

# Remuneration Report



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184<sup>th</sup> year





# Remuneration Report

# Letter from the Chair of the Remuneration Committee



Dear Shareholders,

remuneration is the way we link organizational and individual performances. As such, it clearly demonstrates our strategic priorities, together with our corporate values and the behaviors we believe are important for the achievement of our long-term business goals. Remuneration enables the Group to reward shareholders value creation and to share success with our employees, attracting talents, motivating and retaining them in a highly competitive global market.

Having completed its financial turnaround one year ahead of schedule, Generali has achieved significant business results this year, with an improved performance level which is directly reflected in our incentives.

In the light of these positive results, and in order to maintain consistency in how we guide and reward performance, the compensation model for 2016 retains the same framework of the last few years, with the full engagement of our executives. Over the years we have enhanced our overall remuneration approach by:

- fostering the new strategic ambitions and targets in all our incentives;
- improving the link between risk and reward in compliance with Solvency II requirements;
- aligning long-term incentive plan with investor expectations around performance cycles, holding periods and target population;
- consolidating the remuneration policy for Control functions in line with regulatory requirements.

Last year we presented an innovative strategy to our investors and to the market, setting out a plan to become the retail insurance leader in Europe, as well as a simpler and smarter company centered on serving its customers and using data-analytics and technology to provide state-of-the-art and timely services. We also announced new and ambitious financial targets for the next three years, with a greater focus on cash and shareholder value creation.

These strategic ambitions are intrinsically embedded within 2016 Group's performance and reward practices, which will drive improved customer outcomes, ensure compliance with Solvency II requirements and foster empowering leadership behaviors.

The strategic commitments we've set are challenging ones. They require focus, discipline and timely execution. And they can only be accomplished through our people, coming together as an aligned, engaged and empowered workforce. A strong, fair and transparent remuneration policy will help us to achieve this and to ensure that our employees and our shareholders continue to be rewarded and valued for their investments and contribution.

Ornella Barra

Chair of the Assicurazioni Generali's Remuneration Committee

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### **ATTACHMENT: Information note relevant to article 84-bis, paragraph 5, of the Issuers' Regulations CONSOB**

Table no.1, Scheme 7, of Annex 3A

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# Executive Summary

## REMUNERATION POLICY

Through the remuneration policy we aim to attract, motivate and retain the people who - for their technical and managerial skills and their different profiles in terms of origin, gender and experience - are a key factor for the success of the Group as reflected in our values.

Our remuneration policy reflects and supports our strategy and values: to be a global insurance Group with an approach that creates value and sustainability in our results, valuing our people and maintaining our commitment to all stakeholders.

Our policy is based on the following principles that guide our remuneration programs and consequent actions:

1. **Equity and consistency** of remuneration in relation to the assigned responsibilities and capabilities demonstrated;
2. **Alignment with corporate strategy** and goals defined;
3. **Competitiveness** with respect to market trends and practices;
4. **Value merit and performance**, in terms of results, behaviors and values;
5. Clear **governance** and **compliance** with the regulatory framework.

## THE POLICY IN ACTION: TOP 10 KEY TOPICS

### 1. Continuity versus last year and alignment towards corporate strategy

The Group's remuneration policy relevant for 2016 is set in great continuity with previous years, bringing forward basically the same structure and contents, consolidating and integrating them, specifically with:

- the strengthening of the criteria and information of market comparison in order to inform any remuneration decision;
- the reinforcement of the link between risk and reward with the introduction of specific minimum levels of Economic Solvency Ratio and the confirmation of Return on Risk Capital (RORC) targets in our incentives in line with Solvency II regulation;
- the alignment of Key Performance Indicators (KPIs) and goals with the targets defined in the new Group strategy, focused on cash generation, customer centricity, operational excellence, innovation and people empowerment;
- the extension of Long Term Incentive Plan eligibility in order to foster the engagement of managers and of key talents for the new strategy execution.

### 2. Target population

The remuneration policy applies to the members of the corporate bodies (Board of Directors, including the Managing Director/Group CEO and the Board of Statutory Auditors), and the company "personnel" (identified on the basis of the criteria detailed under Art. 2, section 1, point f) of ISVAP Regulation No. 39/2011) i.e. the General Manager, the members of the Group Management Committee

(GMC) and the other direct reports to the Managing Director/Group CEO and to the General Manager with significant impact on the Group risk and strategic profile, and the heads of control functions (Internal Audit, Risk Management, Compliance and Actuarial Function) and their directly reporting line managers, for which specific guidelines apply, in compliance with the applicable regulatory provisions.

In line with our strategy, that aims to increase Generali's global presence and consolidate its role at an international level, the principles of the Group's remuneration policy, consistent at global level, are spread through the organization, in compliance with local laws and specificities.

### **3. Equity, consistency and competitiveness**

The remuneration must be consistent with each role in question, the responsibilities assigned and the skills and abilities demonstrated. This applies both for the Group executive roles as well as the other segments of population, and complies with the requirements of current national and company labour contracts.

The structure of the remuneration package is assessed in terms of internal equity and consistency in relation to the role and the alignment with the market.

To effectively make informed decisions, our remuneration policy provides constant monitoring of our peers' practices and remuneration trends of the market, both in terms of pay-mix, remuneration levels and systems and in terms of alignment with the regulatory framework.

### **4. Remuneration package and pay-mix**

The remuneration package consists of a fixed component, a variable component and benefits, structured in a balanced way.

Analysis on the structure of the remuneration package is carried out in order to ensure the balance of components and to promote management commitment to the achievement of sustainable results.

The fixed salary remunerates the role held and responsibilities assigned, also considering the experience of the relevant incumbent and the skills required, as well as the quality of the contribution made in terms of achieving business results.

The variable remuneration is defined by means of short and long-term incentive plans in order to motivate the management to achieve business targets by creating a direct link between incentives and quantitative and qualitative targets set at Group, Region, Country, Business/Function and individual level.

Benefits include, in particular, supplementary pensions and health care for employees and their families, as well as a company car and other benefits, including those related to internal and international mobility (such as housing costs, transfer and education for children), in line with market practices.

In terms of total target remuneration, the Group's intention is to align the remuneration at a competitive level, between the median and the upper quartile of the reference market, with individual positioning connected to the assessment of performance, potential and strategic impact of the resource, according to a segmented approach.

### **5. Variable remuneration**

The variable remuneration is based upon a meritocratic approach and a multi-year framework, including a short and a long term component, connected with the achievement of Group, business and individual targets.

Targets are set, measurable and linked to the economic, financial and operating results adjusted by risks. These targets are assessed not only in relation to achieving quantitative targets, but also in relation to the conduct demonstrated in achieving these targets and whether this is consistent with Generali's values.

Our approach provides for a greater weighting of variable remuneration assigned to the long-term component, in order to strengthen the link with the creation of sustainable value for shareholders over the long term. The weighting on the long-term component for each role is proportionate to the level of direct influence on the Group results that each incumbent can potentially deliver.

Moreover, caps on the maximum variable remuneration are always set both at overall and individual level, linked to the actual achievement of performance conditions and targets set. In particular, the short term incentive system provides for an overall funding pool with maximum individual incentives set at 200% of the single baselines. The long term incentive plan provides for a maximum cap of 175% of fixed remuneration.

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In order to comply with regulatory requirements and to encourage the heads of internal control functions (Internal Audit, Risk Management, Compliance and Actuarial Function) and their direct reports to better execute their duties, we have introduced a specific variable compensation system based on qualitative objectives identified in relation to specific tasks and activities, and granted in an upfront quota and a deferred one, excluding whatever form of incentive based on economic and shared based instruments.

## 6. Group Short Term Incentive

The Group Short Term Incentive (STI) is the annual bonus system, according to which a cash bonus can be obtained from 0% to 200% of the individual target baseline, depending on:

- the Group funding, linked to the results achieved in terms of Group operating result and net profit adjusted and subject to the verification of the achievement of a minimum level of Economic Solvency Ratio;
- the achievement of the goals defined in the individual balanced scorecard in which 5 to 7 targets are set at Group, region, country, business/function and individual level - as appropriate - defined in terms of value creation, risk adjusted profitability, effectiveness, strategic initiatives, customer centricity and people empowerment.

## 7. Group Long Term Incentive

The Group Long Term Incentive (LTI) is the multi-year plan based on Generali shares (subject to Shareholders' approval), with the following features:

- the plan is paid out over a total period of 6 calendar years, it is linked to specific Group performance targets (Return on Equity and relative Total Shareholder Return) and is subject to the verification of the achievement of minimum levels of Economic Solvency Ratio;
- the plan is based on a 3-year performance period and additional sale-restriction periods on granted shares (i.e. minimum holding) up to two years.

## 8. Malus, claw-back and hedging

No incentive will be paid in the event of wilful misconduct or gross negligence or in case of significant worsening of the capital and financial situation of the Company. Any amount disbursed will be subject to claw-back if the considered performances should later be found to be unsustainable or achieved as a result of wilful misconduct or gross negligence.

In particular, specific thresholds and malus clauses are envisaged for the variable compensation, both for short- and medium/long-term, defining limits below which a reduction/zeroing of any incentive is made, subject to the evaluation of the Board of Directors.

With regard to the short term component, the final assessment of the degree to which the targets have been achieved also includes an individual assessment of conformity with respect to Compliance/ Internal Control/ Code of Conduct and Governance processes, to be carried out and used as a malus/claw-back clause as necessary.

In line with the European regulatory framework (Solvency II), the Company requires to its employees not to use any personal coverage or insurance strategies (so-called hedging) that could alter or undermine the risk alignment effects embedded in variable remuneration mechanisms.

## 9. Severance provisions in the event of termination

In case of removal/dismissal of a director/manager with strategic responsibilities, the Company must necessarily apply - in the current statutory scenario - the legal and/or contractual provisions.

In case of termination on mutual consent of a manager with strategic responsibilities, the relevant economic terms are set on the basis of the circumstances and grounds of the termination - with particular reference to the performance achieved, the risks undertaken and the Company's operating results, so that, in particular, no amount may be paid in the event of gross negligence or willful misconduct - and under any circumstance may not exceed, in addition to the notice (where applicable), 24 months recurring remuneration.

## **10. Governance and Compliance**

The Group remuneration policy is approved by the Shareholders Meeting, with the support of the Board of Directors, on the recommendation of the Remuneration Committee, as required by the applicable regulatory rules and governance procedures.

In order to ensure full compliance with all applicable laws and regulations, an important role in the definition and implementation of the remuneration policy is carried out by the control functions. In this context, the Risk Management and Compliance functions draw, to the applicable extent, reports on the consistency of the remuneration policy with applicable law. In addition, Internal Audit draws up a report in which the proper implementation of the policy adopted in the previous year is analyzed in detail. These reports are annexed at the end of this document.

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# Section I - Remuneration Policy

## INTRODUCTION

The remuneration policy is a key element for Generali and reflects our values: the mission of our Group is to protect and improve people's lives through the provision of insurance services. We proactively pursue this goal, taking care of the future of our customers and of our people, dedicating ourselves to the insurance core business, managing and mitigating the risks of individuals and institutions with the commitment to create value for our stakeholders.

Through our remuneration policy we aim to attract, motivate and retain the people who - for their technical and managerial skills and their different profiles in terms of origins, gender and experience - are a key factor for the success of the Group, as reflected in our values.

We believe in the founding values established in our remuneration policy, in particular in those focused on:

- the meritocratic alignment of the remuneration systems with sustainable long-term business results, in constant compliance to corporate values that represent the main pillars of remuneration systems and of a prudent risk management;
- the alignment with the overall business strategy based, among others, on a significant international integration of the Group, so that the principles and policies are applied in a coherent manner to all Group's key executives, thus favoring the overall alignment to the Group's goals.

The Group's remuneration policy relevant for 2016 is set in great continuity with previous years, bringing forward basically the same structure and contents, consolidating and integrating them, specifically with:

- the strengthening of the criteria and information of market comparison in order to inform any remuneration decision;
- the reinforcement of the link between risk and reward with the introduction of specific minimum levels of Economic Solvency Ratio and the confirmation of Return on Risk Capital (RORC) targets in our incentives in line with Solvency II regulation;
- the alignment of Key Performance Indicators (KPIs) and goals with the targets defined in the new Group strategy, focused on cash generation, customer centricity, operational excellence, innovation and people empowerment;
- the extension of Long Term Incentive Plan eligibility in order to foster the engagement of managers and of key talents for the new strategy execution.

## 1. THE PRINCIPLES OF THE REMUNERATION POLICY

Our policy is based on the following principles that guide our remuneration programs and consequent actions:

1. **Equity and consistency** of remuneration in relation to the assigned responsibilities and capabilities demonstrated;
2. **Alignment with corporate strategy** and goals defined;
3. **Competitiveness** with respect to market trends and practices;
4. **Value merit and performance**, in terms of results, behaviors and values;
5. Clear **governance** and **compliance** with the regulatory framework.

## Equity and consistency

The remuneration must be consistent with each role in question, the responsibilities assigned and the skills and abilities demonstrated. This applies both for the Group executive roles as well as for other employees, and complies with the requirements of current national and company labour contracts.

We are a global group, and consistency is therefore also important in relation to the approach that is adopted in different Countries/Regions/Business/Functions of our Group, so that these correctly fall in line with the Group's objectives, whilst ensuring that they are always compliant and aligned with local rules and regulations.

Finally an assessment is made regarding the structuring of the remuneration package among the different components of remuneration, whether fixed and variable, cash and non-cash, short and medium-long term, in terms of internal equity and consistency in relation to the role in question (and aligned externally in relation to the market).

## Alignment with corporate strategy

Remuneration systems are a basic tool to ensure managers are aligned with corporate strategies. In this regard, our incentive systems have been structured so that roles are remunerated according to the achievement of sustainable Group results. Targets are set - on an annual and multi-year basis - so that future objectives take into account the results that have been achieved over time, in order to maintain a sustainable level of performance in terms of results and risks taken, in line with shareholders' requests and with regulatory requirements.

## Competitiveness

To effectively make informed decisions, our remuneration policy provides constant monitoring of our peers' practices and general remuneration trends of the market, both in terms of pay-mix, remuneration levels and systems and in terms of alignment with the regulatory framework.

An independent external consultant (Mercer) provides corporate bodies structures and top management with relevant market information and analysis with special reference to current practices among our peers at an international level in the insurance and financial sectors, set consistently with the panel of companies used for performance comparisons in incentive plans.

At local level, and throughout the organization, the comparative analysis is carried out by taking into account specific groups of local peers, so as to ensure alignment with the reference market. Each local remuneration structure defined on the basis of the reference benchmark must nonetheless comply with the general principles of the Group remuneration policy.

The peer comparison is essential both for assessing our performance in absolute and relative terms, and for assessing the competitiveness of remuneration packages for the recipients of the remuneration policy, in terms of total compensation and in order to attract the best talents in the market.

## Value merit and performance

Merit is a key factor in our remuneration policy. The system we implement to recognize merit focuses on several elements:

- defining incentive systems that establish a direct link between remuneration and the results achieved;
  - an assessment of results not only in relation to achieving quantitative targets, but also in relation to the conduct demonstrated in achieving these targets and whether this is consistent with Generali's values;
  - an assessment of performance not only on an annual basis, but also half-yearly and in a multi-year framework;
  - sharing the annual assessment of all key executives in the Company during a calibration meeting that involves the Group's top management, so as to promote equity, consistency and transparency of the meritocratic systems;
  - managing feedback on trends in relation to performance, not only on an annual basis but half-yearly, to promote the alignment with expected targets and adoption of corrective measures.
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Our remuneration incentives shall reward the achievement of both quantitative and qualitative performance objectives, by paying a variable component, as explained in more detail in paragraph 3 below. The approach of a balanced remuneration package for all managerial roles is considered a key driver for alignment to the Group's objectives. The weighting and structure of the variable remuneration component are balanced so as to incentivise the achievement of sustainable results over time, while taking due consideration of the Group's risk framework so as to discourage conduct that would lead to excessive exposure.

