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**Chair**  
**Italian Corporate Governance Committee**

Ladies and Gentlemen,

Good afternoon to everybody. I am sorry that the Italian Prime Minister, Giuseppe Conte, will not be able to attend today's Conference, due to unexpected institutional commitments. However, he kindly sent us a letter that I am now going to read.

READING OF THE PRIME MINISTER'S LETTER

Thanks again to our Prime Minister.

On behalf of the Italian Corporate Governance Committee, I would like to thank you all for your attendance to our 5<sup>th</sup> Italy Corporate Governance Conference, organized by Assogestioni and Assonime in cooperation with the OECD and with the support of the Italian Stock Exchange.

Corporate governance is acknowledged by investors as one of the three main elements orienting their investment decisions. The other two are the quality of management and fundamentals. Corporate governance is the tool that helps effectively face the rapid and significant evolution of global financial markets and support a sustainable long-term oriented economic growth. The contribution of all market players is a core resource for the definition of best corporate governance practices and, therefore, an open dialogue between companies, institutions and investors is essential.

Since 2014, the annual conference has gathered national and international representatives of institutions, academia, companies, asset managers and owners to promote such a discussion on the most pressing corporate governance issues. Year after year, the Conference is becoming one of most appreciated and attended fora in Europe for exchanging ideas, discussing current challenges and sharing best practices, with the aim of enhancing the role of good corporate governance in fostering sustainable value creation.

The attendance of high institutional representatives as the Chair of Consob, Paolo Savona, confirms the fundamental role of corporate governance for the financial system as well as the importance for the Italian institutions to be involved in such a dialogue.

This role is also acknowledged in main international fora, like the G20, whose endorsement of the OECD Principles represents a milestone in economic policy making. The “G20/OECD Seminar on Corporate Governance in Today's Capital Markets”, that I had the honor to attend in Fukuoka last June, confirmed that, in order to be effective, the design of corporate governance policies and regulations continuously needs to take into account developments in the capital markets. This is a key reason behind the success of the G20/OECD Principles of Corporate Governance and we are therefore extremely pleased to have the OECD as an institutional partner of our Conference, welcoming the Head of Corporate Governance and Corporate Finance Division, Mats Isaksson, among our key speakers.

In these two days, we will benefit from the valuable support and expertise of many representatives of institutions, listed companies, investors, together with experts and academics.

Before heading to the heart of today's conference, let me take a moment to remember an invaluable member of the Italian Corporate Governance Committee, who passed away unexpectedly a few months ago.

Fabrizio Saccomanni combined great knowledge, great humanity and intellectual leadership. Our country has lost a wise voice.

Ciao Fabrizio!

### *The new edition of the Italian Corporate Governance Code*

The Italian Corporate Governance Committee met this morning to endorse the final draft of the new edition of the Italian Corporate Governance Code, to be formally approved next January.

With this new edition – whose main aspects were discussed also during an open hearing dedicated to listed companies – we decided to nudge companies towards a more sustainable and long term oriented strategy, recommending board of directors to pursue the sustainable success of the company, maximizing the shareholder value in the long run and taking into due consideration the interest of its other stakeholders.

This is in line with the commitment undertaken last November by the six chairs of the Committees of France, Germany, Italy, the Netherlands, the United Kingdom and Sweden who, in their role as

Corporate Governance Codes custodians, committed to develop a shared approach to enhance sustainability best standards.

And, coherently, the revisions of corporate governance codes in Europe emphasise the value of good corporate governance to long-term sustainable success.

It is time to go in this direction, also considering that the 2018 Action Plan on Sustainable Finance has already envisaged a comprehensive strategy to further connect finance with sustainability.

At the same time, the new edition of the Code will tackle other significant issues, such as companies' engagement with their shareholders, in line with the evolution of international best practices and as a response of companies to the complementary duty assigned to investors by the revised Shareholders Rights Directive.

Moreover, the Code will provide for a more flexible and proportionate framework for smaller companies and all firms that have a significant controlling shareholder (above 50% of votes in the general meeting).

The proportionality issue has long been discussed within the Italian Corporate Governance Committee and other fora such as this Conference, not to mention the OECD Report on "Flexibility and Proportionality in Corporate Governance". As SMEs and family firms represent the backbone and the core strength of the Italian economic system, we decided to address their main characteristics in order to provide a better tailored governance framework.

And the structure of the Code is simplified.

### *Corporate Governance in Italy*

Within the same meeting of today, the Committee approved its Annual Report, that provides a global outlook on the corporate governance of Italian listed companies and identifies some areas for further improvement.

I would like to quote some of the main results of this year's Report:

- 94% of Italian listed companies adhere to the last edition of the Corporate Governance Code and the quantity and quality of information provided to describe their practices is overall good;
- The average level of compliance with the recommendations of the Code is about 66%, with a significant size effect (it is 77% in large and medium sized companies versus 59% of smaller companies);
- Italian listed companies' boards have an adequate composition, also in terms of gender diversity;
- Board pre-meeting information is still to be improved: a complete adoption of all best practices recommended by the Code regards about 50% of listed companies;
- The evaluation of independence criteria is improving over time, but some situations still have to be better assessed and disclosed. At the same time, the disclosure of the quantitative and qualitative criteria used for the evaluation of the relationship that might hamper directors' independence is still to be improved;
- A good level of transparency regarding directors' remuneration policies has been achieved, but there is still room for some substantial improvements: companies should better consider their policy arrangements for aligning variable compensation with long term targets;
- The number of succession plans for executive directors is still low, but is increasing over time;
- Sustainability is increasingly being considered by the board of directors: most of them disclose the existence of an analysis of the sustainability issues that are material for the company and about 1/3 of them involved also a board committee on such issues; nevertheless, the integration of sustainability in the company strategy should be better developed.

Starting from this evidence, also this year the Committee has decided to strengthen the effects of its monitoring activity by sending a formal letter to all listed companies, in order to highlight the main critical issues and, at the same time, to nudge them to adapt to the expectations of investors and society. This year the letter will call issuers:

- To better integrate sustainability in the company's strategy and in the remuneration policy;

- To better apply independence criteria set by the Code, also through the *ex ante* definition of quantitative and qualitative criteria needed for an effective evaluation of the relationship that might hamper directors' independence;
- To better consider the remuneration of non-executive and audit committee members, in light of the professional skills, the commitment and the responsibilities that are required by such role. To this end, the Committee suggests to take into consideration also remuneration practices of peer companies, both on national and international level.

### *The structure of the conference*

As already mentioned, today's Conference represents a unique opportunity for issuers and investors, as well as for all the other main actors of the Italian and international financial community, to discuss some of the most relevant issues of the corporate governance framework.

In particular, the **first panel** will focus on the evolution of the board structure and functions.

The **second panel** will discuss the governance of sustainability and will talk about the inclusion of sustainability issues in the strategy and risk management of listed companies.

The **third panel**, tomorrow morning, will address the role of institutional investors, debating around shareholders activism and investors' engagement.

The **fourth** (and final) **panel** will deal with the different forms of ownership and control and how do they affect company's performance and governance.

### *Conclusions*

Corporate governance is the dynamic and evolving tool that can support companies to effectively face the rapid and significant changes that today affect the financial globalized markets. The contribution of all players in the analysis of the new challenges and the identification of new governance standards is, therefore, essential.

The Committee will continue to do its best to serve this important agenda and we sincerely hope that we can continue to benefit from the valuable support and expertise of all the attendees of today's conference.

Let's keep working together to strengthen corporate governance. Thank you!