete, that the number of meetings of the Board of Directors currently scheduled for the 2023 financial year is 14, while those of the committees are respectively: (i) 16 for the Control and Risk Committee, (ii) 13 for the Remuneration and Human Resources Committee, (iii) 6 for the Appointments and Corporate Governance Committee, (iv) 11 for the Investments Committee, (v) 4 for the Innovation and Social and Environmental Sustainability Committee and (vi) 2 for the Related Party Transactions Committee, a total of 66. In addition to these meetings must also be added the periodic induction sessions

which Statutory Auditors are invited to attend and any other meetings that may be necessary in the performance of their duties.

3.3. Finally, for the sake of completeness, it should be noted that Ministerial Decree No. 88 of 2 May 2022 (which repealed Decree 220/2011), introduced a number of developments with reference to the requirements of suitability, professionalism and independence of Statutory Auditors. The provisions contained therein apply to appointments after 1 November 2022, the effective date of the Decree. As clarified in s. 26 of MD 88/2022 *“the first renewal after the date of entry into force of Decree no. 88/2022 of members in office at that date is considered a new appointment”*.

In addition to the requirements of professionalism and expertise criteria, already provided for by the CLFI and the Corporate Governance Code, the provisions of the Decree introduce new independence requirements for members of the Board of Statutory Auditors and new limits on the accumulation of positions.

The aforementioned provisions (and, in particular, s. 10 of MD 88/2022) also reiterate the importance of the composition of Boards of Directors and Boards of Statutory Auditors being adequately diversified, in terms of gender and age, as well as in terms of expertise, so as to foster discussion and debate within the same, facilitate the emergence of a plurality of approaches and perspectives in the analysis of issues and decision-making, effectively support corporate strategy development processes, management of activities and risks, control of the work of the top management and take into account the multiple interests that contribute to the sound and prudent management of the company. It is further reiterated that it is important that adequate time be dedicated to the position and that expertise be increasingly assessed with respect to the tasks inherent in the role held by the person and to any specific delegations or attributions, including participation in committees, and to the characteristics peculiar to the company and the group to which it may belong.

4. The activities of the Board of Statutory Auditors: areas of operation and commitment required

4.1. The main areas of operation and the activities performed by the Board of Statutory Auditors are as follows:

(i) Surveillance of compliance with the law and the Articles of Association

- attendance at all meetings of the Board of Directors and its various committees (cf. table below);
- collegial attendance at all meetings of the Control & Risks Committee (CRC) and, with the presence of just the Chair and/or one or more Statutory Auditors, of the Investment Committee and the Governance & Sustainability Committee;
- specific meetings with the Key Functions and with the Group General Counsel Function;
- any further analyses.

(ii) Supervision of compliance with the law, specifically with leg. decree no. 254/2016

- regular meetings to monitor the process for the preparation of the non-financial disclosure (NFD) and the related methodological approach through to approval by the Board of Directors;
- attendance, until the date of the General Meeting to approve the 2022 financial statements, at all meetings of the Corporate Governance and Sustainability Committee, whose advisory, propositional and investigative functions in favour of the Board of Directors pertaining to sustainability issues have been assigned to the Committee for Innovation and Social and Environmental Sustainability ("CIS") as of May 2022;
- meetings with heads of functions concerned with sustainability issues and the NFD;
- specific meetings with the external auditors to discuss representation and disclosure with regard to the NFD;

(iii) Supervision of compliance with the principles of correct governance

- attendance at all meetings of the Board of Directors and its various committees (cf. table below);
- selective meetings with managerial functions for analysis of material transactions;
- additional analyses whenever appropriate.

(iv) Surveillance of the adequacy of the organisational structure

- attendance at all meetings of the Board of Directors and its various committees with specific reference to the CRC (cf. Table below);
- analyses at specific meetings with the Group Chief HR & Organisation Officer function (HRO) (at least one meeting per year);
- benchmarking analyses and meetings with HRO to analyse and assess trends in the insurance industry, in line with IVASS guidelines;
- specific meetings with the Group Audit, Group Compliance Officer, Group Anti-Financial Crime Officer, Group Chief Risk Officer, Group Chief Financial Officer (CFO) and Group General Counsel and Group Actuarial Functions;
- meetings with the Audit Committees / Boards of Statutory Auditors of the main subsidiaries (at least once a year for each Board of Statutory Auditors);
- at least one specific meeting with the Group CEO each year.