All the objectives used in the incentive system are defined beforehand so that the annual performance indicators are consistent with those used in long-term plans.

## Clear governance and compliance with the regulatory framework

The processes and roles underlying the policy definition and implementation must be clear and established by the relevant bodies, which define approaches and guidelines that comply with business strategy, regulatory requirements and the Group's values.

We are convinced that the implementation of these principles as shown below, will allow us to manage remuneration systems as a key element for attracting, developing and retaining our people, especially those with critical skills and/or high potential, supporting a correct alignment of their performance with corporate results and forming the basis for solid and sustainable results over time.

## 2. TARGET POPULATION

The guidelines of the remuneration policy shown in this Report refer to members of the corporate bodies (Board of Directors, including the Managing Director/Group CEO, and the Board of Statutory Auditors) as well as the Company "personnel" identified on the basis of the criteria detailed under Art. 2, section 1, point f) of ISVAP Regulation No. 39/2011, i.e. "the general managers, managers with strategic tasks, the managers and senior staff of internal control functions and the other categories of personnel whose activities may have a significant impact on the Company's risk profile", and therefore, more specifically:

- the General Manager and members of the Group Management Committee (GMC)<sup>1</sup>, leadership team made up of Group managers, where essential decisions for the Group are discussed, proposals to be submitted to the Board of Directors are verified, and through which the decisions and directions settled on are conveyed within the Group, through its members;
- the heads of internal control functions and their direct reports, for whom specific and/or additional provisions are set out, in line with the regulatory requirements for these resources;
- the other direct reports to the Managing Director/Group CEO and to the General Manager<sup>2</sup> having a significant impact on the Group's risk and strategic profile.

In line with our strategy, that aims to increase Generali's global presence and consolidate its role at an international level, the principles of the Group's remuneration policy, consistent at global level, are communicated throughout the organization, in compliance with local laws and specificities.

Specifically, the Group pays particular attention to the governance processes relating to the members of the Global Leadership Group (GLG)<sup>3</sup>, which represent the main ca. 200 Group roles with higher organizational weight and impact on the results and

<sup>1</sup> Currently identified in the following roles: Group Chief Investment Officer; Group Chief Financial Officer; Group Chief Risk Officer; Group Chief Operating Officer; Italy Country Manager; Germany Country Manager; France Country Manager; Group Head of Global Business Lines. Of these, the France Country Manager is not an employee of Assicurazioni Generali S.p.A. in Italy and therefore the Group's remuneration policy and governance in his respect are subject to application in compliance with the respective governance and in line with local regulations.

<sup>2</sup> Currently identified in the following roles: EMEA Regional Officer; CEE Regional Officer; Americas Regional Officer; Asia Regional Officer; Group General Counsel; Group Strategy & Business Development Director; Group Communications & Public Affairs Director; Group Chief Marketing Officer; Group Head of Insurance and Reinsurance; Group Chief Data Officer; Company Secretary & Head of Corporate Affairs; Group HR & Organization Director. Of these the CEE Regional Officer, the Americas Regional Officer and the ASIA Regional Officer are not employees of Assicurazioni Generali S.p.A. in Italy and therefore the Group's remuneration policy and governance in respect of them are subject to application in compliance with their respective governance and in line with local regulations.

<sup>3</sup> The Global Leadership Group (GLG) consists of about 200 Group roles with an higher organisational weight including the CEOs of subsidiaries, Branch managers, the strategic positions inside countries and business units and positions at Head Office with a global impact on the Group's results.

strategy implementation process, as well as, limited to the 2016 Group Long Term Incentive Plan, to the so-called Directors and key Talents selectively identified (see. par. 3.3.2).

### 3. REMUNERATION POLICY FOR THE MANAGING DIRECTOR/GROUP CEO, FOR THE GENERAL MANAGER AND OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES

#### 3.1 Total remuneration package in terms of level, structure and pay-mix

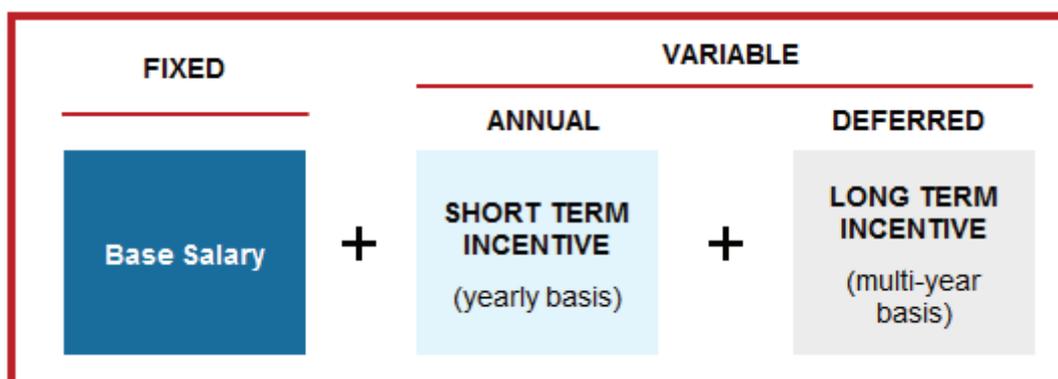
The Managing Director/Group CEO, the General Manager and the other managers with strategic responsibilities (GMC and other direct reports to the Managing Director/Group CEO and to the General Manager, as described before) receive a total remuneration package consisting of a fixed component, a variable component (short- and medium/long-term) and benefits.

The underlying principles of these packages are those explained at the beginning of the report and further described and expanded upon here. In particular:

- all components of the remuneration package are clearly defined and balanced, and aimed at achieving results that are sustainable in the long term;
- the remuneration package is structured overall so as to ensure a balance between the need of adequately incentivising the achievement of the best results in the interest of the Group and, at the same time, guaranteeing, through the adoption of a certain number of precautions and protections, a sound and prudent management, in the respect of the regulatory framework;
- expected performance is clearly defined by means of a structured and clear performance management system;
- variable remuneration is comprised of short and medium/long-term incentive plans based on individual and Group risk-adjusted performance indicators;
- the incentive plan structures provide for entry thresholds connected with the company's financial position and risk management. More specifically, risk indicators and malus and claw-back clauses are included in all short and long-term variable incentive systems.

In terms of total target remuneration, the Group intention is to align the remuneration at a competitive level, between the median and the upper quartile of the reference market, with individual positioning connected to the assessment of performance, potential and the strategic impact of the resource, according to a segmented approach.

#### TOTAL TARGET REMUNERATION



Benefits are also evaluated with reference to market practice, with the aim of ensuring alignment with key trends; studies are also carried out concerning professional families, business line and geographic area.

The remuneration package structure is analysed in order to ensure that the fixed remuneration is balanced with respect to the short- and long-term variable remuneration and benefits, in order to encourage managers to commit fully to achieving sustainable results, as detailed below. In particular 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 clawback) on variable compensation (see par. 3.3).

Specific guidelines on the balancing of the different components of remuneration are defined for each target group and, with specific reference to the Group executives, the Board of Directors, upon prior opinion of the Remuneration Committee, 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.

The Board of Directors upon proposal of the Remuneration Committee, approves the executive incentive plans' structure and criteria once a year, ensuring an appropriate balance of variable remuneration opportunities in the pay-mix structure.

For control functions, the pay-mix policy is defined by the Control and Risk Committee in favour of the fixed component, with an approach taken towards variable remuneration component that is coherent with the aim of ensuring their independence and the objectivity of their controls.

**Target pay-mix<sup>4</sup>: Typical balance between the fixed and variable components of remuneration assuming target performance is achieved, and the typical balance between annual and deferred variable components assuming target performance is achieved**

	Total target remuneration		Total target variable remuneration	
	Fixed remuneration	Variable remuneration	Annual	Deferred
<b>Managing Director/Group CEO</b>	25%	75%	33%	67%
<b>General Manager</b>	30%	70%	40%	60%
<b>Other managers with strategic responsibilities<sup>5</sup></b>	37%	63%	40%	60%
<b>Control functions</b>	77%	23%	60%	40%

### 3.2 Fixed remuneration

The fixed salary remunerates the role held and responsibilities assigned, also considering the experience of the relevant incumbent and the skills required, as well as the quality of the contribution made in terms of achieving business results.

The weight of the fixed remuneration must be such as to attract and retain our people, and at the same time must also sufficiently remunerate the role, even if the variable component should not be disbursed due to failure to achieve individual, Company or Group targets; this reduces the possibility of conduct that is not in line with the Company's risk appetite framework.

As for the other components of the remuneration, the fixed part is also measured annually in comparison with market trends.

### 3.3 Variable remuneration

The variable remuneration seeks to motivate management to achieve business targets by creating a direct link between incentives and quantitative and qualitative targets set at Group, Region, Country, Business/Function and individual level. Performance is assessed by taking a multi-perspective approach that, according to the time frame considered, evaluates the results achieved by the individuals, those achieved by the business units in which said individuals work and the Group results as a whole.

<sup>4</sup> The pay-mix indicated in the table above is referred to the variable remuneration reachable in case of target achievement. It represents an average data that is taken into account in the definition of individual remuneration packages.

<sup>5</sup> Other managers with strategic responsibilities: the members of the GMC and other first reporting roles to the Managing Director/Group CEO and to the General Manager (as previously defined). The role of Group CRO is excluded from this cluster, while is included amongst the control functions.

The variable remuneration opportunities vary for each participant, according to the organizational level, the possibility of having a direct influence on Group results and the impact of the individual role on the business. The time horizon for the variable remuneration also differs according to the role, with greater weighting assigned to the long-term component for the positions expected to play a key role in determining long-term sustainable performance.

The Group guidelines on variable remuneration ensure alignment with regulatory requirements and the recommendations made by the control functions. Individual contracts contain specific details on the maximum amount of the variable remuneration and the proportions of the short and long-term components.

All variable - short and long-term - remuneration systems include malus and claw-back mechanisms. In particular the final assessment of results includes an individual assessment of conformity with respect to Compliance/Internal Control/Code of Conduct and Governance processes, to be carried out and used as a malus/claw-back clause as necessary. Moreover, no incentive will be paid in the event of significant worsening of the capital and financial situation of the Company. Any amount disbursed will be subject to claw-back if the performance considered should later be found to be non-sustainable or ineffective as a result of wilful misconduct or gross negligence.

In line with the European regulatory framework (Solvency II), the Company requires to its employees - through special clauses included in the agreements which regulate short and long term incentive plans - not to use any personal coverage or insurance strategies insurance (so-called hedging) that could alter or undermine the risk alignment effects embedded in variable remuneration mechanisms.

The process to define the remuneration policy is managed within the Group Governance framework taking into consideration also the local circumstances, with particular attention to the local practice in terms of contractual levels, pay-mix and eligibility on incentives plans with the a final purpose to maintain our reward packages competitive and to attract the best people.

### 3.3.1 Short-Term Incentive (STI)

In line with last year, the Short-Term Incentive (STI) is the annual cash incentive system for the Managing Director/Group CEO, the General Manager and other managers with strategic responsibilities, as well as the members of the Global Leadership Group (as previously defined).

The short-term incentive system aims to effectively link the incentive to the performance of both the individuals and the Group as a whole, by:

1. defining a total budget for the payment of the bonuses of the above-defined population, connected with the Group's results, so called **funding pool**. This is assigned a maximum limit and a minimum value, below which, regardless of the results achieved by individuals, no bonuses will be disbursed;
2. assessing the **individual performance** achieved by the participants with respect to the economic-financial goals, risk and quality targets assigned in the individual balanced scorecards;
3. reviewing the overall performance achieved by individuals during a **calibration meeting**, in which the results obtained by the individuals are measured in relation to other roles and to the context of their reference markets, in order to "re-calibrate" them to guarantee further consistency of remuneration within the Group.

The overall evaluation that emerges from the short-term variable remuneration system is a balanced one, connected with both Group and individual results and also reflects a fairness throughout the Group determined by the shared review of performance during the calibration meeting.

#### Funding pool

The funding pool is the total amount made available at the start of each year, for the payment of the Short Term Incentive system on the basis of the Group's performance. For the Global Leadership Group (GLG), the maximum amount of the funding pool equals 150% of the sum of the individual baselines, namely the amounts of variable remuneration to be paid individually if target results are achieved. Variation of the funding pool depends on the degree to which the Group Operating Results and the Group Net Profit

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Adjusted<sup>6</sup> are achieved, as defined by the Board of Directors and specified in the matrix below; it is in any case subject to the verification of exceeding the entry threshold defined in the Economic Solvency Ratio set at 130%<sup>7</sup> for 2016.

% vs. budget		Group Net Profit Adjusted			
		< 85%	85%	100%	≥ 125%
Group Operating Result	< 85%	0%	0%	0%	0%
	85%	0%	60%	75%	90%
	100%	0%	100%	115%	130%
	≥ 120%	0%	120%	135%	150%

According to the levels established for the Group Operating Result and the Group Net Profit Adjusted, achievement of targets will be defined using a linear interpolation methodology within the ranges established in the matrix.

For the General Manager and the GMC members, a specific funding is provided ad-hoc, always set on the basis of the Group operating result and Net Profit Adjusted. It equals 100% of the sum of the individual baselines in case of results achieved at target and it provides for a maximum at 200% of the sum of the baselines in case of over-performance, always subject to the verification of exceeding the entry threshold defined in the level of Economic Solvency Ratio set at 130%<sup>7</sup> for 2016.

In line with previous years, for the Managing Director/Group CEO an ad-hoc funding is provided, while the Control functions are considered outside the overall funding pool, having a dedicated incentive system as described further.

## Individual performance

Each participant is assigned a balanced scorecard, structured with 5 to 7 goals according to the following 3 perspectives:

1. **Economic and Financial Risk Adjusted Performance**
  - Core business Key Performance Indicators (KPIs)
  - Risk Adjusted Metrics
2. **Effectiveness and Strategy initiatives**
  - Customer & Distributors KPIs
  - Efficiency & Innovation KPIs
3. **Leadership behaviors in action**
  - Customer centricity
  - People empowerment

The different perspectives include pre-determined, measurable quantitative and qualitative targets that enable the monitoring of multiple aspects of business performance; these targets are also differentiated according to the different competences and scope of operations of the participants.

The most-used quantitative targets are the Operating Result, Net Profit, Combined Ratio, Cash Generation/Dividends, New Business Value, New Business Strain, Annual Premium Equivalent (APE), Gross Written Premiums, Return on Risk Capital (RoRC), General Expenses and e Return on Investments. Depending on the specific positions, these targets are laid out according to Group, country, business/function or individual level.

<sup>6</sup> Group Net Profit stated in the financial statements, adjusted by excluding any extraordinary items not predictable (due to, for example but not exhaustive: amortization / goodwill depreciation, significant legal / regulatory / legislative changes, significant impacts resulting from changes to tax treatment, gains / losses from M&A) and approved by the Board of Directors on the recommendation of Remuneration Committee in accordance with these guidelines.

<sup>7</sup> Threshold can be subject to review in case of exceptional changes in macroeconomic conditions and worsening of financial scenario. In case of extraordinary context discontinuity, the Board will re-assess the overall consistency and fairness of the incentive systems («Market Adverse Change» clause).

Furthermore, as from this year, in order to strengthen the leadership model, and in line with the new Group strategy, in each individual performance, as far as the perspective "Leadership behaviors in action" is concerned, two mandatory qualitative goals "Customer Centricity" and "People Empowerment" have been introduced for all participants, with a weight up to 15% each and based on objective results, linked to managerial assessment of leadership skills related to customer centricity and people empowerment.

