

**ASSICURAZIONI GENERALI S.P.A.
BOARD OF DIRECTORS**

**ADVICE FOR SHAREHOLDERS
ON THE SIZE AND COMPOSITION
OF THE BOARD OF DIRECTORS
FOR THE THREE-YEAR PERIOD 2016-2018**

1. Introduction

The Listed Companies' Corporate Governance Code ("the Code") recommends that Boards of Directors should issue advice to shareholders on the size and composition of the Board, taking account of the results of the annual self-assessment process.

The Code recommends that at the time of submission of lists and subsequent appointment of directors, shareholders should take account of the Board's opinion when assessing the professional characteristics, managerial and other experience and gender of the candidates in relation to the size of the issuer, the complexity and specificity of the field in which it operates, and the size of the Board of Directors. It is appropriate for that opinion to be published in sufficient time to ensure that the choice of candidates can take account of the detailed recommendations.

The Code also indicates that it is good practice for the shareholders that control the issuer or, if none, those able to exercise considerable influence over it, to inform the public, a reasonable time in advance, of any proposals they intend to submit to the General Meeting on subjects as to which no specific proposals have been made by the directors. For example, the Code states that at the time of submission of the list of candidates, the market could be notified of those shareholders' opinions on subjects such as the number of members of the Board of Directors, and the duration and remuneration of that body.

The banking legislation, which represents a clear frame of reference for the development of corporate governance in Italy today, makes similar recommendations. On the subject of organisation and corporate governance it provides that the optimum qualitative and quantitative composition of the Board of Directors should be established in advance by the Board itself (assisted by the Appointments Committee in the case of the largest and most complex banks), and subjected to periodic self-assessment. It also states that the appointment procedures must be transparent and ensure that the various shareholders are appropriately represented on the company's governing bodies. The results of the analyses must be notified to shareholders in sufficient time to ensure that the choice of candidates to be submitted takes account of the assessments performed.

In that context, the Board of Directors ("the Board") of Assicurazioni Generali S.p.A. ("Generali" or "the Company") has identified in advance, with the support of the

Appointments and Corporate Governance Committee (“the Committee”), the qualitative and quantitative composition deemed appropriate for the performance of its activities, including the candidates’ characteristics of professionalism and independence, bearing in mind that the authoritativeness and competence of the candidates must be commensurate with the tasks that the directors are required to perform, taking account of the size and complexity of the Company, its business objectives and its strategic vision.

It has therefore prepared this Advice for Shareholders, again with the Committee’s support, which is submitted for examination and evaluation by shareholders in readiness for the forthcoming General Meeting, as the items on the agenda of that Meeting include the appointment of the Board for the three-year period 2016-18, after establishing the number of its members.

2. Quantitative aspects: size of the Board

2.1. Board evaluation information for shareholders - According to the well-established corporate governance rules, the number of Board members must be suited to the size and complexity of the Company’s organisational structure, to ensure that it can supervise the whole of its operations effectively, in terms of both management and control.

In 2013 the General Meeting set the number of Board members at 11, in accordance with the Board’s recommendation made at the time. The Articles of Association state that the minimum number of directors shall be 11 and the maximum number 21.

The correct size of the Board is based partly on the composition of the Board Committees, on which a decisive role is played by members who meet the independence requirement. The presence of Committees with consultative, recommendatory and preparatory functions is a common organisational system that reflects the established national and international practice, and increases the efficiency and efficacy of the Board’s work, as has been clearly demonstrated during the three-year term of office of the current Board.

A large number of directors does not always allow effective interaction at meetings, and the contribution made by each member of a crowded collective body is not always ideal. The presence of numerous directors often requires the setting-up of an Executive Committee, a body unknown in many countries, the presence of which is not always synonymous with good corporate governance. Equally, if the number of members is too small, it will be impossible to set up a committee system suited to the increasing governance requirements and complex management of the largest companies, especially if they are subject to regulatory legislation.

The international best practice does not specify an ideal number of members of the

boards of listed issuers, merely indicating that it must be adequate for the conduct of the issuer's business activities. On that basis, in order to formulate its proposal, with the support of the Committee, the Board has examined a basket of issuers, consisting of its international peers in the insurance industry, comparable Italian issuers, and other international companies considered to represent the gold standard in corporate governance. The analysis indicated a variety of situations: the number of board members ranged from a minimum of 9 (ENI) to a maximum of 17 (Unicredit). The insurance peers have an average of 13.4 board members, the comparable national issuers considered have 13.4 (as against an average of 13.8 for the FTSE Mib index), and the "gold standard" companies have 13.

At the time of the 2015 self-assessment process the Board expressed the opinion, supported by the Committee, that the number of members elected for the three-year period 2016-18 should again be 11, and that the majority of that number should be people classed as independent pursuant to the Code, partly with a view to the constitution of the Board Committees.

2.2 The Board's recommendation - Having regard to the factors set out above and the smooth operation of the Board during the last three-year period, the Board expresses the opinion that when the proposals are put to the General Meeting, shareholders should vote for the number of directors to be elected for the three-year period 2016-2018 to be confirmed at 11.