(v) Supervision of the adequacy of the administrative-accounting system

- attendance at all meetings of the Board of Directors and its various committees with specific reference to the CRC (cf. Table below);
- meeting at least on an annual basis with the CFO, including in his role as the Financial Reporting Officer, and his structure;
- regular meetings with the external auditors and examination of their additional report drawn up pursuant to s. 11 EU Regulation 537/2014.

(vi) Supervision of the adequacy and operation of the internal control and risk management system (ICRMS), which is part of the structures and systems referred to in points (iv) and (v)

- attendance at all meetings of the Board of Directors and its various committees, with specific reference to the CRC (cf. Table 1);
- meetings with the Group Audit Officer at least twice a year to examine audit planning and conduct an executive session to verify independence;

- meetings at least on an annual basis with the Group Compliance, Group Anti-Financial Crime, Group Risk Management and Group Actuarial Functions to examine organisational developments, resources, activities, etc. in synergy with the findings of the CRC meetings;
- specific meetings with the Group General Counsel, CFO and HRO functions, also to examine industry trends and the orientation of the supervisory authorities;
- regular meetings with the Group Compliance Officer and Group Anti-Financial Crime Officer to monitor, among other things, specific legislative developments on AML and related development projects;
- meeting at least on an annual basis with the Supervisory Body (SB) pursuant to leg. decree no. 231/2001 and the Group CEO;
- additional analyses whenever appropriate.

(vii) Checks and monitoring of the statutory audit

- approval of the non-audit services (NAS) allowed under the Group Procedure drawn up to safeguard the independence of the external auditor and, most recently, amended in July 2021. In 2022 and 2021, respectively, 19 and 16 meetings of the Board of Statutory Auditors covered, among other things, approval of NAS services;
- several meetings with the audit team during the year to examine the work plan, execution of the various stages, decisions on the audit approach based on control and/or substantive systems, team progress, hours envisaged, geographical control, etc.;
- discussions with the external auditors with regard to the work plan, controls conducted and the outcomes with regard to the NFD;
- examination and discussion with the external auditors on the independence declarations.

4.2. In addition to the above, it should be noted that during 2021 and in the first few months of 2022, the Board of Statutory Auditors con-

ducted a series of in-depth investigations into the governance of the Company. These investigations concerned, on the one hand, the timeliness of the provision of documentation for board and board committee meetings and, on the other, the organisational process underlying selection and evaluation of investment and acquisition transactions by the Company. This activity was concluded with the issue of two separate reports duly shared with the Board of Directors on 23 June 2021 in which the Board acknowledged, for both of the aforementioned profiles, the absence of a framework characterised by critical issues, nevertheless formulating certain suggestions for improvement (for further details, please refer to the Annual Report of the Board of Statutory Auditors to the General Meeting convened to approve the financial statements as of 31 December 2022). These reports were followed on 24 September 2021 by a subsequent document called “*Board of Statutory Auditors’ Governance Considerations.*” containing additional suggestions for improvement to the Company’s governance. The suggestions made were heeded and adequately implemented by the Company during 2022.

In 2021 and in the first few months of 2022, the Board of Statutory Auditors also monitored the process that led to the definition of the procedure for presentation by the Company’s Board of Directors of a list of candidates for the position of director prior to the General Meeting of the Company called to elect the new Board of Directors, formulating its observations and comments.

Moreover, in the first few months of 2022, the Board of Statutory Auditors followed the process approved by the Board of Directors with regard to the promotion of solicitation of proxies in preparation for the General Meeting. On this matter too, albeit within the limits of its tasks and functions, the Board of Statutory Auditors formulated a series of observations and comments.

4.3. The following table summarises the number of meetings attended by the Board of Statutory Auditors in 2020, 2021, and 2022 and the average duration of such meetings expressed in hours.