Moreover, in line with last year, in order to confirm the link between remuneration and risk, the Return on Risk Capital goal at a Group, regional or country level, will be used for all roles eligible to participate in a Short Term Incentive system – including the Managing Director/Group CEO and the General Manager – with a weight up to 20%.

An expected target is defined for each goal, together with a range of achievement; if the level recorded falls above or below that range, it will be considered as having been exceeded or not achieved, respectively. The overall performance is assessed on a scale of 1 to 5, with 5 being the best possible score.

The individual balanced scorecard also defines the maximum pay-out, which can never exceed 200% of the individual baseline.

## Assessment process

The actual funding is determined in the following year, after first having verified the degree to which the targets set by the Board of Directors have been achieved. Considering the business results, the Managing Director/Group CEO submits a proposed final funding pool to the Remuneration Committee, which provides a recommendation to the Board of Directors. The share of short-term variable remuneration for the Managing Director/Group CEO and the heads of control functions is not included in the final funding calculation, as these are determined by the Board of Directors on the proposal of the Remuneration Committee and the Control and Risk Committee, respectively.

In any case, the determination of the effective funding is subject to the verification of the entry threshold achievement; this takes the form of a specific level of Economic Solvency Ratio set at 130%<sup>7</sup> for 2016 considering the hard limit of the Economic Solvency Ratio approved in the Risk Appetite Framework by the Board of Directors.

In relation to the degree to which the Group's targets (Operating Result and Net Profit Adjusted) are achieved, the actual funding pool (for the General Manager, GMC and GLG) is determined. Below the minimum of 85% of budget set for the Group's targets, no funding takes place and therefore no bonus will be paid<sup>8</sup>.

Upon proposal of the Managing Director/Group CEO and based on a prior opinion of the Remuneration Committee, the Board of Directors may authorise an additional share of pool - of up to 10% of the actual funding - with the aim of remunerating individuals whose performance has been particularly significant. Indeed, on the basis of the above mentioned mechanism, there is a theoretical possibility that, if the Group's results are not achieved, managers who reached or fully exceeded all the assigned objectives, receive nonetheless a lower bonus than the target amount, or do not receive any bonus at all, due to the zeroing or the significant reduction of the available bonus pool. In such extreme situations, the illustrated mechanism (which has never been used yet) has the purpose to correct such situations by allocating an additional amount to the bonus pool. However, the use of such mechanism can take place only at the end of the rigorous governance process mentioned before and only where the thresholds have been reached, as a guarantee of the Company's economic stability.

The amount of the individual bonuses depends on the funding pool and the individual performance level; in any case, it can reach up to 200% of the individual baseline amount only in limited cases when performance is well beyond expectations.

The Board of Directors verifies the results obtained by the Managing Director/Group CEO, based on the proposal by the Remuneration Committee, and accordingly determines the relevant bonus; for the General Manager and all other members of the GMC, the Board of Directors verifies the results achieved and thereafter determines the bonuses based on the proposal of the Managing Director/Group CEO, after having, in any case, sought the opinion of the Remuneration Committee; finally, for the other managers with strategic responsibilities, the results achieved are assessed by the Managing Director/Group CEO considering the guidelines of the system and the relevant process as described before.

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<sup>8</sup> This is without prejudice to the possibility of the Board of Directors of determining specific funding upon proposal of the Managing Director/Group CEO and opinion of the Remuneration Committee, as long as the Economic Solvency Ratio has been respected.

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For the heads of the control functions, the goals on which the variable remuneration is determined, are defined according to the specific activity of each of the functions and do not take into consideration financial performance, furthermore these roles are not included in the overall funding pool.

Also the short-term incentive of the Managing Director/Group CEO is not included in the total funding pool rules, as it is specifically defined by the Board of Directors on the proposal of the Remuneration Committee, considering:

- a target amount of 100% of the fixed remuneration, linked to the achievement of the goals set by the Board of Directors in the individual scorecard;
- a maximum amount of 200% of the fixed remuneration, linked to the over-performance of the targets set by the Board of Directors in the individual scorecard;
- no incentive shall be paid if the Board of Directors will verify that, 2016 Economic Solvency Ratio, set at 130%<sup>7</sup> and at least 40% of the targets set in the individual scorecard, have not been achieved.

The individual scorecard set by the Board of Directors for the Managing Director/Group CEO considers economic, financial and operating results, including a risk indicator, (i.e. Group Net Profit Adjusted, Dividends, Group Operating Result and Group Return on Risk Capital) as well as key Group strategic projects, in line with the ambitions of the strategic plan for the relevant year.

Finally, in case of an extraordinary market discontinuity (for example if material variations in the macroeconomic conditions or in the international monetary policies should happen) the Board, within the governance process regarding remuneration, shall re-assess the overall consistency and fairness of the incentive systems (so-called Market Adverse Change Clause).

### 3.3.2 Long-Term Incentive (LTI)

The long-term variable remuneration of Generali takes the form of multi-year plans, which are approved from time to time by the appropriate bodies and may be granted to directors, managers with strategic responsibilities and other Generali employees; they may be based on cash disbursements or financial instruments.

From 2010 to 2012, the Company adopted multi-year plans, currently still in place, based on two cycles of three years. Once the first cycle reaches its conclusion, if the relevant targets have been achieved, a monetary bonus is disbursed of which a percentage (from 15% to 30% of the gross bonus accrued) must, at the same time, be re-invested in Generali shares. This is then followed by a second cycle, after which, again assuming certain targets have been achieved, participants may be granted a certain number of free shares for each share purchased (greater details are given in the information reports approved at the time by the Shareholders' Meeting and published on the Generali Group website).

As from 2013, Generali has instead adopted plans based on a single three-year cycle, after which free shares can be granted, subject to specific holding/lock-up periods. At the moment, in particular, LTI 2013, 2014 and 2015 are underway. The first share allocation – related to 2013 LTI plan, whose performance cycle ended in 2015 – will take place in April 2016 (see Section II of this remuneration policy), while those related to 2014 and 2015 LTI plan can take place respectively in 2017 and 2018.

In line with last year, a new long-term incentive plan based on Assicurazioni Generali shares - the 2016 Group LTI – is being submitted for the approval of the Shareholders' Meeting.

In line with market practices and investor expectations, shares are assigned and made available to the participants over a total time frame of 6 years, subject to the achievement of the Group's performance conditions (Return on Equity<sup>9</sup> - ROE - and Relative Total Shareholder Return - rTSR) and of a minimum level of Economic Solvency Ratio, as unique access threshold, as detailed below.

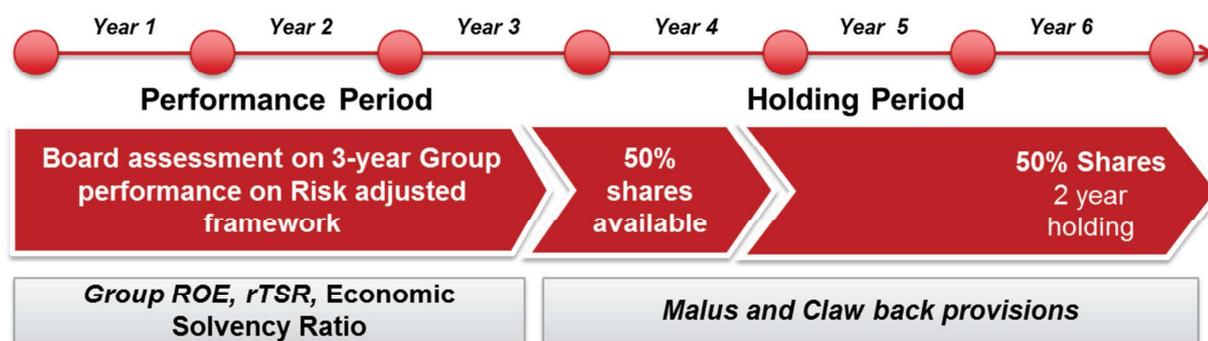
The Plan is based on the following main features:

- the incentive connected with the achievement of the targets is paid through the grant of Assicurazioni Generali S.p.A. ordinary shares;
- the right to receive the shares is linked to the verification of the achievement of an entry threshold which is defined annually by the Board of Directors and which represents a condition precedent;

<sup>9</sup> Return on Equity (ROE): operating profit net of financial expense and tax, divided by the average adjusted capital, as defined in the "Note on the methods used for alternative performance indicators" in the Group's Management report.

- incentive payments are subject to Group financial targets which are defined at the beginning of the three-year performance period.

The plan is structured as follows:



The maximum number of shares that can be assigned is determined at the start of the plan. The maximum potential bonus to be disbursed in shares equals 175% of the gross fixed remuneration of the plan participants for Group Management Committee (GMC) and Global Leadership Group (GLG) members; while it is equal to 87.5% for the other beneficiaries so-called Directors and Group Talents (for the Managing Director/Group CEO, this percentage is equal to 250%, and equal to 200% for the General Manager)<sup>10</sup>; therefore, the maximum number of shares that can be assigned is the result of the ratio of the maximum bonus and the share value, with the latter calculated as the average price of the share in the three months prior to the meeting of the Board of Directors called to resolve on the draft statutory financial statements of the Holding Company and the consolidated financial statements for the previous year.

The maximum number of shares that can potentially be assigned to participants at the end of the three years is divided up into three tranches; the first tranche is for 30% of the maximum number of shares to be possibly assigned, the second is for a further 30% and the remaining 40% represent the third tranche.

Once the level of Economic Solvency Ratio has been reached, it is performed a yearly and a three year verification of the achievement of the Group's financial targets, represented by the ROE and the relative TSR, compared with the companies which are part of the STOXX Euro Insurance index (peer group), currently composed by:

- 1 ALLIANZ
- 2 AXA
- 3 MUNICH
- 4 SAMPO
- 5 AEGON
- 6 AGEAS
- 7 NN GROUP
- 8 SCOR
- 9 HANNOVER RUECK
- 10 UNIPOLSAI
- 11 CNP ASSURANCES
- 12 MAPFRE
- 13 UNIPOL GRUPPO FINANZIARIO

<sup>10</sup> Without prejudice to the possibility for the Board of Directors to define, upon completion of the due governance processes concerning remuneration, different measures of the incentive in favor of single beneficiaries or categories of beneficiaries.

The performance level, expressed as a percentage, and always based on the level of achievement of ROE and rTSR, is determined by a calculation methodology based on 2 independent baskets. The final results in each basket are calculated using a linear interpolation approach. The maximum performance level is always 175% for Group Management Committee (GMC) and Global Leadership Group (GLG) members; while it is equal to 87.5% for other beneficiaries so-called Directors and key Talents (for the Managing Director/Group CEO, this percentage is equal to 250% and equal to 200% for the General Manager).

50% prospective shares		+	50% prospective shares	
% LTI vesting	ROE		% LTI vesting	rTSR
0%	≤ 11%		0%	Low ranking
75%	12%		75%	Median ranking
175%	≥ 13%		175%	Top ranking

Final calculation based on linear interpolation. TSR ranking requires a positive result for any payment.

During each year of the plan and at the end of the three years, the Board of Directors evaluates the level of achievement of the Economic Solvency Ratio set as 130%<sup>7</sup> or alternative percentage defined from time to time by the Board of Directors<sup>11</sup>. On the basis of this evaluation, the number of shares to be accrued annually or definitively granted may be reduced or even zeroed by the Board of Directors if the Economic Solvency Ratio value should fall below the threshold established.

Individual tranches of shares are only granted at the end of the performance period and, therefore at the end of the three years, after verifying the degree to which the targets have been achieved in the third year (i.e. assessment by the Board of Directors on the actual achievement of the targets set, considered both on an annual and overall 3-year basis), and as long as there continues to be an employment/director relationship in place with the Company or with other companies of the Group at the end of the three-years of reference, save for extraordinary conditions as specifically envisaged by the plan rules, and unless otherwise decided by the delegated bodies.

As regards the holding period, which applies after the three-year performance period, at the grant date 50% of the allocated shares is immediately available (to allow the participants to pay the tax charges connected with the grant), the remaining 50% is subordinated to a lock-up period of two years, this is without prejudice to the obligation of directors participating in the plan to maintain a suitable number of shares assigned until the term of the office in course at the expiry of the lock-up. These restrictions apply also after the termination of the relationship with the participants, without prejudice to the power of the Board of Directors or one of its members delegated for the purpose, to redefine the terms and conditions of all restrictions specified above, potentially also taking into account the overall remuneration of the beneficiary or also with reference to shares assigned within different incentive plans.

Furthermore, the Plan provides for - in continuity with what has been done in 2015 - a dividend equivalent mechanism on the basis of the dividends distributed during the three-year performance period. Should the shareholders' meeting resolve upon the distribution of dividends in favour of the shareholders during the three-year reference period, at the expiry of such three-year reference period, an additional number of shares determined in relation to the overall dividends distributed during the three-year reference period will be assigned in favour of the beneficiaries. The additional number of shares thus determined shall be assigned simultaneously and in relation with the other shares assigned in favour of each beneficiary, subject to the same restrictions (holding period) mentioned above and determined considering the shares' value at the awarding of the plan, to be calculated as the average price of the share in the three months prior to the meeting of the Board of Directors called to resolve on the draft statutory financial statements of the Holding Company and the consolidated financial statements for the previous year.

In order to implement the plan, the free shares granted to the plan participants, in accordance with the above conditions, will all or partly result in a specific free increase of the share capital obtained through the use of profits and/or profit reserves in accordance with the first paragraph of Art. 2349 of the Italian Civil Code and/or own shares as may have been purchased by the Company in

<sup>11</sup> According to Solvency II regulation, the 2016 access threshold of the 2014 LTI plan, initially set in terms of Solvency I, has been updated with the Economic Solvency Ratio at 130% as for the same provision of the 2016 LTI plan, as well as the Return on Risk Capital (RORC) threshold of the 2014 & 2015 LTI Plans, updated at 8.6% always in line with Solvency II methodology, according to the provisions for such event as reported in the Remuneration Report and Information Document related to 2014 & 2015 LTI Plans.

implementation of the related shareholders' meeting authorisation in accordance with Articles 2357 and 2357-ter of the Italian Civil Code. The maximum number of shares that can be granted is 10,000,000, accounting for 0.64% of the current share capital.

The current perimeter of Long Term Incentive Plan beneficiaries consists of Group Management Committee and Global Leadership Group members (as described above) as well as other Directors and Talents of the Group selectively identified according to their role, performance and potential, and taking into account specific attraction and retention needs. In line with market practice and with the process started in 2014, in order to foster managerial engagement and the empowerment of key talents for the execution of the new Group Strategy, 2016 Long Term Incentive Plan provides a further extension of the beneficiaries population up to a total of c. 600 managers. These beneficiaries are selectively identified on the basis of common criteria defined at Group level and validated through the Talent Review process. In order to ensure the highest level of consistency, fairness and homogeneity in the selection of the beneficiaries, as first requirement, is verified the achievement of high and stable performance results as well as an high potential of growth. These two elements, in conjunction with consolidated management capabilities, can enable identified people to achieve challenging career goals and cover leadership roles within our Group. Other relevant criteria in order to identify the beneficiaries are the demonstration of solid technical skills, the full respect and support of Group Values as well as the ambition to grow covering in the short-term strategic roles at the international level.

For all individuals below Global Leadership Group level, the Long Term Incentive performance indicators will be based on the same parameters with a maximum pay-out equal to 87.5% of the fixed remuneration.

