Italian Corporate Governance Committee

ANNUAL REPORT 2015

3RD REPORT ON THE COMPLIANCE WITH THE ITALIAN CORPORATE GOVERNANCE CODE

December 3, 2015

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I. 2015 ANNUAL REPORT

The 2015 marked the beginning of the fourth anniversary of the Italian Corporate Governance Committee (hereinafter also only "Committee"), as reconstituted in 2011 by the historians promoters of the Corporate Governance Committee (Borsa Italiana, Abi, Ania, Assogestioni, Assonime and Confindustria), with the aim of ensuring a continuous and structured activity of production and monitoring of the corporate governance best practices applicable to Italian listed companies.

In its current configuration, the Committee has neither legal nature nor economic independence. Its organizational rules ensure continuity and regularity of its activities. The Committee organizational rules (available on the Committee website) have been set upon agreement of the promoters and shared by the Committee during its first meeting, held on June 14th, 2011. They concern the composition of the Committee, its purpose, convening procedures, voting *quorum* as well as the procedure for the submission of the resolution proposals to the Committee.

1. Activities of the Corporate Governance Committee

Since the meeting held on December 9th, 2013, the Committee decided to approve, on an annual basis, a report on its activities, including a report on the compliance with the Italian Corporate Governance Code (hereinafter also only the "Code"). Since its first release in 2013, the Report consists of a first section dedicated to a general overview on the compliance with the Code and to the corporate governance of the Italian listed companies and by a second section represented by a focus that, in 2013 Report, addressed the self-evaluation by the board of directors, while in 2014 Report addressed the quality of the compliance with the "*comply or explain*" principle. During the meeting held in December 2014 the Committee decided to dedicate the focus of the Third Report to the board of directors' effectiveness (see below).

During the meeting held in July 2015, the Committee approved certain amendments to the Code, prepared by the Technical Secretariat with the support of the Experts: in particular, the Committee decided to introduce some references to sustainability, internal controls and remuneration of the statutory auditors; among the structural amendments, it can be pointed out the decision to introduce in the *guiding principles* of the Code a rule according to which the Committee shall consider, usually every two years, the opportunity for a Code's revision.

Finally, during the meeting held on December 3rd, 2015, the Committee approved this Annual Report, that includes the Third Report on the compliance with the Code, prepared by the Technical Secretariat with the support of the Experts and based on data provided by several and reliable external sources.

Consistently with the 2014 resolution, the focus of this Report addresses the effective functioning of the board of directors, while the general section, that offers, as usual, a general overview on the corporate governance in Italy, has anyway maintained a particular attention on the quality of the explanation provided by Italian listed companies in case of non-compliance with specific Code's recommendations (*comply or explain principle*).

Also in 2015, the activities of communication of the leading members of the Corporate Governance Committee continued, through the active participation of the Chairman in some national and international conferences and academic lectures. In particular, on April 10th, 2015 the Chairman of the Committee and the Coordinator of the Technical Secretariat intervened at the OECD Corporate Governance Forum, held in Istanbul on the occasion of the meeting of the representatives of the G20. The Forum has addressed, in addition to the current issues in the field of capital markets, real economy financing support and corporate governance, also the proposals for revision of the OECD Principles of Corporate Governance, subsequently published in September 2015 (see below). In addition, the Chairman also met representatives of major European corporate governance codes: the Chairman of the UK Financial Reporting Council, the Chairmen of the Dutch and German Committees as well as the Secretary General of the French Committee.

The participation in the European network of corporate governance committees continued (http://www.ecgcn.org).

On December 3rd and 4th, 2015, the Committee will host the first edition of the Italy Corporate Governance Conference, which provides the international financial community with a unique opportunity to discuss the most relevant corporate governance topics, both for institutional investors and for listed companies.

2. The evolution of the national corporate governance framework

In 2015 a lot of interventions in the field of corporate governance, both at national and European level, have been carried out.

Revision of the Corporate Governance Code

During the meeting held on July 9th, 2015, the Committee approved certain minor changes to the Corporate Governance Code, to align it to the latest changes in the regulatory and self-discipline framework at national, European and international level.

On that occasion, the Committee approved a structural change to the Code, introducing a rule on how often the Committee shall consider the possibility of a Code's revision: the new *guiding principle* VII of the Code provides, in fact, that the Committee shall consider, usually every two years, the opportunity for a Code's revision.

Among other changes inspired by the evolution of the regulatory and self-regulatory framework it is worth to point out, in particular, the introduction of a specific reference to the principle of sustainability of the business in a medium-long term perspective both in the assessment of risk appetite (see *criterion* 1.C.1., lett. b)) and with reference to the change made to the *comment* to article 4 that now refers to specific tasks concerning sustainability which companies may grant to a committee established *ad hoc* or distribute among existing committees.

The Committee also improved certain aspects of the system of internal control and risk management (hereinafter also only "SICRM"), calling for a strengthening of the role of the board within the SICRM and an improvement of the internal organization of the players

involved in the system as well as of the information flow[1] between them. In the *comment* to article 7, the Committee also mentioned the opportunity, at least for the companies included in the FTSE Mib, to set an adequate system for reporting violations (whistleblowing system), recommended both by international best practices and by several European laws recently implemented or to be implemented in Italy.

As to the recommendations regarding the controlling body of the companies adopting the Code, the Committee clarified some aspects related to the information on the assessment made by the issuer (based on the Code's independence requirements) on the independence of the statutory auditors as well as introduced, similarly to the recommendations set for the Board of Directors, a recommendation on the remuneration of the statutory auditors.

As in 2014[2], also in 2015, the Committee took the opportunity of the Code's revision to reflect in the Code some of the guidelines expressed in its Annual Report 2014, which contains the second periodic Report on the compliance with the Corporate Governance by Italian listed companies; these changes have been mainly made in order to emphasize not only the importance of greater accountability of the board in the context of the SICRM, but also the relevance of a complete and timely pre-meeting information, of appropriate training sessions for directors and statutory auditors as well as of the professional skills, including managerial, of the board members.

Other corporate governance regulatory news in the banking industry

In the context of the implementation of the Directive 2013/36/EU (CRD IV) some amendments have been made to the Banking Act (Tub) and the Consolidated Law on Finance (Tuf), among which it can be highlighted, in particular, those relating to the requirements of corporate officers (Art. 26 Tub), with particular reference to the professional skills of such subjects[3]. Article 26 now requires that the "professional skills" criterion shall be governed in a way that is "*consistent with the office and with the characteristics of the bank, and of adequate composition of the board*".

Moreover, in order to implement article 71 of the CRD IV Directive, it has been introduced the new art. 52 *bis* Tub which provides for a mechanism which enables the personnel of banks to report breaches of rules (so called whistleblowing). In particular, it requires banks to adopt specific procedures to ensure the confidentiality of personal data of both the reporting person and the alleged infringer, to protect adequately the reporting person by retaliation, discriminatory or otherwise unfair treatment arising from the violation reporting and ensure a

[1] The improvement of the information flow regarded not only the subjects involved in the system of internal control and risk management; in fact, the Committee strengthened also the information obligations of the internal board committees in relation to the information they provide to the board following their meetings.

[2] The decision reflects the one taken in July 2014, when the Committee took the opportunity of the Code's revision to adopt certain guidelines contained in its 2013 Annual Report, including the First Report on the compliance with the Corporate Governance Code.

[3] As provided for by article 91 of the CRD IV, the subjects in charge of managerial, direction and control tasks in banks shall be suitable for the performance of their tasks. On the occasion of the transposition, it has been specified that, to the purposes of the "suitability" of such subjects, in addition to fulfil the requirements of integrity, professionalism and independence, they shall meet criteria of competence and fairness, which will be set out by the Minister of Economy and Finance (MEF), by decree adopted after consulting the Bank of Italy.

specific channel, independent and autonomous, for the reporting. The practical aspects of those procedures will be set out by the Bank of Italy. Also the Tuf provides a whistleblowing regime (Art. 8 *bis*), entrusting Consob and the Bank of Italy with the definition of the detail rules.

Other corporate governance regulatory news in the insurance industry

The Directive 2009/138/EU, "Solvency II", which sets out the general principles of the new solvency regime, has been implemented in Italy with the Legislative Decree no. 74 of May 12th, 2015. As far as the delegated acts (setting out the detailed regulation) are concerned, it shall be noted that they contain, *inter alia*, certain provisions relating to the organization of the corporate governance systems, in particular the role of the basic functions defined in the Directive (actuarial, risk management, compliance and internal audit), as well as the functions related to reporting and disclosure obligations toward the Supervisory Authority and the public. In order to implement the Directive, the European Supervisory Authority in the insurance industry, EIOPA, issued in February and July 2015 several guidelines also covering some governance aspects within the insurance industry, such as, for example, the functioning of the supervisory board, the process of review by the Supervisory Authority, the forward-looking assessment of risks and the system of governance.

In the national context it shall be highlighted that on December 2nd, 2014 the Italian Supervisory Authority in the insurance industry (Ivass) published a Letter to the market concerning "2014 financial statements – Profits distribution and remuneration policy" to stress the fact that such policies shall ensure the achievement, or retention, of current and future capital adequacy degree, both at individual and consolidated level, in line with the overall risk assumed by each company.

Italian principles of stewardship

As far as the engagement is concerned, the Italian self-regulatory framework is already in line with the European best practices, given the approval, on October 1st, 2013, by the Governing Council of *Assogestioni*, of the Italian Principles of Stewardship[4]. In line with the principles contained in the corresponding European Code ("Code EFAMA"), the Principles, as formulated, describe the most important rights and duties of asset managers, in order to stimulate the discussion and collaboration between asset managers and listed companies in which they invest. In September 2015, *Assogestioni* also introduced the implementing criteria in the Principles that reflect the recommendations contained in the EFAMA Code, adapting it to the peculiarities of the Italian legal framework.

3. The evolution of the international corporate governance framework

The new G20/OECD Principles of Corporate Governance

[4] The entry into force of the principles has not been explicitly set by the Governing Council of *Assogestioni*. In fact, *Assogestioni* has not considered appropriate to provide for a mandatory deadline by which the recipients of the principles are required to apply them. In any case, the association plans to assess the state of compliance with the principles by the end of 2015.

