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ASSONIME's GUIDE TO THE G20/OECD PRINCIPLES ON CORPORATE GOVERNANCE

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1. Introduction

This guide provides an analysis of the implementation of the new G20/OECD Principles on Corporate Governance in the Italian framework, understood as the overall existence of legal and regulatory provisions, corporate governance code's best practices and common practices applied by Italian companies.

The G20/OECD Principles represent the international standard for corporate governance and, as such, a fundamental reference for international investors decision making, which is increasingly driven by the quality of corporate governance, not only of the individual companies but also of the national system to which they belong.

The main goal of our analysis is to assess the alignment of the Italian system with the G20/OECD Principles and identify gaps and areas of possible improvement for the Italian corporate governance framework. Particular attention is dedicated to the area of self-regulation, whose flexibility and evolutionary nature represents a key component of a sound governance framework, as recognized by the G20/OECD Principles.

As a matter of fact, the G20/OECD Principles "seek to identify objectives and suggest various means for achieving them, typically involving elements of legislation, regulation, listing rules, self-regulatory arrangements, contractual undertakings, voluntary commitments and business practices" and underline that an effective regulatory framework for corporate governance mandatory "provide(s) for sufficient flexibility to allow markets to function effectively and to respond to new expectations of shareholders and stakeholders".

Therefore, our analysis does not consider the entire set of principles but focuses on those that are more specifically targeted to the governance of companies, and which are generally implemented through self-regulatory instruments (listing rules, Corporate Governance Code and companies' articles of association and by-laws). To this end, we selected the principles related to the responsibilities of the board and to the governance of sustainability, as well as some other principles related to the role and characteristics of the Code, to the disclosure on governance practices and to the implementation of the Code.

For that subset of G20/OECD Principles, we assess the degree of implementation in the Italian framework (considering mainly the Italian Corporate Governance Code and companies' practices), both at aggregate level and at specific principle and underlying recommendation level.

The outcome of this analysis could provide some food for thoughts not only for policymakers but also for individual companies, who may assess their specific position against the G20/OECD Principles and eventually seek a stronger alignment with them as a possible way to respond or even anticipate evolving shareholders and relevant stakeholders' expectations.





2. The analysis: methodology and main outcomes

The corpus of the G20/OECD Principles is structured into six Chapters. Each chapter is headed by single general principle and includes a number of supporting Principles and sub-Principles. Each principle is supplemented by a specific annotation that provides, together with commentary explaining the rationale of the principle, suggested practices and examples of dominant or emerging trends for the implementation of the supporting principle.

Our assessment of the implementation of G2/OECD Principles focuses on the supporting Principles and Sub-Principles (hereafter referred to as "the principles") and on the suggested practices and examples (hereafter referred to as "the recommendations") extracted from the annotations.

All the principles have the same binding nature, as they are all introduced by a "mandatory" indication, while recommendations follow a variety of expressions describing possible implementation tools of the principle, which we reconducted to the following four different categories:

- mandatory recommendations, governed explicitly or implicitly by a "mandatory" indication;
- good practices, where a practice is qualified as such;
- common practices, where a practice is reported as applied in many countries and/or companies;
- optional recommendations, where a provision is introduced by a "may" indication or a practice is reported as applied in some countries and/or companies;

Each principle has at least one mandatory recommendation and a variable number of other recommendations or practices.

2.1 The scope of the assessment

Among all Principles, we selected those, and the related recommendations, which refer most directly to the corporate governance of listed companies, and which are generally applied through self-regulatory tools (Corporate Governance Code, Listing Rules and company's articles of association and by-laws). To this end, we selected all the principles included in section V of the OECD Principles (V. The responsibilities of the board) and the seven principles included in section VI (VI. Sustainability and resilience) which refer to the governance of sustainability (principles VI.B., VI.C., VI.C.1., VI.C.2., VI.D., VI.D.1. and VI.D.3). We also considered one principle of section I (I. Ensuring the basis for an effective corporate governance framework), which concerns the role and characteristics of the Codes (Principle I.B), and two principles of section IV (IV. Disclosure and transparency), which concern respectively disclosure on governance practices and on the implementation of the Code (principle IV.A.9.) and the accountability of auditors towards shareholders (principle IV.D.).

