

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

**GUIDANCE OPINION FOR SHAREHOLDERS
ON SIZE AND COMPOSITION OF THE
BOARD OF DIRECTORS
FOR THE THREE-YEAR PERIOD 2019-2021**

1. Introduction

The **Corporate Governance Code for listed companies** (the “Code”) urges boards of directors to state their guidance opinion for shareholders on the size and composition of the board of directors, bearing in mind also the results of the self-assessment process conducted once a year.

The Code recommends that shareholders assess the professional characteristics, experience (including managerial) and gender of the candidates in proportion to the size of the issuer, the complexity and specificity of the business sector in which it operates, and the size of the administrative body when presenting lists and when afterwards appointing directors, also in light of the opinion given by the board on the subject. It is advisable that this opinion be published plenty of time ahead so that choice of the candidates can take into account the features of the profiles suggested.

The Code also specifies that it is good practice for the shareholders controlling the issuer, or in lack thereof those able to exercise considerable influence over it, announce to the public any proposals that they plan to submit to the shareholders’ meeting on those topics of which the directors have not formulated a specific proposal sufficiently in advance. For example, it is provided that the positions of such shareholders on topics such as the number of members of the board of directors, the term and the remuneration of said body can be announced to the market when the list of candidates is presented.

The **banking legislation** contains the same provisions; on the subject of organisation and corporate governance, it establishes that the optimum quali-quantitative composition of the administrative body be defined in advance by the body itself (in the case of larger and more complex banks, assisted by the appointments committee) and undergo periodic self-assessment. It is also provided that the appointment procedures be transparent and ensure adequate representation of the different members of the shareholder base in the corporate bodies. The results of the analyses are disclosed to the shareholders in plenty of time so that the choice of candidates to present can take into account the assessments made.

The **insurance legislation** in turn (particularly the new IVASS Regulation no. 38 dated 3 July 2018, “Regulation 38”, and the governance system Guidelines issued by EIOPA), in demanding the central position of the board of directors’ role in the corporate governance of companies and insurance groups, prescribes that the self-assessment process be

carried out at least once a year and provides that the board of directors state guidelines on the professional figures whose presence in the administrative body is deemed opportune and propose corrective actions, if necessary. In carrying out this self-assessment, the board is required to also check the adequacy of the number of independent members in connection with the activity carried out by the company.

The objective that these provisions all have in common is to guarantee the effectiveness of the board's role through its members, as it is able to leverage the necessary personal and professional profiles. This implies that the professional competences necessary to attain this result must be clearly defined *ex ante*, and if necessary be reviewed over time in order to take into account strengths and attention that might emerge over time. It also implies that the candidate selection and appointment process must take into account recommendations that the outgoing board is able to submit to the Shareholders.

In light of this context, the Board of Directors (the “Board”) of Assicurazioni Generali S.p.A. (hereinafter: “Generali”, or the “Company”) has identified in advance, with the support of the Appointments and Remuneration Committee (the “ARC”) and of the Corporate Governance and Social and Environmental Sustainability Committee (the “GSC”), the quali-quantitative composition deemed adequate for carrying out its activity, including the professional competence and independence characteristics of the candidates, taking into account that the prestige and expertise of the latter must be suitable for the tasks that the directors are called upon to carry out, also in light of the size and complexity of the Company, of its business objectives and of its strategic vision.

Again with the support of the above-mentioned board committees, it then drew up this guidance opinion that it submits to the examination and evaluation of the Shareholders in view of their upcoming Shareholders’ Meeting, with one of the items on its agenda being the appointment of the Board for the three-year period 2019-21 subject to determination of the number of its members.

This opinion takes into account the results of the self-assessment process carried out by the Board at the end of the three-year period of its mandate, which reflects the strategic vision for the three-year period 2019-21 that the outgoing Board established last November. It also takes into account findings emerging from the engagement activity addressed to various Company stakeholders (e.g. institutional investors, vote consultants, etc.), and the examination of benchmarks and corporate good practices promoted nationwide and at the international level.

2. Quantitative aspects: the size of the Board

2.1. Elements of assessment of the Board for the Shareholders - According to consolidated corporate governance rules, the number of board members must be suited to the size and complexity of the organisational structure of the company in order to effectively monitor all company operations in both management and control terms.