On September 5th, 2015, the G20 and the OECD have published a new edition of the Principles of Corporate Governance.

The presentation has been made at the meeting of the G20 Finance Ministers, held on September 4th and 5th, in Ankara. As anticipated during the Corporate Governance Forum, organized by the OECD on April 10th, at the G20 summit in Istanbul (attended by the Chairman of the Committee and the Coordinator of the Technical Secretariat), the new OECD Principles have been officially promoted and supported by the G20.

The OECD Principles of Corporate Governance, adopted in 1999 and previously amended only in 2004, are addressed to a broad audience of policy makers and market participants in order to contribute to economic efficiency, sustainable growth and financial stability as well as to improve corporate governance policies and promote the development of corporate governance best practices.

The new edition of the Principles is divided into six chapters: I) Ensuring the basis for an effective corporate governance framework; II) The rights and equitable treatment of shareholders and key ownership functions; III) Institutional investors, stock markets and other intermediaries; IV) The role of stakeholders in corporate governance; V) Disclosure and transparency; VI) The responsibilities of the board.

Each chapter is divided into principles (in bold) and sub-principles, whose function is to explain the scope of the principles, also through the description of some legislative/or self-regulatory trends, dominant or emerging, as well as examples of alternatives solutions for the implementation of the principles.

Among the major changes there has been a broader reference to self-discipline and to the "*comply or explain principle*", the importance of the quality of financial and non-financial disclosure, the role of the board and nomination committee in the appointment procedure of the board, the need for adequate systems and internal control procedures as well as the importance of the board evaluation.

The intervention of the European legislator

The European Commission published, on April 9th, 2014, a set of measures to improve corporate governance, strengthening competitiveness and sustainability in the long term. In particular, the set contains a proposal to revise the Directive on shareholders' rights (Directive 2007/36/EC), the Recommendation 2014/208/EU on "*comply or explain principle*" and a proposal for a Directive regulating the limited liability company with sole shareholder (*Societas Unius Personae*, also "SUP").

Directive on shareholders' rights

With the proposal of revision of the Directive 2007/36/EC, the European Commission intervened on several aspects of listed companies shareholders' rights. A first set of measures concerns the improvement of the exercise of shareholders' rights and focuses in particular on: i) identification of shareholders; ii) transmission of information to shareholders; iii) exercise of the shareholders' rights and iv) costs transparency. A second set of measures relates to the strengthening of the transparency by institutional investors, asset managers and proxy

advisors to foster the adoption of engagement policies and the relevant transparency regime, the rules for setting the remuneration of directors and the related-party transactions regulation. In 2015 it was almost completed the entire legislative process for the revision of the Directive, following the steps of the so-called ordinary procedure. At the time of this Report, the European Parliament and the EU Council are seeking an agreement in the final step of the process (so-called trialogue).

Recommendation on the "comply or explain principle"

As far the European Recommendation on the "*comply or explain principle*" is concerned, aimed at enhancing the quality of corporate governance information, it has to be noted that the Committee approved certain amendments to the *guiding principle* IV of the Code now requiring companies that adopt the Code to explain in details the choice not to comply with one or more recommendations contained therein. In such respect, it shall be remembered that the final provisions of the Recommendation provided that: "*In order to motivate companies to comply with the relevant corporate governance code or to better explain departures from it, efficient monitoring needs to be carried out at national level, within the framework of the existing monitoring arrangements*". The Recommendation also invited the Member States to communicate to the European Commission, by April 13th, 2015, the measures taken in accordance with the Recommendation, in order to allow the monitoring and assessment of the existing situation. The deadline of April 13th, 2015 has been subsequently extended to June 30th, 2015.

The alignment of the Italian monitoring system with the European recommendations has been communicated to the European Commission by the Ministry of Economy and Finance and has been also expressly mentioned by the Minister, Pier Carlo Padoan, speaking at the biennial *Assonime* general meeting, held in Rome on June 16th, 2015.

The directive on non-financial information

Among the European corporate governance measures, it is worth to report the Directive 2014/95/EU[5], amending Directive 2013/34/EU[6], concerning the communication of non-financial information and information on the diversity by certain companies and large groups. The Directive introduces reporting requirements on policies, risks and results regarding environmental and social issues and those related to work, the respect for human rights, the fight against bribery and board diversity. The disclosure obligation is expected to be borne by some large companies and the parent companies of larger groups. With regard to board diversity[7], the information shall be provided by all the companies required to prepare the corporate governance report pursuant to art. 20 of the Directive 2013/34/EU. The Directive

[5] Member states shall transpose the directive by legislative, regulatory or administrative measures by December 6th, 2016. Such measures shall be applied since the financial year starting on January 1st, 2017 or during 2017 solar year.

[6] The implementation of the Directive 2013/34/EU, which replaces the IV and VII corporate law directives, providing new rules on individual and consolidated financial statements, is underway.

[7] The directive amends also art. 20 of the Directive 2013/34/EU, requiring public-interest entities to describe, in the management report, the board diversity policy with regard to the composition of the direction, management and controlling bodies (the directive provides a list, not exhaustive, of reference elements: age, gender, training and professional experience).

requires not only the description of the policy, but also an indication of the information about the objectives of the policy, the rules for its implementation and the results achieved during the relevant financial year.

The mandate to implement the Directive is contained in the 2014 European delegation law (*legge di delegazione europea*); implementation should take place in the coming weeks. Some 2015 revisions to the Code have also drawn inspiration from the provisions of this Directive.

The proposal for a directive on gender diversity

With specific reference to gender diversity, it has to be noted that the European Commission approved a proposal of directive[8] to promote gender balance in the boards of listed companies in Europe. The proposal encourages the adoption, by listed companies, of measures to achieve a 40% quota of the less represented gender among the non-executive directors by 2020; in case of state-owned listed companies the above-mentioned quota shall be achieved two years earlier (by 2018). The contents of the proposal are temporary and are set to expire in 2028.

[8] The proposal has been adopted by the EU Parliament, in plenary session, on November 20th, 2013. On October 31st, 2013 the EU Council has submitted its amendments proposals.

II. REPORT ON THE COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

1. The compliance with the Corporate Governance Code in Italy

The third Report on the compliance with the Corporate Governance Code (hereinafter the "Report") is divided into two sections: the first provides an overview on the main features of the governance models adopted by Italian listed companies and the compliance with the Corporate Governance Code, with a specific focus on the "*comply or explain principle*" (focus of the 2014 Report), with an analysis on the concrete compliance with specific Code's recommendations and the assessment on the quality of the explanation provided by companies in their corporate governance report; the second section, this year, is focused on the effectiveness of the board of directors, with specific regard to the meetings and the attendance of the single directors, to the quality of the pre-meeting and meeting information, the attendance of managers at the board's meeting, the board evaluation activity and the succession plans.

In fixing the criteria for drawing-up the Report, the Corporate Governance Committee decided to use multiple and reliable external sources: to this purpose, the Committee invited research centers, also universities, and other corporate governance experts, to submit their reports.

1.1. Current application of the Code [9]

An overview on the corporate governance of Italian listed companies is provided by their reports on the ownership structure and corporate governance, published pursuant to Art. 123-*bis* of the Tuf. This provision requires issuers to draw-up and publish a "report", disclosing, *inter alia*, information about the "*adoption of corporate governance code promoted by companies managing regulated markets or by professional associations, providing explanation for any non-compliance with one or more recommendations of that code, as well as the corporate governance practices actually adopted by the company beyond the obligations required by laws or regulations*[10]".

[9] To draw-up this section, the Committee made reference to the following data and information: Assonime-Emittenti Titoli (M. Belcredi e S. Bozzi, Università Cattolica), *Corporate Governance in Italy: Compliance, Remunerations and Quality of the Comply-or-Explain*, November 2015; Consob, 2015 *Report on corporate governance of Italian listed companies*, will be published in January 2016; Crisci & Partners, *Board evaluation – Comparative analysis, 2015 Report on the board evaluation practices*; The European House – Ambrosetti, *L'osservatorio sull'eccellenza dei sistemi di governo in Italia,* 2015 edition; Mercer, *Studio sui compensi dei consigli di amministrazione delle società FTSE Mib. Terza edizione – anno 2015*; Spencer Stuart, *Italia Board Index 2015*.

[10] The Report should, at least, provide: i) some specific information about the ownership structure of the issuer; ii) rules concerning appointment and replacement of directors, whether different from the legislative and regulatory ones applicable on a default basis; iii) main features of the internal control and risk management system that has been put in place in relation to the process of disclosure of financial information, also consolidated, if applicable; iv) rules concerning the functioning of the shareholders' meeting; v) structure and functioning of administrative and control bodies as well as the relevant committees.

Almost all the Italian listed companies have formally declared to comply with the Corporate Governance Code[11]; in some rare cases the companies, while adopting the 2011 edition of the Code, have not explicitly reported to comply with the subsequent amendments made in 2014. A limited number of companies, basically stable over the years (16 cases)[12], announces explicitly not to adopt (or not to continue to adopt) the Corporate Governance Code and provides information on its corporate governance system in accordance with art. 123-*bis* of the Tuf. The decision not to adopt the Corporate Governance Code is generally explained making reference to company's structure and size; in some cases, the decision not to adopt the Code is generally followed by a statement on the appropriateness of the current governance model in relation to the specific features of the company.

Even if neither Article 123-*bis* of the Tuf nor the Corporate Governance Code explicitly require issuers to provide an explanation for the decision not to adopt the Code, the Committee notes positively that, in case of not adoption, explanation is often available or there is at least the statement that the corporate governance system is broadly in line with the principles set out in the Code, with the domestic best practices or, in case of supervised issuers, with the recommendations made by the Supervisory Authority[13].