The subset of G20/OECD principles which is the target of our assessment is therefore articulated in three areas of governance:

- the general framework, including recommendations and practices provided in section I and in section IV of the G20/OECD principles;
- the responsibilities of the board, including recommendations and practices provided in section V of the G20/OECD principles;





- the governance of sustainability, including recommendations and practices provided in section V of the G20/OECD principles.

In Table 1., we report the distribution of analysed principles and related recommendations by area of governance and by nature of the recommendations.

Table 1. The sample of the G20/OECD principles targeted by the assessment

	General framework	Board responsibilities	Governance of sustainability	Total
Principles	3	19	7	29
Recommendations	8	85	18	111
<i>Of which:</i>				
<i>Mandatory</i>	4	42	8	54
<i>Good practice</i>	1	11	1	13
<i>Common practice</i>	3	12		15
<i>Optional</i>		20	9	29

Overall, our sample includes 29 principles and 111 specific recommendations related to them. Most of the principles and recommendations are concentrated in the board responsibilities area (about two third of principles and three fourths of recommendations), followed by the area of governance of sustainability whose share on total is quite relevant in particular for principles (about one fourth). Looking at the nature of recommendations, about half are mandatory, about one fourth are good or common practices and one fourth are optional recommendations.

2.2 The assessment of recommendations

In order to assess the implementation of the Principles in the Italian framework, we firstly assess the implementation of all the specific recommendations on which they are based. Each recommendation is classified according to the following criteria:

- implemented, when it is fully applied;
- partially implemented, when, while the main content of the recommendation is applied, there are some specifications which are not fully applied or not applied at all;
- not implemented, when the main content of the recommendation is not applied.

For the assessment, we consider the whole set of rules of the Italian framework, including both laws (mainly the Civil Code and the Securities Law) and the Code for Corporate Governance. For optional recommendations, we also consider actual practices adopted by the Italian listed companies.





In Table 2., we report the classification of all recommendations, classified on the basis of their nature and by the assessment of their implementation.

Table 2. Implementation of the recommendations

	implemented	partially implemented	not implemented	Total
All non-optional recommendations	82%	18%	0%	100%
<i>of which:</i>				
Mandatory	85%	15%	0%	100%
Good practice	62%	38%	0%	100%
Common practice	87%	13%	0%	100%
Optional recommendations	38%	31%	31%	100%
Total	70%	21%	9%	100%

Overall, the degree of implementation of all recommendations (including optional ones) is high, as over two thirds (70%) of them were rated as "implemented", around a quarter (21%) as "partially implemented" and only less than a tenth (9%), all referring to optional recommendations, as "not implemented".

If we consider only the non-optional recommendations, the degree of implementation increases substantially (82% is "implemented" and only 18% is "partially implemented"). Among non-optional recommendations, the implementation is particularly high for mandatory ones (85% is "implemented" and only 15% is "partially implemented") as well as for common practices (87% are "implemented" and 13% are "partially implemented"), while it is slightly lower for good practices (62% are "implemented" and 38% are "partially implemented").

The implementation of optional recommendations is lower, as 38% of them are "implemented", 31% "partially implemented" and 31% "not implemented".

In order to provide a synthetic measure of the degree of implementation of all the recommendations, taking into account both their different "binding" nature and the degree of implementation, we elaborated an implementation index (for methodology see Annex 1), which weights the outcomes of the assessment on the basis of the nature of each recommendation and by its degree of implementation. By applying this methodology, the implementation index of the Italian framework for all recommendations is close to 90%.

In Table 3., we report the assessment of recommendations and practices for the three main areas covered by our analysis:

- the general framework, including recommendations and practices provided in section I and in section IV of the G20/OECD principles;
- the responsibilities of the board, including recommendations and practices provided in section V of the G20/OECD principles;





- the governance of sustainability, including recommendations and practices provided in section V of the G20/OECD principles.

Table 3. Implementation of the recommendations by area of the OCED/G20 Principles

