



**Board of**

# **Auditors'**

**Report**



## Statutory Auditors' Report to the General Meeting of Assicurazioni Generali S.p.A. called to approve the Financial Statements as at 31 December 2016 pursuant to s. 153 of Legislative Decree 58/1998

Dear Shareholders,

in compliance with s. 153 of Legislative Decree no. 58 of 24 February 1998 (CFBA) and the indications contained in Consob notice no. 1025564 of 6 April 2001, as amended, and having regard to the code of conduct recommended by the National Accountants' and Bookkeepers' Council, the Board of Statutory Auditors of Assicurazioni Generali S.p.A. reports on the supervisory activities conducted during the 2016 financial year.

### 1. Activities of the Board of Statutory Auditors during the financial year ending on 31 December 2016 (*point 10 of Consob Notice no. 1025564/01*)

The Board of Statutory Auditors (BSA) performed the activities for which it is responsible during the 2016 financial year by holding 35 meetings, with an average duration of about two hours thirty minutes.

The BSA also:

- attended the 16 meetings of the Board of Directors (BoD);
- attended the 13 meetings of the Risk and Control Committee (RCC);
- attended the 4 meetings of the Related-Party Transactions Committee (RPTC) (formerly the Related-Party Transactions Sub-Committee (RPTSC));
- attended, in the person of its Chairman or another statutory auditor, the 4 meetings of the Remuneration Committee (RemCom) and the 6 meetings of the Appointments and Remuneration Committee (ARC), set up in May 2016, with specific reference to subjects involving remuneration;
- attended, in the person of its Chairman or another statutory auditor, the 10 meetings of the Investment Committee (InvCom).
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In addition to the above activities, in the course of its activity plan, the Board of Statutory Auditors, among other things:

- obtained a report on the proceedings of the Appointments and Corporate Governance Committee (replaced, from May 2016, by two committees, the Corporate Governance and Social and Environmental Sustainability Committee (CGS) and the Appointments and Remuneration Committee (ARC)), which met 5 times in the first 4 months of the year, until its replacement;
- held meetings with, and obtained information from

the Group Audit Manager, the Group Compliance Manager, the Risk Management Manager, the Group Actuarial Manager, the Group Financial Crime Manager, the Manager in Charge of Preparation of the Company's Financial Reports, Group General Counsel and the Corporate Affairs Manager, and the managers of the Company's functions affected by the supervisory activities of the BSA at various times;

- met members of the Surveillance Body instituted pursuant to Legislative Decree no. 231/2001 for a useful exchange of information;
- pursuant to ss. 151.1 and s.151.2 of the CFBA, held meetings and exchanged information with the supervisory bodies of the main subsidiaries (Generali Italia S.p.A., Generali Investment Europe S.p.A., Banca Generali S.p.A., Generali France Assurances and Generali Deutschland Holding AG);
- in the course of the statutory dealings between the Board of Statutory Auditors and the External Auditors, held periodic meetings with the external auditors EY S.p.A., at which data and information relevant to the performance of their respective duties were exchanged.

### 2. Transactions having a significant impact on the economic, financial and assets position. Other noteworthy events (*point 1 of Consob Notice no. 1025564/01*)

The BSA monitored compliance by the Company with the legislation and the Articles of Association and observance of the principles of correct administration, with special reference to transactions having a significant impact on the economic, financial and assets position, by regularly attending meetings of the Board of Directors and examining the documentation supplied.

In this context, the BSA received information from the Managing Director and the Board of Directors about the activities performed and transactions with a significant impact on the economic, financial and assets position conducted by the Company, including through directly or indirectly controlled companies.

On the basis of the information provided, the BSA reasonably concluded that the said transactions can be deemed to comply with the legislation, the Articles of Association and principles of sound management, and that they do not appear to be manifestly imprudent, rash or in conflict with the resolutions passed by the General Meeting, or such as to prejudice the integrity of the Company's assets.

In particular, the BSA was informed about transactions in which Directors declared an interest, on their own account or on behalf of third parties, and has no comments to make about the compliance of the corresponding resolutions with the legislation and regulations.

The most significant events involving the Company and the Group in 2016 are also reported on in the Directors' Report and the Integrated Annual Report. They include the following events.

