

Gabriele Galateri di Genola

**Chairman – Italian Corporate Governance Committee and
Assicurazioni Generali**

Introduction

Ladies and Gentlemen,

Before starting with my introductory speech, I would like to read a message received from our President of the Republic who is following with great attention the activities of our Governance Committee and for which we express our thanks.

(Message by the President of the Republic)

Il Presidente della Repubblica

TELEGRAMMA

DOTTOR GABRIELE GALATERI DI GENOLA
PRESIDENTE
COMITATO PER LA CORPORATE GOVERNANCE
BORSA ITALIANA
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INVIO UN CORDIALE SALUTO A TUTTI I PARTECIPANTI ALLA SECONDA EDIZIONE DELL'ITALY CORPORATE GOVERNANCE CONFERENCE, FORUM DI DISCUSSIONE APERTO ALLA COMUNITA' INTERNAZIONALE CHE CONTRIBUISCE A MANTENERE ALTA L'ATTENZIONE SU QUESTIONI DETERMINANTI PER LA GESTIONE DELLE IMPRESE, ANCHE IN UN'OTTICA DI INCREMENTO DELLA AFFIDABILITÀ INDIPENSABILE PER L'ACCESSO A FONTI DI FINANZIAMENTO SUI MERCATI DEI CAPITALI, DI ATTRAZIONE DEGLI INVESTIMENTI E DI SOSTEGNO ALLA CRESCITA.

LE BUONE PRATICHE DI GOVERNO SOCIETARIO HANNO DIMOSTRATO DI ESSERE UN PILASTRO FONDAMENTALE DELLA COSTITUZIONE ECONOMICA DEI PAESI MATURI E DI POTER CONTRIBUIRE ALLA SALUTE DEI MERCATI, IN PARTICOLARE NEI PERIODI DI ELEVATA INCERTEZZA E VOLATILITÀ.

LA CRESCENTE INTERAZIONE TRA INVESTITORI ISTITUZIONALI DA UNA PARTE E MANAGEMENT E CONSIGLI DI AMMINISTRAZIONE DALL'ALTRA, ACCANTO AL RAFFORZAMENTO DEI PRESIDI DI TRASPARENZA E CORRETTEZZA, SOSTANZIALE E PROCEDURALE, SEGNA LA IL MODELLO ITALIANO COME UNO DEI PIÙ EVOLUTI.

UN RUOLO ATTIVO DEGLI INVESTITORI ISTITUZIONALI, NEL RISPETTO DELLE MIGLIORI PRATICHE, PUÒ, INFATTI,

DEFINIRE ORIZZONTI DI PROGRESSO COLLETTIVO E CONTRIBUIRE A MIGLIORARE IL GOVERNO SOCIETARIO DELLE IMPRESE IN CUI INVESTONO, ANCHE IN TERMINI DI QUALITÀ E DI FUNZIONAMENTO DEI CDA, OVE L'ACCRESCIUTA PRESENZA FEMMINILE E DI CONSIGLIERI INDIPENDENTI RAPPRESENTA UN IMPORTANTE INDICATORE DI PROGRESSO ECONOMICO E SOCIALE.

BUONE REGOLE E UNA LORO CORRETTA APPLICAZIONE SONO PARTICOLARMENTE IMPORTANTI ALL'INSORGERE DI CONFLITTI DI INTERESSE, QUANDO SI DOVREBBE TENER CONTO DI OBIETTIVI DI MEDIO E LUNGO TERMINE E PUNTARE ALLO SVILUPPO DELLE SOCIETÀ, RISPETTO A RISULTATI IMMEDIATI.

LE MODALITÀ DI DEFINIZIONE DELLA REMUNERAZIONE DEI VERTICI AZIENDALI RAPPRESENTANO UN ELEMENTO QUALIFICANTE IN QUESTO SENSO NON SOLO PER LA VITA DELL'AZIENDA E DI TUTTI I PORTATORI DI INTERESSI COINVOLTI, MA ANCHE NELL'AMBITO DI UN CORRETTO EQUILIBRIO SOCIALE.

IL CONTESTO SEMPRE PIÙ COMPLESSO IN CUI VIVIAMO RICHIEDE CRESCENTI CAPACITÀ DI VISIONE E PROFESSIONALITÀ PER COMPIERE SCELTE STRATEGICHE APPROPRIATE, PARTENDO DA SALDI VALORI ETICI, ESSENZIALI PER LA REPUTAZIONE E LA GESTIONE DELL'IMPRESA, COME RISULTA SEMPRE PIÙ EVIDENTE IN TUTTI I CAMPI.

L'ADEGUAMENTO A STANDARD SEMPRE PIÙ ELEVATI RICHIEDE UNO SFORZO CONTINUO DA PARTE DELLE ISTITUZIONI, DEI REGOLATORI, DEGLI AZIONISTI E DI COLORO CHE SVOLGONO COMPITI DI CONTROLLO.

CON QUESTO SPIRITO DESIDERO FORMULARE A TUTTI I PRESENTI I MIEI PIÙ SENTITI AUGURI DI BUON LAVORO.