In the event of factors that may influence key elements of the plan (including but not limited to, by way of example, extraordinary operations involving Assicurazioni Generali and/or the Generali Group, capital transactions, legislative changes or alterations to the group scope, compliance with specific sector or foreign country regulations applicable for single Group companies), the Board of Directors may amend and supplement the plan structure as considered necessary or appropriate, in order to keep – within the limits permitted by applicable legislation – its substantive and economic content unchanged, including the possibility to grant also to single beneficiaries of the Plan, instead of the - full or partial - allocation of shares, an amount in cash calculated on the basis of the value of the shares in the month prior to the allocation, without prejudice to the other relevant applicable terms and conditions of the plan.

Moreover, in case of an extraordinary market discontinuity (for example if material variations in the macroeconomic conditions or in the international monetary policies should happen) the Board, within the governance process regarding remuneration, shall re-assess the overall consistency and fairness of the incentive systems (so-called Market Adverse Change Clause).

### 3.4 Benefits

Benefits are a substantial component of the remuneration package – within a total remuneration approach - which complement monetary payments. The type and overall value of benefits differ according to category of beneficiaries.

More specifically, with reference to the Managing Director/Group CEO, the General Manager and other recipients of the policy within Assicurazioni Generali the supplementary pensions and healthcare are governed by individual contracts, applicable collective bargaining agreements and company level regulations for managers of the Generali Group. The company level regulation also provides for other guarantees, such as the Long-Term Care in the event of permanent disability, and the guarantees in the event of death or total permanent disability caused by injury or disease, whether occupational or otherwise.

Benefits package also includes personal and business use of a company car with fuel card (alternatively car allowance can be provided), dedicated assistance in case of emergency and agreements with airport operators (e.g. corporate frequent flyer cards). Moreover favorable contractual conditions are also granted, in respect to all applicable regulations, with regards to, for example, the subscription of insurance, banking or other Generali Group products, along with facilitated access to loans, mortgages for buying houses or vehicles, as well as other benefits or reimbursements related to company events or specific company initiatives.

Other benefits can be assigned for a definite period of time, in line with market practices, in case of internal or international mobility such as housing, children education and other relocation allowances linked to relocation.

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### 3.5 Extraordinary remuneration

As an extraordinary measure with respect to the remuneration policy context and in order to attract or retain key figures, special treatments, subject to Board of Directors resolution, on the proposal of the Remuneration Committee, may be granted upon hiring or during the employment.

These remuneration elements, which are only provided for selected high profile managers, may consist, by way of example, in (a) entry bonuses linked to the loss of incentives within the previous employment relationship and linked, where possible, to the manager's commitment to stay in the company for a certain period, (b) a guaranteed variable remuneration only for the first year of employment, (c) special payments to ensure employment stability in time.

The Board of Directors can also determine, upon recommendation of the Remuneration Committee, the payment of exceptional bonuses, connected to operations and / or extraordinary results (such as, for example, disinvestments, merger & acquisitions, reorganization or efficiency processes) with a particular impact on company value and volumes and / or profitability thereby justifying the additional exceptional premium. The criteria used to identify possible extraordinary operations or results which could be eventually worth such reward is linked to the level of materiality of the operation which, in consideration of the dimensions of the Generali Group, can occur only in the event of operations of remarkable and unusual economic or organizational magnitude. The criteria used to determine the amount of the possible bonus would be, on one hand linked to the value of the operation and, on the other hand would take into account the overall remuneration already recognized in favour of the beneficiary within the standard remuneration systems.

Any of these extraordinary remunerations will be determined within the framework of the governance processes for remuneration and will be appropriately disclosed, as required by current regulations, in Section II of the first remuneration report published after the extraordinary payment.

### 3.6 Additional remuneration

The Managing Director/Group CEO and other recipients of the remuneration policy within Assicurazioni Generali cannot receive emoluments and/or attendance fees for other offices held at the instruction of the Holding Company in subsidiaries, entities and associations, except where a specific exception has been made, duly justified, formalised and authorised by the competent bodies.

Lastly, reference is made to the sections below for information on the D&O insurance policy and concerning severance provisions in the event of termination of appointment.

## 4. REMUNERATION POLICY FOR HEADS OF CONTROL FUNCTIONS AND THEIR DIRECT REPORTS

The remuneration package for the heads of control functions<sup>12</sup> and their first reporting line managers consists of a fixed and variable component and additional benefits. The fixed component is established according to the level of the responsibilities and duties assigned and is suited to guarantee the independence and autonomy required for such roles. The variable component is linked to the participation to a specific deferred monetary incentive system that has a multi-year time goals which relate exclusively to the effectiveness and quality of controls.

Particularly, as from 2014, Generali has introduced significant changes in the remuneration scheme applicable to such managerial groups, reducing the overall remuneration, reviewing the balance between fixed and variable remuneration in favour of the first (see table paragraph 3.1) and excluding any form of financial indicators and share based instruments (including the so called funding mechanism).

In place of the two envisaged plans defined for the majority of the managers (cash STI and shares LTI) one unique variable plan has been introduced, within which managers may accrue – upon reaching the defined goals linked to specific activities of each of the functions, with reference to targets based on the effectiveness and quality of controls, excluding shared based performance indicators, which may instead give rise to conflicts of interest, as established by Art. 20 of ISVAP Regulation no. 39/2011 – a

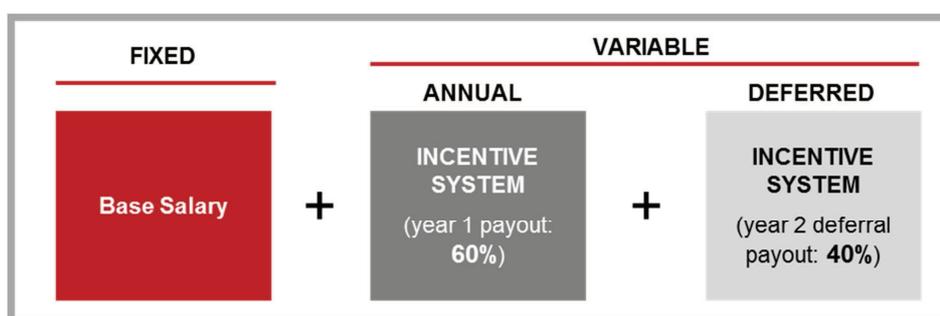
<sup>12</sup> currently identified in the following functions: Internal Audit, Risk Management, Compliance and Actuarial function.

monetary amount, disbursed in an upfront instalment and in a deferred instalment, the latter subject to the continuity in service and to the verification of the results achieved, both with regards to their effectiveness and their duration.

To this end, the assessment of whether the targets set for control functions managers have been achieved (and at a later stage with regards to the effectiveness and long-lasting performance) is made by the Board of Directors upon prior opinion of the Control and Risk Committee and having consulted the Board of Statutory Auditors. Only if the Board of Directors considers the results achieved and the quality of the controls to be satisfactory can the heads of the control functions actually access the incentive programmes.

Condition precedents and malus and claw-back clauses also apply, similar to those previously described.

Finally, the managers considered are not entitled to receive emoluments or attendance fees for any other offices held at the request of the Parent Company in subsidiaries or investee companies, entities or associations, unless a specific exception has been made by the Board of Directors, which must naturally be duly justified and formalised.



## 5. REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

The current remuneration policy for all non-executive directors (independent or not independent), establishes that remuneration shall consist of a fixed component and, of an attendance fee which will be issued for each attended meeting of the Board of Directors, in addition to the reimbursement of expenses incurred by their attendance.

Directors who are also members of board committees are paid an additional emolument with respect to that already received for their role as members of the Board of Directors (with the exception of those who are also managers of the Generali Group). Said additional remuneration is set according to the duties assigned to the relevant committees and the effort and time required of them, in terms of the number of meetings and preparation required. Those emoluments are established by the Board of Directors in accordance with art. 2389, 3rd paragraph, of the Italian Civil Code.

In order to align Generali to the best International market practices, the proposal to Shareholders is not to provide any variable remuneration (until the expiration of Board mandate for the approval of the financial statement as of December 31st 2015, a variable component was otherwise foreseen equal to the 0.01% of the consolidated profit with a limit of € 300,000 to be split equally between the Directors of the Board).

The remuneration policy for the Chairman includes payment of emoluments for his role as member of the Board of Directors, as specified above, in addition to an annual fixed remuneration that is determined on the basis of comparative analyses with similar figures at both a national and international level. Just like all non-executive directors, the Chairman's variable remuneration does not involve his participating in short and medium/long-term incentive plans.

The policy for this role also entails the assignment of certain non-monetary benefits, such as insurance coverage against professional injury and disease, as well as healthcare and business and personal use of a company car with driver.

Reference is made to the sections below for information on the D&O insurance policy and concerning severance provisions in the event of termination of appointment.

## 6. REMUNERATION POLICY FOR MEMBERS OF THE SUPERVISORY BODY

The policy for these roles entails payment of a fixed gross annual remuneration for the entire duration of the appointment, increased by 50% for the Chairman of the Board of Statutory Auditors; there are no variable components to the remuneration.

Members of the body shall also have the right to receive a refund for all expenses incurred by virtue of their office and shall benefit from the D&O insurance policy as explained below.

## 7. REMUNERATION POLICY FOR INSURANCE BROKERS AND SUPPLIERS OF OUTSOURCED SERVICES

The remuneration policy for insurance brokers is defined by the companies for which they work; it is based on the same principles as the Group Remuneration Policy, taking an approach that aims to ensure that for these figures too, remuneration is in line with the overall strategy, using targets and incentive systems that seek to compensate the contribution made towards achievement of the Group's goals.

The respect of the principles set by art. 4 of ISVAP regulations no. 39/2011 in case of outsourcing of essential or important activities, is granted by the Group Outsourcing Policy adopted by the Board of Directors of the company on 5th November 2014 and 17th March 2016.

## 8. D&O (DIRECTORS' AND OFFICERS') LIABILITY INSURANCE

The current terms of the insurance policy for the coverage of the civil liability of the Company's Directors and Auditors (Directors' and Officers' Liability Insurance - D&O), and that of the Executive in Charge of the Drafting of the Company's Accounting Documents, are as follows:

- Validity: from 1 May 2015 to 30 April 2016;
- Term: 12 months, renewable yearly, until revocation of authorization by the Shareholders' Meeting;
- Maximum: € 250 million per claim, aggregated per year and per period of cover; of which, € 100 million are reserved for Company's Directors and Auditors of Assicurazioni Generali S.p.A., as well as for the Executive in Charge of the Drafting of the Company's Accounting Documents of the company, while the remaining part is related to members of corporate bodies and other managers of all insurance companies of Generali Group;
- Cases of willful misconduct are excluded from insurance cover.

Starting from May 1st 2015, D&O coverage has been extended to all insurance companies included in the consolidated financial report of the Group (subsidiaries) as well as to all their managers. The Group stipulated a single policy which takes into account legal and economic specificities of each territory. This Group policy, in line with the experience of top world competitors of insurance business, starting from May 1st 2016, will be extended to all subsidiaries of Assicurazioni Generali S.p.A., ensuring standardized cover conditions for all Group managers, allowing a central management of the policy and control of all related claims, thereby reducing the overall cost.

## 9. SEVERANCE PROVISIONS IN THE EVENT OF TERMINATION

The following severance provisions apply in case of termination (severance provisions) of directors who are not simultaneously under an employment contract:

- In case of natural expiry of the office, no amount will be due;
- if case of early termination of the office, without cause, the party concerned may, in compliance with the law and where all legal requirements are met, be assigned an indemnity of up to the maximum remuneration due for the remainder of the term of office;
- conversely, in case of resignation (excluded the case of just cause), termination for cause, termination following a takeover bid or forfeiture (for any reason, including loss of professional, honour or independence requirements, or for situations of impediment or incompatibility) and in any case for any other event and/or cause beyond the Company's control, no amount shall be due;
- in the event of early termination of office on mutual consent, the amount to be paid to the individual concerned will be defined on a case-by-case basis, based on the relevant circumstances and grounds for termination (with specific

reference to performance achieved, risks undertaken and the effective Company operating results, so that, in particular, no amount can be paid in the event of gross negligence or willful misconduct).

Severance provisions in the event of termination of the Managing Director/Group CEO, of the General Manager, and of other managers with strategic responsibilities, shall be as follows:

- in the event of dismissal, the Company must necessarily apply - without prejudice to any changes that may be made to the legislative framework in the future - the mandatory provisions of applicable law and contractual agreements.
- in the event of termination by mutual consent, the amount which may be paid to the individual concerned will be defined on a case-by-case basis, based on the relevant circumstances and grounds for the termination (with specific reference to performance achieved, risks undertaken and effective Company operating results, so that, in particular, no amount can be paid in the event of gross negligence or willful misconduct). The amount thus determined cannot exceed, under any circumstance, in addition to the legal and contractual notice (where applicable) an amount equal to 24 months "recurring remuneration".

"Recurring remuneration" means the gross annual remuneration increased by the average of the amount effectively received by the individual by way of the short-term variable component in the last three years.

By accepting this amount, the individual waives all and any rights in any way directly and/or indirectly connected to the employment relationship with Assicurazioni Generali S.p.A. or with any of its subsidiaries and termination thereof, and all rights, claims and/or action with regard to other companies of the Group, in any way directly or indirectly connected with the employment and with its definitive, accepted, termination.

This waiver also includes the rights to compensation for damages pursuant to Articles 2043, 2059, 2087 and 2116 of the Italian Civil Code and economic rights connected with the employment and its termination.

The above provisions also apply to executives directors whom also work for the Company under an employment contract; in this case - in order to calculate the amount that may be paid to the individual - also fixed and short-term variable consideration paid for the office as director (again on the basis of the average recorded for the last three years) will be taken into account.

Both with directors and with managers with strategic responsibilities, specific agreements can be entered into in order to predetermine (within the above mentioned limits) the severance payments due in case of future termination, as well as non-compete or confidentiality agreements for the time following the employment termination (which may be entered into upon hiring, whilst on employment or upon termination of the relationship). The consideration of non-compete or confidentiality agreements, which have a limited duration, is determined by taking into account the duration and the territorial extension of the obligation, the possible damages that the Company and/or Group could suffer should the director/manager start working for competitors of the Company and/or Group or should the director/manager disclose information which could potentially harm the Company and/or Group, and the role and responsibilities previously held by the director/manager.

As to the effects of the termination on any rights that may have been assigned under the scope of share-based incentive plans, please see paragraph 3.3.2 on long-term incentives (LTI).

## 10. GOVERNANCE AND COMPLIANCE

Different bodies and/or functions are responsible for the definition, approval, implementation and subsequent verification of the remuneration policies, with tasks requiring the involvement and active contribution of different parties according to the policy recipients.

The main parties involved are:

- Shareholders' meeting;
- Board of Directors;
- Board of Statutory Auditors;
- Remuneration Committee and Control and Risk Committee;
- Managing Director/Group CEO;
- the Group HR & Organization function and the control functions.

In general, in addition to what specified in detail for each body, proposals relating to the definition of policies for corporate bodies and "personnel" (as defined in paragraph 2 above, "target population", in accordance with Art. 2, paragraph 1, letter f) of ISVAP Regulation no. 39/2011) are made with the support of the Group HR & Organization function, involving Internal Audit, Compliance and Group Risk Management, as relevant. The Group HR & Organization function also avails of the assistance of other Group structures and functions, such as Corporate Secretary & Corporate Affairs, Group Legal Affairs and Group Strategic Planning & Control, collecting and coordinating the various contributions.

Proposals are then submitted to the Managing Director/Group CEO, who validates their content and formulation and, having first requested any supplements or amendments considered necessary, thereafter submits them to the Remuneration Committee, which issues its opinion before in turn submitting them to the Board of Directors.