- On 26 January 2016, Group CEO Mario Greco announced that he was not available to serve a further term of office as Managing Director. On 9 February 2016 the Board of Directors approved the termination by mutual consent of Mario Greco's contract with the Company.
- In March 2016 IVASS (the Insurance Companies Supervision Institute), following an application for authorisation submitted by Assicurazioni Generali S.p.A., authorised the use, as from 1 January 2016, of a partial internal model for the calculation of the consolidated Group Solvency Capital Requirement and the Solvency Capital Requirements of its main Italian and German insurance companies, the French non-life companies and Czech company Ceska Pojistovna, a.s.
- On 17 March 2016, the Board of Directors co-opted Philippe Donnet, granting him executive powers and appointing him Group CEO. The Board of Directors also appointed Group CFO Alberto Minali as the Company's General Manager.
- On 22 April 2016 the Company increased the share capital to € 1,559,883,538, by way of implementation of the Long-Term Incentive Plan approved by the General Meeting on 30 April 2013.
- On 28 April 2016 the General Meeting elected the new Board of Directors, to hold office for three financial years, until the approval of the financial statements as at 31 December 2018. The Board of Directors also appointed, for the three-year period 2016-2018, Gabriele Galateri di Genola as Company Chairman, Francesco Gaetano Caltagirone and Clemente Rebecchini as Vice-Chairmen, and Philippe Donnet as Managing Director and Group CEO.
- In May 2016 Generali issued a subordinated bond amounting to a total of € 850 million, aimed at institutional investors. The issue, which concluded on 8 June 2016, is designed to refinance the subordinated debt.
- In June 2016, subsidiary Generali Finance B.V. exercised an early repayment option on two subordinated bonds, for € 1,275 million and £ 700 million.
- On 28 November 2016 the Board of Directors examined the voluntary Public Offer made by Banca Monte dei Paschi di Siena S.p.A. (BMPS) to purchase subordinated instruments issued or guaranteed by it, with the obligation for the proceeds to be reinvested in new BMPS shares. The Board of Directors approved the conversion, authorising the Group CEO to convert the Company's exposure to BMPS subordinated debt to which the offer relates to BMPS shares; however, the conversion operation did not reach a successful conclusion, as announced by Banca Monte dei Paschi di Siena S.p.A. on 22 December 2016.
- On 12 December 2016 the Board of Directors appointed as Country Manager for Italy Marco Sesana, who maintains his position as Managing Director of Generali Italia. The Board of Directors also appointed Timothy Ryan as the new Group Chief Investment Officer (CIO), with effect from 9 January 2017.

The most significant transactions performed after the year end included the following:

- On 23 January 2017 the Company purchased the voting rights to 505 million Intesa Sanpaolo shares, namely 3.01% of the share capital, by means of a stock loan.
- On 25 January 2017 the Board of Directors resolved to terminate the contract of employment of General Manager and Group CFO Alberto Minali, with effect from 31 January 2017, with an agreement drawn up in accordance with the Group's remuneration policies. Also on 25 January 2017, the Board of Directors appointed Luigi Lubelli (previously Group Head of Corporate Finance) as Group CFO and Manager in Charge of Preparation of the Company's Financial Reports. Luigi Lubelli also became a member of the Group Management Committee (GMC). As a result of these decisions, all the first-level company functions that reported to the General Manager and Group CFO were required to report directly to the Group CEO (for further details, see paragraph 4 "*Organisational structure of the Company and the Group*").
- Also on 25 January 2017, the Board of Directors resolved to grant the Investment Committee responsibilities relating to examination of strategic operations. As from that date, therefore, the Investment Committee's name changed to "*Investment and Strategic Operations Committee*", and its composition partly changed.

- On 8 February 2017 subsidiary Generali Finance B.V. exercised the option of early repayment of the perpetual subordinated bond issued by it on 8 February 2007. Refinancing of the subordinated debt has already been completed, with the subordinated bond issue that concluded on 8 June 2016 for a total of € 850 million, aimed at institutional investors.
- On 17 February 2017 the Company purchased 510 million ordinary shares of Intesa Sanpaolo S.p.A., namely 3.04% of its share capital, and began the procedure for terminating the said stock loan. At the same time, Generali performed a transaction in collateralised derivative instruments to hedge the whole of the economic risk associated with the purchase of the said shares.

As regards the ongoing litigation relating to former company executives Giovanni Perissinotto and Raffaele Agrusti, the Board of Statutory Auditors has received periodic updates on the progress of the proceedings at meetings of the Board of Directors.

### 3. Related-party and intercompany transactions. Atypical and/or unusual transactions (*points 2 and 3 of Consob Notice no. 1025564/01*)

The Company has “*Related-Party Transaction Procedures*” (“*RPT Procedures*”), adopted in compliance with Consob Regulation 17221/2010, as amended, and s. 2391-*bis* of the Civil Code, which are also applicable to transactions performed by subsidiaries.

These procedures underwent a first update in December 2013 and a new update on 17 March 2016, as illustrated below.

In 2015 the Board of Statutory Auditors, as part of its supervisory and monitoring activities, requested the conduct of an in-depth study of the RPT Procedures and controls for identification and management of related-party transactions in the Generali Group. The Company therefore conducted the required analyses, which concluded in the early months of 2016, with the aid of the Group Audit Function, which in turn obtained assistance from an external legal adviser.