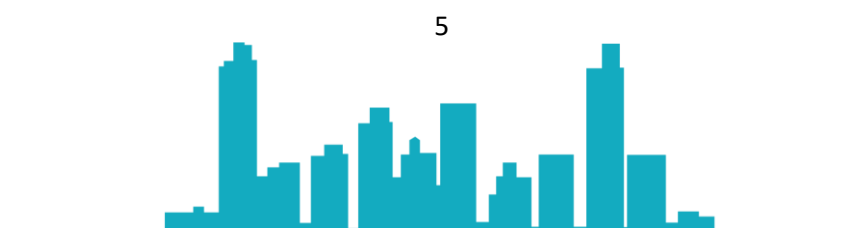
	general framework			board responsibilities			governance of sustainability		
	implemented	partially implemented	not implemented	implemented	partially implemented	not implemented	implemented	partially implemented	not implemented
All non-optional recommendations	88%	12%	0%	80%	20%	0%	89%	11%	0%
<i>of which:</i>									
<i>mandatory</i>	75%	25%	0%	86%	14%	0%	88%	12%	0%
<i>good practice</i>	100%	0%	0%	55%	45%	0%	100%	0%	0%
<i>common practice</i>	100%	0%	0%	83%	17%	0%	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Optional recommendations	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	45%	30%	25%	22%	33%	44%
Total	88%	12%	0%	72%	22%	6%	56%	22%	22%

The degree of implementation for all recommendation and practices is very high both for the “general framework” (88%) and for “board responsibilities” (72%), while is lower for “governance of sustainability” (56%), but this is mainly due to the stronger presence of optional recommendation in this area, where about half of the total recommendations are optional. If we look at no-optional recommendations only, their degree of implementation is more homogenous among the different areas, with the “governance of sustainability” ranking first (89%). This is confirmed by using the synthetic implementation index for each area of governance, which is higher than 80% in all the three areas.

In table 4., we report the distribution of the implementation, by the sources of the Italian framework ensuring at least a partial implementation. We classify the possible legal source in four categories:

- “Code”, for recommendations covered mainly by one or more provisions of the Italian Corporate Governance Code;
- “Law”, for recommendations covered mainly by one or more law provisions;
- “Law/Code”, for recommendations covered by a combination of law and Code provisions;
- “practice”, for recommendations where no legal sources ensure implementation, but it is a common practice (relevant only to determine a partial implementation).

Table 4. Implementation in the Italian framework of implemented or partially implemented recommendations, by legal sources





	implemented			partially implemented				all implemented and partially implemented			
	Law	Law/Code	Code	Law	Law/Code	Code	Practice	Law	Law/Code	Code	Practice
All non-optional recommendations	21%	9%	70%	27%	13%	60%	0%	22%	10%	68%	0%
<i>of which:</i>											
<i>mandatory</i>	26%	11%	63%	38%	12%	50%	0%	28%	11%	61%	0%
<i>good practice</i>	13%	0%	88%	0%	20%	80%	0%	8%	8%	84%	0%
<i>common practice</i>	8%	8%	84%	50%	0%	50%	0%	13%	7%	80%	0%
Optional recommendations	0%	9%	91%	0%	11%	56%	33%	0%	10%	75%	15%
Total	18%	9%	73%	17%	13%	58%	12%	18%	10%	70%	2%

The Corporate Governance Code is the major source for implementation, as it covers about 80% of implemented or partially implemented recommendations, mostly as the main source (70%) and in some cases in combination with the law (10%). The law is the main source for implementation in 18% of implemented or partially implemented recommendations. Practice is a negligible source (2%).

The Code is the major source for all the categories of recommendations, in particular for optional recommendations and good and common practice, while the role of law is more concentrated in mandatory recommendations.

In table 5., we report the distribution of the implementation of all implemented or partially implemented recommendations, by the sources of the Italian framework, for the three governance areas.

Table 5. Implementation in the Italian framework of implemented or partially implemented recommendations, by legal sources and by governance areas

Governance areas	Law	Law/Code	Code	Practice
general framework	38%	0%	63%	0%
<i>non-optional</i>	38%	0%	63%	0%
<i>optional</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
board responsibilities	11%	13%	75%	1%
<i>non-optional</i>	14%	12%	74%	0%
<i>optional</i>	0%	13%	80%	7%
governance of sustainability	43%	0%	43%	14%
<i>non-optional</i>	67%	0%	33%	0%
<i>optional</i>	0%	0%	60%	40%





The role of the Code as a source for implementation is particularly relevant for the area of board responsibilities (88%, of which 75% as the main source and 13% in combination with the law) and for the area of general governance framework (63%, all as the main source). In the area of the governance of sustainability, both the Code and the law have an equal role (43% each), more relevant in the implementation of optional recommendations for the Code, of non-optional ones for the law.

