



ASSICURAZIONI GENERALI S.P.A.

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 purpose of the document

2. 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 2019, 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, the shareholders interested in submitting lists for the appointment of the new board and the candidates for the position of auditor with a comprehensive picture of the activities that the Company Board of Statutory Auditors is called upon to perform, so that the necessary professional skills and the adequacy of the remuneration proposed for performance of the engagement may be assessed in a considered manner.

Indeed, with reference to the professionalism profile, Rule of Conduct Q.1.2. states “*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.decreto 39/2010 whereby “*the members of the internal control and audit committee, as a whole, are competent in the sector in which the entity under audit operates*”.

With regard to the question of remuneration, Rule of Conduct Q.1.6. states “*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 time devoted to the board of statutory auditors’ activities and specifically to active participation in the meetings of the board committees.*”. Similar indications are set out in the current Corporate Governance Code (Criterion 8.C.3), and in the updated version of the Code to be applied as from the 2021 financial year.

¹ To assist the reader, the text of Rules Q.1.2. and Q.1.6. is provided in an annex to this document



Before being made available to the shareholders, this document was sent to the Chair of the Board of Directors to be brought to the attention of the Appointments & Remuneration Committee and the Company Board of Directors for their valuations in their respective areas of competence.

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

2.1. During the three-year period, the activities of the Board of Statutory Auditors were heavily influenced by the legislation introduced by a number of recent 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 Companies Code), and the related implementing provisions issued by IVASS.

In this connection, specific reference is made to **IVASS Regulation no. 38** of 3 July 2018, under which the board of statutory auditors is required among other things to:

- verify 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);
- assess the efficiency and efficacy of the corporate governance system, specifically 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.

2.2. Second, reference is made to the reform of legislation governing statutory audits at European level («European Reform») with the promulgation of the following acts:

- **EU Regulation no. 537/2014** on statutory auditing of the accounts of public-interest entities (known as PIEs), which is directly applicable as from 17 June 2016;
- **Directive no. 2014/56** enacted into Italian law with leg. decree 135/2016 which amended the provisions of leg. decree 39/2010.

With the European Reform, the intention of lawmakers is to strengthen audit quality and, specifically, the mechanisms for verifying the independence of the auditor, by assigning specific monitoring activities to the board of statutory auditors, in its capacity as internal control and audit committee.

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 guarantee 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, 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 their network (art. 5 EU Regulation 537/2014).

2.3. Mention should 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 (s. 3.7 leg. Decree 254/2016);
- informs the general meeting of the outcome of said supervision (s. 3.7, leg. Decree 254/2016);
- viene sentito dall'organo amministrativo nell'ipotesi in cui, in circostanze eccezionali, possano essere omesse nella dichiarazione di carattere non finanziario informazioni in grado di compromettere la posizione commerciale dell'impresa (art. 3, c.8, D.Lgs. 254/2016).

2.4. Among more recent legislative developments, attention is drawn to **IVASS Regulation no. 44** of 12 February 2019, enacting leg. decree 21 November 2007, no. 231, as amended subsequent to implementation 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;
- 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;
- 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.

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

Considering the sector in which the Company operates, the complexity of its corporate organisation and the size and articulation of the Group headed by the Company, in executing the tasks assigned to it, the Board of Statutory Auditors requires specific competences in the following areas:



- ✓ Characteristics and operation of the insurance sector
- ✓ Principles and rules of operation of listed companies
- ✓ Financial management
- ✓ Accounting processes and formation of the separate and the consolidated financial statements
- ✓ National and international accounting principles
- ✓ Economic and financial assessments
- ✓ Impairment testing process and valuations
- ✓ Risk management and internal control systems
- ✓ Internal audit
- ✓ Compliance
- ✓ Actuarial and Solvency II
- ✓ Statutory auditing

Competences and expertise in the insurance sector and in the listed companies sector are particularly important.

It is also important for the Board of Statutory Auditors to have access to the competences of people with complementary experience in the above areas. 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. In its annual self-assessment, the current Board of Statutory Auditors ascertained that it was in possession of the above competences.

The Board of Statutory Auditors also found that an important element for efficient and effective execution of its tasks is high complementarity among the backgrounds and previous experiences of its individual members. This ensures 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.

The Board of Statutory Auditors also reached a positive assessment of its membership in terms of gender diversity, competences and professionalism, as well as work experience.

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);
- ✓ attendance at all the meetings of the Control & Risks Committee (CRC) and, with the presence of just the Chair and/or one or more 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) Surveillance 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 at all the meetings of the Governance & Sustainability Committee which performs consultative, advisory and preparatory functions for the Board of Directors with regard to sustainability;
- meetings with heads of functions concerned with sustainability and the NFD;
- specific meetings with the external auditors to discuss representation and disclosure with regard to the NFD.