The external legal adviser expressed the opinion that the procedural structure complied on the whole with the applicable legislation, and was in line with the best practices found on the market. However, some suggestions were made by the legal adviser, with a view to further refinement of the procedures.

The Group Compliance Function, having examined the suggestions made by the legal adviser and the Group Audit Function, drew up a proposal for amendment of the RPT Procedures and the internal operating regulation of the RPT Sub-Committee, as it was then called. The said proposals were approved by the RPT Sub-Committee on 9 March 2016, after consulting the Board of Statutory Auditors, and then submitted to and approved by the Board of Directors on 17 March 2016.

The Group Audit Function in turn expressed an overall assessment of adequacy of the organisational structure and architecture of the main phases of related-party transaction management process, formulating some suggestions for continuous improvement of processes, and a concrete plan of management actions was agreed on the basis of the said suggestions.

In 2016, the BSA regularly monitored the actual implementation of the said management plan, receiving periodic updates from the Group Audit Function. All the measures specified in the action plan were completed by February 2017, apart from a single planned measure currently being finalised.

In the last financial year the Board of Statutory Auditors also requested the Group Audit Function to include, among the activities for the first half-year of the 2017 Plan, a specific audit of specific aspects of the concrete operation of the RPT Procedures in the parent company and its subsidiaries, including the operation of the Related-Party Transactions Committee and compliance of the preliminary activities performed by the internal functions in support of the said Committee with the Company's procedures.

This activity was added to the Audit Plan, and duly commenced; it will be monitored by the BSA in the ambit of the periodic updates planned with the Group Audit Function.

Finally, the Related-Party Transactions Committee requested an external adviser to analyse some questions relating to relations between the Related-Party Transactions Committee and the other Board Committees; this activity indicated the advisability of a refinement to the RPT Procedures and the Regulation of the Board of Directors and the Board Committees to ensure better interaction between the various Board Committees and a complete flow of information to the Related-Party Transactions Committee. The new text of the RPT Procedures, incorporating the refinements suggested by the external adviser, was approved by the Board of Directors on 15 February 2017, after obtaining a favourable opinion from the Related-Party Transactions Committee. On the same date, the Board of Directors also approved the cor-

responding amendments to the Regulation of the Board of Directors and the Board Committees.

In view of the factors set out above, the Board of Statutory Auditors concludes that the Company's RPT Procedures comply with Consob Regulation 17221/2010, as amended.

The annual Financial Report illustrates the economic and asset-related effects of the related-party transactions, and describes the most significant relationships.

No operations classified as major transactions pursuant to the above-mentioned Procedures were submitted for the attention of the Related-Party Transactions Committee during the 2016 financial year, nor were any urgent related-party transactions performed.

With regard to intercompany transactions during the year, the supervisory activities of the BSA indicate that they were performed in accordance with the annual guidelines approved by the Board of Directors, as required by ISVAP Regulation no. 25 of 27 May 2008, and subsequently by IVASS Regulation no. 30 of 26 October 2016. The main intercompany activities, with payment at market prices or at cost, refer to operations conducted in relation to reinsurance and coinsurance agreements, administration and management of securities and real estate, claims management and settlement, IT and administrative services, loans and guarantees, and personnel loans. The said services allowed the rationalisation of the operational functions and a better level of services.

The BSA also concluded that the information provided by the Board of Directors in the draft financial statements relating to intercompany and related-party transactions was adequate.

As far as we are aware, no atypical and/or unusual transactions were conducted.

#### 4. Organisational structure of the Company and the Group (*point 12 of Consob Notice no. 1025564/01*)

The organisational structure of the Company and the Group and its developments are described in detail in the Corporate Governance and Share Ownership Report. The Group's organisational structure is confirmed in its Functions, with a matrix model of Business Units and Group Head Office (GHO) Functions; the latter act as strategic policy, guidance and coordination structures for the business units.

The organisational governance is ensured by integration and coordination mechanisms between the Business Units and the Group Head Office functions, represented by:

- the Group Management Committee (GMC), namely the group of top management executives which discusses the main strategic decisions;
- the Quarterly Business Review processes, whereby local businesses establish their objectives in line with the global strategy;
- three main cross-functional committees that support the Group CEO in guiding the Group's strategic decisions: the Balance Sheet Committee, Finance Committee and Product & Underwriting Committee;
- the Functional Guidelines and Functional Councils, through which functional coordination is implemented at global level;
- a matrix system of reporting lines.