2.2 The assessment of principles

On the basis of the implementation of the underlying recommendations, we assess the implementation of the principles as follows:

- fully implemented, when all underlying recommendations (mandatory, good or common practices and optional) have been assessed as “implemented”;
- substantially implemented, when all non-optional underlying recommendations (mandatory and good or common practice) have been assessed as “implemented”;
- broadly implemented, when at least 2/3 of all non-optional underlying recommendations (mandatory and good or common practice) have been assessed as “implemented”;
- weakly implemented, when at least 50% of all underlying recommendations (mandatory, good or common practice and optional) have been assessed as “implemented” or “partially implemented”;
- not implemented, when less than 50% of all underlying recommendations (mandatory, good or common practice and optional) have been assessed as “implemented” or “partially implemented”.

In Table 6., we report the classification of all principles on the basis of the assessment of their implementation.

Table 6. Implementation of the principles

	Number	(in % of total)
Fully implemented	10	34%
Substantially Implemented	8	28%
Broadly implemented	9	31%
Weakly implemented	2	7%
Not implemented	0	0%
Total	29	100%

Almost two thirds of the principles are fully or substantially implemented in the Italian framework (62%), as all their underlying recommendations are implemented (34% of the total) or at least all their non-optional ones are implemented (28%). Just under a third of the principles are broadly implemented (31%), as over two thirds of all underlying non-voluntary recommendations are applied. Only two principles (7% of the total) have weak implementation, as at least 50% of all underlying recommendations are implemented, while for no principle there is substantial not-implementation.





In Table 7, we report the assessment of the implementation of all principles by the three main areas of the G20/OECD Principles.

Table 7. Implementation of the Principles by area of the OCED/G20 Principles

	general framework		board responsibilities		governance of sustainability	
	Number	In % of total	Number	In % of total	Number	In % of total
Fully implemented	2	67%	6	32%	2	29%
Substantially Implemented			4	21%	4	57%
Broadly implemented	1	33%	8	42%		
Weakly implemented			1	5%	1	14%
Not implemented						
Total	3	100,0%	19	100,0%	7	100,0%

The degree of implementation of the principles is very high in the “governance of sustainability”, where all the principles, but one, are fully or substantially implemented (86%) and one is weakly implemented, followed by the “general framework”, where two out of three principles are fully or substantially implemented (67%) and one is broadly implemented. In the area of “board responsibilities”, slightly more than half of principles are fully or substantially implemented (53%), while most of the others are broadly implemented (42%) and just one is weakly implemented.

2.4 The main outcomes of the assessment

On the basis of our assessment, we find that Italian framework for corporate governance is strongly aligned with the G20/OECD Principles.

The implementation index of all recommendations, elaborated by Assonime to provide a synthetic measure of the alignment, is close to 90%. The implementation index is much higher for non-optional recommendations (91%) for optional ones (53%), while it is quite homogeneous for the different governance areas: 92% for the general framework, 88% for board responsibilities and 83% for the governance of sustainability (see table in Appendix 1).

A large part of the G20/OECD Principles are almost fully implemented in the Italian framework (62%), and a significant part are broadly implemented (31%). We find a weak implementation only for two principles.

This is due to a sound basis provided by the combination of a general discipline for joint-stock companies established in the Civil Law, where the fundamental duties of loyalty and cares of different corporate bodies and the principles to manage conflict of interests are clearly stated, and of a specific legislation on the governance of listed companies established in the Securities Law, where the emphasis is on protection of all





shareholders, in particular minority shareholders. This basis is complemented by a long-standing experience of self-regulation, represented by the Code of Corporate Governance, where the general legislative principles are implemented in a number of best-practices concerning the role, the organization and the functioning of the board as the core of the corporate governance.

Since our assessment focus mainly on the sections of the G20/OECD Principles related to the responsibilities of the board, most of the high implementation is provided by the Italian Corporate Governance Code. The Code plays a significant role also with respect to the new provisions of the G20/OECD Principles aimed at strengthening board commitment toward sustainability, thanks to the “enlightened” approach to corporate governance adopted in the extensive revision of the Italian Code carried out in 2020, starting from the definition of the fundamental goal of the “sustainable success” as the lodestar of the board decision-making process. As a matter of fact, with the introduction of the “sustainable success” the Italian Corporate Governance Code anticipated the evolution of international standardization on this issue and shows a strong alignment with the approach developed by the G20/OECD Principles with the introduction of the new chapter on sustainability.