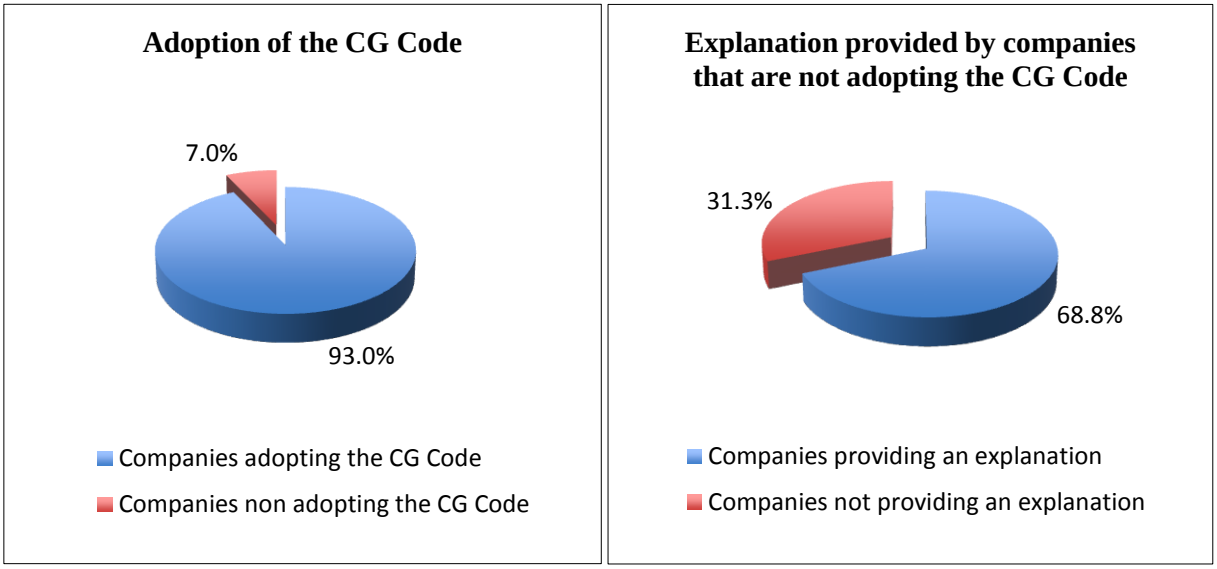

Figure 1. Source: Assonime-Emittenti Titoli, La Corporate Governance in Italia: autodisciplina, remunerazioni e comply-or-explain*, novembre 2015, Fig. 58*

[11] 212 companies, i.e. 93% of 228 companies listed on December 31st, 2014, which reports were available as on July 15, 2015 (see Assonime-Emittenti Titoli, p. 27-28). The analysis of Assonime-Emittenti Titoli provides, on aggregate, the explanation of the exclusion, specifying that the few reports which were not available as of July 15th, 2015 are generally related to cases of delisting, mergers or bankruptcy procedures. In particular, the analysis specifies that 45 foreign companies and the companies traded on AIM market have been excluded, not being subject to the obligation to publish the corporate governance report and to the recommendations of the Code (see Assonime-Emittenti Titoli, p. 9). More details on the composition of the sample made by Assonime-Emittenti Titoli are available in the above-mentioned document, in the Appendix 1.

[12] 17 in 2014 and 16 in 2013. See Assonime-Emittenti Titoli, Tab. 1.

[13] This happens in 11 cases, equal to 69% of the total (see Assonime-Emittenti Titoli, p. 122).

As to the companies that adopt the Code, **the Committee requests that issuers state clearly in their corporate governance report to adopt the last edition of the Code; as to the application of the amendments, the Code already provides for a specific transitional regime indicated in its *guiding principles*.**

1.2. The composition of the board of directors

Defining the structure of the board of directors, the Corporate Governance Code recommends that the board is made-up of executive and non-executive directors (*Principle 2.P.1.*) and that an adequate number of non-executive directors is independent (*Principle 3.P.1.*). As to the disclosure of such information, the *criterion* 1.C.1. lett. i) requires the board of directors to provide in the corporate governance report, *inter alia*, information on its composition, indicating for each member the role (executive, non-executive, independent), the position held within the board (for example, Chairman, Chief Executive Officer), the main professional skills and the length of service.

In light of the data provided by the companies in the corporate governance report, there has been, over the years, a progressive alignment to the Corporate Governance Code's recommendations concerning the composition of the board. In general, the board sees a balanced distribution of directors belonging to the categories recommended by the Code. On average, the board is made up of 9.8 directors of which: 2.7 executive directors; 3.0 non-executive directors not independent; 4.1 non-executive independent directors. The size of the board varies according to company dimension and industry. Both the size and the composition of the boards appear to be stable over the time; compared to the figures in 2014, the Committee notes that the slight changes are due mainly to a slight increase in the number of independent directors (in particular in the FTSE Mib and Small Caps; down, instead, in the Mid Caps)[14], which corresponds to an equivalent reduction of non-executive (not-independent) directors.

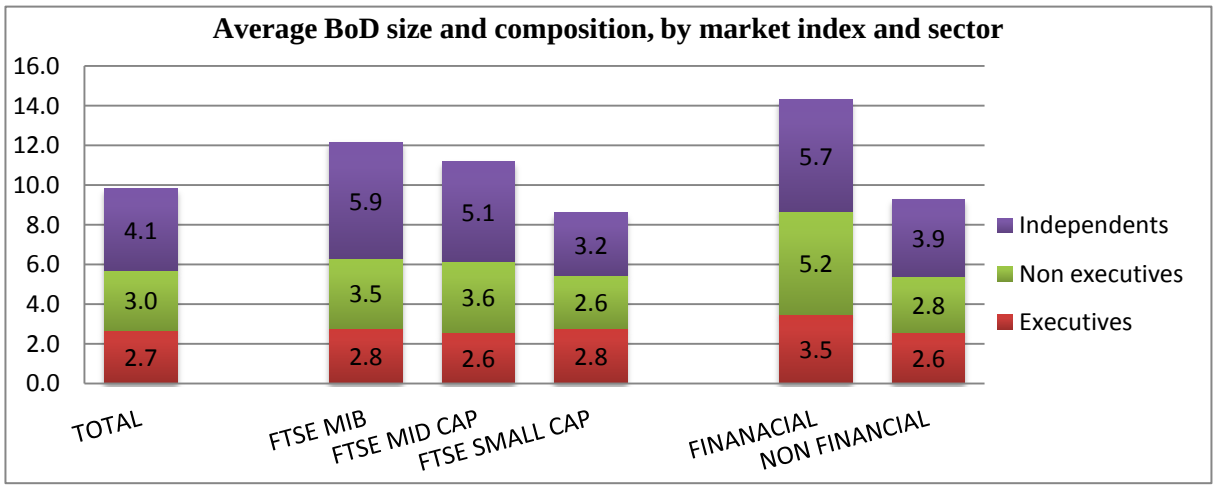

Figure 2. Source: Assonime-Emittenti Titoli, Fig. 11

[14] The overall average of the independent directors is in constant slight increase: 4.1 in 2015, 4 in 2014 and in 2013 and 3.9 in 2012.

As to the category of executive directors, it has to be noted that 44% have been explicitly qualified as Managing Director, while 61 executive directors, of which 43 Managing Directors, also hold the office of General Manager. The concentration of the offices of managing director and general manager is not particularly frequent, concerning only 16% of the managing directors[15].

Among the companies declaring the presence of at least one executive director it could be possible identifying 180 companies in which there is a Chief Executive Officer (hereinafter also only "CEO"): this role tends to be identified explicitly by the companies (in particular 25 FTSE Mib report it), while in some cases it appears less clear; in other cases, companies identify more than one CEO.

It is rare that companies do not comply with the recommendations of the Code concerning the composition of the board (this happens in less than 10% of cases)[16]. The disclosure of the reasons - in such cases - is still rare (it is provided in 24% of cases, however, an increase compared to 10% from 2014) and does not always achieve the level of detail required by the Code. In over half of the cases, however, the non-compliance is clearly due to the non adoption of the Code[17].

The Committee notes positively the compliance level with the Code's recommendations on the composition of the Board and on the identification of its components; in the rare cases of non-compliance, the Committee reminds issuers adopting the Code that it is necessary to provide an explanation for non-compliance.

1.3. Independent directors

As to the number of independent directors, it has to be noted that *principle* 3.P.1. recommends that in the companies' board an "adequate" number of non-executive directors shall be independent, while the *criterion* 3.C.3. specifies that the adequacy of the number (and professional skills) of the independent directors shall be assessed in relation to the size of the board and the company's business. In order to make it easier for companies to assess the number of independent directors to be considered as adequate, the same *criterion* 3.C.3. recommends issuers in the FTSE Mib to have a board made-up by at least one-third of independent directors (rounded down to the nearest unit), stating that, in any case, in all companies, independents directors shall not be less than two.

As to the board composition in the FTSE Mib companies, it has to be noted that the transitional regime established by the *guiding principle* IX of the Code delayed the entry in force of such a recommendation to the first renewal of the board of directors following the end of the financial year beginning in 2012; the transitional regime is therefore expired only with the renewals of the board of directors that have taken place in 2015. An analysis of

[15] See Assonime-Emittenti Titoli, p. 43.

[16] See Assonime-Emittenti Titoli, p. 23.

[17] See Assonime-Emittenti Titoli, p. 125, where it is specified that only 5 companies out 21 explain the reasons for the non-compliance; in the remaining 16 cases, 11 are represented by companies that do not adopt the Code.

corporate governance reports shows an almost complete compliance with the above-mentioned recommendations of the Code. At the end of 2014 almost all the companies in the FTSE Mib had a board of directors (or supervisory board) with at least one third of independents directors[18]; a large number of companies is in line with the recommendation of the Code to have, in any case, at least two independent directors[19]. This trend shows a mature approach by the companies, which pay special attention to guarantee a balanced presence of independent directors within the body in charge of the strategic planning.

Among the 20 companies that are not compliant, 12 do not adopt the Code.