Some organisational changes in the organisational structure of Group Head Office and the Group Management Committee took place in 2016, as described in the Corporate Governance and Share Ownership Report. The main changes included the following:

- in March 2016, the Board of Directors appointed Philippe Donnet as Group CEO and Alberto Minali as General Manager and Group CFO, also approving the consequent updates to the Group's organisational structure. In particular, the Board of Directors granted all powers and responsibilities for the management of the Company and the Group to the new Group CEO. The General Manager and Group CFO was granted powers in the Strategy & Business Development, Insurance & Reinsurance, Finance Operations, Marketing and Data areas, to be exercised in accordance with the guidelines established by the Board of Directors and the Group CEO;
- in May 2016, a new position called CEO Global Business Lines & International was instituted, to which Frédéric de Courtois was appointed;
- the Group Insurance and Reinsurance Function was renamed Group Chief Insurance Office, managed by Valter Trevisani, who became a member of the Group Management Committee;
- with effect from 1 December 2017, the Board of Directors appointed as Country Manager for Italy Marco Sesana (who maintains his position as Managing Director and General Manager of Generali Italia). Marco Sesana also became a member of the Group Management Committee;

- with effect from 9 January 2017, the Board of Directors appointed Timothy Ryan as new Group Chief Investment Officer, and he also became a member of the Group Management Committee.

Further organisational changes were made during the early months of the 2017 financial year, including the following:

- at the end of January 2017, Alberto Minali left the Group as a result of the decision taken by the Board on 25 January 2017 to terminate the contract of employment of the General Manager and Group CFO. The office of General Manager specified in the Articles of Association was left vacant for the time being. As a result of those decisions, all the first-level company functions that reported to the General Manager were required to report directly to the Group CEO;
- on 25 January 2017 Luigi Lubelli was appointed Group Chief Financial Officer, and became a member of the Group Management Committee in that capacity;
- the review and reinforcement of the Group Head Office functions was completed;
- the Group Compliance Function commenced its resource strengthening programme, which is due to be completed by the end of the 2017 financial year.

The Board of Statutory Auditors, by obtaining information from the managers of the relevant company functions, monitored the adequacy of the overall organisational structure of the Company and the Group as well as the adequacy of the instructions issued by the Company to its subsidiaries pursuant to s. 114.2 of the CFBA, to rapidly obtain the information required to meet the statutory communication obligations

From examination of the reports of the supervisory bodies of the subsidiaries, and/or the information sent by them to the BSA following specific requests, no information emerged that requires inclusion in this report.

## 5. Internal Control and Risk Management System, administrative accounting system and financial reporting process (*points 13 and 14 of Consob Notice no. 1025564/01*)

### 5.1. Internal Control and Risk Management System

The main characteristics of the internal control and risk

management system are described in the Corporate Governance and Share Ownership Report.

The Company has an internal regulatory system applicable to the whole Group, called the Generali Internal Regulation System (GIRS). That system is structured on three levels:

- Group Policy, approved by the Board of Directors;
- Group Guidelines, approved by the Group CEO or the managers of the Control Functions;
- Group Operating Procedures, approved by the relevant functions of Group Head Office.

The company functions operate in accordance with an organisational model based on three levels of control:

- the managers of the operational areas (risk owners);
- the functions of the second level of control, in particular Group Risk Management, Group Compliance and the Group Actuarial Function;
- Group Audit.

The Group CEO also holds the position of director responsible for the internal control and risk management system.

The Company monitored legislative developments during the year, activated compliance checking plans and continued its ongoing reinforcement of the procedural structure, as described in the parent company's Risk Report and Financial Statements. The internal control and risk management system policies are also adopted by the main subsidiaries, having regard to the specific legislation in each country in which the Group operates, and any special features of the business. These policies are continuously updated.

As regards risk assessment, including prospective risks, in accordance with Regulation 20/2008 and the IVASS Letter to the Market of 15 April 2014, and with the "ORSA (Own Risk Solvency Assessment) Policy" approved by the Company as an integral part of the Risk Management Policy, the Group ORSA Report as at 31 December 2015 was submitted to IVASS in June 2016. The "Main Risk Self-Assessment" process, designed to identify the main risks with a view to establishing the major impacts in terms of the Group's profits, liquidity profile and capital position deriving from each scenario, was also adopted by the Risk Management Function. That process is continuously developing, and the project involving integration of operational risks into the said process was commenced (*inter alia*) in 2016.

On 7 March 2016, IVASS authorised the use of the "Partial Internal Model" for the calculation of the Solvency Capital Requirement of the Group and its main Italian

and German insurance companies, the French non-life insurance company and Czech company Ceska Pojistovna A.s. In October 2016, the Company submitted an application to the Board of Regulators to make some amendments to the said Internal Model, to take effect from 31 December 2016, and to extend the Internal Model to French life insurance company Generali Vie. By resolution dated 28 February 2017, IVASS authorised, with effect from 31 December 2016, the extension of the sphere of application of the Group Internal Model to Generali Vie, and the calculation of its Solvency Capital Requirement, and substantial amendments to the Partial Internal Model used to calculate the consolidated Group Solvency Capital Requirement and the Solvency Capital Requirements of the insurance and reinsurance companies already included in the sphere of application of the Internal Model.