Nevertheless, from our analysis we identified some areas where further improvements of the Italian framework can be considered, as about 20% of the non-optional recommendations of G20/OECD Principles (mandatory, good or common practices) are still only partially implemented. In paragraph 4., we discuss each of those provisions in light of the Italian framework, with the aim of offering “food for thoughts” to the Italian policy makers, in particular to the Committee for Corporate Governance who is the custodian of the Code, and the Italian individual companies in considering possible evolutions respectively in the standard setting and in corporate practices.

Useful inputs to be considered for possible improvement could also come from the analysis of the optional recommendations which are partially or not implemented (in paragraph 6 we underline the most relevant ones).

In the Annex 2 of this guide, we provide a table summarizing our assessment of the selected 29 principles by the nature of the related recommendations.

In the Annex 3 of this guide, we provide a table summarizing our detailed analysis of the implementation of all the selected 29 principles and of the 111 underlying recommendations of the G20/OECD Principles, with a reference to their coverage by the Italian framework (both in law and in the Corporate Governance Code or in actual practice).

3. The implementation of the G20/OECD Principles in the Italian framework

In this paragraph we distinguish the principles according to their implementation level, identifying, for all Principles which are not “fully implemented”, the recommendations and practices which are only partially implemented or not implemented, with a description of current gaps against the G20/OECD Principles’ provisions.





3.1 The fully implemented principles

The ten principles that have a fully implementation in the Italian framework, as they present an application of all the recommendations and practices, including the optional ones, are:

- a) *"I.B. Corporate governance codes may offer a complementary mechanism to support the development and evolution of companies' best practices, provided that their status is duly defined."*
- b) *"IV.A.9. Governance structures and policies, including the extent of compliance with national corporate governance codes or policies and the process by which they are implemented."*
- c) *"V.A. Board members mandatory act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders, taking into account the interests of stakeholders."*
- d) *"V.A.1. Board members mandatory be protected against litigation if a decision was made in good faith with due diligence."*
- e) *"V.B. Where board decisions may affect different shareholder groups differently, the board mandatory treat all shareholders fairly."*
- f) *"V.D.1. Reviewing and guiding corporate strategy, major plans of action, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures."*
- g) *"V.D.3. Monitoring the effectiveness of the company's governance practices and making changes as needed."*
- h) *"V.E.3. Board members mandatory be able to commit themselves effectively to their responsibilities."*
- i) *"VI.B. Corporate governance frameworks mandatory allow for dialogue between a company, its shareholders and stakeholders to exchange views on sustainability matters as relevant for the company's business strategy and its assessment of what matters ought to be considered material."*
- j) *"VI.C.2. Boards mandatory assess whether the company's capital structure is compatible with its strategic goals and its associated risk appetite to ensure it is resilient to different scenarios."*

3.2 The substantially implemented principles

The eight principles that have been assessed as substantially implemented, as they present a total application of all not-optional recommendations (mandatory, good and common practices) and a partial or no implementation of one or more optional recommendations, are:

- a) *"V.D.4. Selecting, overseeing and monitoring the performance of key executives, and, when necessary, replacing them and overseeing succession planning."*

For this principle, there is a partial implementation of an optional recommendation and a no implementation of another optional recommendation:

- *"The board may select other key executives".* (partially implemented)





- *“The nomination committee may be tasked with defining the profiles of the CEO and board members and making recommendations to the board on their appointment.”* (not implemented)

The first recommendation is partially implemented because the Italian Corporate Governance Code requires that the board select only the Chief Executive Officer and other possible executive board members, while do not explicitly mention other key executives. The second is not implemented in the Italian Corporate Governance Code inasmuch it generally requires the nomination committee to support the board in the definition of its optimal composition and, where the board submits its own slate of candidates for the board renewal, in the process of its preparation and submission, while it does not recommend the nomination committee to make specific recommendations on individual candidates other than in case of their co-optation.

- b) *“V.D.9. Overseeing the process of disclosure and communications.”*

For this principle, there is no implementation of an optional recommendation:

- *“In some jurisdictions, the appointment of an investor relations officer who reports directly to the board is considered good practice for publicly traded companies.”*

The Italian Corporate Governance Code does not require the investor relations officer to report directly to the board.