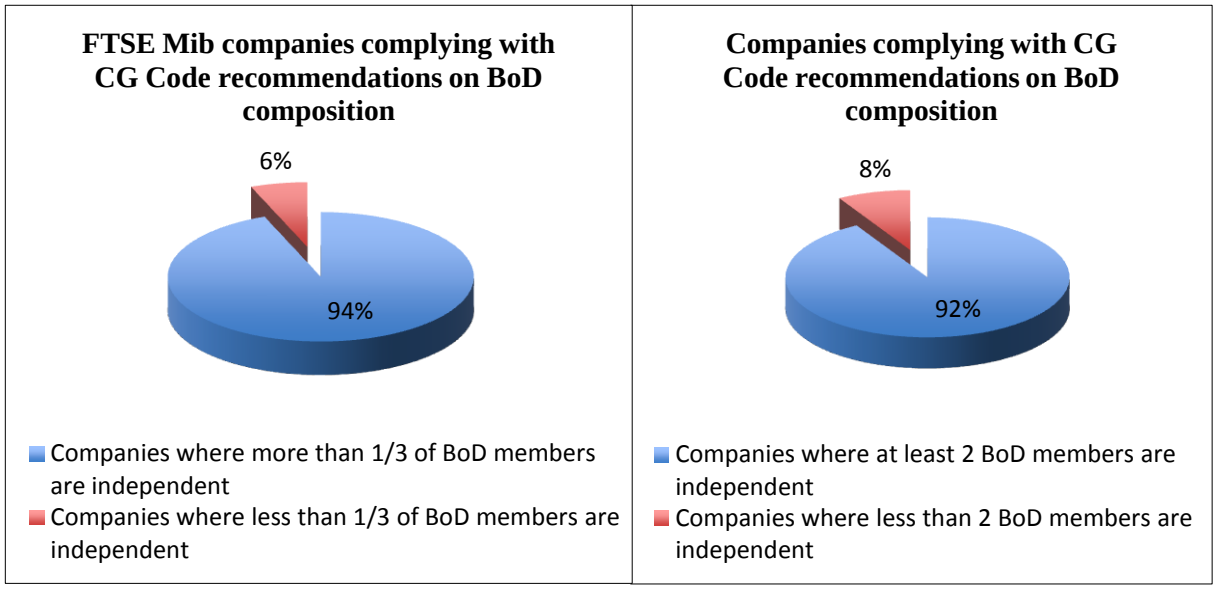

Figure 3. Source: Assonime-Emittenti Titoli, Fig. 13

As to the quality of the information provided by listed companies in relation to the concrete application of the status of independent directors (based on the requirements set out by the Code), it has to be remembered that the list of requirements provided by the Code in order to qualify a director as independent shall be considered as merely illustrative and not limiting; listed companies are required to apply such requirements "having regard more to the substance than to the form". As stated in the *comment* to art. 3 of the Code, each listed company can assess the status of independent in light of criteria that are, in whole or in part, different from the ones provided by the Code, "giving adequate and explained information to the public".

In such respect, the Committee notes that the non-compliance with one or more independence requirements set out by the Code is quite rare[20]. In most cases the requirement not applied is

[18] 33 companies out 35, equal to 94% of the total (see Assonime-Emittenti Titoli, p. 44), comply with the requirement of the composition, including two companies that, in accordance with the transitional regime provided by the Code, aligned the board's composition in the context of the 2015 renewal. Of the two non-compliant companies, one adopts the Code but provides an explanation for the non-compliance.

[19] 209 companies (equal to 92% of the total, basically stable over the time; see Assonime-Emittenti Titoli, p. 44).

[20] 13 companies communicated the intention not to comply with one or more independence requirements provided by the Code (equal to 6% of the total; see Assonime-Emittenti Titoli, p. 129).

the one related to the duration in office exceeding 9 years (3.C.1., lett. e)). The non-compliance with an independence requirement is almost always motivated (11 cases out of 13, equal to 85% of the total) and the reasons for non-compliance are generally related to the opportunity to focus on the skills acquired over time or the opportunity not to apply the requirement automatically; in other cases, some listed companies do merely point out the non-binding and limiting nature of these recommendations, others do not provide information.

Some companies have not dis-applied, instead, the Code's independence requirements, but have assessed, in concrete, the independence of the single director, in accordance with the principle "substance prevail over the form" (provided for by *criterion* 3.C.1. of the Code): this is the case for 39 companies, of which almost all (97% of the companies, up compared to 85% in 2014) provide an explanation in respect to the concrete case, often reporting specific information in relation to the single concerned director (and/or statutory auditor), sometimes also with reference to the specific and differentiated circumstances that concern each director/statutory auditor.[21]

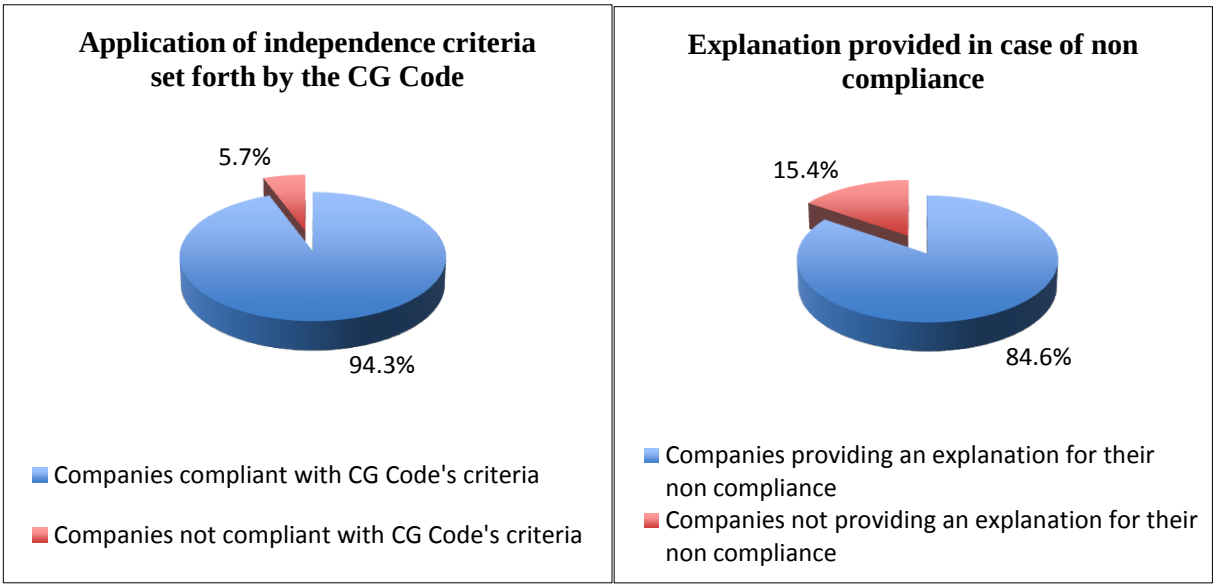

Figure 4. Source: Assonime-Emittenti Titoli, Fig. 63

The Committee considers positively the compliance level by the companies both with regard to the adequate number of independent directors and to the application of the independence requirements; in fact, only in a limited number of cases, companies have not applied one or more independence requirements, almost always explaining the

[21] The explanation, almost always connected with the case of duration in office exceeding 9 years, is often related to the opportunity to avoid a mechanic application of the requirement, to ethic qualities, commitment, professionalism and independence of judgment. In case of application based on the "substance" of the requirement concerning the appointment as key personnel in the company, sometime reference is made also to the "*super partes*" role of the concerned director. Sometimes the corporate governance report refers to the fact that the fulfillment of all the other requirements, without exceptions, can be considered as a useful indicator of the substantial independence of the concerned director. Some companies refer to more specific explanations, concerning the lack of commercial, professional or personal relationships and/or the limited impact of the compensation in relation to the overall amount of professional income of the concerned director or the plurality of offices held by the single director. See Assonime-Emittenti Titoli, pp. 130-131.

reasons for the non-compliance. Even if the companies have decided to apply one or more requirements according to the principle of "*substance prevails over form*", provided for by the Code, the Committee notes a significant disclosure level by companies that have almost always provided detailed and individual information in such respect.

1.4. Competence and professional skills of the directors and board diversity

To complete the general statutory obligation of directors to act with the diligence required by the nature of the office and their specific professional skills, the Corporate Governance Code recommends (*criterion* 2.C.2.) that directors are aware of the tasks and responsibilities associated with their office.

In order to enhance the level of competence and professional skills of the members of the management and control bodies, the *criterion* 2.C.2. requires the chairman of the board of directors to ensure that directors and statutory auditors can participate, not only following the appointment, but also during the mandate, in induction sessions aimed at providing them with adequate knowledge of the business sector in which the company operates, company's internal dynamics and their evolution, as well as the relevant regulatory and self-regulatory framework[22]. In order to further ensure high standards of competence and skills in the board, *criterion* 1.C.1. lett. h) recommends to the board of directors to express, taking into account the results of the Board evaluation, guidance on the professional figures whose presence in the board is considered appropriate. The expression of these guidelines can be found only in 47 companies (equal to 37% of those who provided information on how the board carries out the evaluation).[23]

In addition, as specified in the *comment* to article 1, in evaluating the board composition, it shall be assessed that the different components (executive, non-executive, independent) and professional and managerial skills, also gained abroad[24], taking also account of the benefits that may result from the presence in the board of several genders, ages and lengths of service, are properly represented, in relation to the company's business. As to gender diversity in the management and control bodies, following the entry into force of Law no. 120 of July 12th, 2011[25], there has been a progressive increase in the number of women in the Italian listed companies' management and control bodies. Considering that the law applies only to companies whose bodies have been renewed after August 12th, 2012 and given the usual three-year terms of the mandate, such law will apply on a staggered basis.

[22] In particular, the training sessions can be organized directly by the listed company or by third parties: in such respect, some companies report the participation of the members of the management and control bodies to the Induction Sessions organized by some promoters of the Committee. The listed companies can also decide to combine internally organized induction sessions with training programs organized by external subjects.

[23] Only 1/3 of them renewed the board in 2014. The release of guidance to the shareholders is more frequent in the financial industry (45%) and, in particular, among banks (53%). See Assonime-Emittenti Titoli, p. 37.

[24] Among the FTSE Mib companies, on average 31% of the board members (compared to 23% in 2013) had an experience abroad. See The European House – Ambrosetti, p. 21.