SERGIO MATTARELLA



Now, on behalf of the Italian Corporate Governance Committee I would like to thank all of you for your attendance to our 2nd Italy Corporate Governance Conference, organized by Assogestioni and Assonime in cooperation with the OECD and with the support of the Italian Stock Exchange.

This conference confirms the commitment of the Italian system to provide an opportunity for an open dialogue between public institutions, issuers and investors about the evolution of corporate governance in Italy, started with the meeting organized in December 2014 during the semester of the Italian Presidency of the EU Council and carried on with the first Conference of last year.

In all such events like today, our main concern is to understand how corporate governance of companies can contribute to the development of investments and economic growth, which is still the main challenge for policy makers and market operators all around the world, but mainly in Europe and Italy.

This is the reason why the Italian Corporate Governance Committee, which I chair and which represents all the main actors of our capital markets (issuers, financial intermediaries and institutional investors), has taken the initiative to convene experts both from the Italian and the international sides, to discuss the main open issues and the way ahead.

Corporate governance in fact is a key element to restore confidence in capital markets but also to fill the gap between the increasing amount of savings and the growing need for investments necessary to support growth.

Its role is now well acknowledged by the main international constituencies, such as the G20, whose endorsement of the OECD Principles, revised in 2015 and firstly presented to the international audience at the first Italy Conference here last year, represents a milestone for economic policy making.

The now G20-OECD Principles provide a sound and forward looking basis for any initiative in the field of corporate governance and it is a pleasure to have this year the presence at this conference of a high-level representative of the OECD as well as of the Italian and European public institutions.

The role of self-regulation in Corporate Governance

The starting point of any discussion as we know is that Corporate Governance is not an end per se; it is an instrument to promote and support growth and value creation by the companies in a sound capital markets framework.

In order to pursue this goal, corporate governance standards and practices should be able to evolve and individual companies be allowed to innovate in their governance procedures and behaviors.

Self-regulation in particular, through the Corporate Governance Codes, which is a structural component of the “European model” of policy making in this area, has proved to be a dynamic tool to identify best practices and to update them to new challenges and opportunities raised by the evolution of the capital markets and corporate practices. At the same time, their flexible approach, based on the comply or explain principle, ensures an adaptable and transparent environment, making companies responsible toward the

market. In this light, the Codes support the development of corporate governance, leading companies to a more effective and substantial adoption of best practices.

For these reasons it is important to maintain the leading role of such Codes and to safeguard their founding principle of comply or explain.

On such principles there has been recently an easy convergence by the group of five Chairmen of the governing bodies of the Corporate Governance Codes in France, Germany, Italy, the Netherlands and the UK who met on the 24th of June in Venice to establish a forum for dialogue about the role of such Codes. The five Chairmen agreed to meet on a regular basis to exchange their views and experiences with respect to (i) emerging issues in the areas of Corporate Governance covered by the Codes and (ii) the evolution of market and legislative frameworks.

The five Chairmen recommended to national and international regulators a cautious approach in making further legislative proposals on corporate governance issues, where the initiatives of self discipline already in place provide a sound and flexible framework for the best practices.

However to be credible, self-regulation needs not only good standards; it requires also an active monitoring activity to verify the actual implementation of those standards and avoid the risk of formalistic compliance.

Corporate Governance in Italy

To this end, the Italian Corporate Governance Committee, through its Code, is not only the standard setter for corporate governance procedures and practices of the Italian listed companies but is also engaged in monitoring the implementation of the Code's recommendations on an ongoing basis.

This morning the Committee met to approve its Annual Report which provides, on the basis of several studies realized by various institutions and research centers, an evaluation of the state of the art of Corporate Governance in Italy.

The main results are:

- First that the Italian listed companies provide a clear description of the governance model adopted, both in case of compliance with the Code and in case of non compliance with some of the recommendations, where adequate explanations are generally expressed;
- Second that the quality of information provided reveals a mature and flexible approach by listed companies and allows investors to adequately consider corporate governance procedures and practices in their investment decisions and engagement activities. In general, the implementation of the Code's recommendations is high and improving toward the best international standards.
- Third that the increasing presence of international institutional investors in the ownership of the Italian listed companies and their growing engagement attitude are signals of a positive evolution

Obviously there is still room for further improvements in some specific areas, namely with respect to the effectiveness of the role of the board and the remuneration policy

On such areas the Committee is concentrating its efforts in promoting better practices, through specific recommendations which have been included in the Annual Report of the last two years and underlined in a letter sent by the Committee to all listed companies, [where the boards are solicited to assess their situation with respect to critical areas]

- The evolution will be carefully monitored and further actions could be identified in case of insufficient improvements.

The relationship between companies' and investors' Codes: the importance of a constructive dialogue and engagement

In addition to what I said, our Code calls upon issuers also to ensure a proper dialogue with their shareholders, having particular regard for (active) institutional investors. These recommendations find an adequate response in the Italian Stewardship Principles, adopted in 2013 by the Italian Investment Management Association and recently revised, which recommend institutional investors to engage in an active and transparent manner with the investee companies, including some of its board members.