- c) *“V.E.1. Boards mandatory consider assigning a sufficient number of independent board members capable of exercising independent judgement to tasks where there is a potential for conflicts of interest.”*

For this principle, there is a partial implementation of an optional recommendation:

- *“Examples of such key responsibilities are ensuring the integrity of financial and other corporate reporting, the review of related party transactions, and nomination and remuneration of board members and key executives. In some jurisdictions it is good practice that these committees be chaired by an independent non-executive member.”*

The Italian Corporate Governance Code is in line with the recommendation with respect to the tasks of the Committee, while it requires that only remuneration committee and the audit committee be chaired by an independent non-executive member (not for the nomination committee). As to the case of material related party transactions Consob regulatory provisions require the establishment of a board committee that is made up of all non-executive, independent and non-related directors.

- d) *“V.E.2. Boards mandatory consider setting up specialised committees to support the full board in performing its functions, in particular the audit committee – or equivalent body – for overseeing disclosure, internal controls and audit-related matters. Other committees, such as remuneration, nomination or risk management, may provide support to the board depending upon the company’s size, structure, complexity and risk profile. Their mandate, composition and working procedures mandatory be well defined and disclosed by the board which retains full responsibility for the decisions taken.”*





For this principle, there is a partial implementation of an optional recommendation and a no implementation of an optional recommendation:

- *“Some boards have created a sustainability committee to advise the board on social and environmental risks, opportunities, goals and strategies, including related to climate.”* (partially implemented)
- *“Some boards have also established a committee to advise on the management of digital security risks as well as on the company’s digital transformation.”* (not implemented)

The Italian Corporate Governance Code does not require the establishment of a sustainability committee, which is indicated only as a possible support of the board (see recommendation 1, lett. a), while does not mention a committee on digital security risks.

- e) *“VI.C. The corporate governance framework mandatory ensure that boards adequately consider material sustainability risks and opportunities when fulfilling their key functions in reviewing, monitoring and guiding governance practices, disclosure, strategy, risk management and internal control systems, including with respect to climate-related physical and transition risks.”*

For this principle, there is a partial implementation of an optional recommendation:

- *“Such assessments may also relate to key executive remuneration and nomination (e.g. whether targets integrated into executives’ compensation plans would be quantifiable, linked to financially material risks and incentivise a long-term view)”*.

The Italian Corporate Governance Code does not require the assessment of sustainability risks in the nomination process, while those risks are duly considered in key executive remuneration policy. Nevertheless, as clarified below with specific regard to independent directors, the Code recommends that all board members have adequate competence and skills to ensure an efficient functioning of the board and its committees.

- f) *“VI.D. The corporate governance framework mandatory considers the rights, roles and interests of stakeholders and encourages active co-operation between companies and stakeholders in creating value, quality jobs, and sustainable and resilient companies.”*

For this principle, there is no implementation of an optional recommendation:

- *“It may, therefore, be in the long-term interest of corporations to foster value-creating co-operation among stakeholders.”*

The Italian Corporate Governance Code does not require that the board foster value-creating co-operation among stakeholders.

- g) *“VI.D.1. The rights of stakeholders that are established by law or through mutual agreements are to be respected.”*

For this principle, there is no implementation of two optional recommendations:

- *“In some jurisdictions, it is mandatory for companies to carry out human rights and environmental due diligence”*.





- *“This may in some jurisdictions be achieved by companies using the OECD Guidelines for Multinational Enterprises and associated due diligence standards for risk-based due diligence to identify, prevent and mitigate actual and potential adverse impacts of their business, and account for how these impacts are addressed.”*

The Italian Corporate Governance Code does not require to carry out human rights and environmental due diligence nor make any reference to the OECD Guidelines for Multinational Enterprises and associated due diligence standards.

- h) *“VI.D.3. Mechanisms for employee participation mandatory be permitted to develop.”*

For this principle, there is a partial implementation of an optional recommendation and a no implementation of an optional recommendation:

- *“In the context of corporate governance, mechanisms for participation may benefit companies directly as well as indirectly through the readiness by employees to invest in firm specific skills.”* (partially implemented)
- *“Examples of mechanisms for employee participation include employee representation on boards and governance processes such as works councils that consider employee viewpoints in certain key decisions.”* (not implemented)

The Italian Corporate Governance Code does not make any specific reference to the encouragement of employees’ investment in firm specific skills within the general duty to consider stakeholders’ interests and does not mention employee representation on boards and governance processes.

