

Rome, 21 October 2022

Italian Corporate Governance Committee’s Comments on the “*Review of the G20/OECD Principles of Corporate Governance*”

The Italian Corporate Governance Committee welcomes the opportunity to participate to the revision of the G20/OECD Corporate Governance Principles and is eager to contribute also to the future works of the OECD Corporate Governance Committee and the OECD Secretariat.

The G20/OECD Corporate Governance Principles play a leading role as global standard setter assisting policy makers in the evaluation and the improvement of national corporate governance frameworks, with a view to supporting economic efficiency, sustainable growth, and financial stability. This role is particularly relevant in the current evolving context, where global challenges require a homogeneous response by national policy makers, who need to be supported and to possibly rely on global standards that have been developed with a broad international consensus.

Considering our specific field of competence, namely setting and monitoring the application of corporate governance best practices for Italian listed companies, we share the OECD proposal to enhance the Principles’ reference to corporate governance codes. This recognition appears particularly relevant in current policy making, where the role of corporate governance codes appears to some extent neglected, even though they played a significant role in shaping the global corporate governance framework in the last two decades¹ and they can still timely contribute to its evolution.

We believe that an effective corporate governance framework needs to be founded on a balanced set of regulatory and self-regulatory provisions, ensuring adequate room to private ordering and offering companies the possibility to tailor their governance model to the size and the stage of development of enterprise. Proportionality, which is endorsed by the Principles, is an important factor for the definition of a sound corporate governance framework and, especially in the core governance areas

¹ E.g. the definition and the role of independent directors, the establishment of board committees, the system of internal controls and risk management, just to mention few of them.

of the composition and functioning of the board, goes hand in hand with an adequate recognition of the role of corporate governance codes.

Corporate governance codes, commonly understood as a systemic collection of best practices that apply on the ‘comply or explain’ basis, represent an important complementary element to existing positive laws and regulations. Their contribution is vital especially in an evolving context such as the today sustainability and digital transformation challenge, when they proved to be flexible and dynamic enough to identify stakeholders’ expectations, to update best practices, and, at the same time, to ensure an adaptable but transparent environment, making companies responsible toward the market.

Taking stock of the last revision process that have been conducted by codes’ custodians in a number of OECD jurisdiction, the corporate governance code’s contribution to the sustainability and resilience of the corporation was timely and effective, as it actively encouraged companies toward a better consideration of their impact on the environment and the civil society and nudged their governance model to evolve accordingly. To provide an example from our last Code’s revision occurred in 2020, we built the Italian Code’s governance model on the concept of the company’s “*sustainable success*”, defined as “*the long-term value creation for the benefit of shareholders, ensuring adequate consideration of the interests of other stakeholders*”², and recommends integrating it into the company’s business strategy, risk management and remuneration policy.

Corporate codes key characteristics therefore represent an important tool for the evolution of the global corporate governance framework and deserve a better consideration in the policy making, especially with regard to the challenges, such as sustainability and digital transformation, that will accompany firms and investors in the next decades. For this purpose, we suggest the OECD to further elaborate this topic in the Principles with a clearer statement that shall support a better consideration of corporate governance codes by national and international policy makers.

At the same time, we confirm the importance of holding the model of corporate governance accountable and share the (current) OECD statement which underlines that codes’ “*market credibility requires that their status in terms of coverage, implementation, compliance and sanctions is clearly specified*” and effective. As the Italian Committee provides for an annual monitoring report on the compliance with the Italian Corporate Governance Code, we are eager to contribute to the OECD

² Italian Corporate Governance Code 2020, definitions.

work on that issue and also to discuss the monitoring practices, with a view to promote and strengthen our experience also in the OECD context.

Accordingly, we suggest the following amendment to the supporting principle I.B. (p. 11 of the consultation document):

“The legal and regulatory requirements that affect corporate governance practices should be consistent with the rule of law, transparent and enforceable. Corporate governance codes may offer a complementary mechanism to support the development and evolution of companies’ best practices, provided that their status and implementation is duly defined.”

On behalf of the Italian Corporate Governance Committee,
The Chair
Lucia Calvosa

About the Italian Corporate Governance Committee

The Corporate Governance Committee is made up of the issuers and investors associations (ABI, ANIA, Assonime, Confindustria and Assogestioni), as well as the Italian Stock Exchange (Borsa Italiana S.p.A.).

The purpose of the Committee is the promotion of good corporate governance of Italian listed companies, that has to be pursued either by a constant alignment of the Corporate Governance Code with best practices, and through other initiatives which would enhance the credibility of the Code. The Corporate Governance Code has been first adopted in 1999, while its last edition has been published in 2020. Since 2012 the Committee publishes a Report on the compliance with the Italian Corporate Governance Code. Since 2015 the Committee further strengthened its monitoring activity by sending all Italian listed companies a formal letter highlighting the main critical areas of compliance and encouraging the board of directors and the internal control body of companies to improve their substantial application of the Code.