In 2016, the Shareholders' Meeting set the number of members of the administrative body at 13. Please be reminded that the Generali articles of association (the "Articles of Association") establish 10 as the minimum number and 21 as the maximum number of directors.

The proper size of the administrative body is also determined based on the number and composition of the board committees, in which members having the independence requirement play a decisive role. The presence of committees with advisory, proposal-making and investigation functions is a specific organisational procedure in consolidated national and international practice, able to increase the efficiency and effectiveness of the board's work. Clear confirmation of this was had during the three-year mandate period of the Board in office today, in which it availed itself not only of the committees recommended by the Code, but also of another two committees: the GSC and the Committee for Investments and Strategic Transactions ("CIS").

A large number of directors does not always provide effective interaction in board meetings, and the contribution of each member of a crowded collective body is not always optimum. At the same time, too small a number of members does not allow a composition of committees that is in line with the growing needs for governance and the management complexities of larger companies, especially if they are subject to sector supervisory regulations ⁽¹⁾.

International best practice does not specify an ideal number for the composition of the administration bodies of listed issuers, but does specify that it must be simply adjusted to conduct the business activity that the issuer is called upon to carry out.

Based on this premise, with the support of ARC and GCS, the Board examined a basket of issuers formed by international peers of the insurance industry and comparable Italian issuers. An analysis of the FTSE MIB issuers was also conducted, which pointed out varied situations with administrative bodies made up of a minimum of 9 members (including: ENI, ENEL and Terna) to a maximum of 22 (Unipol) ⁽²⁾: however, the average

⁽¹⁾ During the current mandate three-year period, the Board set up 5 board committees, 2 of which recommended by the Code. This number is in line with the average observed in the financial companies of the FTSE MIB index (4.6), as like the average number of committee members (4.8 compared to a total index average of 4) and the average number of offices of each director on the committees (2.4 compared to an average of 2.9).

⁽²⁾ Public data acquired from governance reports and ownership structures relating to the year 2017.

figure for financial sector issuers is 14.7 members ⁽³⁾, 13 for the comparable national issuers considered and for those belonging to the FTSE MIB index⁽⁴⁾.

During self-assessment in the entire three-year period of the mandate, a broad majority of Directors was oriented toward confirming 13 (thirteen) as the number of members.

2.2 Board Recommendation - *Having regard to the foregoing, the Board recommends confirming the current number of Directors (thirteen), and also suggests considering addition of competences, as explained below.*

⁽³⁾ The figure is taken from *Assonime – Issuers of Securities, Notes and Studies 1/2019. Corporate Governance in Italy: conduct, remuneration and comply-or-explain (year 2018). January 2019.*

⁽⁴⁾ Comparable Italian issuers are ENI S.p.A., ENEL S.p.A., Unicredit S.p.A., Intesa San Paolo S.p.A., Telecom Italia S.p.A. and Poste Italiane S.p.A.

3. Qualitative aspects: composition of the Board

3.1. Elements of assessment of the Board for the Shareholders - The Code recommends that the composition of the board adequately represents the various components (executive, non-executive, independent) and the professional and managerial expertise and experience, also international in nature, in connection with the activity that the issuer carries out, also taking into account benefits that might arise from the presence of diversity of gender, geographical, educational and cultural origin, age and seniority of office. It is also recommended that the number, expertise, prestige and availability of time of the non-executive directors be such as to guarantee that their judgement might bear significant weight in taking board decisions.

The insurance legislation also sanctions specific requirements of professionalism that the members of the administrative body must have, functional for the healthy and prudent management of companies and insurance groups, in addition to those of integrity and independence, whereas Art. 36 of Italian Law no. 214 of 22 December 2011 establishes the prohibition of interlocking situations ⁽⁵⁾.

According to best practice, the presence of directors that can be qualified as independent on the board is a solution able to guarantee the composition of the interests of all shareholders, both majority and minority. In this sense, the independent directors can be proposed by the majority shareholders or those exercising significant influence themselves when properly exercising their rights to appoint directors.

The Code states it is advisable that the lists of candidates for the office of direct include specification of the candidates' suitability, if any, for qualifying as independent pursuant to Art. 3 of the Code, without prejudice to the board of directors' responsibility to assess the independence of its members. It is also stated that a director who indicates their suitability for qualifying as independent undertakes to retain it during the term of the mandate is preferred. The current level of independence is 62%.