Table 1

Body or Board Committee	2020		2021		2022	
	No. of Meetings	Average duration	No. of Meetings	Average duration	No. of Meetings	Average duration
Board of Statutory Auditors	25	2.30	39 ²	2.0	45 ³	1.30
Board of Directors	16	3.30	19	3.50	22	3.50
Risk and Control Committee	19	5.16	19	3.40	21	5.50
Corporate Governance & Sustainability Committee; (Innovation and Social Environmental and Sustainability Committee from 5/2022) ⁴	6	1.0	7	1.30	7 ⁵	note 5
Related-Party Transactions Committee	3	0.4	5	0.37	3	0.52
Appointments and Remuneration Committee; (Appointments and Corporate Governance Committee "AGC" and Remuneration and Human Resources Committee "RHRC" since 5/2022) ⁶	11	2.30	20	3	35 ⁷	note 7
Investment Committee ⁸	8	1.50	10	1.0	10	1.20
Strategic Operations Committee (in place until 4/2022) ⁸	10	2.20	7	2.20	4	0.38
Total No. Meetings	<u>98</u>		<u>126</u>		<u>147</u>	

2 The number of meetings held in 2021 is affected by the fact that, during that year, the Board of Statutory Auditors carried out the extraordinary activities described in par. 4.1 above.

3 See note above.

4 The Innovation and Social and Environmental Sustainability Committee ("ICS") was given the duties on social and environmental sustainability formerly held by the on Corporate Governance and Social and Environmental Sustainability Committee ("GSC").

5 Of these, 3 meetings were held, until the 2022 General Meeting, by the GSC with the average duration of 1 hr 28 min and 4 meetings were held, since May 2022, by the ICS with the average duration of 2 hr 28 min.

6 The responsibilities concerning appointments and corporate governance have been assigned to the Appointments and Corporate Governance Committee ("AGC"); previously they were assigned, respectively, to the Appointments and Remuneration Committee ("ARC") and the Corporate Governance and Social and Environmental Sustainability Committee ("GSC"). The Remuneration and Human Resources Committee ("RHRC") has been entrusted with the powers in the field of remuneration formerly vested in the ARC.

7 Until the 2022 General Meeting, ARC held 10 meetings (with regard to appointments issues) and 12 meetings (with regard to remuneration issues) with a duration of 3 hr 32 min. As of May 2022, AGC held 7 meetings with an average duration of 54 min and RHRC held 6 meetings with an average duration of 1 hr 31 min.

8 The Investment Committee ("IC") has been entrusted with some of the powers regarding strategic operations previously entrusted, in the previous Board, to the Strategic Operations Committee ("SOC"), whose establishment was not confirmed.

According to the Company's Board of Directors and board committees Regulation (as amended on 1 August 2022 and 15 February 2023), Statutory Auditors are currently required to attend, in addition to Board of Directors meetings, those of the Control and Risk Committee, the Related Party Transactions Committee, the Remuneration and Human Resources Committee, the Investment Committee, the Innovation and Social and Environmental Sustainability Committee, and the Appointments and Corporate Governance Committee⁹. Previously, attendance of the Board of Statutory Auditors also at the meetings of the Appointments and Remuneration Committee and the Investment Committee was not mandatory. Nevertheless, the Board of Statutory Auditors also attended the meetings of these committees since it was considered to be of significant benefit for the purposes of better independent acquisition and critical analysis of information relevant to the performance of its activities.

During the three-year period 2020-2022, the Chair or, at least, one of the Statutory Auditors, always attended all meetings of the Board of Directors and the above-mentioned committees¹⁰. At the collegiate level, during the three-year period 2020-2022, the average attendance of members of the Board of Statutory Auditors was approx. 81%.

The commitment required of the Statutory Auditors is not limited to attendance of meetings, but also involves preparatory analysis of the documentation, often extensive, made available prior to each Board of Statutory Auditors, Board of Directors and committees meeting, to informal strategic discussions, as well as training and induction sessions.

The activities of the Board of Statutory Auditors are supported by the Corporate Affairs function, in particular with regard to preparation of documents prior to meetings, for secretarial activities during meetings, for minuting and the keeping of the Minute Book. On certain specific issues, the Board of Statutory Auditors was also able to take advice from external experts it had identified.

The Chair of the Board of Statutory Auditors also devotes time to planning Board meetings, reviewing meeting minutes, drafting Board of

Statutory Auditors reports, corresponding and talking with management, the chairs of the boards of statutory auditors of the subsidiaries, the chairs of the committees and the surveillance body, in order to optimise coordination of the activities of the Board of Statutory Auditors. For the sake of completeness, it should also be noted that in 2021, the Chairman of the Board of Statutory Auditors also supported the Board of Directors in the self-assessment process on the size, composition, and functioning of the Board of Directors.