[25] Law 120/2011 provides that, in the management and control bodies, at least 1/5 of the seats (rounded up), at the first mandate, at least 1/3, at the following two renewals, shall be reserved to the "less represented" gender.

For the time being, in the FTSE Mib companies, almost all the companies records a presence of women in their board of directors; while only a very small number of female board members holds the position of executive director.[26]

Female representation on corporate boards of listed companies, by market index (end of June 2015)

	diverse-board companies[1]			average weight of women on boards	
	no. of companies	% market cap[2]	average no. of female directors	in all listed companies	in diverse-board companies[1]
Ftse Mib	36	100.0	3.6	29.3	29.3
Mid Cap[3]	41	100.0	2.9	25.8	25.8
Star[3]	63	100.0	2.4	26.4	26.4
other	92	99.6	2.4	28.6	29.5
total	*232*	100.0	*2.7*	*27.6*	*28.0*

Figure 5. Source: Consob 2015 Report on corporate governance of Italian listed companies, Tab 2.16

The Committee considers positively the result of the replacements of the boards, in particular with regard to gender balance as a consequence of the entry into force of the law n. 120/2011; the Committee also wishes that, upon the next renewals, the diversity in the professional and managerial skills, including international ones, of the board members, increases. To this end, the Committee invites the expiring board to express, as a result of the self-assessment process, guidance on managerial and professional figures, whose presence in the board is considered appropriate.

1.5. The board internal committees

The Code recommends to the listed companies to establish, within the board of directors, committees with preliminary and advisory tasks in the fields where the risk that conflict of interests may arise is higher; in particular, the Code recommends to establish a nomination committee (*principle* 5.P.1.), a remuneration committee (*principle* 6.P.3.) and a control and risk committee (*principle* 7.P.3.).

As to the committee's composition, the Code recommends that the nomination committee is made-up, for the majority, by independent directors, while requires that remuneration and control and risk committee are made-up solely by independent directors or, alternatively, by non-executive directors, for the majority to be independent, and that the chairman is chosen among the independent members. The board internal committees (the establishment of which is recommended by the Code) shall be made-up by an adequate number of directors, without, however, being plethoric. In such respect, the Code recommends that the committees are made-up by at least 3 members; for the companies with a board of directors composed by no more than 8 members, the Code provides that committees can be also composed by only two members (see *criterion* 4.C.1., lett. a)).

[26] Overall there are 621 female board members equal to 27.6% of the board members. Among them, 16 are CEOs, 17 Chairmen, 36 Deputy Chairmen or members of an executive committee; 42 have been appointed in a minority slate (See Consob 2015).

As to the information that listed companies shall provide with regard to the internal committees, *criterion* 4.C.1., lett. g) recommends to the listed companies adopting the Code to provide in the context of the corporate governance report an adequate disclosure on the establishment and the composition of the committees, on the scope of the task granted to them as well as on the activities carried out during the relevant financial year, specifying number and duration of the meetings and the relevant percentage of attendance of each member.

The nomination committee

The nomination committee has been established by half of the companies (114) and is frequently (in 77 cases) unified with the remuneration committee.[27] Almost all the other 114 companies that have not established it explained the reason for this choice: this is the case for 108 companies (95% of 114), up compared to 2014 (87%). Of the remaining 6 companies that do not communicate the reason for nothaving established the committee, 3 do not adopt the Code. The explanation offered by the companies that have not established the nomination committee makes frequently reference to legal provisions and, in particular, the "slate system"; some companies also refer, specifically, to the proactive role played by the controlling shareholder, to the shareholders' structure or to the fact that, in the past, the process for the identification of board member candidates has been managed smoothly. Some companies refer, specifically, to the possibility offered by the *criterion* 4.C.2. not to establish the committee, subject to certain conditions, or communicate that its tasks are performed directly by the board.

The Committee notes that, in the 37 companies that have established a "*stand-alone*" nomination committee (*i.e.* not merged with other committees), its composition is almost always in line with the recommendations of the Code (majority of independent directors).

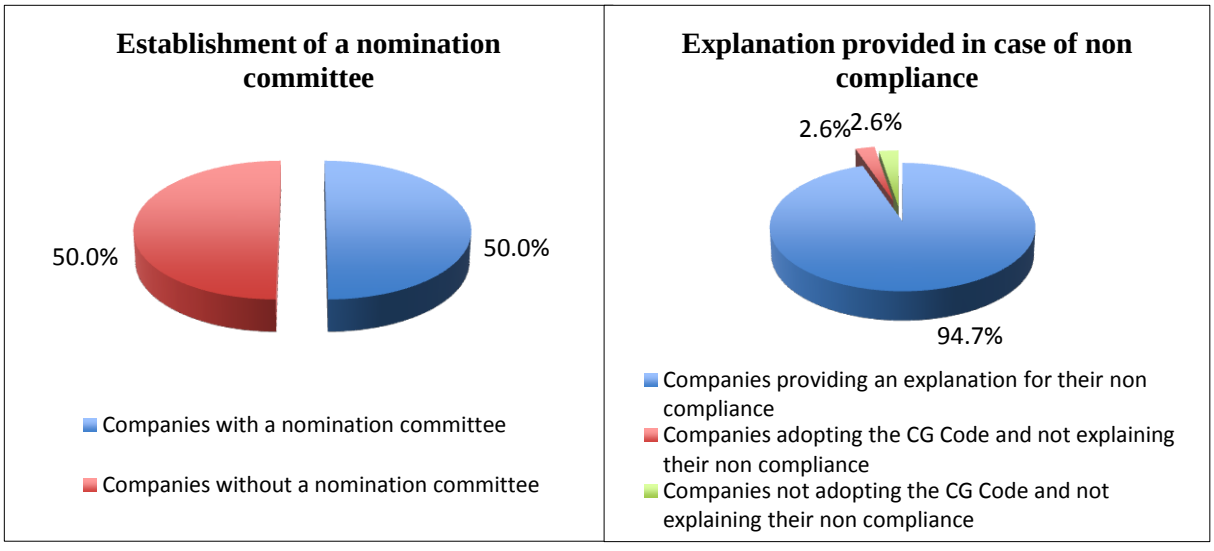

Figure 6. Source: Assonime-Emittenti Titoli, Fig. 64

[27] The number of the members is almost always equal or more than 3; in 2 cases, the committee is made-up by 2 directors. See Assonime-Emittenti Titoli, p. 133.

The Committee considers positively both the percentage of the reasons provided by the companies that communicate the decision not to establish the nomination committee, and the compliance level of the committees, where established, with the recommendations regarding their composition.

The remuneration committee

The remuneration committee has been established by 203 companies, almost always as "s*tand -alone*" committee (201).[28]

Of 25 companies that have not established it, 18 (72%) provided an explanation thereof, while, of the remaining 7 companies that have not provided explanation for not having established the committee, 6 do not adopt the Code. Where disclosed, the explanation often relates to the company's size and to the need for simplifying the corporate structure[29]; in other cases it is reported that the compensation is resolved by the shareholders' meeting at the time of the appointment. Some companies, pursuant to *criterion* 4.C.2. of the Code, have allocated the tasks of the remuneration committee to the board, as a whole; other companies refer to the role, number and/or authority of the independent directors.

As to the composition of the remuneration committee, the established committees are often compliant with the Code's recommendations: *i)* all the members shall be non-executive independent directors; or *ii)* all the members shall be non-executives, for the majority, independents, with an independent chairman. This is the case for 86% of the companies[30], up compared to 81% in 2014. In the remaining 29 companies that have a committee the composition of which is not compliant with the Code's recommendations, only 10 provided explanation, equal to 35% of the non-compliance cases (up compared to 21% in 2014)[31]. The explanation offered is differentiated on the basis of the reasons for non-compliance: the presence of an executive director in the committee is justified making reference to organizational reasons; the non-adequacy of the number of independent directors is justified on the basis of temporary circumstances or the existence of procedural measures considered as equivalent.

[28] The number of members is almost always equal or more than 3; in 16 cases the remuneration committee is made-up by 2 directors. See Assonime-Emittenti Titoli, p. 135.

[29] In a case of "explained" non-compliance, the company expressly reported the elimination of the remuneration committee previously established (see Assonime-Emittenti Titoli, p. 133).

[30] 172 companies (see Assonime-Emittenti Titoli, p. 134).

[31] See Assonime-Emittenti Titoli, p. 134.

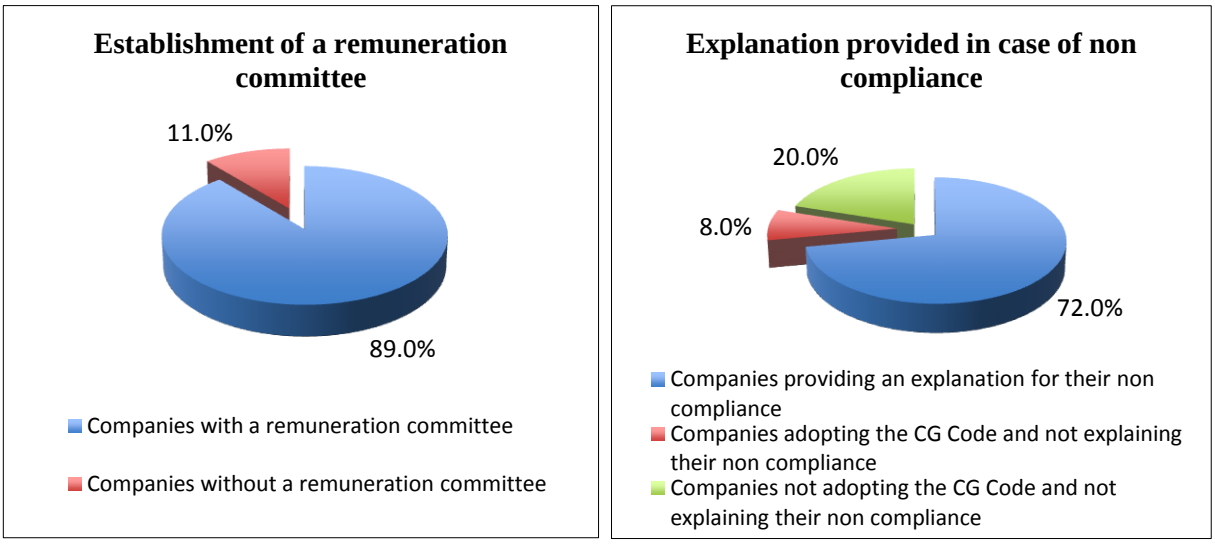

Figure 7. Source: Assonime-Emittenti Titoli, Fig. 65

The control and risk committee

The control and risk committee has been established by most of the Italian listed companies: 210 companies, equal to 92% of the total.[32] Among the 18 companies that have not established the committee the disclosure of the reasons of such choice is frequently provided: in particular, 16 companies, equal to 89% of the total (up compared to 80% in 2014), have provided an explicit explanation for the non-compliance with the recommendation in question; among the remaining 2 companies that do not communicate any explanation, 1 of them do not adopt the Code. Also in such a case the fact that the committee is not established is often justified making reference to the limited size of the company or to the need for simplifying the corporate governance structure and/or it is stated that the committee's tasks have been granted to the board of statutory auditors; in other cases reference is made to the positive operative context of the company or it is stated that the presence of an efficient internal control system shall be regarded as sufficient.[33]