Investors' engagement represents a monitoring tool of utmost importance for the effectiveness and the accountability of listed companies. Indeed, over the past years, the increasing weight and activism of institutional investors, both at our national level as worldwide, has held companies and their boards ever more accountable and transparent. Nevertheless this interaction needs to be well balanced by an appropriate corporate governance culture, within both companies and investors.

On one side, companies should consider engagement with shareholders as a two-way relationship: being open and transparent to engagement requests but also developing their own policy to actively manage the engagement activities by the board as a whole, with its mix of competences, responsibilities and expertise.

On the other side, the institutional investors should discharge their stewardship responsibilities toward a substantial and transparent commitment to their codes and ensure an effective monitoring of its actual implementation.

The mutual understanding and engagement between issuers and investors will bring to an overall enhancement of corporate governance, narrowing the agency gap between board and investors.

The structure of the conference

In the framework that I have presented it is evident that today's Conference represents a unique opportunity for issuers and investors as well as for the others main actors of the Italian and international financial community to discuss some of the most relevant issues that mark the corporate governance activity.

So the **first panel** will get immediately to the point by addressing the evolution of stewardship recommendations, having regard both to their definition "in principle" and to their actual implementation. Looking to the current practice, we may observe an evolving landscape of interactions with the investee companies, with an increasing commitment of both actors toward best standards. The panel will see representatives of Italian issuers discussing with international investors to assess this positive feeling with a specific reference to the Italian situation but also to identify possible obstacles and risks in the light of the international debate and experience.

The **second panel** will tackle another issue of great interest for both issuers and investors, namely the shareholders' voice on two relevant corporate governance topics: directors' remuneration and related party transactions. As

well known, both issues are addressed by the European Commission's proposal for a revision of the Shareholder Rights Directive, which tends to put great emphasis on the role of shareholders in such governance-related matters. In Italy, the national regulatory framework already provides for a sound and quite effective reference frame, which interacts, both in case of compensation issues and in that of related party transaction, with the best practice recommendations set out by the Corporate Governance Code. In this light, this panel will address the issue of a right balance between the role of the board and of the shareholders in key company's decision making as well as between regulation and self-regulation, also in light of the upcoming European directive.

The **third panel**, tomorrow morning, will focus on corporate governance practices and long term decision making. Corporate Governance Codes recommend listed companies the adoption of such governance structures that might ensure a sound and sustainable strategy of their business and entrust their boards with the crucial task of adopting a risk management policy coherent with the long term orientation. This call comes also from investors, who are increasingly focusing their attention on sustainability issues. Policy makers all over the world are currently engaged in the definition of the adequate framework to support a more sustainable growth by creating the right incentives, on one side, and by discouraging unsustainable business practices, on the other side.

To testify the relevance of the policy dimension of such topic, the panel will follow the Opening speech of tomorrow's morning session by the Italian Minister of the Economy and will see the participation of key representatives

of the European Commission and of the OECD discussing with issuers and investors long-term orientation of both policy and business strategies.

The last and **fourth panel** will discuss the role of the shareholders and of the board of directors in the evolving context of ownership structures. Both at national and international level, ownership structures of listed companies are changing over time and this evolution may impact also on the companies' corporate governance and their "rule of the game". In this light, the board of directors assumes a greater role in ensuring a stable and accountable governance and business activity, pursuing the interest of all shareholders. In this regard, the board composition represents a key issue in ensuring directors' competence, efficiency and accountability vis-à-vis shareholders. The panel will discuss the developments of such corporate governance issues and explore the options for possible future evolutions.

Conclusions

Obviously the topics addressed in this conference do not exhaust the open issues of corporate governance, which is an ongoing work in progress faced to the dramatic pace of changes which affect current financial globalized markets.

Let me therefore conclude my introduction by mentioning only two of the new challenges which, in my opinion, will require further attention and discussion.

The first one is the need to better calibrate corporate governance standards to the need of the so called growth companies. Those companies are often, even if not always, characterized by dimension, age, organizational structure and trading venue for their financial instruments which can be different from

those of large, mature, well organized and listed on regulated markets companies, which are usually considered by the corporate governance standards and rules. Here the challenge is who and how to help growth companies to adopt corporate governance procedures and practices fitted to their peculiar features and at the same time able to provide confidence to investors.

The second challenge is the corporate governance of financial intermediaries, which is considered of growing relevance also for individual and systemic financial stability. On those companies the rules and surveillance provided by stability regulators are expanding on many of the corporate governance main topics, like remuneration, risk management, board structure and composition, under a “command and control” regulatory approach unusual for corporate governance issues. Here the challenge is to find a balance between the need to avoid the corporate governance failures, namely in intermediaries of systemic relevance, which contributed to the financial crisis, and the need to ensure that corporate governance arrangements of those companies can evolve and diversify so as to encourage an effective competition.

With this I wish you a positive and constructive dialogue on such subjects and I leave the floor to Professor Claudio De Vincenti, State Secretary to the Prime Minister for his Opening Speech. Thank you for your attention.