Conversely, as far as the remuneration policy for the Managing Director/Group CEO is concerned, the proposal is made by the Remuneration Committee, with the assistance of the HR & Organization function, and presented to the Board of Directors for all relevant assessments.

Once the Board has made its decisions, the policy is submitted for the approval of the Shareholders' Meeting.

Below is a presentation of the roles of the various parties involved in the definition, approval, implementation and subsequent verification of the remuneration policies.

## 10.1 Shareholders' Meeting

In accordance with the Company's Articles of Association, the Shareholders' Meeting:

- approves the remuneration policies for members of corporate bodies and "personnel", in addition to financial-instrument-based remuneration plans (Art. 19.1, letter d);
- determines the gross annual compensation due to the members of the Board of Directors and Auditors (Art. 19.1, letters f) and e)).

## 10.2 Board of Directors

The Board of Directors defines and regularly revises the remuneration policies for members of corporate bodies and "personnel" (as defined in paragraph 2 above, "target population", in accordance with Art. 2, paragraph 1, letter f) of ISVAP Regulation no. 39/2011), including financial-instrument-based remuneration plans, checking their correct application.

In relation to this, the Board resolves on the remuneration policies and subsequent revisions thereof, in order to obtain approval by the Ordinary Shareholders' Meeting, guaranteeing that they are kept constantly up-to-date, coherent with principles of sound and prudent management and in line with the stakeholders' interests. To this end, it makes regular use of benchmarks prepared both by the appointed company functions and by external consulting firms, specifically concerning the verification of remuneration with respect to the markets considered. It may also use external consultants, including for any amendment or preparation of the remuneration policy.

The Board is also responsible for ensuring the correct implementation of the remuneration policies approved by the Shareholders' Meeting.

For certain categories of recipients of the policy, this is achieved by the Board directly when determining the related remuneration; to that respect the Board of Directors, in compliance with the remuneration policies defined, after having first consulted with the Remuneration Committee, the Control and Risk Committee and the Board of Statutory Auditors, as necessary:

- determines the remuneration of the Executive Directors and other directors holding particular offices based on the proposal of the Remuneration Committee, and having consulted with the Board of Statutory Auditors;
- determines the compensation package of the GMC members based on the proposal of the Managing Director/Group CEO, and having consulted with the Remuneration Committee;

- determines the remuneration of the Head of Internal Audit, based on the proposal of the Chairman of the Control and Risk Committee, and having first sought the binding advice of the Control and Risk Committee and consulted with the Board of Statutory Auditors;
- determines the remuneration of the Managers in charge of the Risk Management and Compliance departments, based on the proposal of the Managing Director/Group CEO, and having first sought the opinion of the Control and Risk Committee;
- designates the chairmen, the executive directors and the general managers (or members of senior management holding equivalent roles) of subsidiaries of strategic importance (as defined from time to time by the Board of Directors), also formulating proposals relating to their revocation and remuneration, and the non-executive directors, if selected from outside the Group based on the proposal of the Managing Director/Group CEO, and having first sought the opinion of the Corporate Governance and Appointments Committee;
- examines and approves the guidelines of the incentive system for managers belonging to the so called Global Leadership Group (as described before) on the proposal of the Managing Director/Group CEO,.

As concerns the other first reporting roles to the Managing Director/Group CEO, who are not members of the GMC, remuneration is determined by the Managing Director/Group CEO in line with the policies defined by the Board of Directors for such roles.

Compensation of the direct reports of the Head of Internal Audit, of the Head of Compliance, of the Head of Actuarial Function and of the Chief Risk Officer is proposed by the function manager and reviewed by the Group HR & Organization function, which then informs the Control and Risk Committee, in order that this latter may evaluate whether or not balance and coherence of compensation is thus assured within the function. Suitable reports are prepared by the Group HR & Organization function and submitted to the Board of Directors in order to verify that the remuneration policies defined for such professionals have been correctly implemented.

The Board of Directors prepares an annual report for the Shareholders' Meeting, complete with quantitative information, on the application of the remuneration policy. It is hereby specified that in preparing the Group remuneration policy, rather than using remuneration policies of other companies as reference, Assicurazioni Generali instead sought the advice of the consulting firm Mercer.

### 10.3 Remuneration Committee

The Remuneration Committee has consulting, advisory and preparatory functions in respect of the Board of Directors on remuneration issues. The Remuneration Committee also provides its opinion regarding transactions with related parties, where this refers to the remuneration of managers with strategic responsibilities. This is done in compliance with the procedures regarding transactions with related parties approved by the Board of Directors.

More specifically, the tasks of the Remuneration Committee include:

- formulating non-binding opinions and proposals for the Board in terms of economic compensation for Directors;
- formulating opinions and proposals referring to the remuneration policies for members of corporate bodies and staff, including financial instrument-based remuneration plans and checking that these are correctly applied;
- providing the Board with proposals and/or opinions regarding the compensation in favour of Executive Directors and Directors holding other specific tasks or appointments according to the Articles of Association, as well as the definition of performance objectives related to the variable component of the remuneration and checking that performance objectives are effectively achieved: the opinions and proposals relating to Executive Directors are based on a discretionary assessment, made by taking into consideration, *inter alia*, the following parameters:
  - i) the significance of the responsibilities within the corporate organizational structure;
  - ii) the impact on corporate results;
  - iii) the financial results achieved;
  - iv) reaching specific objectives set beforehand by the Board;

- providing non-binding opinions and proposals for the Board regarding compensation for the General Manager and whoever covers an internal role within the Group that is significant in terms of membership of the Group Management Committee, based on a prior proposal by the Managing Director/Group CEO, and on a discretionary assessment according to the following criteria:
  - i) the level of responsibility and risks associated with the tasks carried out;
  - ii) the results achieved in relation to the assigned objectives;
  - iii) the performance in relation to extraordinary commitments;
- making periodical assessments on the criteria adopted for the remuneration of Directors and managers with strategic responsibilities, based on the information provided by the Managing Director/Group CEO and issuing general recommendations on this matter for the Board;
- checking on the proportionality of the Executive Directors' remunerations, if necessary among themselves, and in relation to the Company's personnel;
- providing an opinion on the Managing Director/Group CEO's proposal relating to the incentive system for managers belonging to the so-called Global Leadership Group (as described before).
- monitoring that the decisions taken by the Board based on the proposals that were presented, are in fact applied.

The Chair of the Committee or another member of the Committee reports to the Shareholders' Meeting on how the Committee operates in relation to its functions.

In carrying out its functions, this body is entitled to access the corporate information and functions which are relevant for carrying out its tasks. The Chairman of the Statutory Auditors' Board regularly attends its meetings.

The Committee duly carries out the advisory and consulting functions it is responsible for, drawing up the relevant minutes and reports required for carrying out Company activities.

The Committee presently in office has been appointed by the Board of Directors during the 30th April 2013 meeting and, following the resignation of its Chairman, Paolo Scaroni on 2nd October 2014, on 5th December 2014 has been integrated with the appointment of Jean-René Fourtou. The Committee shall remain in office until the Shareholders' Meeting called for the approval of the Financial Statements as of 31st December 2015, currently it is composed as follows:

Office	First name, last name
Chair Non-executive and independent Director	Ornella Barra
Member of the Committee Non-executive and independent Director	Lorenzo Pellicoli
Member of the Committee Non-executive and independent Director	Jean-René Fourtou

The Board of Directors has verified that the Committee is entirely made up of independent non-executive Directors. It is clarified also that all the members of the Committee have sufficient knowledge regarding remuneration policies.

Should one or more members of the Remuneration Committee declare that a correlation exists regarding a transaction under their review, the Committee is complemented, only for the purpose of reviewing said transaction, by other independent members of the Board of Directors, chosen starting from the oldest in terms of age. In the absence of at least two independent Directors of the Remuneration Committee, the opinion or proposal shall be given by an independent expert appointed by the Board.

Since 15th January 2015, Mr. Giuseppe Catalano acts as the Committee's Secretary.

When it is deemed appropriate by the Chair, he/she may invite members from Top Management, the Head of the Group HR & Organization function and managers and employees of the Company to take part in the meetings, in case they have responsibilities regarding the matters that are submitted for the Committee's approval.

The convocation notice is sent to the Statutory Auditors' Board so as to allow this body to participate in the meeting.

During last year, non-members have taken part in the meetings of this Committee, based on an invitation from the Committee itself, some attending for the entire meeting and others with limited reference to single items on the agenda. The Committee has also made use of external consultants.

The members of the Remuneration Committee receive a fixed emolument (€ 20,000 for the Chairman and € 15,000 for the other members of the Committee), an attendance fee of € 2,000 per session, and the reimbursement of expenses incurred to participate in the meetings.

The Remuneration Committee, during 2015, has held 6 meetings, with an average participation of 94.44%, lasting on average 50 minutes per meeting. Minutes have been always prepared for each meeting by the President and the Secretary and, according to the applicable regulation, made available to all members of the committee within 15 working days after the meeting and approved in the following one.

3 meetings have been held so far in 2016.

The Committee meeting held on February 9th 2016 set its budget for 2016 expenses at € 100,000, which was then approved by the Board of Directors during the following meeting.

#### 10.4 Managing Director/Group CEO

Based on the mandates he has been granted with by the Board of Directors on human resources management and organization, the Managing Director/Group CEO makes proposals regarding the Company and Group's remuneration policies.

In addition, he formulates proposals regarding the remuneration policies for managers with strategic responsibilities that need Board decision; the Managing Director/Group CEO is specifically responsible for the proposals regarding the remuneration of members of the Group Management Committee, save the responsibilities of the Control and Risk Committee regarding the Group Chief Risk Officer.

The Managing Director/Group CEO is also responsible for setting the staff's compensation position at every level of the Company and the Group, except for those that fall under the responsibility of the Board of Directors.

#### 10.5 Statutory Auditors' Board and Control and Risks Committee

Pursuant to Art. 36.1 of the Articles of Association, the Statutory Auditors' Board is responsible for providing an opinion on the remuneration of Directors holding specific offices.

Furthermore, the Board also provides an opinion on the remuneration for the Head of the Internal Audit function.

With regard to the Control and Risks Committee, this body provides its opinion regarding the calculation of the remuneration of the head of the Internal Audit function, which is binding; and for the other managers in charge of control functions, in which case these are submitted to the Board of Directors for approval. In the context of the policies set for the managers in charge of the control functions, the proposal for the head of the Internal Audit function is prepared by the Chair of the Control and Risks Committee.

#### 10.6 Control functions

The internal control functions that are involved and cooperate in various capacities in the setting and/or the subsequent checking of the correct implementation of the remuneration policies are:

- the **Compliance** function, which checks that the remuneration policies are consistent with the objectives of compliance with applicable regulations regarding remuneration, including the provisions of the Articles of Association, the Governance Code for listed companies and Code of Conduct, with a view to preventing the risk of incurring judicial sanctions and fines, asset losses and damage to the Company's reputation. The function reports to the relevant bodies regarding the outcomes of the checks carried out, and also proposes possible corrective measures;
  - the **Internal Audit** function, which checks that the remuneration policies are being correctly applied, based on the directions set by the Board of Directors with a view to ensuring efficiency and safeguarding the Company's assets. Once
-

again, the function reports to the Board of Directors and the bodies responsible for adopting possible corrective measures based on the outcomes of the audits conducted;

- the **Risk Management** function, which checks on the consistency of the criteria and relevant indicators used to assess performance; with regard to the risk management strategies set by the Board of Directors, it reports to the relevant functions responsible for adopting the relevant corrective measures.

Group Strategic Planning and other functions reporting to the **Group CFO** are involved in the remuneration policy process in order to identify and assess the quantitative parameters regarding the strategic objectives to which the variable component must be linked.

## 10.7 Group HR & Organization function

The Group HR & Organization function provides technical support (also in the form of reports), and prepares the preliminary support material for defining policies. Specifically, the functions involved are:

- Group Reward, for the implementation of the remuneration systems, for analyzing the remuneration levels and drawing comparisons with selected markets as well as monitoring remuneration dynamics;
- Organization & Change Management, for mapping and job grading;
- Talent Management, to support the performance management and calibration processes.

## 10.8 Guidelines on remuneration compliant with national and international regulatory requirements

In all countries where the Group operates, the implementation of the Group's remuneration policy is done in full compliance with the laws and regulations applicable to the country or the business sector in which the beneficiary operates.

In order to ensure consistency in remuneration at Group level, the implementation of the remuneration policy and short and long term incentive systems in the Group's companies are guaranteed through appropriate guidelines, according to the provisions included in the art. 5 of ISVAP' Regulation n 39/2011.

The purpose of these guidelines is to adequately calibrate the Group's policies to the specific local contexts, applying the principle of proportionality and ensuring that companies with their registered offices abroad also comply with the provisions of the remuneration policy, within the requirements set by the local regulatory framework.

The preparation of remuneration packages and systems takes due consideration of all the regulatory requirements of the country and business sectors in which the individual role has an impact: in addition to the local regulatory requirements complying with the applicable laws, certain transnational regulations also apply to specific business sectors.

Specifically, banking regulations and those relating to asset management companies (e.g. CRD IV, AIFMD, UCITS), impact on the preparation of the remuneration packages of the managers working in these companies.

The process for setting global rules that apply to incentive plans begins with a detailed analysis of the potential implications from a tax and legal perspective, with special focus on labour law and regulations. Plans that require a cash payment are adapted where necessary to comply with deferral requirements, tax implications and provisions of national and individual contracts. Similarly, share incentive plans that require the approval of Shareholders' Meetings, have specific appendices in which the provisions that could potentially conflict with local or sector legislation are introduced/ modified/ amended. The appendices are prepared on the basis of the mandates that the Shareholders' Meetings gives to the Board of Directors and/or the Managing Director/Group CEO. Therefore, it may be necessary to introduce, for managers of certain countries or business sectors, amendments in respect of the principles and mechanisms described in this report (with reference, as a mere example, to entry thresholds, type of performance targets, lock-up and minimum holding periods, deferral, ex-post correction mechanisms, etc.).

The process for defining the remuneration policy is managed within the Group's Governance, taking into account the local characteristics and specific aspects, with a special focus on local practices in terms of levels, pay-mix and eligibility for incentive plans, with the ultimate objective of keeping our packages competitive and attracting the best talents.

For the roles that operate in the Group's foreign companies, the process extends to approval by the Board of Directors and relevant local bodies, based on the specific aspects of the relevant company law.

With regard to the chairmen, the executive directors and the general managers (or members of senior management holding equivalent roles) of subsidiaries of strategic importance (as defined from time to time by the Board), the individual remuneration is submitted for the Board of Directors' approval, as proposed by the Remuneration Committee, before the appointment and governance local approval process is carried out.

# Section II – Report on the implementation of the remuneration policy

## INTRODUCTION

This section consists of:

- a first part, which provides a synthetic description of the compensation of the recipients of the remuneration policy;
- a second part, which contains the above stated compensation in a tabular format, as well as the shareholdings held by the individuals in question with reference to the relevant financial period.

In this context and in compliance with applicable regulations, disclosure is made regarding the following recipients of the remuneration policy:

- the Chairman and other members of the Board of Directors;
- the Chair and other members of the Board of Statutory Auditors;
- the Managing Director and the General Manager;
- the managers with strategic responsibilities<sup>13</sup>;
- the Heads of Control functions and their first reporting line managers included in last year's Remuneration Report.

The year 2015 has been, in line with 2014, a year of further reinforcement of Generali remuneration policy, as well as significant achievements in terms of alignment with business and organization strategy and with the greater international integration of the Group.

Significant business results were achieved also this year, in line with the up growth trend already observed during the preceding financial period and in coherence with the expectations of the strategic plan.

These results were reflected in the pay-out of our incentive systems, characterised by a direct link between incentives and performance (at Group / Countries and businesses level).