As to the composition of the control and risk committee, the established committees are often compliant with the recommendations of the Code: *i)* all the members shall be non-executive independent directors; or *ii)* all the members shall be non-executive directors, for the majority independents, with an independent chairman. This is the case for 89%[34], up compared to 87% in 2014. In the remaining 24 cases, the composition of the control and risk committee is not in line with the Code's recommendations[35] and the reasons for non-compliance are rarely communicated: only 6 companies provided an explanation, equal to 25% of cases of non-compliance (a significant increase compared to 4% in 2014)[36]. The explanation offered is

[32] The number of members is almost always equal or more than 3; in 20 cases the control and risk committee is made-up by 2 directors. See Assonime-Emittenti Titoli, p. 137.

[33] See Assonime-Emittenti Titoli, p. 136.

[34] In 186 companies (see Assonime-Emittenti Titoli, p. 136).

[35] Either there is no complete available information as to the composition (for example with regard to the appointment of a chairman) or the chairman is not independent. See Assonime-Emittenti Titoli, p. 136.

[36] See Assonime-Emittenti Titoli, p. 136.

differentiated on the basis of the reasons for non-compliance: the limited number of independents is often related to temporary circumstances, in other cases to the adequacy of the current composition given the experience of the members or to organizational or functioning reasons.

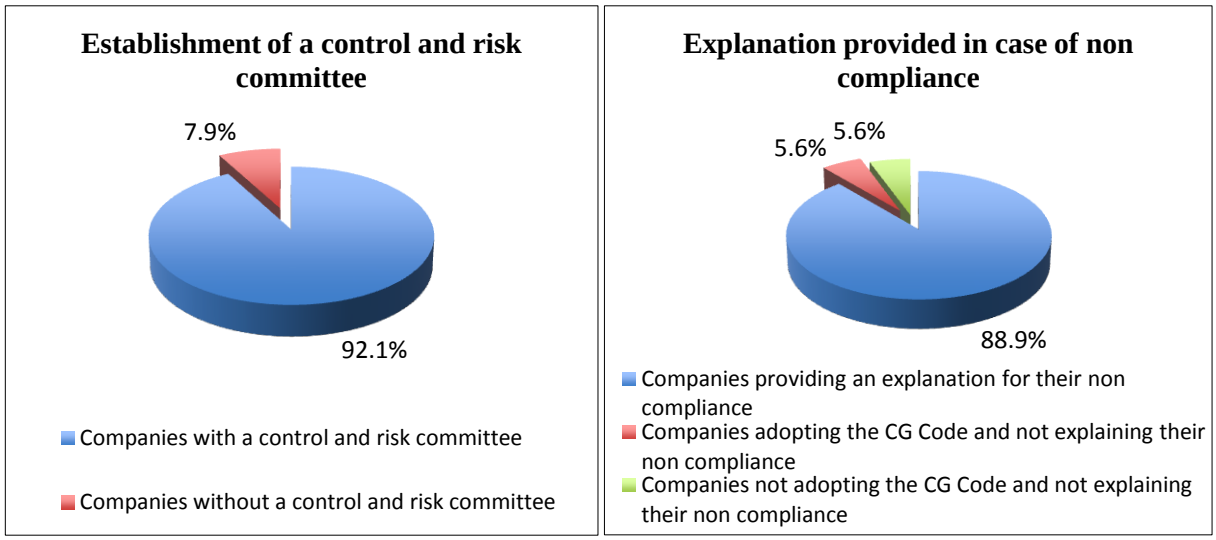

Figure 8. Source: Assonime-Emittenti Titoli, Fig. 66

The Committee considers positively both the significant number of companies that have established a remuneration and control and risk committee, and the high number of companies that provide explanation in case of not establishment of the committees. The committees' composition is often compliant with the Code's recommendations. However, in the few cases of non-compliance as to the composition, explanation is rarely provided; in such respect, the Committee reminds the listed companies adopting the Code that in case of non-compliance it is necessary to provide a straightforward and complete explanation, while concise, properly explaining the reasons for the non-compliance with the relevant Code's recommendations.

2. The effectiveness of the board of directors

As envisaged by the Committee in its Report of December 11th, 2014, the monographic part of this year is focused on the effectiveness of the Board of Directors.

2.1. Board of directors' meetings frequency and length

Information about the frequency of Board of Directors meetings is always available: the average number is 10.1, and varies a lot depending on the sector and on the firm size[37].

[37] See Assonime-Emittenti Titoli, Tab. 2.

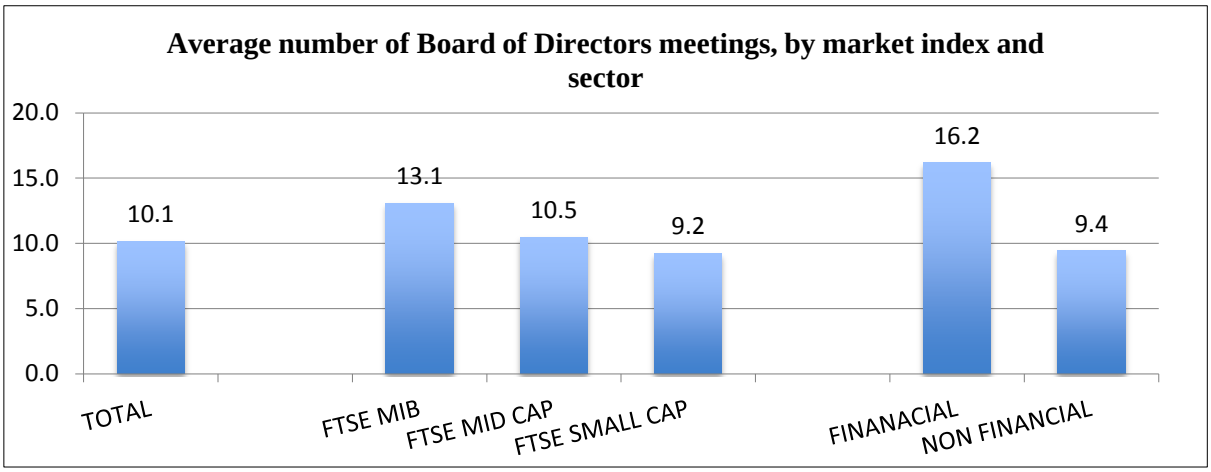

Figure 9. Source: Assonime-Emittenti Titoli, Fig. 1

The average frequency of board meetings is basically in line with the previous year; with respect to the less recent past, we can notice an increase in the number of meetings, especially among larger companies (in the FTSE Mib Index the meeting frequency rose by 20% from 2012).

Moreover, the Code requires companies to disclose in their corporate governance reports also the average length of board meetings. Information on this point is available for almost all companies.[38] The average length of meetings is about two and a quarter hours (134 minutes). As in the past, significant variations exist according to firm size and, even more, to company sector, especially with reference to banks.

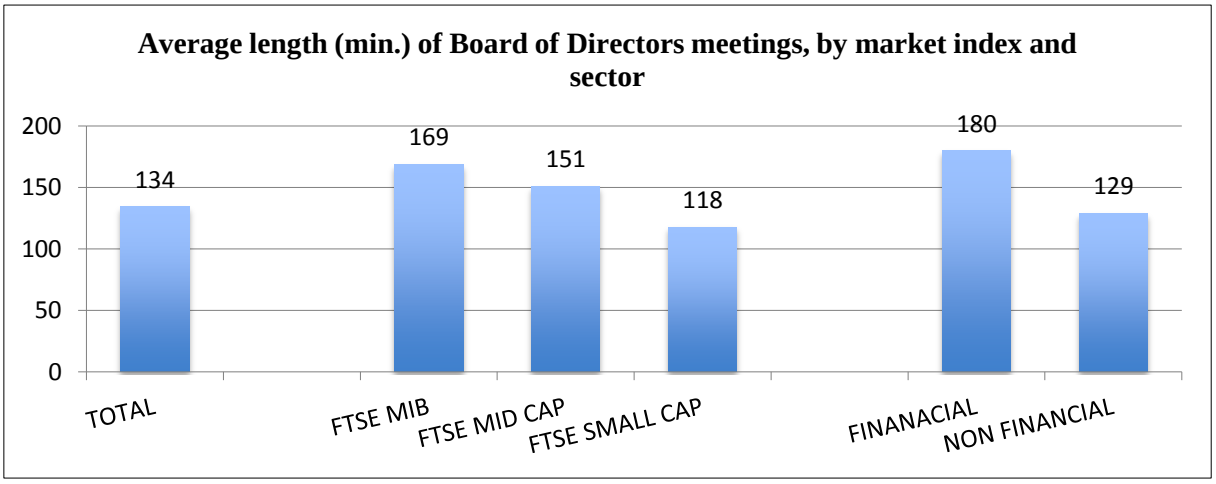

Figure 10. Source: Assonime-Emittenti Titoli, Fig. 2

2.2. The attendance at board meetings

Information about the attendance at board meetings is very frequently available : information on individual attendance is available for 2.232 directors out of 2.305, i.e. 97% of the

[38] See Assonime-Emittenti Titoli, Tab. 3, which reports that such information is provided by 215 companies (i.e. 94% of the aggregate).

aggregate. The average attendance is equal to 91%. 62% of directors for whom information is available (1.375) were always present; 97% of directors attended at least at one half of the meetings; "extreme" negative values are quite uncommon.