In companies that, like Generali, comply with the Code, acceptance of the office of member of the board of directors involves prior assessment of the possibility to be able to dedicate the time necessary to diligent performance of the duties of member, also taking into account the number of offices of director or of statutory auditor held in other issuers listed in regulated markets (foreign included), in financial, banking, insurance companies

⁽⁵⁾ The insurance legislation is contained in Ministry for Economic Development Decree no. 220 of 11 November 2011, to which reference is made. In compliance with Art. 36 of Italian Law no. 2014 of 22 December 2011 carrying provisions concerning the *personal cross-shareholdings in the credit and financial markets* and the prescribed prohibition to *those holding offices in management, supervisory and control bodies and top managers of companies or groups of companies operating in the credit, insurance and financial markets from taking on or exercising similar offices in competing companies or groups of companies*, it is recommended that candidates for whom the non-existence of causes for incompatibility prescribed by the mentioned rule, in addition to the insurance rule in force, has been checked in advance be specified.

or in companies of significant size, and other professional activities that the interested party carries out⁽⁶⁾). To this regard, the Board usually considers a limit of two offices for executive directors and five for non-executive directors compatible with effective performance of the office of Director. Multiple offices held in companies of the same corporate group are considered a single position⁽⁷⁾. The commitment demanded of the Directors does not end with attending board meetings, but entails also the prior analysis of the documentation (often substantial) made available prior to each board meeting, in addition to taking part in the board committees they are members of an informal strategic and training/induction sessions.

Also be reminded that over the course of its mandate, the Board implemented the provisions of Art. 5, paragraph 2, letter n) of Regulation 38 on the subject of qualitative composition of the Board, by establishing that the administrative body has, as a whole, adequate knowledge at least on the subject of insurance and financial markets, governance systems (including personnel incentive systems), financial and actuarial analyses, regulatory framework, business strategies and business models⁽⁸⁾.

At the same time, Art. 4 of the same new Regulation states that monitoring of the corporate governance system covers all types of corporate risk, including generated or sustained

⁽⁶⁾ For these purposes, entities with shareholders' equity higher than Euro 10 billion are considered of significant size.

⁽⁷⁾ Availability of time and resources to dedicate to carrying out the duties of Board member, given its nature and quality, is an essential requirement that the candidates must ensure, also in connection with the activities arising from participation in the works of the board committees of which they are members. For information purposes, please note that during the 2016-18 three-year period up until today a average of 13.3 meetings of the Board; 12.3 meetings of the Control and Risks Committee ("CCR"); 11.3 meetings of the CIS; 7.3 meetings of the GCS; 7 meetings of the ARC, of which 6 for the Appointments part and 8 for the Remuneration part; and 2.7 meetings of the Transactions with Related Parties Committee ("COPC") have been held each year. The average annual duration of the Board meetings was about 3 hours, while that of the board committee meetings ranged from half an hour to over 5 hours (in particular, in 2018 the CCR meetings reached 74 hours). To be added to the above is the commitment dedicated by each Director to taking part in *off-site events on strategic topics* held during the three-year period, the two annual meetings for independent directors only and the meeting scheduled for only non-executive directors. Added to the time dedicated to the meetings is naturally the time necessary to prepare them. In consideration of the forgoing, the Board recommends that the candidates accept the position when they believe they are able to dedicate the necessary time and energy, taking into account that allocated to other work or professional activities in addition to carrying out other corporate appointments.

⁽⁸⁾ In this context, it is provided that the term *knowledge of the markets* means the awareness and understanding of the full entrepreneurial, economic and market context in which the company operates and the awareness of the level of knowledge and needs of the customers. One is *knowledgeable of the governance system* when there is awareness and knowledge of the risks to which the company is exposed and the ability to management them: added to this is the ability to check the effectiveness 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 these sectors. *Knowledge of financial and actuarial analyses* means ability to interpret the financial and actuarial information of the company, to identify and assess the key factors, to implement adequate controls and to take the measures necessary based on the information available. Lastly, *knowledge of the regulatory framework* implies awareness and understanding of the regulatory framework in which the company operates, in terms of requirements and expectations set by the regulations and of ability to promptly adapt to the relevant changes.

environmental and social risks. To this regard, it is advisable that all competences specified above - which the administrative body in office today possesses - in an outlook that takes into account the individual and collective dimension continue to be represented in the new Board, and that the shareholders submitting lists highlight that each of their candidates possesses them.

