

**Speech of the Chairman**

**Mr. Galateri di Genola**

**Background**

Shareholders,

Welcome to our General Meeting. As I have already done in the past, let me welcome you also on behalf of the Mayor of Trieste.

Now, I wish to introduce you some of our top managers who are here with us today and who have become members of the Group Management Committee over the past 12 months, making this highly skilled and experienced team even stronger: Luigi Lubelli, sitting next to me, who was appointed Group Chief Financial Officer last January; Luciano Cirinà, Head of CEE Area; Valter Trevisani, Group Chief Insurance Officer; Frédéric de Courtois, Head of Global Business Lines and Group International Operations; Tim Ryan, Group Chief Investments Officer; and Marco Sesana, Italy Country Manager.

I will open this Shareholders' Meeting with some quick remarks on the macro-economic scenario, the relevance of the insurance industry in this context and the strategic operations that the Generali Group has launched to achieve sustainability in the long term as leading, independent, Italian and international insurance company.

**Macro-economic environment**

In macro-economic terms, market volatility was very high in 2016, especially as a result of geo-political events. However, the global economy kept recovering with a total grow of 3.1%, also as a result of the actions implemented by central banks. European economies proved quite sound after the favourable vote on Brexit last year in June and the no-vote in Italy on the constitutional referendum in December. And the election of Donald Trump as U.S President was even appreciated.

The beginning of 2017 was positive. Industrialised economies performed better than expected and financial markets grew significantly. For many observers, growth has resumed in the world economy the International Monetary Fund expects a growth of 3.5% at global level. However, uncertainties are still there, especially at political level. In Italy, early elections are still on the agenda, and this may jeopardise the sustainability of Italian public debt. Elections in France, in spite of some positive signs, and in Germany may entail some risks resulting from extremist and euro-sceptical political parties.

At world level, tensions in the Middle East and in North Korea are mounting and momentous changes are taking place in the geo-political arena. I'm referring to the protectionist policy that the U.S. President is launching and, conversely, to the progressive opening to globalisation that the President of the People's Republic of China has unexpectedly announced. The International Monetary Fund expects a sustained growth for both countries in 2017: 6.6% in China and 2.3% in the U.S.; a growth of 1.7% is expected in the UE, though it may be lower as a result of political uncertainties and the decreasing impact of BCE measures.

### **The insurance market**

As we all aware, the European insurance market continued to be affected by very low interest rates. Let me remind you that, over the past 3.5 years, the performance of the 10Y German government bonds has collapsed from 2 to 0.2%. This performance becomes negative, i.e. about -1%, if adjusted to the inflation. The performance of Italian 10Y government bonds also has dropped to about 2% and currently it's about half the level of 4 years ago. Currently, 46% of European government bonds have a negative performance. Interest rate trends have a significant impact on insurance companies with a higher exposure in life business, like our Group.

The insurance industry has also been affected by an increasingly strict and complex regulatory framework. Solvency 2 Directive came into force on 1 January of last year, and, as you know, capital requirements are now more stringent and they are also based on the

investment risk level. Insurers had to make significant investments on systems and processes to align investments and capital requirement and ensure compliance.

These are the current challenges in the European insurance market. On the other hand, there are considerable opportunities: for instance, the growth in private savings, that in Western Europe was equal to 4.3% and it is expected to increase by 3.6% by 2020. In industrialised countries, population aging, in spite of social and economic issues, is also a major opportunity for insurers. As a result of the shrinking government role in the provision of pension benefits, private insurance companies can expand their business in supplementary pensions that have relatively high margins and a low capital absorption rate.

In non-life business, under-coverage is an issue, especially in Italy. As ANIA has shown, though Italy is among the highest exposed countries to natural catastrophes – as 45% of the population live in areas at high risk of flood – the relevant insurance coverage is quite limited, i.e. 1.2% of houses.

This issue became extremely clear with the earthquake in Central Italy last summer. In this framework, the Group took immediate action in a number of areas, for instance an ad-hoc protocol was introduced to provide urgent assistance to customers and a 50% discount on the earthquake cover was offered until the end of 2016. In this respect, I wish to thank all our staff that has contributed to the fund-raising initiative for the reconstruction. Generali Group raised and donated € 750,000.