The implementation of the Remediation Plan agreed with IVASS during the preliminary process regarding the said application is proceeding as planned by the Group Risk Management Function. This implementation is monitored by the Risk and Control Committee and the Board of Directors; the Board of Statutory Auditors in turn has received regular updates on the matter as a result of its attendance at meetings of the Risk and Control Committee and the Board of Directors.

The Company recently sent the Remediation Plan to IVASS, updated with some further actions, as a result of the request for additional documentation sent by the Regulator in December 2016, following the analyses conducted by the Board of Regulators during the year.

In that context of constant development and reinforcement of controls, in accordance with the applicable industry regulations, the Board of Statutory Auditors has constantly monitored the adequacy of the internal control and risk management system of the Company and its Group. In particular, the BSA:

- i) took note of the favourable opinion of the adequacy of the internal control and risk management system issued by the Board of Directors after consulting the Risk and Control Committee;
- ii) examined the summary document regarding the assessment of the adequacy and efficacy of the internal control and risk management system drawn up by the Group Audit, Group Compliance, Group Risk Management and Group Actuarial Functions;
- iii) obtained information about the development of the corresponding organisational structures and the activities performed by the Group Audit, Group Compliance, Group Risk Management and Group Actuarial Functions, partly by attendance at the meetings of

the Risk and Control Committee and discussions with the managers concerned;

- iv) examined the reports on the activities of the Group Compliance, Group Risk Management and Group Actuarial Functions submitted to the Risk and Control Committee and the Board of Directors;
- v) examined the half-yearly reports of the Group Audit Manager;
- vi) examined the Audit Plan drawn up by the Group Audit Function, which further developed methodological aspects of risk-based planning, and accepted some of the BSA's suggestions on the subject;
- vii) observed that the Audit Plan approved by the Board of Directors had been complied with, and received information about the audit results;
- viii) obtained information about the activities of the Surveillance Body instituted by the Company in compliance with Legislative Decree no. 231/2001, by means of specific reports and update meetings regarding the activities performed by it;
- ix) obtained information from the managers of the respective company functions;
- x) exchanged information with the supervisory bodies of the subsidiaries, as required by ss. 151.1 and 151.2 of the CFBA;
- xi) obtained information about the development of the Group's regulatory system, in particular the Company's structure of policies, regulations, guidelines and procedures designed to ensure compliance with the specific regulations by the insurance industry and listed companies (including, on the subject of market abuse, management of privileged information, internal dealing and related-party transactions).

As regards the latter aspect, in July 2016 the Board of Directors approved the "Group Policy Control Framework" which is designed, among other things, to monitor the Group Policy implementation process at local level.

In the course of its supervisory activities relating to the internal control and risk management system, the BSA, since first taking office, has always paid particular attention to the aspects of compliance with the anti-money laundering legislation.

The BSA, in liaison with the statutory audit committees of the subsidiaries concerned, has constantly monitored the actual implementation of the action plan adopted by the Company in this respect and submitted by it to the Regulator, in relation to the issues that emerged in earlier years, which were illustrated in the reports issued pursuant to s. 153 of the CFBA for the



2014 and 2015 financial years. This plan involved a broader scope of action relating to anti-money laundering and anti-terrorism measures, including the adoption of a new Group Policy (“Group Anti-Money Laundering & Counter-Terrorism Financing (AML/CTF) Policy”) and the consequent activities required for its concrete implementation in each company belonging to the Group, having regard to the different and diversified legislative situations.

When the plan had been substantially completed, the Group Compliance Officer confirmed that the procedures approved by the local companies were fully in line with the terms of the Group Anti-Money Laundering Policy, and also stated that the procedures adopted adequately monitor the risk, while taking account of some formal refinements which are still in progress. As regards Italy, which forms the subject of a specific programme of measures, the Board of Statutory Auditors of Generali Italia S.p.A. confirmed that such plan has also been substantially completed.

In 2016, the Group Compliance Function also coordinated the definition of the key controls in the process of management of insurance intermediaries designed to mitigate the risks correlated with anti-money laundering and counter-terrorism financing (having regard to the Fourth European Directive, which comes into force in 2017), and the international sanctions and related-party transactions.

Having regard to the summary document submitted to the Risk and Control Committee and the Board of Directors by the managers of the Control Functions and the IT management, the Company planned dedicated projects relating to IT subjects with a view to gradual strengthening of the related controls.

The Control Functions also found variations in some cases in the actual timing of implementation and the dates initially scheduled for completion of the action plans at the end of the audit activities. The Risk and Control Committee and the Board of Directors agreed on the importance of drawing the management’s attention to the need for action plans to be completed by the scheduled dates, and informing those bodies of the reasons for any delays and rescheduling of the corresponding deadlines.