All entry thresholds to the incentive plans set for 2015 were reached, and the remuneration results are detailed in the tables provided in this section.

In particular, in 2015 ended the performance period related to 2013 Group Long Term Incentive share Plan; the Board of Directors, verified the level achievement of the three-years targets originally set, approved the allocation - following a specific capital increase, as at that time authorized by the Board for the plan - of an overall number of n. 3,010,255 shares (compared to a maximum number of 7,000,000 of shares to be potentially allocated; see details in the second part of the present Section, Table 3A). The allocated shares will be subject to lock-up.

In 2015 ended as well, the second performance cycle of the 2010 Long Term Incentive Plan<sup>14</sup>: following the failure to achieve the minimum level of three-year targets originally set, no share allocation will take place in execution of such plan.

<sup>13</sup> Identified in the following roles: Group Chief Investment Officer; Group Chief Financial Officer; Group Chief Risk Officer; Group Chief Operating Officer; Italy Country Manager; Germany Country Manager; France Country Manager; Group Head of Global Business Lines; EMEA Regional Officer; CEE Regional Officer; Americas Regional Officer; Asia Regional Officer; Group General Counsel; Group Strategy & Business Development Director; Group Communications & Public Affairs Director; Group Chief Marketing Officer; Group Head of Insurance and Reinsurance; Group Chief Data Officer, Company Secretary & Head of Corporate Affairs; Group HR & Organization Director.

## PART I

### 1. REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Shareholders' Meeting reconfirmed the emoluments of the previous three-year period for the entire three-year period of office of the Board of Directors, appointed by the Shareholders' Meeting of 30th April 2013. Therefore, up until the effective approval of the Company's Financial Statements as of 31st December 2015, each Board member is entitled to:

- compensation of € 100,000 gross annually;
- variable compensation equal to 0.01% of the consolidated profit, up to a maximum total limit of € 300,000 to be divided equally among the Board members;
- an attendance fee for each meeting of the Board of Directors and Executive Committee of € 4,000;
- the reimbursement of the out-of-pocket expenses incurred to participate in the sessions.

It should be further noted that there are no agreements in place with the directors regarding severance provisions in the event that their appointment is terminated.

Regarding **directors that are also members of Board committees**, the relevant emoluments and attendance fees, as determined by the Board of Directors of the 9th May 2013, based on a benchmark prepared by an external consulting firm are showed hereunder:

Role	Gross Yearly emolument (euro)	Attendance fee per session (euro)
Members of the Remuneration Committee	15,000	2,000
Chairman of the Remuneration Committee	20,000	2,000
Members of the Risk and Control Committee	30,000	2,000
Chairman of the Risk and Control Committee	50,000	2,000
Members of the sub-Committee for the evaluation of related party transactions	20,000	5,000
Chairman of the sub-Committee for the evaluation of related party transactions	25,000	5,000
Members of the Appointments and <i>Corporate Governance</i> Committee	15,000	2,000
Chairman of the Appointments and <i>Corporate Governance</i> Committee	20,000	2,000
Members of the Investments Committee	30,000	2,000
Chairman of the Investments Committee*	no emolument	2,000
Chairman of the Supervisory Board	30,000	0
Members of the Supervisory Board	20,000	0

\* Office held by the Group CEO. The attendance fee per session are already included in the emoluments defined by BoD for the role of Director.

With regard to the remuneration for the **Chairman** of the Board of Directors, the Board resolved, starting from 30th April 2013, to pay the Chairman, in addition to the compensation due to the other non-executive directors, an emolument in relation to the powers conferred of €850,000.00 gross annually; such compensation is in line with the emoluments received by both Italian and foreign individuals covering similar roles in companies comparable to Assicurazioni Generali, in terms of their size and characteristics.

<sup>14</sup> At this regard it is reminded that the plan provided (i) a first three-year cycle, after which a monetary bonus has been paid, part of which has been invested by the beneficiaries in the purchase of Generali shares; (ii) a second three-year cycle, after which free allocation of shares parameterized to the number of shares bought by the beneficiaries at the end of the first cycle could take place.

The following additional benefits were resolved upon:

- insurance cover relating to the event of death or permanent disability for accidents or illness;
- supplementary insurance cover for health expenses, with features similar to those provided for Group managers;
- the use of a Company car with driver.

The Chairman also received emoluments and attendance fees related to the offices as Chairman of the Appointments and Corporate Governance Committee and of the Committee for Social and Environmental Sustainability (the latest as of 30th April 2013).

No specific agreements are in place with the Chairman regarding severance provisions in the event of termination, on which, therefore, in accordance with the law, the relevant policy in place for the relevant year applies.

Details of the relevant emoluments are found in Table 1 below, while Table 4 contains the shareholdings of the individuals in question.

## 2. REMUNERATION FOR MEMBERS OF THE BOARD OF STATUTORY AUDITORS

The Shareholders' Meeting of 30th April 2014 approved the emoluments to be paid to the Board of Statutory Auditors, setting remuneration of € 100,000 gross annually for the effective Auditors for each of the financial periods 2014, 2015 and 2016, with a 50% supplement for the Chairman of the Board of Statutory Auditors.

Details of the relevant emoluments relating to 2015 are found in Table 1 below, while Table 4 contains the shareholdings of the individuals in question.

## 3. REMUNERATION OF THE MANAGING DIRECTOR/GROUP CEO, OF THE GENERAL MANAGER AND OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES

The remuneration package for the Group CEO in charge in the reference year (2015), set by the Board of Directors, was structured as follows:

1. an annual gross compensation as Group CEO of € 1,100,000, that includes the compensation and attendance fees provided for members of the Board of Directors and of the Executive Committee, and as a member of internal Board Committees, and a gross annual salary as General Manager of € 200,000;
2. a short-term component of the variable remuneration: payment of a bonus connected to the annual goals (as described before), which is equal to 100% of the fixed remuneration at target level, and can reach up to 200% of the fixed remuneration in the event of over-performance;
3. a long-term component of the variable remuneration: subject to the achievement of the assigned targets (as described before), the Group CEO may be granted an incentive which is 200% of the fixed remuneration at target level, and can reach up to 250% in the event of over-performance;
4. a supplementary pension: as per the national collective bargaining agreement and supplementary individual agreement, with a contribution borne by the Company equal to 16.5% of the fixed remuneration and an annual gross supplement by the Company of € 107,452.22;
5. other benefits as per applicable remuneration policy;
6. economic terms of the Group CEO's termination governed by an agreement entered into at the time of the appointment. Specifically, in the event of dismissal without cause, or resignation with cause (including the cases of reduction, revocation or failure to renew the appointment and/or powers without cause, or assignment to third individuals of mandates or powers substantially equivalent to those of the Group CEO or such to have a significant impact on his position and top management role), the severance due to the Group CEO includes:
  - indemnity in lieu of notice (conventionally set at 12 months)
  - 24 months remuneration (defined as the sum of the fixed remuneration and average of the short-term variable remuneration over the last three-year period, taking into account both the remuneration as manager and the compensation as director);
  - release from lock-up of incentives in the form of financial instruments.

With specific reference to the variable remuneration components, in the reference year 2015, the Group CEO previously in charge, accrued the following treatments:

- short-term variable remuneration: based on the results achieved, the short-term variable remuneration amounts to € 1,859,842 gross. This amount was calculated based on the achievement of the targets in the individual scorecard set by the Board of Directors in relation to the Group economic, financial and operating results (i.e. Group net profit adjusted, Group Operating result, Group return on risk capital) and to key Group strategic projects, assessed positively with respect to the expectations of the strategic plan for the relevant year.
- long-term variable remuneration: upon completion of the 2013 LTI performance period and on the basis of the level of achievement of related targets (as described before), the allocation to Group CEO of n. 162,990 shares, subject to Plan's lock-up period, has been resolved upon.

As already disclosed, effective as of February 9th 2016, the Group CEO previously in charge, Mario Greco, has terminated his employment relation with the Group. Consistent with Group Remuneration Policy, no severance has been paid and the rights provided under the long-term incentive plans whose performance cycle has not been completed have lapsed.

Effective from 17th March 2016, the Board of Directors appointed Mr. Philippe Donnet as Managing Director/Group CEO and Mr. Alberto Minali as General Manager.

In line with group remuneration policies principles, as outlined in Section one of this Report, remuneration packages for the Managing Director/Group CEO and for the General Manager, resolved by the Board of Directors, include, at the publication date of this report, the following elements:

#### **Managing Director/Group CEO:**

- an annual gross salary as Manager equal to € 1,000,000 and an annual gross compensation as Director equal to € 300,000, including the compensation and attendance fees provided for members of the Board of Directors, and those as a member of internal Board Committees;
- a short-term component of the variable remuneration with payment of a bonus connected to annual targets (as described before), which is equal to € 1,300,000 at target level, and can reach up to 200% of this amount in case of over-performance;
- a long-term component of the variable remuneration: subject to the achievement of the assigned targets (as described before), a maximum amount equal to 250% of the fixed remuneration may be granted in case of over-performance;
- supplementary pension: as per the national collective bargaining agreement and supplementary individual agreements, with a contribution borne by the Company equal to 16.5% of the fixed remuneration and an annual gross supplement by the Company equal to € 107,452.22;
- non-compete agreement: provision of a non-competition agreement for a period of 6 months following the termination of the employment with payment of an amount equal to the fixed remuneration for the reference period and a penalty equal to two times this amount;
- other benefits and severance provisions: in line with the provisions set for the former Group CEO, as reported above and in the remuneration reports of previous years.

#### **General Manager:**

- an annual gross compensation as Manager equal to € 1,000,000;
  - a short-term component of the variable remuneration with payment of a bonus connected to annual targets, which is equal to € 1,000,000 at target level, and can reach up to 200% of this amount in case of over-performance;
  - a long-term component of the variable remuneration: subject to the achievement of the assigned targets, a maximum amount equal to 200% of the fixed remuneration may be granted in case of over-performance;
  - supplementary pension: as per the national collective bargaining agreement and supplementary individual agreements, with a contribution borne by the Company equal to 13% of the fixed remuneration;
-

- non-compete agreement: provision of a non-competition agreement for a period of 6 months following the termination of the employment with payment of an amount equal to the fixed remuneration for the reference period and a penalty equal to two times this amount;
- other benefits and severance provisions: as per applicable remuneration policy.

## Remuneration of other managers with strategic responsibilities

During 2015, the managerial turnover either during the whole year or a portion thereof, resulted in a total of 23 people in the category of managers with strategic responsibilities<sup>15</sup> for the relevant financial period.

Remuneration packages were set for 4 managers with strategic responsibilities appointed during the year. Salary adjustments were also envisaged for 4 managers with strategic responsibilities that were already appointed during the financial period in question. Benefits were also given regarding relocation and accommodation needs, children's education and company car with fuel card.

In addition to the normal fixed remuneration (see details in Table 1 below), the managers with strategic responsibilities, as the case may be: (i) accrued the STI subject to and based on the degree of achievement of the targets set for 2015 and, with reference to one individual, accrued the deferred STI subject to and based on the assessment of the continuity and sustainability of the 2014 performance (see details in table 3B below), (ii) as regards one individual, accrued a cash bonus on the basis of the LTI Plan 2013, originally assigned in shares, following the restructuring of the remuneration package, as indicated in the remuneration report of the previous years (see details in Table 3B below), (iii) accrued other cash-based bonuses pertaining to the financial year (iv) accrued shares on the basis of the LTI Plan 2013 (see details in Table 3A below); (v) might accrue during the next financial years, based on the different LTI plans currently in force, and subject to achievement of the targets and the terms and conditions set out in such plans, a certain number of free shares (see details in Table 3A below).

The economic arrangements in case of employment termination for managers with strategic responsibilities in service are defined in line with the relevant policy for the reference year, according to which an amount comprising the notice indemnity, as per regulatory and contractual provisions, and an amount equal to 24 months of recurring remuneration (gross annual salary plus the average of the amounts received as short-term remuneration in the last three years) can be granted.

During the reference year there was only one case of termination of the employment with one manager with strategic responsibilities. The termination occurred upon mutual consent and, pursuant to the applicable contractual provisions and in line with the remuneration policy in force, entailed the loss of rights related to the incentive systems in place whose performance cycle has not been completed yet at the termination date. Specifically, Mr Dietmar Meister, Germany Country Manager until 31st March 2015, was awarded: (i) € 4,700,000 gross as a consideration for the anticipated termination of the employment relationship; and (ii) € 1,500,000 gross as compensation of a non-competition agreement entered into by the parties (for a term of three years following the termination). Of the overall sum, € 3,100,000 gross have already been paid in April 2015, € 1,550,000 gross will be paid in May 2016 and € 1,550,000 gross will be paid in May 2017, subject to malus e claw-back mechanisms agreed on termination.

The details regarding the remuneration received by the Group CEO and the other managers with strategic responsibilities for the 2015 period are recorded in Table 1; Tables 3.A and 3.B refer to the incentive plans, while Table 4 provides details on the shareholdings of the individuals in question.

As regards detailed information relating to the long-term variable component, reference is made to the reports drafted pursuant to Art. 114 bis of the Consolidated Law on Finance [*T.U.F. Testo Unico Finanza*], which may be found on the Company's Internet site under the section "Governance\Remuneration Report".

## 4. REMUNERATION OF HEADS AND FIRST REPORTING MANAGERS OF CONTROL FUNCTIONS

During 2015, the managerial turnover resulted in the presence, either during the whole year or a portion thereof, of a total of 20 managers within control functions.

As already specified in the 2015 remuneration report, starting from 2014, for managers belonging to such functions an ad hoc remuneration scheme is provided, in line with specific regulatory requirements. Starting from 2015, this system has been extended also to heads and first reporting managers of the actuarial function

<sup>15</sup> The Group Chief Risk Officer, although counted in the category of managers with strategic responsibilities as for numbers (as he is a GMC member), is reported in terms of remuneration within the control functions section.

In the reference fiscal year, the heads of control functions and their first reporting line managers were paid a total of € 3,741,699 gross in terms of fixed remuneration component. It should be noted that the remuneration packages for 9 managers of control functions were adjusted based on the outcomes of a benchmark analysis carried out by an external consultancy firm and in light of the specific regulatory requirements, focused on the achievement of a correct balance between fixed and variable components (as described above), submitted to the approval of the Risk and Control Committee.

The total of the short-term variable component and of other bonuses was equal to overall € 2,503,441 gross of which € 1,393,500 gross were paid up-front, € 389,275 gross, pertaining to the financial year 2014, were paid after one year of deferral. and The remaining part has not been paid yet and is subject to a one-year deferral. For 5 managers, an amount equal to € 828,473 gross has been paid as liquidation of the LTI 2013 plan, originally assigned in shares, following the restructuring of their remuneration package, as indicated in the previous remuneration reports.

In terms of benefits, based on tax criteria, these amounted to € 96,793 gross; 6 of the managers received benefits linked to logistical/accommodation needs for a total amount of € 206,385 gross.