The Board also recommends that the majority of that number should be people who can be classed as independent pursuant to the Code, so that the Board can be supported by Board Committees skilled in the field of control and risks, remuneration and appointments, set up in accordance with the criteria defined by the Code.

3. Qualitative aspects: composition of the Board

3.1. **Board evaluation information for shareholders** - The Corporate Governance Code recommends that the composition of the Board of Directors should suitably reflect, in relation to the business carried on by the issuer, the different types of director (executive, non-executive and independent) and their professional and managerial skills, including those of an international nature, and should take account of the benefits that can derive from the presence on the Board of members of different genders, geographical origins, educational and cultural backgrounds, ages and seniority in office. It is also recommended that the number, skills and authoritativeness of the non-executive directors, and the amount of time they are able to devote to their duties, should be sufficient to ensure that their opinion has significant influence when Board decisions are taken.

The insurance legislation also lays down further specific requirements of professionalism that must be possessed by Board members, in addition to those of respectability and independence, while s. 36 of Statute 214/2011 prohibits interlocking situations ⁽¹⁾.

According to the best practice, the presence of independent directors on the Board is the most suitable solution to guarantee that the interests of all shareholders, both majority and minority, are represented. In this respect, in the correct exercise of the right to appoint directors, independent directors may be nominated by the controlling shareholders or shareholders that exercise considerable influence.

The Code recommends that the lists of candidates for directorships should be accompanied by information as to whether the candidates can be classed as independent pursuant to art. 3 of the Code, provided that in any event, it is the responsibility of the Board of Directors as a whole to assess the independence of its members. It also recommends that directors who claim to be independent must undertake to maintain their independence throughout their term of office.

Acceptance of a directorship in companies which, like Generali, have adopted the Code, requires a prior evaluation as to whether the candidate will be able to devote the necessary time to diligent performance of the tasks of a director, taking account of the number of directorships or appointments as statutory auditor held in other companies listed on Italian or foreign regulated markets, or in finance, banking or insurance companies or other large companies, and of the other professional activities performed by the person concerned. Large companies are defined as those with net equity exceeding € 10 billion. In this respect, the Board considers that a maximum of two offices for executive directors or five for non-executive directors is usually compatible with effective performance of a directorship of the Company. Multiple offices held in companies in the same Group are considered as a single office ⁽²⁾.

⁽¹⁾ The insurance legislation is contained in the Economic Development Ministry's Decree no. 220 of 11 November 2011, to which the reader should refer for further details. In accordance with s. 36 of Statute 214/11 governing *interlocking personal shareholdings on the credit and financial markets* and prohibiting *persons holding offices in management, supervision and control bodies and the top management executives of companies or groups of companies operating on the credit, insurance and financial markets from accepting or exercising similar functions in competing companies or groups*, it is recommended that candidates should only be nominated if it has already been established that there are no grounds for their incompatibility as defined by the said provision, in addition to the one applicable to insurance companies.

⁽²⁾ Having sufficient time to devote to the performance of the directorship, taking account of its nature and quality, is a pre-requisite that candidates must guarantee, including as regards activities deriving from attendance at meetings of the Board Committees of which they are members. Shareholders are informed that in each year of the three-year period 2013-2015 an average of 13 meetings of the Board of Directors were held, 7 meetings of the Appointments and Corporate Governance Committee, 11 meetings of the Risk and Control Committee, 8.6 meetings of the Remuneration Committee, 8.6 meetings of the Investment Committee, and 6 meetings of the Related-party Transactions Committee, with an average duration of nearly 3 hours for Board meetings and between half an hour and over 4 hours for Board

During its term of office, the Board has implemented the provisions of art. 5.2.1 of IVASS Regulation no. 20 governing the qualitative composition of the Board, establishing that the Board of Directors shall collectively possess suitable knowledge and experience of the market on which the Company operates, its strategy and business model, its governance system, financial and actuarial analysis and the regulatory situation and legislative requirements⁽³⁾. In this respect, it is appropriate for all the skills indicated above, which are held by the current Board, in a perspective that takes account of both the individual and the collective dimension, to be represented on the new Board.

At present, Generali's Board of Directors consists of 90.9% non-executive directors (with a single Managing Director, namely the Group CEO), and 63.6% independent directors; this level appears to comply with the best national and international practice⁽⁴⁾. Female members make up 36.4% of the Board, which has four members of the less represented gender: as from the next Board appointment, the minimum percentage of the less represented gender will be 33%.

The mean age of Board members is about 60 at present. Generali's corporate governance specifies an age limit of 77 for access to the Board and a lower limit of 70

Committee meetings. Members are also required to attend off-site events during their three-year term of office, and one Board member is appointed as a member of the Supervision and Control Committee. The time devoted by each director to preparing for meetings is obviously additional to the actual meeting time. In view of the factors set out above, the Board recommends that candidates should only accept the office if they consider that they can devote the necessary time to it, having regard to the time devoted to other working or professional activities, and to the performance of any offices they may hold in other companies.