(iii) Surveillance 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 vis a vis IVASS indications;
- specific meetings with the Group Audit, Group Compliance Officer, Group Chief Risk Officer, Group Chief Financial Officer (CFO) and Group General Counsel and Group Actuarial Functions;
- meetings with the Audit Committees / control bodies of the main subsidiaries (at least once a year for each control body);
- at least one specific meeting with the Group CEO each year.

(v) Surveillance of the adequacy and operation of the internal control and risk management system (ICRMS)

- 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 Officer, Group Chief Risk Officer 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 to monitor, among other things, specific legislative developments on AML and related development projects;
 - ✓ meeting at least on an annual basis with the Surveillance Body (SB) pursuant to leg. decree no. 231/2001 and the Group CEO;
 - ✓ additional analyses whenever appropriate.
- (vi) Surveillance 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 once a year with the CFO and their team;
 - ✓ regular meetings with the external auditors and examination of their additional report drawn up pursuant to s. 11 EU Regulation 537/2014.
- (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. The board of statutory auditors held 16 meetings in 2019 and 17 in 2018 at which the items discussed included approval of the NAS;
 - ✓ 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.

In addition to the above, during 2018 and in early 2019, the Board of Statutory Auditors was specifically involved in the procedure for the selection of the new external auditors, as envisaged by s. 6 EU Regulation 537/2014. Obviously, this is a non-recurrent activity, since the statutory audit for public-interest entities is a nine-year engagement.

4.2. The table below summarises the number of meetings attended by the Board of Statutory Auditors in 2017, 2018 and 2019, and the average duration of the meetings, in hours.

**Table 1**

Body or Board Committee	2017		2018		2019	
	No. Meetings	Average Duration	No. Meetings	Average Duration	No. Meetings	Average Duration
Board of Statutory Auditors	24	2:00	34 ²	3:15	25	2:20
Board of Directors	14	3:11	14	3:07	14	3:16
Control & Risk Committee	13	4:58	14	5:15	14	5:53
Corporate Governance & Sustainability Committee	8		9	1:16	7	0:49
Related-Party Transactions Committee	3	1:03	3	0:43	3	0:43
Appointments / Remuneration Committee ³	8	1:00	7	2:26	11	1:41
Investment & Strategic Transactions Committee (Investment Committee since 5/2019) ⁴	14	1:42	11	2:17	13	1:26
Total No. Meetings	84		92		87	

Under the Regulation of the Company's Board of Directors and Board Committees, the statutory auditors are required to attend not only the meetings of the Board of Directors, but also those of the Control & Risks Committee, the Related-Party Transactions Committee and the Governance & Sustainability Committees. The statutory auditors are also invited to attend the Appointments & Remuneration Committee (with regard to Remuneration) and the Investment Committee⁶.

The Board of Statutory Auditors complied in full with the Regulation: in the three-year period 2017-2019, the members of the Board of Statutory Auditors attended on average 87% of the meetings of the Board of Directors and the above-mentioned Committees⁷. Although attendance by the Board of Statutory Auditors at the meetings of the Appointments & Remuneration Committee is not compulsory, it was considered highly advantageous by the board in order to optimise independent acquisition and critical re-processing of significant information for the conduct of its own activities.

In addition to the average duration of the meetings set out in Table 1, the time devoted by the statutory auditors to the preparation of the meetings should also be considered; although not analytically quantifiable, it represents a significant commitment.

² The number of meetings in 2018 is influenced by the fact that during the year the procedure for the selection of the new external auditors was implemented.

³ The Board of Statutory Auditors attends the meeting of this committee with regard to Remuneration questions.

⁴ Named, as from May 2019, Investment Committee. Also in May 2019, a new committee was formed, the Strategic Transactions Committee, at which attendance by the statutory auditors is not envisaged. The frequency of the meetings of the Investment Committee was substantially unchanged.

⁵ Respectively sections 28.3, 30.5 and 41.1 of the Regulation of the Board of Directors and Board Committees.

⁶ Respectively sections 33.5 and 34.7 of the Regulation of the Board of Directors and Board Committees.

⁷ In the three-year period 2017-2019, the Chair of the Board of Statutory Auditors took part on average in 93% of the meetings of the corporate bodies and committees indicated in Table 1.



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 meeting of the Board of Directors and the Board of Statutory Auditors, as well as attendance of committees, informal strategic discussions and 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.

The Chair of the Board of Statutory Auditors also devotes time to planning meetings, reviewing minutes of meetings, drafting the reports of the Board of Statutory Auditors, 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. During 2018, the Chair of Board of Statutory Auditors also conducted activities (not as part of the formal meetings) to verify aspects of the Board Review process and ensure its quality.

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 27 April 2017, is 100,000 euro; the annual remuneration of the Chair of the Board of Statutory Auditors is 150,000 euro.