Indicatively, the annual average commitment of each member of the Board of Statutory Auditors during the three-year period 2020-2022 has been estimated at approx. 600 hours (700-750 hours the Chair of the Board of Statutory Auditors).

5. Considerations on the remuneration of the Board of Statutory Auditors

The annual remuneration of each statutory auditor for the activities described above, as approved by the General Meeting on 30 April 2020, is 130,000 euros; the annual remuneration of the Chair of the Board of Statutory Auditors is 180,000 euros.

It should be noted that, during 2020, the Company carried out a benchmarking analysis between the remuneration attributed to the Board of Statutory Auditors by the Company and that paid by other comparable issuers and that this benchmarking had highlighted the appropriateness of a review of the remuneration, in light of the increasing workload and responsibility of the Board of Statutory Auditors in the light of the regulatory developments in recent years.

In this regard, attention is drawn to the fact that recent market analyses have also found a general inadequacy of the remuneration of members of the Board of Statutory Auditors with respect to the increasing effort required by current regulations.

In this connection, as suggested by best practices¹¹, a comparison was conducted between the remuneration of the members of the Board of Statutory Auditors and that of the directors

⁹ Respectively sections 30.3, 32.5, 35.5, 36.7, 40 and 43 of the Board of Directors and board committees Regulation.

¹⁰ In the three-year period 2020-2022, the Chair of the Board of Statutory Auditors took part on average in 90% of the meetings of the corporate bodies indicated in Table 1.

¹¹ During the consultation promoted by Borsa Italiana in 2019 to update the Corporate Governance. Nedcommunity suggested that, for the purposes of understanding the congruity of the remuneration of the Board of Statutory Auditors, a comparison should be made not only among similar issuers, but also inside the organisation of a particular issuer, for example by comparing the remuneration of the members of the board of statutory auditors with that of the members of the CRC.



who sit on the CRC. The remuneration of the directors who sit on the CRC who, in accordance with Company practice, are also members at least of another Board committee was taken as a reference. The analysis found that said directors receive indicatively a remuneration of around 300,000 euro annual¹². This figure compares with the remuneration of the statutory auditors, which is equal to 130,000 euro annual, covering not only the Board of Statutory Auditors' audit activities but also attendance at the meetings of the Board of Directors and the various committees.

The issue could be worthy of further consideration, also taking into account the entry into force of Ministerial Decree 88/2022 which, with s. 16.1, introduced new limits on the total number of offices of officers of companies of greater size or operational complexity, providing, in particular, that: *"each officer of larger or more operationally complex enterprises may not hold a total number of positions in enterprises or other commercial companies exceeding one of the following alternative combinations:*

- a) 1 executive position and 2 non-executive positions;
- b) 4 non-executive positions

and clarifying, in paragraph 2, that *"for the purposes of calculation of the limits referred to in paragraph 1, the position held in the enterprise is included"*¹³.

6. Conclusioni

In conclusion, based on the experience acquired during the nine-year period, the outgoing

Board of Statutory Auditors makes the following considerations.

From the point of view of the professional competences of the members of the Board of Statutory Auditors, considering: (i) the sector in which the Company operates, (ii) the complexity of the corporate organisation, as well as (iii) the size and high articulation of the Group, it is considered desirable, and even appropriate, that the new board of statutory auditors has complementary competences and experiences in the significant disciplines mentioned in § 3 above. It is particularly important that the mix of competences be well balanced and distributed among the members of the board and accompanied by appropriate knowledge of the insurance, banking and financial sector and the principles and operating rules of listed companies.

As regards remuneration adequacy, considering (i) the comparison of the remuneration of the members of the Board of Statutory Auditors and the Directors who are members of the CRC, (ii) the attention drawn to the remuneration of statutory auditors in industry analyses, and (iii) the constant expansion of the tasks and effort required of the board of statutory auditors in light of the legislative developments of recent years, it is considered desirable that the Company reviews its assessment of the adequacy of the remuneration accorded to the members of the Board of Statutory Auditors and approved by the General Meeting.