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## PART II

Table 1 - Remuneration paid to members of the management and control bodies, general managers and other managers with strategic responsibilities

Person Name and Surname	Period for which office was held	Office expiry	Emoluments (in Euro)						Total	Non monetary benefits	Fair value equity	Severance indemnity for end of office or termination of employment
			Fixed emoluments	Variable emoluments <sup>(1)</sup>	Attendance fees	Bonus and other incentives	Other remuneration	Emoluments for the office held				
(1) Emoluments in the company that prepares the financial statement												
<b>Gabriele GALATERI DI GENOLA</b>			<b>Total</b>	<b>970,000.00</b>	<b>18,458.55</b>	<b>62,000.00</b>	--	--	<b>1,050,458.55</b>	<b>9,118.80</b>	--	--
Chairman	1.1-31.12.2015	Approved f.s. 2015		850,000.00	18,458.55	52,000.00			<b>920,458.55</b>	9,118.80		
Member of the Board of Directors	1.1-31.12.2015	Approved f.s. 2015		100,000.00					<b>100,000.00</b>			
Chairman of the Appointments and Corporate Governance Committee	1.1-31.12.2015	Approved f.s. 2015		20,000.00		10,000.00			<b>30,000.00</b>			
<b>Francesco Gaetano CALTAGIRONE</b>			<b>Total</b>	<b>145,000.00</b>	<b>18,458.55</b>	<b>62,000.00</b>	--	--	<b>225,458.55</b>	--	--	--
Member of the Board of Directors	1.1-31.12.2015	Approved f.s. 2015		100,000.00	18,458.55	40,000.00			<b>158,458.55</b>			
Member of the Investments Committee	1.1-31.12.2015	Approved f.s. 2015		30,000.00		10,000.00			<b>40,000.00</b>			
Member of the Appointments and Corporate Governance Committee	1.1-31.12.2015	Approved f.s. 2015		15,000.00		12,000.00			<b>27,000.00</b>			
<b>Mario GRECO</b>			<b>Total</b>	<b>1,300,000.00</b>	--	--	<b>1,859,842.00</b>	--	<b>3,159,842.00</b>	<b>115,602.45</b>	<b>450,035.00</b>	--
Group CEO	1.1-31.12.2015	Approved f.s. 2015		1,100,000.00			1,573,712.46		<b>2,673,712.46</b>	115,602.45	450,035.00 *	
Member of the Board of Directors	1.1-31.12.2015	Approved f.s. 2015							--			
Chairman of the Investments Committee	1.1-31.12.2015	Approved f.s. 2015							--			
General Manager	1.1-31.12.2015			200,000.00			286,129.54		<b>486,129.54</b>			
<b>Lorenzo PELLICOLI</b>			<b>Total</b>	<b>130,000.00</b>	<b>18,458.55</b>	<b>62,000.00</b>	--	--	<b>210,458.55</b>	--	--	--
Member of the Board of Directors	1.1-31.12.2015	Approved f.s. 2015		100,000.00	18,458.55	44,000.00			<b>162,458.55</b>			
Member of the Remuneration Committee	1.1-31.12.2015	Approved f.s. 2015		15,000.00		10,000.00			<b>25,000.00</b>			
Member of the Appointments and Corporate Governance Committee	1.1-31.12.2015	Approved f.s. 2015		15,000.00		8,000.00			<b>23,000.00</b>			
<b>Clemente REBECCHINI</b>			<b>Total</b>	<b>160,000.00</b>	<b>18,458.55</b>	<b>88,000.00</b>	--	--	<b>266,458.55</b> <sup>(2)</sup>	--	--	--
Member of the Board of Directors	1.1-31.12.2015	Approved f.s. 2015		100,000.00	18,458.55	52,000.00			<b>170,458.55</b>			
Member of the Investments Committee	1.1-31.12.2015	Approved f.s. 2015		30,000.00		12,000.00			<b>42,000.00</b>			
Member of the Risk and Control Committee	1.1-31.12.2015	Approved f.s. 2015		30,000.00		24,000.00			<b>54,000.00</b>			
<b>Paola SAPIENZA</b>			<b>Total</b>	<b>180,000.00</b>	<b>18,458.55</b>	<b>122,000.00</b>	--	--	<b>320,458.55</b>	--	--	--
Member of the Board of Directors	1.1-31.12.2015	Approved f.s. 2015		100,000.00	18,458.55	52,000.00			<b>170,458.55</b>			
Member of the Investments Committee	1.1-31.12.2015	Approved f.s. 2015		30,000.00		12,000.00			<b>42,000.00</b>			
Member of the Risk and Control Committee	1.1-31.12.2015	Approved f.s. 2015		30,000.00		18,000.00			<b>48,000.00</b>			
Member of the sub-Committee for the evaluation of related party transactions	1.1-31.12.2015	Approved f.s. 2015		20,000.00		40,000.00			<b>60,000.00</b>			
<b>Alberta FIGARI</b>			<b>Total</b>	<b>195,000.00</b>	<b>18,458.55</b>	<b>106,000.00</b>	--	--	<b>319,458.55</b>	--	--	--
Member of the Board of Directors	1.1-31.12.2015	Approved f.s. 2015		100,000.00	18,458.55	48,000.00			<b>166,458.55</b>			
Chair of the Risk and Control Committee	1.1-31.12.2015	Approved f.s. 2015		50,000.00		18,000.00			<b>68,000.00</b>			
Chair of the sub-Committee for the evaluation of related party transactions	1.1-31.12.2015	Approved f.s. 2015		25,000.00		40,000.00			<b>65,000.00</b>			
Member of the Surveillance Body	1.1-31.12.2015	Approved f.s. 2015		20,000.00		--			<b>20,000.00</b>			
<b>Sabrina PUCCI</b>			<b>Total</b>	<b>150,000.00</b>	<b>18,458.55</b>	<b>110,000.00</b>	--	--	<b>278,458.55</b>	--	--	--
Member of the Board of Directors	1.1-31.12.2015	Approved f.s. 2015		100,000.00	18,458.55	52,000.00			<b>170,458.55</b>			
Member of the Risk and Control Committee	1.1-31.12.2015	Approved f.s. 2015		30,000.00		18,000.00			<b>48,000.00</b>			
Member of the sub-Committee for the evaluation of related party transactions	1.1-31.12.2015	Approved f.s. 2015		20,000.00		40,000.00			<b>60,000.00</b>			

Person Name and Surname	Period for which office was held	Office expiry	Emoluments (in Euro)					Total	Non monetary benefits	Fair value equity	Severance indemnity for end of office or termination of employment	
			Fixed emoluments	Variable emoluments <sup>(1)</sup>	Attendance fees	Bonus and other incentives	Other remuneration					
(1) Emoluments in the company that prepares the financial statement												
<b>Ornella BARRA</b>			<b>Total</b>	<b>120,000.00</b>	<b>18,458.55</b>	<b>60,000.00</b>		<b>198,458.55</b>	--	--	--	
Member of the Board of Directors	1.1-31.12.2015	Approved f.s. 2015		100,000.00	18,458.55	48,000.00		166,458.55				
Chair of the Remuneration Committee	1.1-31.12.2015	Approved f.s. 2015		20,000.00		12,000.00		32,000.00				
<b>Jean René FOURTOU</b>			<b>Total</b>	<b>115,000.00</b>	<b>18,458.55</b>	<b>64,000.00</b>	--	<b>197,458.55</b>	--	--	--	
Member of the Board of Directors	1.1-31.12.2015	Approved f.s. 2015		100,000.00	18,458.55	52,000.00		170,458.55				
Member of the Remuneration Committee	1.1-31.12.2015	Approved f.s. 2015		15,000.00		12,000.00		27,000.00				
<b>Flavio CATTANEO</b>			<b>Total</b>	<b>100,000.00</b>	<b>18,458.55</b>	<b>52,000.00</b>	--	<b>170,458.55</b>	--	--	--	
Member of the Board of Directors	1.1-31.12.2015	Approved f.s. 2015		100,000.00	18,458.55	52,000.00		170,458.55				
<b>Carolyn DITTMER</b>			<b>Total</b>	<b>150,000.00</b>	--	--	--	<b>150,000.00</b>	--	--	--	
Chairman of the Statutory Auditors	1.1-31.12.2015	Approved f.s. 2016		150,000.00				150,000.00				
<b>Lorenzo POZZA</b>			<b>Total</b>	<b>100,000.00</b>	--	--	--	<b>100,000.00</b>	--	--	--	
Statutory Auditor	1.1-31.12.2015	Approved f.s. 2016		100,000.00				100,000.00				
<b>Antonia DI BELLA</b>			<b>Total</b>	<b>100,000.00</b>	--	--	--	<b>100,000.00</b>	--	--	--	
Statutory Auditor	1.1-31.12.2015	Approved f.s. 2016		100,000.00				100,000.00				
<b>Dietmar MEISTER</b>			<b>Total</b>	<b>246,575.00</b>	--	--	--	<b>246,575.00</b>	<b>4,548.00</b>	<b>3,039.00</b>	<b>6,200,000.00</b>	
Country Manager Germany	1.1-31.03.2015			246,575.00				246,575.00	4,548.00	3,039.00 **	6,200,000.00	
<b>Other managers with strategic responsibilities <sup>(3)</sup></b>			<b>Total</b>	<b>11,520,317.00</b>	--	--	<b>14,290,286.00</b>	<b>296,004.61</b>	<b>26,106,607.61</b>	<b>526,972.70</b>	<b>8,831,001.00 ***</b>	
<b>TOTAL</b>				<b>15,681,892.00</b>	<b>184,585.49</b>	<b>788,000.00</b>	<b>16,150,128.00</b>	<b>296,004.61</b>	<b>33,100,610.10</b>	<b>656,241.95</b>	<b>9,284,075.00</b>	<b>6,200,000.00</b>

\* Fair value of the shares, for the relevant portion accrued in the 2015 balance sheet based on international accounting standards, to be granted on April 2016 as per Assicurazioni Generali Board of Directors' resolution after the conclusion of performance period and based on the achievement of the objectives set for the three-year period 2013 - 2015.

\*\* Fair value of the shares, for the relevant portion accrued in the 2015 balance sheet based on international accounting standards, to be potentially granted on April 2016 (at the end of performance period 2013 - 2015), subject to the achievement of the objectives and the terms and conditions of the Long-Term Incentive Plan 2010 - 2015. However at the end of plan second performance cycle (2013 - 2015), considering that three years objectives have not been met, no shares will be granted as part of execution of the plan.

\*\*\* Sum of the fair value of the shares to be granted on April 2016 and to be potentially granted in the future (within the long-term incentive plans in place, subject to the achievement of the objectives and the terms and conditions of the respective plans) for the relevant portion accrued in the 2015 balance sheet based on international accounting standards.

(1) The variable emoluments will be paid after the Financial Statements' approval by the Shareholders' Meeting.

(2) The emolument is paid directly to Mediobanca.

(3) During 2015 the managers with strategic responsibilities reported in the table were 23. Data include emoluments from subsidiaries and associates. Are also included benefits related to expatriates treatments according to Expatriates guidelines.

**Table 2 - Stock options granted to members of the board of directors, general managers and other managers with strategic responsibilities**

A	B	Options held at the start of the financial year							Options assigned during the financial year			Options exercised during the financial year		Options expired during the financial year	Options held at the end of the financial year	Options related to the financial year	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = 2-5-11-14	(16)
Name and Surname	Office	Plan	Number of options	Exercise price	Possible exercise period	Number of options	Exercise price	Possible exercise period	Fair value at assignment date	Market price of the shares at the assignment date	Number of options	Exercise price	Market price of the shares at the assignment date	Number of options	Number of options	Number of options	Fair value
(I) Emoluments in the company that prepares the financial statement																	
(II) Emoluments from subsidiaries and associates																	
<b>(III) Total</b>																	
This table has not been completed because there are no outstanding stock option plans																	

**Table 3A - Incentive plans based on financial instruments other than stock options for members of the board of directors, general managers and other managers with strategic responsibilities**

A Name and Surname	B Office	(1) Plan	Financial instruments assigned during previous years and not vested during the year		Financial instruments assigned during the year						Financial instruments vested during the year and not assigned	Financial instruments vested during the year and able to be assigned		Financial instruments relevant to the year
			(2) Number and type of financial instruments	(3) Vesting period	(4) Number and type of financial instruments	(5) Fair value on assignment date	(6) Vesting period	(7) Assignment date	(8) Market price upon assignment	(9) Number and type of financial instruments	(10) Number and type of financial instruments	(11) Value on maturity date	(12) Fair value	
(I) Emoluments in the company that prepares the financial statement														
Mario GRECO Group CEO and General Manager		LTI 2013-2015 (resolution of the Shareholders' Meeting 30.04.2013) (1)									29,062 Shares not granted	162,990 Shares to be granted	2,255,782	450,035
Dietmar MEISTER Country Manger Germany		LTI 2010-2015 (resolution of the Shareholders' Meeting 24.04.2010) (4)									4,448 Shares not granted			3,039
Other managers with strategic responsibilities*		LTI 2011 (resolution of the Shareholders' Meeting 30.04.2011) (5)	32,654 Shares potentially granted	2011 - 2016										22,515
		LTI 2012 (resolution of the Shareholders' Meeting 30.04.2011) (6)			59,008 Shares potentially granted	178,962	2012 - 2017	30.04.2012	10.42					31,582
		LTI 2013-2015 (resolution of the Shareholders' Meeting 30.04.2013) (1)									98,833 Shares not granted	580,654 Shares to be granted	8,036,251	1,607,002
		LTI 2014-2016 (resolution of the Shareholders' Meeting 30.04.2014) (2)	859,262 Shares potentially granted	2014 - 2016										2,774,008
		LTI 2015-2017 (resolution of the Shareholders' Meeting 30.04.2015) (3)			1,056,195 Shares potentially granted	13,098,212	2015 - 2017	30.04.2015	17.38					4,395,894
<b>(III) Total</b>			<b>891,916</b>		<b>1,115,203</b>	<b>13,277,174</b>							<b>10,292,033</b>	<b>9,284,075</b>

\* including emoluments from subsidiaries and associates

(1) Number of shares to be granted on April 2016 as per Assicurazioni Generali Board of Directors' resolution after the conclusion of performance period and based on the achievement of the objectives set for the three-year period 2013 - 2015. The amount on maturity date has been reported considering the official price of the share on March 17, 2016, date on which the Assicurazioni Generali Board of Directors was held, verified the achievement of three-years objectives and approved the resolution on free capital increase.

(2) Maximum number of shares to be potentially granted at the end of vesting period (2014 - 2016) subject to the achievement of the objectives and the terms and conditions of the plan, considering, with regard to 2014 and 2015, the number of shares is calculated based on the level of performance achieved in the two years.

(3) Maximum number of shares to be potentially granted at the end of vesting period (2015 - 2017) subject to the achievement of the objectives and the terms and conditions of the plan, considering, with regard to 2015, the number of shares is calculated based on the level of performance achieved in the year. Moreover as stated in LTI plan's rules and as described in last year Remuneration Report, beneficiaries could receive an additional number of shares based on the overall amount of the dividends distributed in the three-year reference period (so-called dividend equivalent).

(4) At the end of plan second performance cycle (2013 - 2015), considering that three years objectives have not been met, no shares will be granted as part of execution of the plan.

(5) Maximum number of shares to be potentially granted in 2017 at the end of co-investment period (2014 - 2016) subject to the achievement of the objectives set for the period 2014 - 2016 and the terms and conditions of the plan.

(6) Maximum number of shares to be potentially granted in 2018 at the end of co-investment period (2015 - 2017) subject to the achievement of the objectives set for the period 2015 - 2017 and the terms and conditions of the plan.

**Table 3B - Monetary incentive plans for members of the board of directors, general managers and other managers with strategic responsibilities**

A	B	(1)	(2)			(3)			(4)	
			Bonus of the year			Bonus of the previous years				Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)		
Name and surname	Office	Plan	Payable/ Paid	Deferred	Deferment period	No longer payable	Payable/ Paid	Still deferred		
<b>(I) Emoluments in the company that prepares the financial statement</b>										
Mario GRECO	Group CEO and General Manager	STI 2015	1,859,842							
		STI 2014 (1)					175,000			
		STI 2015 (2)	11,763,146	210,000	2016					
		LTI 2013-2015 (resolution of the Shareholders' Meeting 30.04.2013) (3)					295,994			
		Other bonuses							2,056,146	
<b>(III) Total</b>			<b>13,622,988</b>	<b>210,000</b>			<b>470,994</b>		<b>2,056,146</b>	

\* including emoluments from subsidiaries and associates

(1) The amount represented refers to deferred part as foreseen by incentive system for control functions.