⁽³⁾ In this context, it is specified that *market knowledge* means awareness and understanding of the broader business, economic and market context in which the company operates, and awareness of customers' knowledge level and requirements. *Knowledge of the governance system* means awareness and knowledge of the risks to which the company is exposed, and the ability to manage them, together with the ability to verify the efficacy of the measures taken by the company to guarantee effective governance, supervision and control of the business and, if necessary, the ability to manage change in those sectors. *Knowledge of financial and actuarial analysis* means the ability to interpret the company's financial and actuarial information, identify and evaluate the key factors, implement suitable controls and take the necessary measures on the basis of the available information. *Knowledge of the regulatory framework and legislative requirements* means awareness and understanding of the legislative framework within which the company operates, in terms of the requirements and expectations imposed by the legislation and the ability to adapt promptly to the associated changes.

⁽⁴⁾ The coefficient of 63.7% relates to the proportion of members who meet the independence requirements laid down in the Code, which are those relevant to the composition of the Board Committees. Moreover, art. 28.2 of the Articles of Association refers, with regard to the appointment and debarment of Directors, to the possession of the independence requirements laid down by the Consolidated Finance Broking Act (CFBA) for holding office as Statutory Auditor. The Articles of Association provide that these requirements must be met by at least one-third of the directors; at present, they are met by 90.9% of the directors in office, the only exception naturally being the sole executive director.

and 65 for holding the offices of Chairman and Managing Director respectively.

The present Board's members reflect the presence, either directly or through representatives, of some of the most important shareholders, business owners operating in a variety of economic sectors, executives of major Italian and foreign companies, university lecturers on economic and financial subjects, and members of the professions. In particular, 64% of members have experience as directors of issuers with high stock-market capitalisation and a managerial profile, 55% have experience in the insurance field and in industry, 36% have skills in the financial & accounting field, while 27% have skills in the academic and business fields and 9% in the legal profession. The level of professional experience found in the current composition of the Board therefore appears to be appropriate in relation to the business carried on by the Company and the Group. The Board's current composition demonstrates a strong international profile, as indicated by the positions held by most of its members in foreign business, professional or academic contexts.

On the basis of the Board's membership over the last 12 years, the Board has a balanced distribution. The average seniority is 5.03 years; 36% of members have above-average seniority, 18% between the average and 3 years, and 45% under 3 years.

3.2 The Board's recommendation - *In view of the factors set out above and the result of the recent self-assessment process, which took account of the reference situation previously described, the Board considers that, having regard to the Company's business objectives and strategic vision, the current structure reflects in general, in a correct and balanced way, the different types of director (executive, non-executive and independent) and their professional and managerial skills, including those of an international nature, and a balanced membership in terms of diversity of gender, geographical origin, educational and cultural background, age and seniority in office.*

It therefore recommends that the various components and key skills identified by the Board when implementing the terms of art. 5.2.1 of IVASS Regulation no. 20, which are possessed by the Board currently in office, should also be substantially possessed by the new Board, in a perspective that takes account of both the individual and the collective dimension.

The Board therefore emphasises the importance of:

- a) ensuring that the new Board possesses a balanced combination of professional backgrounds, skills, experience and diversity, an adequate representation of the share capital, and promoting, in accordance with the business objectives and those of the strategic plan, knowledge of the insurance and financial industry and strategic and market orientation, with particular attention to the international profile of the candidates (regardless of nationality) and their willingness to confront the challenges posed by technological innovation, especially digitalisation, in the financial world in general and the insurance world in particular;*

- b) *more specifically, in view of the developments in the legislation governing the industry (especially Solvency II), ensuring that the Board possesses the professional skills currently held by the present Board of Directors, which are required for supervision of the internal control and risk management system (in particular as regards risks and solvency), appointments to the corresponding Board Committee, and support for its efficacy;*
- c) *also ensuring, as recommended by the Code, that the Board's members include at least one financial expert and one remuneration expert, to be appointed to the Risk and Control Committee and the Remuneration Committee respectively;*
- d) *acknowledging that available time is a key factor in the effective performance of a directorship with the Company;*
- e) *ensuring the presence of a suitable number of independent directors on the Board and the Board Committees;*
- f) *maintaining the current ratio between executive and non-executive directors, and confirming a system of operational delegation of powers hinging on a sole Managing Director;*
- g) *ensuring the distribution of the Directors' seniority, evaluating the advisability of maintaining the presence of a suitable number of the directors currently in office, partly with a view to implementation of the 2016-18 Strategic Plan and application of the internal capital calculation model, both issued by the Board in 2015, and at the same time confirming the value of new directors.*

Finally, without prejudice to shareholders' right to make their own evaluations of the ideal composition of the new Board and to submit candidates consistent with them, the Board recommends that when the lists are submitted, shareholders should provide suitable evidence, in the form of each candidate's CV, that the skills of the candidates nominated in their lists (which should relate not only to individual qualifications, skills and experience, but also to the composition of the Board as a collective body) match those identified by the Board or by shareholders themselves.

This opinion will be published at least 60 days prior to the date of the General Meeting to ensure that shareholders can take account of the Board's evaluations and recommendations at an early stage in the process of choosing the candidates.

Milan, 17 February 2016

BOARD OF DIRECTORS