For completeness, the texts of rules Q.1.2. and Q.1.6. of the CNDCEC Rules of Conduct of the Board of Statutory Auditors of Listed Companies of 26 April 2018 are set out below.

¹² Source: Section II, 2022 Report on Remuneration Policy and Payments.

¹³ Art. 16 Decree 88/2022.

Rule Q.1.2. – Composition of the board of statutory auditors**Principles**

The number of members of the board of statutory auditors and the gender quota criterion are established by law and the certificate of incorporation.

The statutory auditors must be selected among persons who meet the respectability and professionalism requirements established by law and by the articles of association.

References

Sections 114, 148 and 148-bis CFBA; ss. from 144-quinquies to 144-undecies Issuers' Regulation as per Consob resolution 14.5.1999, no. 11971 as subsequently amended (hereinafter: Issuers' Regulation); decree of the Ministry of Justice, no. 162, 30 March 2000. Regulation setting out rules for determination of the requirements of professionalism and respectability of the members of the board of statutory auditors of listed companies to be issued pursuant to s. 148 leg. decree 24 February 1998, no. 58; s. 19.3 leg. decree no. 39/2010; Corporate Governance Committee, Corporate Governance Code, s. 3, July 2015.

Application criteria

The board of statutory auditors consists of not fewer than three statutory auditors and two alternates.

The composition of the board of statutory auditors must comply with the gender quota criterion whereby at least one third of the statutory auditors – or one fifth in the event of a newly listed company – must be of the less represented gender. This criterion is applied for three consecutive mandates. Should application of the gender quota criterion not produce a whole number, the number is rounded up.

A statutory auditor and an alternate are elected, with list voting and in accordance with the procedures established by the Issuers' Regulation, by the minority shareholders who are not connected, directly or indirectly, with the shareholders who submitted or voted for the list obtaining the highest number of votes. The articles of association may establish that more than one minority auditor be elected, envisaging that the places be assigned proportionately in compliance with the criteria set out by the articles of association.

The chair of the board of statutory auditors is appointed by the general meeting from the members elected by the minority shareholders, if appointed.

The statutory auditors must meet the respectability and professionalism requirements envisaged by law (cf. Ministerial Decree no. 162/2000) and by the articles of association, as well as the independence requirements established by law and by the codes of conduct, for companies that have declared adherence to such codes (Rule Q.1.4).

Professionalism requirements

At least one of the statutory auditors, if there are three statutory auditors [...], must be selected from persons registered on the register of auditors with at least three years' experience as a practitioner of statutory auditing.

The auditors who do not meet the above requirement are chosen from those who have an overall experience of at least three years in the field of:

- Governance or control or management tasks in business corporations with a share capital of not less than two million euro;*
- Professional activities or tenured university teaching positions in law, economics, finance and technical-science course subjects, strictly pertaining to the business of the company;*
- Management functions in public entities or public authorities in the credit, finance and insurance industries or in any case in industries strictly pertaining to the company's business. The subjects and sectors of activity strictly connected to the company's business are established by the articles of association.*

The members of the board of statutory auditors, as members of the internal control and audit committee of public-interest entities, are, as a whole, competent in the sector in which the company under audit operates.

Respectability requirements

[...]

Additional professionalism and respectability requirements may be established under special laws governing specific sectors of activity; by the articles of association.

Considerations regarding the composition of the board of statutory auditors

At the first meeting, and thereafter annually, the board of statutory auditors ascertains, from the declarations made by the auditors and the information available, the composition of the board of statutory auditors, by verifying specifically compliance with the requirements set out by law, the articles of association, the Issuers' Regulation and the corporate governance code to which the company has declared its adherence, and compliance with the respectability and correctness criteria envisaged by industry law.

For the purposes of these assessments, once they have been elected or when variations occur, the statutory auditors provide full and up-to-date information in this regard, in writing, to the board of statutory auditors.

Application of Rule Q.1.1.

Comment

S. 148 CFBA establishes the minimum number of members of the board of statutory auditors to be three statutory auditors and two alternates. The number of statutory auditors may therefore be more than three and the number of alternates more than two.