The said actions and projects will be implemented by the Director in charge of the internal control and risk management system, and regularly monitored by the Board of Statutory Auditors.

In the light of all the above information and having regard to the above-mentioned areas requiring attention, no factors emerged from the analyses conducted or the information obtained that could lead this BSA to consider the Company’s internal control and risk management system as not adequate as a whole.

In any event, in view of the evolutionary nature of any internal control system, the Company has already planned specific updates for 2017, as part of the process of ongoing improvement of the efficacy of the system pursued by it.

In particular, during the current year, the Board of Directors and the Risk and Control Committee have already begun actions involving further reinforcement of the internal control system to take account of the new requirements which will become applicable pursuant to the European money-laundering, data protection, insurance distribution and Packaged Retail Investment-based Insurance Products (PRIIPS) legislation.

## 5.2. Administrative accounting system and financial reporting process.

As regards the administrative accounting system and the financial reporting process, the Board of Statutory Auditors monitored (*inter alia*) the Company’s activities designed to assess their adequacy continuously.

This objective was pursued by the Company by adopting a “financial reporting model” consisting of a set of principles, rules and procedures designed to guarantee an adequate administrative and accounting system.

The Corporate Governance and Share Ownership Report describes the main characteristics of the model, as defined by the Manager in Charge of Preparation of the Company’s Financial Reports, who is supported by the Financial Reporting Risk structure.

No significant deficiencies in the internal control system relating to the financial reporting process emerged from the report issued by the External Auditors pursuant to s. 19.3 of Legislative Decree 39/2010. That report was discussed and analysed at information exchanges between the Board of Statutory Auditors and the External Auditors.

In September 2016, consistently with the evolution of the applicable legislation, the Company decided to modify its quarterly financial reporting, as from the third quarter of 2016, by producing a more concise representation of its business, focusing on relevant information.

## 6. Other activities performed by the Board of Statutory Auditors

In addition to the matters described above, the Board of Statutory Auditors performed further specific periodic checks in accordance with the statutory and regulatory provisions applicable to the insurance industry.

In particular the BSA, partly by attending meetings of the Risk and Control Committee:

- monitored compliance with the investment policy guidelines resolved on, following the issue of ISVAP Regulation no. 36 of 31 January 2011, by the Board of Directors on 13 May 2011, and updated in 2012, 2013, 2014, 2015 and finally in September 2016, after IVASS Regulation no. 24 of 6 June 2016 came into force;
- checked transactions in derivative financial instruments in accordance with the guidelines and limitations issued by the Board of Directors, and checked that the Company had duly submitted periodic communications to IVASS;
- analysed the administrative procedures adopted for handling, safekeeping and accounting of financial instruments, checking the instructions issued to depositaries regarding periodic despatch of statements of account with suitable indications of any encumbrances;
- checked that the assets destined for covering the technical reserves were free of encumbrances and fully available;
- checked on correspondence with the register of assets destined to cover the technical reserves.

In the Notes to the Financial Statements, the Company supplied a report on share-based payment agreements, in particular the incentive plans based on equity instruments allocated by the parent company and other companies belonging to the Group.

## 7. Organisational and management model pursuant to Legislative Decree no. 231/2001

The Board of Statutory Auditors has perused and obtained information about the organisational and procedural activities conducted pursuant to Legislative Decree 231/2001, as amended, regarding the administrative liability of organisations. The main aspects connected with the organisational and procedural activities conducted by the Company pursuant to Legislative Decree 231/2001

are illustrated in the “*Corporate Governance and Share Ownership Report*”.

No noteworthy facts and/or circumstances emerged from the information communicated by the Surveillance Body regarding the activities performed.

## 8. Ratification of the Corporate Governance Code, Composition of the Board of Directors, and remuneration (point 17 of Consob Notice no. 1025564/01)

The Company adheres to the Corporate Governance Code issued by the Corporate Governance Committee promoted by Borsa Italiana S.p.A.. This BSA has evaluated the procedures for concrete implementation of the Code in question, with reference to the principles and application criteria, and has no observations to make.

The Board of Statutory Auditors notes that the Board of Directors has evaluated the operation, size and composition of the Board of Directors and the Board Committees, with the support of a leading firm of consultants.

The Board of Statutory Auditors has also checked on the correct application of the criteria and process initiated by the Board of Directors to assess the independence of directors classed as “independent”; it also established that its own independence requirements were met.

With reference to the aspects connected with evaluation process by the directors in establishing that directors meet the independence requirements, the activities commenced in 2015, following requests for analysis and action by this BSA, as illustrated in the report issued pursuant to s. 153 of the CFBA relating to the prior financial year, continued in 2016. In particular, the updated Regulation of the Board of Directors and the Board Committees, which introduced some innovations into the procedure for establishing whether directors meet the independence requirement as defined in the CFBA and the Corporate Governance Code, was approved on 15 June 2016.