(2) The amount represented refers to incentive bonus awarded and paid to incumbents with reference to their role as managers with strategic responsibilities.

(3) The amount represented is related to the cash payment of the plan previously assigned in shares, which will be performed in April 2016, in coherence with the changes in the remuneration scheme applied for the control functions, as described in previous years Remuneration Reports.

**Table 4 - Shareholdings of members of the management and control bodies, general managers and other managers with strategic responsibilities**

Name and Surname	Investee Company	Number of shares held at the end of the previous year	Number of shares acquired	Number of shares sold	Number of shares held at the year-end
Gabriele GALATERI DI GENOLA	Generali	11,500			11,500
Francesco Gaetano CALTAGIRONE	Generali	34,750,000 <sup>(1)</sup>	500,000 <sup>(2)</sup>	500,000 <sup>(2)</sup>	34,750,000 <sup>(1)</sup>
Mario GRECO	Generali	380,868 <sup>(3)</sup>			380,868 <sup>(3)</sup>
Jean-René FOURTOU	Generali	17,794			17,794
Antonia DI BELLA	Generali	104		104	0
Other managers with strategic responsibilities	Generali	387,131	51,628	53,856	384,903

(1) Of which 34,635,000 held through an intermediate legal person.

(2) Through an intermediate legal person.

(3) Shares granted by the Shareholders Meeting on the 30th April 2013 as entry bonus.

# Control Functions verifications

## VERIFICATIONS OF THE COMPLIANCE AND RISK MANAGEMENT FUNCTIONS

### 1. Introduction

ISVAP Regulation no. 39/2011 provides that the implementation of the remuneration policies adopted by the insurance undertaking is subject, at least on an annual basis, to the review by the internal control functions within the scope of the respective responsibility. In particular, according to article 23 of the above mentioned ISVAP Regulation, the Compliance Function is responsible for verifying that these policies comply with the provisions of ISVAP Regulation, the Company's Articles of Association as well as any codes of ethics or other standards of conduct applicable to the company in order to prevent and control legal and reputational risks.

With this regard, after the approval of the remuneration policy at the Shareholders' Meeting of 30 April 2015, the Compliance and Risk Management Functions have put in place, within the scope of the respective responsibility, the actions needed to ensure the compliance of corporate conduct with the relevant regulatory framework, by performing compliance assessments of the actions/documents implementing the remuneration policy (taking also into consideration the Group Code of Conduct and its implementing rules).

### 2. Verification of the remuneration policy

With particular reference to the remuneration policy proposed for 2016, the Compliance and Risk Management Functions, within the scope of the respective responsibility, have completed an ex-ante assessment of the new version that will be submitted to the Board of Directors and the Shareholders during the General Meeting called for April 28, 2016.

There is a substantial continuity between the new policy and the one approved in 2015. The main changes are those listed here below:

- the Long Term Incentive (LTI) Plan eligibility has been extended to the personnel that can be qualified as Group Talent, Directors or managers;
- in line with Solvency II regime, the use of personal hedging strategies or insurance that could alter or affect the risk alignment effects implicit in variable compensation mechanisms has been expressly forbidden;
- according to Solvency II regime, a specific minimum levels of Economic Solvency Ratio (130%) has been introduced for FY 2016. Such threshold is the new reference threshold to which the funding of Short Term Incentive (STI) Plan is conditional upon. Furthermore, the Economic Solvency Ratio of 130% is also the access threshold to which access to the LTI Plan is conditional upon, both on an yearly and periodical (three years) basis. Return on Risk Capital (RORC) targets have been confirmed as reference target in the incentives system;
- in the context of the individual performance assessment relating to STI Plan, new objectives and key performance indicators (KPI) have been introduced in the balanced scorecards of the relevant personnel with a view to aligning these objectives and KPI to the targets defined in the New Group Strategy, which is focused on cash generation, operational excellence & innovation, cost effectiveness, customer centricity and people mindset shift (specifically, in the context of the "Economic and Financial Risk Adjusted Performance" perspective, "Core business KPI" and "Risk Adjusted Metrics" indicators have been introduced as new indicators; the "Effectiveness" perspective has been integrated with a reference to the "Strategy initiatives" and now includes "Customer & Distributors KPI" and "Efficiency & Innovation KPI"; the third perspective has been identified with the "Leadership behaviors in action" and includes "Customer centricity" and "People empowerment");
- furthermore, in the context of the STI Plan, it has been specified that the ad hoc funding pool for GMC also includes the General Manager;
- with a view to differentiating the level of the maximum potential bonus attributable in the context of the LTI Plan depending on the different characteristics of various categories of persons entitled to participate in the LTI Plan, new specific thresholds for the maximum potential bonus to be disbursed in shares for the General Manager and the "other beneficiaries" (Group Talents and other directors) have been introduced; such new thresholds respectively equal 200% and 87,5% of the gross fixed remuneration of the plan participants (whilst 250% threshold for the Group CEO has remained unchanged);
- in the context of the LTI Plan, it has been expressly clarified the possibility for the Board of Directors to grant to single beneficiaries of the plan, in place of shares, a cash amount, in order to keep its substantive and economic content unchanged, in the event or factors that may influence key elements of the plan;
- in the context of the provisions concerning extraordinary remunerations, it has been provided the possibility to grant extraordinary remuneration, subject to Board of Directors resolution, on the proposal of the Remuneration Committee, not

only for new hires but also whilst in employment, with a view to retaining and motivating persons and ensuring employment stability over time. These kind of extraordinary remunerations are implemented within governance processes framework related to remuneration and an appropriate disclosure is provided as required by current regulations;

- the provision according to which non-executive, whether independent or not, Board of Directors members are entitled to receive a variable remuneration has been deleted;
- the insurance policy for the coverage of the civil liability of the Company's Directors and Auditors (Directors' and Officers' Liability Insurance - D&O) has been extended to all Group insurance companies included under the scope of the consolidation and to all their respective managers. As a consequence, the maximum has been increased to € 250 million per claim, aggregated per year and per period of cover. The maximum dedicated to Company's Directors and Auditors of Assicurazioni Generali S.p.A., as well as to the Executive in Charge of the Drafting of the Company's Accounting Documents of the Company, has remained unchanged and equals to € 100 million per claim, aggregated per year and per period of cover. Furthermore, cases of gross negligence are now included under the insurance cover.

In this context, the Risk Management function has verified consistency of the identified criteria and of the related indicators used to evaluate the performance with respect to the risk management strategies approved by the Board of Directors, with specific reference to Risk Appetite Framework and Recovery Plan and considers them appropriate.

## Conclusions

As a result of the above evaluations:

- the Risk Management function, with particular reference to the criteria and parameters adopted for determining the variable remuneration, deems that the new remuneration system is consistent with the Group risk management strategies;
- the Compliance function deems that the remuneration system described in the remuneration policy complies with the Solvency II framework, the IVASS provisions, including the letters to the market ("Lettere al Mercato"), the Company's Articles of Association, the Corporate Governance Code for Listed Companies and the Group Code of Conduct.

Both functions will in any case ensure that the implementing acts of the new remuneration policy comply with the provisions of the same policy as well as with ISVAP Regulation no. 39, the Company's Articles of Association, the Corporate Governance Code for Listed Companies and the Group Code of Conduct and related implementing rules.

## EX POST VERIFICATIONS OF THE INTERNAL AUDIT FUNCTION

This report has been prepared pursuant to art. 23 of ISVAP Regulation 39/2011 which provides that the internal audit function verifies the correct application of the remuneration policies based on the guidelines established by the Board of Directors for the sake of efficiency and safeguarding of company assets. This audit integrates those ones carried out by other control functions (Compliance and Risk Management).

The audit has covered both the verification of the correct settlement and payment of the variable component attributed to the recipients based on remuneration policies for 2014, and the verification of the correct implementation of the 2015 remuneration policy. Both types of checks are subsequent and consequent to the various resolutions taken by the Shareholders' Meeting on April 30, 2015 on remuneration and on the approval of the financial statements as of 31 December 2014. Such approval is indeed the fundamental prerequisite for the delivery of the 2014 variable part of the remuneration to the recipients of the policies.

The results of these checks, based in some cases on the analysis of a significant sample of transactions in case the target population was particularly extensive, did not reveal any notable exceptions.

# ATTACHMENT

## Information note pursuant to Article 84-bis, paragraph 5, of the Issuers' Regulations CONSOB

### FINANCIAL INSTRUMENT-BASED COMPENSATION PLANS - GRANTING OF SHARES/RIGHTS UNDER THE 2015 LONG TERM INCENTIVE PLAN AND PREVIOUS PLANS

Table no. 1, Scheme 7, of Annex 3A of Consob Regulation no. 11971/1999

*With reference to the 2013 Long Term Incentive Plan approved by the Shareholders' Meeting on April 30th 2014, the Board of Directors of Assicurazioni Generali S.p.A, on 17 March 2016, upon proposal of the Remuneration Committee, and having verified the achievement of the performance conditions provided for in the plan, assigned to No. 119 beneficiaries an overall number of Generali' shares equal to No. 3,010,255, subject to the conditions set forth in the plan.*

*With reference to the 2015 Long Term Incentive Plan, approved by the Shareholders' Meeting on 30 April 2015, the Board of Directors of Assicurazioni Generali S.p.A, on 10 June 2015, upon proposal of the Remuneration Committee, resolved to give execution to the plan. No. 349 beneficiaries have thus been identified, and as such have been granted, effective as of 2015, the right to receive an overall number of Generali shares up to No. 7,143,794, which may be allotted at the end of a three-year vesting period, subject to the occurrence of the conditions set forth in the plan.*

*With reference to the 2012 Long Term Incentive Plan approved by the Shareholders' Meeting on 30 April 2011, during 2015, the competent bodies determined the amount of the cash-based bonus accrued by No. 128 beneficiaries at the end of the first three-year phase of the plan. A part of such amount, based on the plan regulations, has been invested by the beneficiaries in the purchase of Generali shares, thus starting the second three-year phase of the plan, at the end of which an overall number of Generali shares up to Np. 339,069 may be allotted to the beneficiaries, subject to the occurrence of the conditions set forth in the plan.*

*For more details on the 2013 Long Term Incentive Plan and on the other Long Term Incentive Plans, please refer to the respective information documents available on the issuer's website [www.generali.com](http://www.generali.com)*

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**Table 1, Section 1 – Instruments relating to plans, currently valid, approved on the basis of previous shareholders' meeting resolutions**

A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Name and surname or category	Office	Date of meeting resolution	Type of financial instrument	Number of financial instruments	Date assigned	Instrument purchase price (if applicable)	Market price at the time of assignment	Vesting period
Mario GRECO	Group CEO and General Manager	LTI 2013 - 2015 (resolution of the Shareholders' Meeting 30.04.2013) (1)	Assicurazioni Generali ordinary Shares	162,990 shares to be granted	30.04.2013		14.01	2013 - 2015
Dietmar MEISTER	Country Manger Germany	LTI 2010 (resolution of the Shareholders' Meeting 24.04.2010) (4)	Assicurazioni Generali ordinary Shares	4,448 shares not granted	24.04.2010		16.72	2010 - 2015
Other managers with strategic responsibilities*		LTI 2014 - 2016 (resolution of the Shareholders' Meeting 30.04.2014) (2)	Assicurazioni Generali ordinary Shares	859,262 shares potentially granted	30.04.2014		16.90	2014 - 2016
		LTI 2013 - 2015 (resolution of the Shareholders' Meeting 30.04.2013) (1)	Assicurazioni Generali ordinary Shares	580,654 shares to be granted	30.04.2013		14.01	2013 - 2015
		LTI 2011 (resolution of the Shareholders' Meeting 30.04.2011) (3)	Assicurazioni Generali ordinary Shares	32,654 shares potentially granted	30.04.2011		16.15	2011 - 2016
Other managers		LTI 2014 - 2016 (resolution of the Shareholders' Meeting 30.04.2014) (2)	Assicurazioni Generali ordinary Shares	3,080,553 shares potentially granted	30.04.2014		16.90	2014 - 2016
		LTI 2013 - 2015 (resolution of the Shareholders' Meeting 30.04.2013) (1)	Assicurazioni Generali ordinary Shares	2,266,611 shares to be granted	30.04.2013		14.01	2013 - 2015
		LTI 2011 (resolution of the Shareholders' Meeting 30.04.2011) (3)	Assicurazioni Generali ordinary Shares	180,026 shares potentially granted	30.04.2011		16.15	2011 - 2016
		LTI 2010 (resolution of the Shareholders' Meeting 24.04.2010) (4)	Assicurazioni Generali ordinary Shares	74,060 shares not granted	24.04.2010		16.72	2010 - 2015

\* including emoluments from subsidiaries and associates

(1) Number of shares to be granted on April 2016 as per Assicurazioni Generali Board of Directors' resolution after the conclusion of performance period and based on the achievement of the objectives set for the three-year period 2013 - 2015.

(2) Maximum number of shares to be potentially granted at the end of vesting period (2014 - 2016) subject to the achievement of the objectives and the terms and conditions of the plan, considering, with regard to 2014 and 2015, the number of shares is calculated based on the level of performance achieved in the two years.

(3) Maximum number of shares to be potentially granted in 2017 at the end of co-investment period (2014 - 2016) subject to the achievement of the objectives set for the period 2014 - 2016 and the terms and conditions of the plan.

(4) At the end of plan second performance cycle (2013 - 2015), considering that three years objectives have not been met, no shares will be granted as part of execution of the plan.

**Table 1, Section 2 – New assignment instruments on the basis of the decision:**

of the board of directors to propose to the shareholders' meeting

of the competent body for the implementation of the shareholders' meeting resolution

A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Name and surname or category	Office	Date of meeting resolution	Type of financial instrument	Number of financial instruments	Date assigned	Instrument purchase price (if applicable)	Market price at the time of assignment	Vesting period
Other managers with strategic responsibilities*		LTI 2015 - 2017 (resolution of the Shareholders' Meeting 30.04.2015) (1)	Assicurazioni Generali ordinary Shares	1,056,195 shares potentially granted	30.04.2015		17.38	2015 - 2017
		LTI 2012 (resolution of the Shareholders' Meeting 30.04.2011) (2)	Assicurazioni Generali ordinary Shares	59,008 shares potentially granted	30.04.2012		10.42	2012 - 2017
Other managers		LTI 2015 - 2017 (resolution of the Shareholders' Meeting 30.04.2015) (1)	Assicurazioni Generali ordinary Shares	4,253,692 shares potentially granted	30.04.2015		17.38	2015 - 2017
		LTI 2012 (resolution of the Shareholders' Meeting 30.04.2011) (2)	Assicurazioni Generali ordinary Shares	280,060 shares potentially granted	30.04.2012		10.42	2012 - 2017

\* including emoluments from subsidiaries and associates

(1) Maximum number of shares to be potentially granted at the end of vesting period (2015 - 2017) subject to the achievement of the objectives and the terms and conditions of the plan, considering, with regard to 2015, the number of shares is calculated based on the level of performance achieved in the year. Moreover as stated in LTI plan's rules and as described in last year Remuneration Report, beneficiaries could receive an additional number of shares based on the overall amount of the dividends distributed in the three-year reference period (so-called dividend equivalent).

(2) Maximum number of shares to be potentially granted in 2018 at the end of co-investment period (2015 - 2017) subject to the achievement of the objectives set for the period 2015 - 2017 and the terms and conditions of the plan.

Editing

**Group Reward**

Coordinations

**Group Communications  
& Public Affairs**

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