During 2017, the Company conducted a benchmark analysis of the remuneration of its Board of Statutory Auditors and that of equivalent issuers; it found no significant inconsistencies. Attention is drawn to the fact that recent analyses have found, on the Italian market, a general attention to the inadequacy of the remuneration of members of boards of statutory auditors with respect to the increasing amount of effort required under current regulations.

The question could be examined further, also taking into account the legislative developments that have led to a significant expansion of the duties and consequent responsibilities of the board of statutory auditors, as noted in section 2 above⁸.

In this connection, as suggested by best practices⁹, a comparison was conducted between the remuneration of the members of the Board of Statutory Auditors and that of the directors who sit on the CRC.

The remuneration of the directors who sit on the CRC who, in accordance with Company practice, are also members of another board committee (Corporate Governance & Sustainability) was taken as a reference.

⁸ The profile in question was underlined at various levels, including the association of independent directors (Nedcommunity) during the consultation promoted in 2019 by Borsa Italiana for the updating of the Corporate Governance Code. The association noted that in recent years the responsibilities of the board of statutory auditors have increased in complexity and extent, in part as a result of legislative changes, whereas the remuneration of the individual members has not always been updated accordingly.

⁹ Also during the consultation promoted by Borsa Italiana in 2019 to update the Corporate Governance Code. 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.



The analysis found that the directors receive remuneration equal overall to approximately 247,000 euro¹⁰. This figure compares with the remuneration of the statutory auditors, which is 100,000 euro, 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.

On this matter, during 2017, 2018 and 2019, the number of meetings attended by the statutory auditors were respectively 84, 92 and 87 (with an average presence, over the three years, of all the auditors at 87% of the meetings in question¹¹). It was also observed that while the annual remuneration of the chair of the Board of Statutory Auditors was 150,000 euro, that of the chair of the CRC was 247,000 euro. This figure rises to up to 267,000 euro¹², when the chair is also a member of another committee, as is the practice in the Company.

6. Conclusions

In conclusion, with regard to 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, if not opportune, that the new board of statutory auditors have 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 sector and the principles and operating rules of listed companies.

As regards remuneration adequacy, considering (i) the comparative analysis of the remuneration of the members of the board 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 hoped that the Company will review its valuation of the adequacy of the remuneration accorded to the members of the Board of Statutory Auditors and approved by the General Meeting.

¹⁰ With reference to a total of 35 meetings: 14 meetings of the Board of Directors, 14 meetings of the CRC and 7 meetings of another committee (e.g., the GSC). The overall consideration could therefore, in theory, be assigned as follows: €156,000 for attendance at the Board of Directors, €58,000 for attendance at the CRC and €33,000 for attendance at another committee.

¹¹ Taking into account the non-recurrent commitment for the procedure to select the new external auditors, which took place largely in 2018, in order to evaluate the commitment looking forward, reference should be made to the years 2017 and 2019 in the table set out above.

¹² With reference to a total of 35 meetings: 14 meetings of the Board of Directors, 14 meetings of the CRC and 7 meetings of another committee (e.g., the GSC). The overall consideration could therefore, in theory, be assigned as follows: €156,000 for attendance at the Board of Directors, €78,000 for attendance at the CRC and €33,000 for attendance at another committee.



ANNEX

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.

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.¹³

¹³ For the purpose of providing full information, with regard to the composition of the board of statutory auditors and, specifically, the assignment of at least two fifths to the less represented gender, as envisaged by Law 27 December 2019 no. 160, it should be noted that Consob Communication no.1/20 of 30 January 2020 specifies as follows: "With reference to cases where corporate bodies consist of three members and, specifically, cases where the board of statutory auditors consists of three statutory auditors, uncertainty could arise in interpreting the application of the new criterion where at least two fifths is allocated to the less represented gender, given that, in arithmetic terms, it is impossible to ensure the presence of at least two fifths for both genders. It should be noted that to permit application of the new law, it is not possible that the new law indirectly requires listed companies to form a board of statutory auditors composed of five statutory auditors, given that under current corporate law the articles of association may autonomously determine the number of statutory auditors in the board of statutory auditors. Therefore, pending an adjustment to regulations and taking into account the urgent nature of the matter given application of the new provisions already with the forthcoming renewal of corporate bodies, in its surveillance of application of said regulations Consob will consider the criterion of rounding up envisaged by paragraph 3 of s. 144-undecies 1 ("Gender balance"), of the Consob Regulation adopted with resolution no. 11971 of 14 May 1999 and subsequent amendments ("Issuers' Regulation") to be inapplicable, due to arithmetic impossibility, to corporate bodies with three members. Consequently, with regard to such bodies, Consob will consider rounding down to be in line with the new laws. The criterion of



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 connected 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

rounding up envisaged by paragraph 3 of s. 144-undecies.1 of the Issuers' Regulation will continue to apply for corporate bodies with more than three members.



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. 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).

R ule 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, and the remuneration given to the chair 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.