2.3. The circulation of the pre-meeting information

In its *criterion* 1.C.5., the Code recommends to the Chairman of the BoD to ensure that the documentation related to the board meeting is made available in a timely manner and to the company to provide information about the promptness and completeness of the pre-meeting information. In particular, according to the Code, issuers shall provide, in their corporate governance report, detailed information about the prior notice usually deemed adequate, specifying whether such deadline has been usually observed. The Committee underlined the importance of an adequate information before and during the board meeting several times in its previous Annual Reports.[39] In particular, in light of the recommendation provided in the 2013 Report, the Committee, following the *comment* to art. 1 of the Code, specifies the importance of the Chairman role in ensuring that, in specific cases, where it has not been possible to provide pre-meeting information with adequate prior notice, adequate and timely sessions[40] take place during the BoD meeting.

Data contained in the Corporate Governance Reports show that information about the flow of pre-meeting information has been disclosed by 216 companies (i.e. 95% of the aggregate); the percentage is steadily increasing over time (92% in 2014 e 90% in 2013). The disclosure is sometimes limited to a mere directors' statement that they have received the documentation with a prior notice deemed adequate.[41]

71% of the companies providing information exactly specifies the prior notice deemed adequate; the 2015 data on the disclosure of the prior notice deemed, *ex ante*, adequate is significantly higher than in the previous years (60% in 2014, 54% in 2013). The information is more frequently disclosed among larger companies (i.e. 79% of FTSE Mib) and in the financial sector (77%; up to 81% in banks); companies often specify different prior notices with reference to single items on the Board's agenda[42]. The prior notice deemed adequate with regard to single items on the agenda varies from 2.8 and 3.5[43].

For what concern the information that has to be given *ex post*, about the effective adequacy of the prior notice and, in particular, about the compliance with the deadline which was previously identified as adequate, only 51% of the issuers state that they have generally respected the prior notice deemed adequate; the disclosure is however increasing from 46% in 2014. The compliance is higher among larger companies (74% of the FTSE Mib issuers,

[39] See Corporate Governance Committee, 2013 Annual Report, pp. 10-11, e 2014 Annual Report, pp. 16-17.

[40] This statement represents one of the revisions of the July 2015 version of the Code .

[41] See Assonime-Emittenti Titoli, p. 32.

[42] See Assonime-Emittenti Titoli, p. 33, reporting that 35 issuers identify a prior notice variable with reference to single items on the Board's agenda .

[43] See Assonime-Emittenti Titoli, p. 33 e Tab. 2.

stable over time); data are similar in the financial (50%) and in the non financial (51%) sectors, especially thanks to the increase in the latter.[44]

In 31% of the cases companies state that, when, in specific cases, it has not been possible to provide the pre-meeting information with the adequate prior notice, the Chairman ensures that adequate and timely sessions take place during the BoD meetings. This information is provided more frequently among larger companies (46% of the FTSE Mib issuers) and in the financial sector (42% of the cases; 39% among banks; 50% for insurance companies). It is unclear, however, whether this is a generic statement revealing the possibility for the Chairman to ensure specific session during the BoD meetings or companies are disclosing the Chairman activity in a circumstance that effectively occurred.

The Committee evaluates positively the high and increasing percentage of companies that are giving disclosure about the pre-meeting information and about the identification, *ex ante*, of the prior notice usually deemed adequate.

Concerning the information that has to be given *ex post*, about the effective adequacy of the prior notice and, in particular, about the compliance with the deadline which was previously identified as adequate, the Committee, even if the disclosure is increasing, calls upon issuers to improve the compliance with the recommendation in the *comment* and to adequately disclose it in the corporate governance report. The effective promptness of the pre-meeting information, which is necessarily measured *ex post*, is indeed a fundamental condition for the directors who should comply with their obligation to act in an informed way, and, more generally, for an efficient functioning of the board.

2.4. The effective attendance of managers at board meetings

The *criterion* 1.C.6. of the Code envisages the possibility for the Chairman of the BoD to require managing directors, also upon request of one or more directors, the attendance of managers, in charge of the pertinent management areas, to board meetings, in order to provide appropriate supplemental information on the items on the agenda. In publishing the revision of the Code in July 2015, the Committee took the opportunity to underline the importance of an adequate disclosure of information on that point in the corporate governance report.

143 companies (i.e. 63% of the aggregate; the percentage increases to 72% among banks) state, in their 2015 corporate governance reports (which were not required to be compliant with the strengthening of the disclosure of the 2015 Code), that the attendance of managers at board meetings effectively took place[45].

[44] See Assonime-Emittenti Titoli, Tab. 2, showing that, while the percentage is slightly decreasing in the financial sector (from 57% to 50%, mainly due to the small number of companies in the sample and to its variations), it is increasing in the non financial sector (from 44.5% to 51%, despite the reduction of the sample).

[45] The percentage appears to be decreasing from 2014 (69%), but the Assonime-Emittenti Titoli Report specifies that this is mainly due to a change in the data collection methodology, which is more restrictive than in the previous year. Analyzing the available data, the Assonime-Emittenti Titoli Report shows that the total number of companies providing information would grow up to 170, i.e. 75% of the aggregate (higher than the 69% of 2014). See Assonime-Emittenti Titoli, p. 33.

Also in light of the 2015 revisions of the Code on the effective attendance of managers at board meetings, the Committee encourages companies to improve the quality of the information provided in their corporate governance report.

2.5. The board evaluation

The corporate governance code recommends to perform, at least annually, an evaluation of size, composition and performance of the board of directors as well as of board committees, defining, if needed, some guidance on the professional profiles deemed appropriate for their composition.

Pursuant to *criterion* 1.C.1., lett. g), the board evaluation is usually focused on performance, composition and size of the board of directors and, very frequently, also performance, composition and size of its committees.

The corporate governance reports reveal a picture that is basically stable over time. Also this year 180 companies (i.e. 79% of the aggregate, the same as 2014) disclose to have performed the self-evaluation of the board.

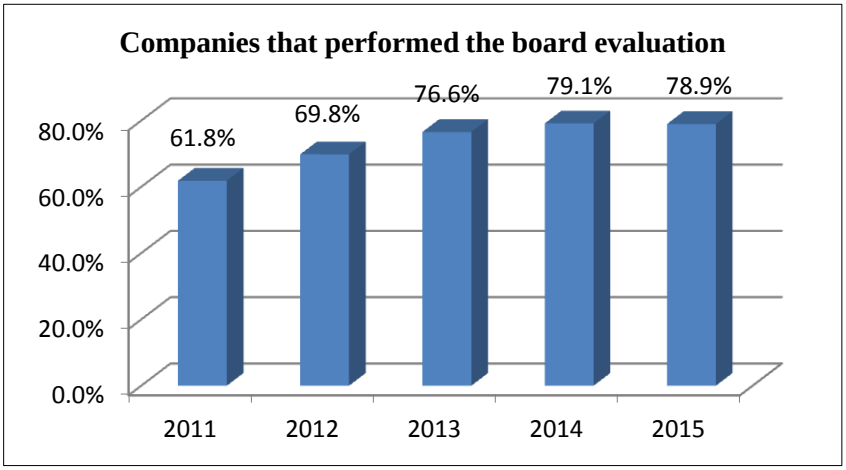

Figure 11. Source: Assonime-Emittenti Titoli, Fig. 4

Information is provided more frequently by larger companies (94% of FTSE Mib)[46] and in the financial sector (96%; up to 100% for insurance companies). Among the remaining 48 companies, 10 are not adopting the Code, 16 including a FTSE Mib, provide an explanation for their non compliance (the number is increasing from 12 in 2014)[47], while in other 22 cases it is not clear whether the self-evaluation has been carried out and there is just a lack of information in the corporate governance report or the board evaluation has not been done at all.[48] The two hypotheses may fall into two different types of non-compliance: on one side, if

[46] In detail 2 FTSE Mib do not provide any information on the process, while 2 other FTSE Mib, despite disclosing the information, only state that an external consultant is in charge of the board evaluation process. See Crisci & Partners, p. 11, which also provides the name of some of the companies analyzed .

[47] See Assonime-Emittenti Titoli, pp. 123-124 e Tab. 50.

[48] See Assonime-Emittenti Titoli, p. 123.

the board evaluation has been effectively carried out but the company did not provide information in the report, the case should be considered as a non compliance with *criterion* 1.C.1., lett. i), while, on the other hand, where the self-assessment has not been carried out at all, this would constitute a case of non-compliance with *criterion* 1.C.1., lett. g).