The mixture of competences of the Board should be well balanced and reinforced by knowledge of the business of the Company and Group and by experience gained in the current mandate, considering the complexity of the business and the need to complete the strategic development course that the current Board started with approval of the 2019-21 plan.

At present, the Board is made up of 92% non-executive directors who take part in all of the decisions taken by the Board and who are called upon to carry out an important dialectic and monitoring function on the proposals and decisions coming from the sole director holding proxies (the Group CEO). Independent directors make up 62% of the board (⁹) and 38.5% of the directors are women. The average age of the administrative body members is today roughly 59.5 years (¹⁰).

Today the Board expresses the presence - direct or through their representatives - of some of the most important exponents of the shareholder base, entrepreneurs operating in diversified economic sectors, managers of important Italian and foreign companies, university economics and finance teachers and exponents of the world of the professions (to this regard, please refer to what is explained in the special section of the [Company's website](#)). More specifically:

- 77% of the members have experience in the insurance, financial and accounting sectors;
- 62% have experience in the industrial sector, have managerial experience and specific knowledge of the regulatory context and of the regulatory requirements;
- 54% have experience as director in issuers with high capitalisation on the stock exchange;
- 38% have competences in the academic field; and
- 23% have consolidated experience in the entrepreneurial field (¹¹).

(⁹) The coefficient of 62% (to be precise, 61.53%) regards the incidence of members who have independence requirements provided for by the Code, which are those that are important for forming board committees. It is however to be emphasised that Art. 28.2 of the Articles of Association places importance on having the independence requirements established in the Italian Consolidated Law on Financial Intermediation for accepting the position of Statutory Auditor for the purpose of appointing Directors and their possible dismissal. The Articles of Association states that these requirements must be met by at least one-third of the directors; today 85% of the directors in office meeting these requirements.

(¹⁰) The average figure for Italian issuers belonging to the financial sector exceeds the age of 60 (*Assonime – Issuers of Securities, Notes and Studies 1/2019. Corporate Governance in Italy: conduct, remuneration and comply-or-explain (year 2018). January 2019*).

(¹¹) Experience in the entrepreneurial field is a strength of Generali, which leads the list of the 19 peers considered for this parameter. Other strengths concern the competences in the academic field and those on governance systems, for which Generali places 3rd, and those relating to managerial and to marketing and communications experience.

Therefore, the level of experience and professional competences found in the composition of the Board in office today appears to be adequate for the strategy and activity of the Company and Group, and it appears important to maintain continuity in view of the hard work required to implement the new strategic plan approved in the course of the Board's current mandate. The current composition of the Board already reveals an important international profile (found in 62% of the Directors), testified to by the positions held by most of its members in foreign corporate, professional or academic contexts⁽¹²⁾.

The activity of engaging with institutional investors, particularly the foreign ones, on the other hand revealed the possibility of strengthening the already consolidated presence on the Board with international experience and managerial and technical know-how in the informational technology sector, also in light of the focus of the 2019-2021 strategic plan on digital technologies. The attention that the stakeholders pay to the ESG (*Environment, Social, Governance*) topics, with goals that the Group has declared numerous times on the increasing attention paid to sustainable growth at the social and environmental level, reminds us of the possibility of a presence of competences in this sector as well. Based on the suggestion of the ARC and the GSC, the Board believes that these requirements are to be considered for a balanced composition of the next Board.

On the subject of presence over the last 12 years, the Board presents a balanced distribution in confirmation of governance that ensures an adequate ability to reshuffle. With average seniority standing at 7.41 years, 38% of the members is completing the first three-year period of mandate, 23% the second, 15% the third and the remaining 23% has been in office for more than three three-year periods.