In that context, bearing in mind that the Board of Directors conducts its own assessments of whether the independence requirement is met on the basis of all the information available to the Company from any source, specific supplementary declarations were defined, which were used upon the appointment of the new Board of Directors in April 2016, in order to obtain from Directors declaring themselves as independent precise, accurate information about the existence of any commercial, financial or professional relations, relations involving

self-employment, employment or other pecuniary or professional relations, which are relevant as defined in the Corporate Governance Code and the CFBA.

Specific quantitative criteria predefined to evaluate the significance of the said relations/dealings were also formalised in the Regulation of the Board of Directors and the Board Committees, in line with the best market practices and the recommendations set out in art. 3 of the Corporate Governance Code.

To provide the Board of Directors, after examination by the Corporate Governance and Social and Environmental Sustainability Committee, with the completest possible information in readiness for the independence assessments, the activities for the formulation of internal procedures and operational guidelines for the assessment process and the implementation of systematic procedures for the collection of relevant information, expressly requested by the Board of Statutory Auditors, continued in 2016.

In particular, the Corporate Affairs Function has drafted and is in the process of finalising an operating procedure designed to ensure, by means of formal processes, information flows from the various Company functions involved to the Board of Directors and the Corporate Governance and Social and Environmental Sustainability Committee. The said procedure also governs the procedures for delivery to the bodies responsible for independence assessments of relevant information already collected by the Company and the Group, even for other purposes, primarily those managed by the Group Compliance Function in the ambit of the RPT Procedures.

In addition, as requested by the BSA, the necessary amendments were also made to the Regulation of the Board of Directors and the Board Committees to enable it to attend meetings of the Corporate Governance and Social and Environmental Sustainability Committee, which performs preliminary activities in readiness for the independence assessment by the Board of Directors.

The BSA notes that the Board of Directors has adopted a specific top management succession policy and plan. The BSA has no comments to make about the consistency of the remuneration policy with the recommendations of the Corporate Governance Code and its compliance with ISVAP Regulation no. 39 of 9 June 2011.

Finally, the BSA notes that on 6 July 2016 the Board of Directors resolved to submit for approval by the next General Meeting, pursuant to s. 114-bis of the CFBA, a special share plan in favour of the Managing Director/Group CEO.

## 9. External Auditors (*points 4, 7, 8 and 16 of Consob Notice no. 1025564/01*)

The firm EY S.p.A. was appointed as External Auditors to audit the financial statements of Assicurazioni Generali S.p.A. and the consolidated financial statements of the Group; during the 2016 financial year the said External Auditors checked that the Company's accounts were properly kept and transactions properly recorded in the books of account.

On 30 March 2017 the External Auditors issued the reports required by ss. 14 and 16 of Legislative Decree 39/2010 relating to the financial statements and the consolidated financial statements of the Group as at 31 December 2016. The said reports indicate that the financial statements were drawn up clearly, and truthfully and correctly represent the assets and financial situation, profit and cash flows for the year ending on that date, in accordance with the related standards and rules.

The Manager in Charge of Preparation of the Company's Financial Reports and the Managing Director and Group CEO issued the declarations and certifications required by s. 154-*bis* of the CFBA with reference to the financial statements and the consolidated financial statements of Assicurazioni Generali S.p.A. as at 31 December 2016. The BSA monitored, within the terms of its remit, the general layout of the financial statements and the consolidated financial statements in accordance with the legislation and specific regulations governing drafting of insurance companies' financial statements. The BSA notes that the consolidated financial statements of the Assicurazioni Generali Group were drawn up in compliance with the IAS/IFRS International Accounting Standards issued by the IASB and approved by the European Union, in compliance with EU Regulation no. 1606 of 19 July 2002 and the CFBA, and Legislative Decree 209/2005 as amended. The consolidated financial statements were drawn up as required by ISVAP Regulation no. 7 of 13 July 2007 as amended, and contain the information required by Consob Notice no. 6064293 of 28 July 2006. The Notes to the Financial Statements illustrate the evaluation criteria used, and provide the information required by the applicable legislation.

The Management Report included in the draft financial statements of the parent company illustrates the business trend, indicating current and prospective developments, and the Group's development and reorganisation process.

The Board of Statutory Auditors also declares that it was consulted, together with the External Auditors, by the Risk and Control Committee in the course of the evaluations falling within that Committee's remit, together with the Manager in Charge of Preparation of the Company's Financial Reports, regarding the correct use of the accounting standards and the uniformity of their use for the purposes of preparing the consolidated financial statements.

On 30 March 2017, EY S.p.A. issued its report pursuant to s. 19.3 of Legislative Decree 39/2010. No issues which need to be drawn to your attention emerge from that report.