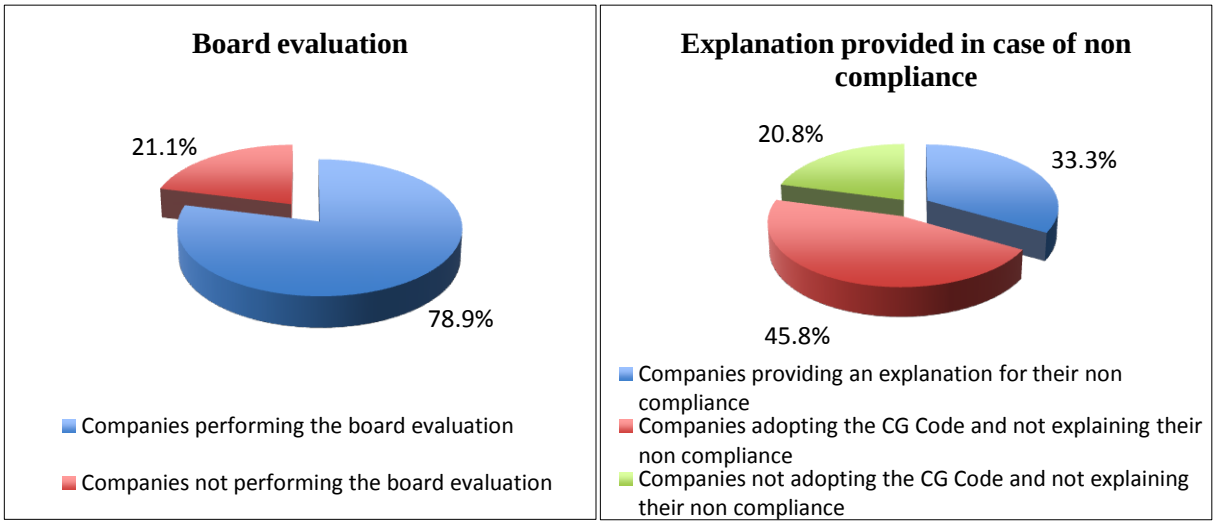

Figure 12. Source: Assonime-Emittenti Titoli, Fig. 59

Companies often disclose information about their board evaluation procedures (71% of the cases): they are frequently adopting questionnaires, while individual interviews are less common;[49] the evaluation almost always includes also size, composition and performance of the board committees.[50] Among companies belonging to the FTSE Mib Index which carried out the board evaluation, 82% provided information on the board evaluation procedure, while the other 18% did not provide any information.

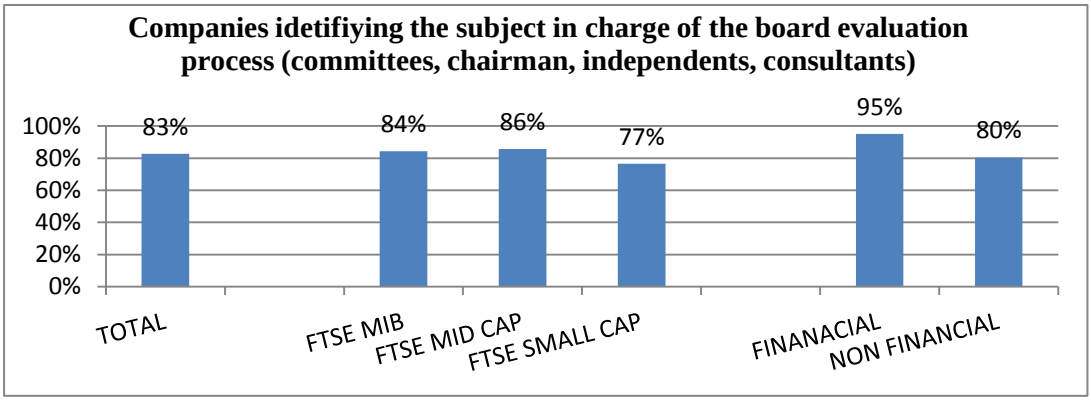

Figure 13. Source: Assonime-Emittenti Titoli, Fig. 5

[49] See Assonime-Emittenti Titoli, Tab. 5. In detail, among FTSE Mib, 12 companies adopt questionnaires, 5 only individual interviews, 15 adopted both of the instruments, while 4 FTSE Mib companies state that they have performed the board evaluation but they do not provide any additional information about the instrument (this data is improving, it happened in 9 companies in 2014; cfr. Crisci & Partners, p. 22).

[50] See Assonime-Emittenti Titoli, p. 123. In 7 out of the 22 above mentioned companies (see above), the Reports explain that the board evaluation is one of the duties of the BoD and/or the Nomination Committee, but do not provide disclosure on whether the board evaluation has been carried out or not.

In light of the revisions of the 2014 Code, which explicitly envisage the possibility for the issuer to relate the board evaluation process to the three-year long mandate of the Board of Directors, 24 companies disclose that they took into account the opportunity to structure the board evaluation process in a different way in relation to the moment of the board mandate (that is typically a three-years mandate).[51]

In 2014, the Committee amended the art. 1 of the Code, also in order to improve the quality of the information required to issuers that decide to entrust an external consultant with the board evaluation process: in order to improve the disclosure about the other mandates assigned to the consultant, the Code recommends to the companies the explicit identification of the consultant. 63% of the companies entrusting an external consultant with the board evaluation process also provide information concerning other services performed by such consultant, while the identity of the consultant is explicitly disclosed by 88% of the companies.[52]

As in the previous years, the Committee reminds issuers which are not compliant with the board evaluation recommendation to ensure an adequate explanation for their non compliance.

With regard to the information provided about the board evaluation procedures, the Committee underlines that, if an issuer decides to entrust an external consultant with the board evaluation process, an adequate disclosure of the other services eventually provided by the consultant is required, in order to guarantee its independence.

2.6. The succession plans

The *criterion* 5.C.2. of the Corporate Governance Code, implementing the Consob recommendation published in February 2011[53], recommends board of directors to evaluate whether to adopt a plan for the succession of executive directors and provide relevant information in their corporate governance reports.

Looking at the corporate governance reports, 201 companies evaluated whether to adopt a succession plan for executive directors, while only in 20 cases they are also declaring the existence of such plans (the same as in 2014).[54] In these cases, the preliminary stage of the procedure is usually carried out by the nomination committee, pursuant to *criterion* 5.C.2..

[51] See Assonime-Emittenti Titoli, p. 35. In detail, 39% of the FTSE Mib discloses that they took into account the opportunity to structure the board evaluation process in a different way in relation to the moment of the board mandate (cfr. Crisci & Partners, p. 13).

[52] See Assonime-Emittenti Titoli, p. 36. Almost all the FTSE Mib companies using an external consultant (64% of the FTSE Mib companies) identify it (cfr. Crisci & Partners, p. 16), while only just over half of them (59%) disclose information on the other services eventually provided by the consultant (cfr. Assonime-Emittenti Titoli, Tab. 5).

[53] Consob Communication no. DEM/11012984, February 24th, 2011.

[54] 7 out of 20 companies declaring the existence of a succession plan are financial firms, the other 13 are non financial issuers; 10 companies are FTSE Mib (they represent the 29% of the entire FTSE Mib Index; see Assonime-Emittenti Titoli, Tab. 7); moreover 8 FTSE Mib companies, i.e. 22%, adopted other succession planning mechanisms, while another 8% of the FTSE Mib is still evaluating the adoption of a succession plan (see TEH-Ambrosetti, p. 71).

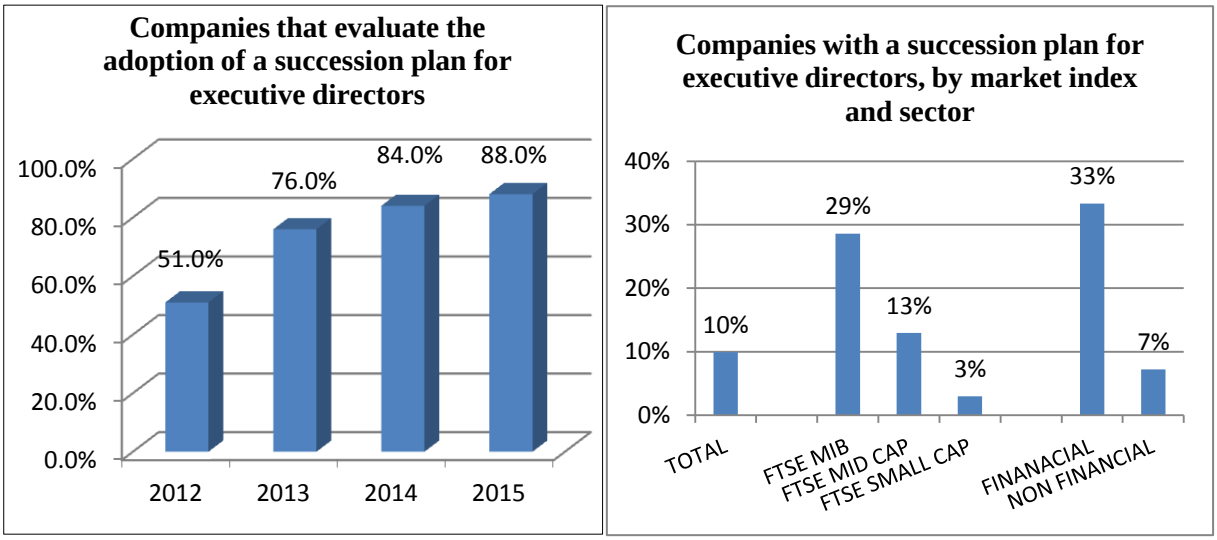

Figure 14. Source: Assonime-Emittenti Titoli, Fig. 7 e 8

Concerning the recommendations of the Committee in its 2014 Annual Report[55], then inserted in the Code by amending the *comment* to art. 5, about the structure of the succession plans, the quality of the information about the features of the outstanding plan is generally good: the existence of specific (predetermined) mechanisms in case of early directors replacement is disclosed in 70% of the cases; the corporate bodies in charge of the preparation of the plan are disclosed in 85% of the cases: the Nomination Committee (or a similar committee) is often entrusted with a relevant role in the preliminary stage of the procedure .[56]

22 companies state, on a voluntary basis (this information is not required by the Code), that a succession plan for the key management personnel is in place (among them, there are 12 issuers where a similar plan is in place also for the executive directors).[57]

Recognizing the large number of companies that provide information about their evaluation on the opportunity to adopt a succession plan for the executive directors, the Committee suggests issuers to evaluate the adoption of mechanisms that defines a clear allocation of tasks, also with regard to the preliminary stage of the procedure, to be implemented in case of an eventual executive directors replacement, in order to guarantee stability and business continuity.

[55] See 2014 Annual Report, p. 14, where the Committee whishes that the procedures for the succession of executive directors shall clearly define their scope, instruments and timing, providing both for an active engagement of the board of directors and for a clear allocation of tasks and duties, also with regard to the preliminary stage of the procedure.

[56] Cfr. Assonime-Emittenti Titoli, p. 39.

[57] Cfr. Assonime-Emittenti Titoli, p. 39.