

Q&A on ESG AND HR ISSUES

Q&A on ESG issues

According to the RIG, the Group considers with higher risk investments in assets issued by companies that: produce weapons that violate fundamental humanitarian principles through their normal use (cluster bombs, antipersonnel landmines, nuclear arms, etc.). Can Generali therefore state that its general account is not currently invested in companies that produce cluster bombs, antipersonnel landmines and nuclear arms? Or are the investments in these companies simply underweighted compared to benchmarks?

The Group has adopted the Responsible Investment Guidelines, that dictate, among other points, that companies directly involved in controversial weapons are excluded from investments. In particular the Group excludes companies that:

- use, develop, produce, acquire, stockpile or trade controversial weapons or key components/services of controversial weapons (cluster bombs, anti-personnel mines, chemical and biological weapons);
- breach the Non Proliferation Treaty for Nuclear Weapons

As at 31/12/2018 the Group is not invested in any such company.

Which amount of the General account's assets is currently invested (in % and in absolute terms) in companies that extract and/or process and/or trade coal? Is there any plan to divest from shares or bonds of these companies?

The Board of Directors of Assicurazioni Generali S.p.A. has approved on February 21st 2018 the Group Strategy on Climate Change, adopting significant actions on investments and underwriting, being the core activities of the Company. In particular the strategy of Generali is based on stringent criteria regarding coal related activities:

- companies for which more than 30% of revenues derive from coal
- companies for which more than 30% of energy produced derives from coal
- mining companies that produce more than 20 million tonnes per year of coal
- companies actively involved in building new coal capacity (coal plants) as identified by Urgewald in its 'Top 120 Coal Plant Developers' list.

The strategy sets that the Generali Group, as asset owner, will:

- not carry out any new investments in companies related to the coal sector;

- gradually divest approximately 2€ bn from coal related activities, as follows:
 - dispose of the equity investments (target April 2019)
 - Run off or consider the possibility to dispose, in advance of expiry, the bond investments

As at 31/12/2018 the divestment plan was on track with the expectations. As at 30/04/2019 of the equity investments have been completely disposed of. This disposal plan does not apply, as of today, to countries strongly dependant on coal. In those cases, Generali is engaged in the verification of the transition plans of the counterpart in order to evaluate possible future divestment actions. We remind that this exposure is limited to 0.02% of the general account and is related to 4 companies of the Top Coal Plant Developers list.

Which amount of the General account's assets is currently invested (in % and in absolute terms) in companies that extract and/or process and/or trade oil from tar sands?

Is there any plan to divest from shares or bonds of these companies?

We are currently working on the definition of identification criteria for companies involved in the tar sands business. We are evaluating the extension of the exclusion to other kinds of fossil fuels with high environmental impact and will work in the following months to refine our methodology.

How many issuers have been excluded from the investable universe due to their exposure to serious ESG issues during 2018?

How many have been excluded since the implementation of the Responsible Investment Guideline in 2015?

Regarding companies that have been subject to severe and/or systematic ESG controversies, and in particular:

- involved in severe or systematic human rights or workers' rights violations;
- responsible for severe environmental damage;
- involved in important cases of corruption;
- directly involved in controversial weapons (cluster bombs, anti-personnel mines, chemical and biological weapons);
- not respecting the Treaty on the Non-Proliferation of Nuclear Weapons,

during the year 2018, 13 new companies have been excluded from the investable universe for the Group.

As at 31/12/2018 the companies excluded from the investable universe amount to 38. Starting from the implementation date of the Responsible investment Guideline, 43 companies have been excluded from the investable universe for the Group.

In 2017 Generali voted at 1,129 Annual General Meetings. How many meetings were covered in 2018 and how many will be covered in 2019?

In 2018 the Group participated in 1201 General Meetings. In 2019 the intention of the Group to support Sustainability best practices will be confirmed and the trend regarding General Meeting attendance so far is the same as in the previous year.

How has Generali positioned itself regarding shareholders' proposals, at global level, requested a report or action on climate change? How many of these proposals (in % and in absolute terms) have been supported by Generali, voting in favour?

As responsible investor, Generali is committed to promote Sustainability in the companies in which it invests through proxy voting and engagement. With this goal, the Group adopted a Voting Guideline expressing our fundamental values also on Sustainability matters (Source: Annual Integrated Report and Consolidated Financial report 2018, p. 52). In 2018 the Group participated in 28 General Meetings where the shareholders submitted 37 resolutions on environmental issues, with 95 resolutions voted in total and 81% positions in favour expressed.

Is Generali relying on services provided by proxy advisors?

If yes, which proxy advisors are used?

The Group relies on proxy advisors only in order to use their research on Issuers. Voting decisions are taken with regard to the voting policies adopted on the base of an internal and independent analysis. (Source: PRI Reporting Framework 2019). The advisors resorted to are: Glass Lewis, ISS, Frontis Governance and Proxinvest.

In its role of institutional investor, the Group commits to dialogue with invested companies encouraging them to act responsibly. Moreover, the Group commits to require the invested companies to justify any conduct observed that does not comply with the established ESG criteria." (Responsible Investment Guideline, pag. 5). How many companies have been engaged on ESG issues in 2018 (through the co-filing of letters, direct meetings with the management, ecc.?)