3.2 Recommendation of the Board - *In light of the forgoing and the result of the recently conducted self-assessment process that took into account the previously explained framework of reference, it is deemed that considering the business objectives of the Company and its strategic outlook, the current structure in general correctly reflects, in a balanced manner, the various components (executive, non-executive, independent) and personal, professional and managerial competences, also of international projection, and balanced components of diversity of gender and of educational and cultural origin, real age and seniority of office.*

It is therefore recommended that the different components and the key competences identified by the Board in implementing the provisions of Art. 5, paragraph 2, letter n) of IVASS Regulation no. 38 today that the administrative body in office today has been substantially confirmed in the new Board as well, in an outlook that bears in mind both the individual and the collective dimension.

Therefore, emphasis is placed on the importance of:

⁽¹²⁾ The level of international experience gained today is in line with the average level found in the comparable Italian issuers (68%), while it is lower than that of the international peers of the insurance industry (78%).

- a) ensuring a Board governance structure hinged on the central role of the board committees, with reference to which the incoming Board is recommended to essentially confirm the model applied during the last three-year period;
- b) when selecting candidates, considering the presence of a broad diffusion of key competences (soft skills) such as: independence of thought, integrity, balance in seeking consensus, ability to constructively manage conflicts, willingness to work on a team and to effectively report to corporate top management, understanding of one's strategic role and role in integrating sustainability topics in the Company's strategic and business outlook;
- c) recognising availability of time and energy as a key component to effectively carry out the position of director of the Company, also taking into account a tendential increase in the dedication required to play the role on both on the Board and the board committees;
- d) guaranteeing the presence of a majority component of independent directors pursuant to the Code, considering the need that the Board might be assisted by board committees having control and risks, remuneration and appointments competences, formed according to the criteria set out in the Code;
- e) preserving the current ratio between executive and non-executive directors, confirming a system of operational mandates hinged on a single CEO;
- f) ensuring also in the new Board the current balanced combination of personal and professional profiles, competences, experience, real age and profiles of diversity, with adequate representation of the share capital;
- g) ensuring distribution of the Directors' seniority while assessing the advisability of containing to retain the presence of an adequate number of directors in office today, particularly in the perspective of implementing the 2019-21 strategic plan, and at the same time confirming the value obtained from diversification of the directors' ages;
- h) consistently with the business objectives and the new strategic plan, fostering the competences of knowledge of the insurance and financial business and of market orientation, the ability to understand and evaluate medium to long-term scenarios, attention paid to the international profile of the candidates and of their necessary openness to the challenges posed by technological innovation (including profiles associated with information technology, cybersecurity and operations) and, in particular, by digitalisation in the insurance sectors and, in more general terms, in the financial sector;
- i) also in light of the evolution of the sector's regulations (in particular of Solvency II), ensuring that the Board has those professional competences already present today capable of monitoring the internal control and risk management system (in particular for interpreting accounting figures, assessing and managing risks and solvency requirements) that also feed the composition of the board committee in charge of it and that support the effectiveness of its role;
- j) in compliance with what the Code recommends, ensuring that the presence of at least

one financial expert and another expert on the subject of remuneration and incentive systems and tools on the Board in order to be able to respectively assign them as members of the Control and Risks Committee and of the Appointments and Remuneration Committee;

- k) *consistent with the strategic outlook of the Group, considering the growing need to monitor ESG (Environment, Social, Governance) competences, also important in the perspective of a confirmed establishment of a special board committee, so that the Board can effectively play its role of supervising the management choices and of managing risks associated with sustainability over the medium and long-term, including the aspects of assessing and managing risks connected with the environment.*

Lastly - considering the prerogatives of the Shareholders to conduct their assessments on the optimum composition of the new Board and to present candidates consistent with them - it is recommended that when presenting the lists, the Shareholders provide adequate proof, also backed by the CV of each candidate, of the alignment of the competences of the candidates indicated on their lists (to not only set into the perspective of individual qualifications, competences, abilities and experience, but also of overall composition of the Board as a collective body) compared to those identified herein by the Board and by them themselves.

The assessments of the Board were shared by the Board of Statutory Auditors. This opinion will be published over 65 days in advance with respect to the date of the Shareholders' Meeting on first call (30 April 2019) in order that when choosing their candidates the Shareholders can take into account the assessments made by the Board and its recommendations sufficiently in advance of the deadline for submission of lists (5 April 2019).

Milan, 20 February 2019

BOARD OF DIRECTORS