### **Generali “accelerated strategy”**

In the framework of this geo-political challenges and insurance opportunities, Generali Group has launched an "accelerated strategy", i.e. confirming the financial targets of 2015-2018 strategic plan though in a worse scenario and identifying 6 leverages and ambitious targets for each one of them.

Some early positive signs have clearly emerged in the financial statements 2016 that you are called upon to adopt today. The Managing Director, Philippe Donnet, and the Group

CFO, Luigi Lubelli, will shortly give you some insights on this strategy and the Group results. I just wish to emphasize the great support of the Board of Directors for his plan.

**Long-term sustainability: social responsibility, focus on human resource, innovation and governance**

As I have already mentioned, I now wish to focus on a critical issue: long-term sustainability. Corporate reliability for stakeholders, such as shareholders, is also based on planning for the future with virtuous approaches ensuring continuity and sustainability in the long term. In this framework, let me comment upon four areas: respect for the environment, focus on human resources, especially young people, innovation and governance.

These 4 areas are all part of the notion of corporate social responsibility based on the Group vision: protect and improve people's lives. In 2016, the Group identified 20 major topics for the company and its stakeholders and it has defined a Sustainability Charter covering each area, as detailed in the Sustainability Report, which for the first time this year has been released together with the financial statements.

Let me start with the environment. Though the Group business is not in the industrial sector, which is typically affected by these issues, we are aware of the changes resulting from climate issues and we have integrated them in our sustainability policies. In the framework of our Environmental Management System, we have signed the "Paris Pledge for Action", i.e. the commitments on climate changes that were adopted in Paris and that we have are implementing to reduce our green-house emissions by 20% by 2020, as agreed by the signatory countries in Paris. Additionally, in 2017, and for the first time, we will measure the environmental impact in terms of carbon dioxide in all our financial investments.

The second issue I wish to underline is the focus on human resources, in particular young people. Generali Group has 74,000 employees at global level, with 21.000 young people under 34 years of age. I find it appropriate to ensure them a fair career development based on merit.

At Group level, a number of actions were launched in 2016 for young talents. The “Global Mentoring Program” was introduced. This is a training scheme with expert employees providing training to young talents for 12 months. The objective is to support career development and skills of future leaders, sharing the experience of senior employees. The first edition of “Generali Global Graduate Program” was completed. Twenty new graduate employees from 15 different countries have accessed professional training in a number of Group offices and they are now attending a master course on insurance company management at MIB in Trieste.

The third topic I found critical is innovation. Today, it's essential for insurance companies to innovate, as they need to keep the pace with technology and meet increasingly sophisticated customer needs. This has two positive results. First of all, more efficiency and productivity. For instance, Generali Italy has launched “simplification labs” in four locations with a view to reviewing and streamlining corporate processes that impact on customer and distribution experience. Secondly, a customer and distribution centred approach. New technology redefines the role of insurance companies and relations between the company and its customers and distributors. Today, insurers can play an advisory role to support healthier lifestyles instead of taking action when the damage is done, and they can offer customised solutions, in our case, also through the Group extensive agent network. In a few minutes, Philippe will explain in more details the Group actions on innovation.

Finally, I will comment on the corporate governance model of Generali Group, which is setting the standard in Italy and in the insurance industry. A good governance, i.e. a good governance system in the organization means reliability and sustainability, as it has a long term impact. In this respect, over the past 16 months, significant changes have been

implemented, including the change-over of the managing director last year. The Company dealt with these events successfully, also thanks to its excellent governance instruments, such as the succession plan. The organisation has been streamlined and the role of board committees and management bodies has been enhanced for an ideal alignment to the Group strategy as well as smoother decision-making processes.

In 2016, a new Board of Directors was appointed. Generali Board of Directors has become a model, in Italy and abroad, for its requirements, such as size, gender diversity and member independence; and 5 members are women. Directors are highly skilled and with diverse experiences. Let me take this opportunity to thank all Directors I have the pleasure to work with.

## **Conclusion**

It is a great honour for me to chair this Shareholders' Meeting in the 186<sup>th</sup> year of the Generali Group. I'm aware that the Lyon with the wings today is strong and lively and ready to overcome any future challenge with the support of its employees, its partners and its talented managers and you, Shareholders, who believe in the sound standing and independence of this Group.

Thank you for your attention and now I give the floor to the Managing Director

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