The BSA also held meetings with the managers of External Auditors EY S.p.A. pursuant (*inter alia*) to s. 150.3 of the CFBA, during which useful exchanges of data and information relevant to the performance of their respective tasks took place, and no noteworthy facts or situations emerged. In that context, in the ambit of the supervision referred to in s. 19 of Legislative Decree 39/2010, the Board of Statutory Auditors also obtained information from EY S.p.A. regarding the planning of its auditing activities. The BSA examined the further tasks/services commissioned from External Auditors EY S.p.A. and companies belonging to its network. Their fees are set out in detail in the Notes to the Financial Statements, to which the reader is referred.

Having regard to the declaration of confirmation of its independence issued by EY S.p.A. as required by s. 17.9 of Legislative Decree no. 39/2010, and the nature of the tasks commissioned from it and the companies belonging to its network by Assicurazioni Generali S.p.A. and the Group, no situations were found that prejudiced the independence of the External Auditors or any grounds for incompatibility pursuant to the applicable legislation.

During the 2016 financial year, in view of art. 5.4 of Regulation EU 537/2014, which will be applicable from the 2017 financial year, the BSA drew up a specific procedure for approval of the commissioning of non-auditing services allowed by the legislation to the External Auditors and companies belonging to its network. As requested by the BSA, on 1 January 2017 the Company adopted the specific "Guideline for the assignment of non-audit services to auditors".

## 10. Opinions issued by the Board of Statutory Auditors during the financial year (*point 9 of Consob Notice no. 1025564/01*)

During the year, the Board of Statutory Auditors also issued the opinions, comments and certifications required by the applicable legislation.

In particular, the Board of Statutory Auditors expressed a favourable opinion, pursuant to s. 2386.1 of the Civil Code, of the appointment by co-opting of Philippe Donnet at the meeting of the Board of Directors held on 17 March, having examined the process followed in this respect by the Company and its Committees. On that occasion, it also issued a favourable opinion of the proposed resolution pursuant to s. 2389 of the Civil Code regarding the remuneration of the new Managing Director/Group CEO.

On the same occasion, the BSA also issued a favourable opinion of the resolution to increase the share capital for the purposes of the 2013 LTI Plan.

Again in the first few months of 2016, the BSA expressed a favourable opinion of the remuneration of the Group Audit Manager (meeting of 2015 targets and setting of 2016 targets) and the Audit Plan for 2016.

In May 2016, after the renewal of the Board of Directors for the three-year period 2016-2018 resolved on by the General Meeting on 28 April 2016, the Board of Statutory Auditors expressed a favourable opinion of the proposed remuneration of the Chairman of the Board of Directors and the proposed fee payable to members of the Board Committees. In July 2016 it also expressed a favourable opinion of the Group CEO's remuneration.

During the 2016 financial year the BSA also regularly commented on the Half-Year Reports on complaints prepared by the Group Audit Manager in accordance with ISVAP Regulation no. 24 of 19 May 2008, as amended. The reports did not highlight any particular problems or organisational deficiencies. The BSA also checked that the Company sent the reports and associated comments by the BSA promptly to IVASS.

With reference to the first few months of 2017, at the meeting of the Board of Directors held on 25 January 2017, the Board of Statutory Auditors expressed, pursuant to s. 154-*bis*.1 of the CFBA and art. 40.2 of the Company's Articles of Association, a favourable opinion of the proposed appointment of Luigi Lubelli as new Manager in Charge of Preparation of the Company's Financial Reports.

At the meeting of the Board of Directors held on 15 February 2017, the Board of Statutory Auditors expressed a favourable opinion of the remuneration of the Group Audit Manager (meeting of 2016 targets and setting of 2017 targets) and the Audit Plan for 2017.

### 11. Complaints pursuant to s. 2408 of the Civil Code. Omissions, reprehensible actions or irregularities found *(points 5, 6 and 18 of Consob Notice no. 1025564/01)*

The Board of Statutory Auditors received no complaints during the 2016 financial year apart from the three complaints received in the first quarter of the year, already illustrated in the Report issued pursuant to s. 153 of CFBA by this BSA on 4 April 2016, in preparation for the General Meeting held on 28 April 2016.

No complaints pursuant to s. 2408 of the Civil Code were received in the first few months of the 2017 financial year. No reprehensible actions, omissions or irregularities requiring reports to the Regulators emerged from the supervisory activities performed.

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On the basis of all the factors set out in this Report, the Board of Statutory Auditors finds no reason to object to the approval of the financial statements of Assicurazioni Generali S.p.A. for the financial year ending on 31 December 2016, as submitted to you by the Board of Directors, and expresses a favourable opinion of the proposed dividend distribution, partly funded by the profit for the year and partly from the special reserve formed by the profits of the preceding years.

Trieste, 31 March 2017

#### **Board of Statutory Auditors**

Carolyn Dittmeier, Chair  
Lorenzo Pozza  
Antonia Di Bella