The composition of the board of statutory auditors should be tailored to the characteristics of the company. This requirement may be made known to the company to any interested party, for example the board of directors, the shareholders, the control functions, and the board of statutory auditors itself when assessing its composition. In this regard, it should not be forgotten that s. 19.3 leg. decree no. 39/2010 expressly envisages that the members of the internal control and audit committee should overall be competent in the sector in which the company operates. Consequently, it may be possible for the individual auditor to not possess such requirements at the time of their nomination, on condition that they must acquire them during the mandate through research, by acquiring information (also from the company itself) and by using the experience about the characteristics of the sector held by their colleagues.

On the presentation of the lists of candidates, the professional qualities, experience, including managerial experience, and the gender of the candidates should be assessed in relation to the issuer's size, the complexity and specific nature of the business sector in which it operates, and the size of the board of statutory auditors.

In practice, it may happen that distinct lists (a majority list and a minority list) are not presented; in that case, the statutory auditors are elected by the shareholders on the basis of the proposed resolution presented to the general meeting.

The assessment of the composition of the board of statutory auditors is for the purpose of transparency and enables enforcement of incompatibility laws to be overseen more effectively, also considering the public disclosure requirements for companies established by law and by the Issuers' Regulation (cf. s. 144-novies).

Rule Q.1.6. - Remuneration

Principles

Before accepting the position, the statutory auditor assesses whether the proposed remuneration is sufficient recompense for the professionalism, experience and commitment required for the post, considering the reputational importance of the function performed.

References

Section 2402 Italian Civil Code; section 9 leg. decree 24 January 2012, no. 1, Urgent provisions concerning competition, development of infrastructures and competitiveness, enacted into law, with amendments, by s. 1.1, Law 24 March 2012, no. 27; Corporate Governance Committee, Corporate Governance Code, s. 8.3., July 2015.

Application criteria

The annual remuneration of the statutory auditors, if not established in the articles of association, is determined by the general meeting at the time of appointment for the entire duration of their term of office.

In the event of significant changes in the organisational structure or scope of the company, the remuneration of the statutory auditors may be adjusted with a specific and reasoned resolution of the general meeting.

In the event of changes in the activities and developments of the company that make the commitment of the statutory auditor not consistent with and tailored to the agreed remuneration, the board of statutory auditors may, during the term of office, provide in its report information about such developments and suggestions for a review of their remuneration at the first subsequent general meeting.

Prior to the expiry of its term of office, it is appropriate that the outgoing board of statutory auditors summarise in a specific report the activities performed by it, stating the number of meetings and their average duration, and the time required to perform each activity and the professional resources employed. This report is to be sent to the company to enable the shareholders and the candidate auditors to assess the adequacy of the proposed remuneration.

On accepting the candidacy, the candidate auditor assesses the adequacy of the proposed remuneration, taking into account:

- the breadth and complexity of the engagement in relation to the nature, size, including the economic size (for example, the volume of the positive income components and of activities), complexity, sector of activity, organisational structure and other characteristics of the company;

- any document produced by the outgoing board of statutory auditors, assessing with attention the time commitment required to perform the engagement and the professional competences and experience required;
- the remuneration given to the non-executive directors, as well as the remuneration criteria for attendance at the board committees;
- with reference to the remuneration of the chair of the board of statutory auditors, the time commitment required to perform the role, Control of the control and risks committee.

With lists of candidates filed for the resolutions of the general meeting, it is desirable that the list of candidates be accompanied by a brief note illustrating the expected commitment required of the statutory auditors in terms of surveillance activities and attendance of the meetings of the governance bodies and the committees, based on the volume and nature of the work performed by the outgoing board of statutory auditors and taking account of the size, complexity and other characteristics of the company, and also of the foreseeable changes to the organisational structure or the management procedures;

- the note should then be accompanied by a remuneration proposal, drawn up with the consent of the candidates, possibly in a form that enables its determination within a range of values. In this way, at the general meeting that appoints the statutory auditors, a useful reference would be available for the consequent deliberations of the company and subsequent assessments of the elected parties.

Comment

Determination of the remuneration of the members of the board of statutory auditors must be adequate and, in any case, take account of the complexity and onerousness of each engagement, also in relation to the size and activities of the issuer, the number and size of the companies included in the consolidation, and the extent and articulation of its organisational structure. Special attention should also be paid, when determining an adequate remuneration, to the commitment devoted to the board of statutory auditors' activities and specifically to active participation in the meetings of the board committees.