In 2018, 37 engagement activities with issuers on ESG issues have been carried out.

How many engagement processes have been successfully concluded in 2018 and how many are still ongoing?

In 2018, 15 engagement activities have been carried out successfully, 7 engagement activities have shown positive results and 15 engagement activities are still under way.

How many companies have been excluded from the investment universe as a result of the engagement process in 2018?

The engagement activity on coal issues with Issuers based in Central and Eastern Europe has been linked to decisions that as of today have regarded divestment on insurance business, not yet on the investment business

Q&A on HR issues

Do you think that the Remuneration Report provide an adequate ex-post information on the level of achievement of the communicated goals?

In line with the regulatory provisions, Section II of the Remuneration Report shows the percentage of achievement of the objectives as a whole both with reference to the annual and deferred part of the variable component of the remuneration of the Chief Executive Officer / Group CEO. The amounts received based on the results achieved are also detailed.

In your opinion the overall remuneration policy is structured effectively to achieve the alignment of interests between managers and shareholders?

The alignment of interests between managers and shareholders is guaranteed by defining the variable component of remuneration upon a meritocratic approach and a multi-year framework. In particular:

- the annual part of the variable remuneration component is based on goals linked to the achievement of economic, operating, financial and non-financial results – defined in line with the Group strategy – and adjusted by risks. These goals are assessed not only on the basis of the achievement of quantitative goals, but also on the basis of the behaviour demonstrated in achieving the goals – particularly in terms of behaviour being consistent with the Group values;
- the deferred part of the variable remuneration component is based on Assicurazioni Generali shares. In line with market practices and investor expectations, shares are assigned and made available to the participants over a deferred multi-year time frame subject to the achievement of the Group's strategic performance indicators (average Net ROE, EPS growth and relative TSR) and of a minimum level of Regulatory Solvency Ratio, as a unique access threshold.

The variable remuneration provided for the Group CEO seems to be excessively high and therefore disproportionate with respect to the fixed remuneration. What is your opinion about it?

All components of the remuneration package are clearly determined to ensure a balance between fixed and variable remuneration components, and encourage the achievement of results that are sustainable in the long term. The remuneration package structure is analysed to ensure that the fixed remuneration is balanced with respect to variable remuneration and fringe benefits, to encourage managers to fully commit to achieving sustainable results. More specifically, the fixed remuneration is determined as an amount that does not incentivise the undertaking of inappropriate risks by the manager and that allows the effective enforceability, in the theoretical event the relevant conditions are met, of specific ex-post correctional mechanisms (malus and claw-back) on the variable remuneration. Specific guidelines on the balancing of the different remuneration components are defined for each target group and, with specific reference to the Group Management Committee (GMC) members, after obtaining the prior opinion of the Appointments and Remuneration Committee, the Board of Directors establishes the overall positioning policy at Group level in terms of the value of remuneration. It also defines guidelines for remuneration review and pay mix wherever necessary, according to market trends and the results of internal analyses.

What is the impact of ESG (Environmental, Social and Governance) goals on the top management remuneration packages?

In line with the new 2019-2021 Group strategy, focused on Profitable Growth, Value creation and Innovation and Digital Transformation, two KPIs linked to the implementation of Group and local strategic projects – including sustainability initiatives / KPIs (eg. % green & social products, % green investments, quality of non financial information & reporting) - are provided in all individual balanced scorecard of the managers for the achievement of Plan objectives.

With regard to the questions made by the shareholder Mr. Bruno Valentino, although it is stressed again that in the Shareholders' Meeting of Assicurazioni Generali S.p.A. no answer can be given to questions not pertaining to the meeting's Agenda or relevant to other legal entities different from the issuer, we confirm that:

- as at 31/12/2018, the workforce of Assicurazioni Generali S.p.A. included 32 differently abled, under art.1 of the law 68/1999, in addition to 8 people belonging to protected categories under art.18 of the same law;
- also at 31/12/2018 the employees of the twenty companies of the Group operating in Italy were 16,521;
- at the same date and with reference to the companies with registered office in Italy, 711 differently abled employees, under art.1 of the law 68/1999, were in service, in addition to 173 people belonging to protected categories under art.18 of the same law, with a total of 884;
- in the fiscal year ending 31/12/2018, Assicurazioni Generali S.p.A. has not been sanctioned for any breach to the regulation on employment of disabled people. Assicurazioni Generali S.p.A. and the companies of the Group are compliant with the relevant laws and regulations and, as a consequence, do not consider in the budget specific reserves to cover any possible sanctions;
- in the fiscal year ending 31/12/2018, Assicurazioni Generali S.p.A. has not received any public funding targeted at the removal of architectural barriers;
- also without public funding, in the fiscal year ending 31/12/2018 Assicurazioni Generali S.p.A. has guaranteed facilitated subscription to parking services for all employees belonging to protected categories. The names of the beneficiaries can not be published for obvious sensitive data protection reasons.