3.3 The broadly implemented principles

The nine principles that have broad implementation, as they present a partial application of less than a third of non-voluntary recommendations, are:

- a) *“IV.D. External auditors mandatory be accountable to the shareholders and owe a duty to the company to exercise due professional care in the conduct of the audit in the public interest.”*

For this principle, there is a partial implementation of the mandatory recommendation:

- *“Shareholders mandatory have the possibility to communicate directly with the audit committee or an equivalent body regarding its oversight of the external auditor”.*

The Italian Corporate Governance Code does not require a communication channel between the audit committee and shareholders.

- b) *“V.D.2. Reviewing and assessing risk management policies and procedures”*

For this principle, there is a partial application of two mandatory recommendations:

- *“The risk management strategies and systems adopted by boards mandatory include the management of digital security risks”*
- *“The risk management strategies and systems adopted by boards mandatory include and the development of a tax risk management policy”*





The Italian Corporate Governance Code does not provide an explicit reference to digital security risks and tax risks, although it makes an incisive reference to the policy for managing risks relevant to the creation of value in the long term.

- c) *“V.D.5. Aligning key executive and board remuneration with the longer-term interests of the company and its shareholders.”*

For this principle, there is a partial application of the mandatory recommendation

- *“The likelihood of a significant economic downturn is a factor that companies reasonably mandatory consider when designing their remuneration policies and may not necessarily justify an adjustment of these policies”*

The Italian Corporate Governance Code does not expressly require considering the probability of significant economic downturn when defining remuneration policies.

- d) *“V.D.6. Ensuring a formal and transparent board nomination and election process”*

For this principle, there is a partial application of two good practices and of an optional recommendation:

- The good practice *“the board or nomination committee has the responsibility to identify potential candidates to meet desired profiles and propose them to shareholders, and/or consider those candidates advanced by shareholders”*
- The good practice *“It is considered good practice to conduct open search processes extending to a broad range of backgrounds to respond to diversity objectives and evolving risks to the company”*
- The optional recommendation *“The board’s engagement and dialogue with shareholders may support the effective implementation of these processes”*

The Italian Corporate Governance Code provides for identification of potential candidates for board nomination only in case of cooptation or in case of a slate presented by the board itself and, even in those circumstances, no explicit reference to open search process nor to engagement with shareholders is provided.

- e) *“V.D.7. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.”*

For this principle, there is a partial implementation of a mandatory recommendation:

- *“A contact point for employees who wish to confidentially report concerns about unethical or illegal behavior that might also compromise the integrity of financial statements mandatory be offered by the audit committee or by an ethics committee or equivalent body.”*

The Italian Corporate Governance Code does not require explicitly that the contact point for whistleblowing be identified in the audit committee or in the ethic committee.





- f) *“V.D.8. Ensuring the integrity of the corporation’s accounting and reporting systems for disclosure, including the independent external audit, and that appropriate control systems are in place, in compliance with the law and relevant standards”.*

For this principle, there is a partial implementation of a mandatory recommendation and of a good practice:

- The mandatory recommendation *“Companies are also well advised to establish and ensure the effectiveness of internal controls, ethics, and compliance programs or measures to comply with applicable laws, regulations and standards, including statutes criminalizing the bribery of foreign public officials, as required under the OECD Anti-Bribery Convention”*
- The good practice *“To be effective, the incentive structure of the business needs to be aligned with its ethical and professional standards so that adherence to these values is rewarded and breaches of law are met with dissuasive consequences or penalties”.*

The Italian Corporate Governance Code does not require an explicit reference to bribery in the internal controls, ethics, and compliance programs or measures nor the alignment of the incentive structure of the business with its ethical and professional standards.

- g) *“V.E. The board mandatory be able to exercise objective independent judgement on corporate affairs.”*

For this principle, there is a partial implementation of a good practice and of an optional recommendation:

- The best practice *“The designation of a lead director who is independent of management is also regarded as a good practice.”*
- The optional recommendation *“Some jurisdictions also require separate meetings of independent directors on a periodic basis.”*

The Italian Corporate Governance Code does not require the designation of lead independent director in all cases but only when the Chair is also the CEO or the controlling shareholder and requires separate meetings of independent directors only for large companies.

For this principle, there is also a no implementation of two optional recommendations:

- *“In jurisdictions with single tier board systems, the objectivity of the board and its independence from management may be strengthened by the separation of the role of chief executive and chair.”*
- *“negative” criteria defining when an individual is not regarded as independent can usefully be complemented by “positive” examples of qualities that will increase the probability of effective independence”*

The Italian Corporate Governance Code does not require the separation of the role of chief executive and chair and does not mention “positive” examples of qualities for independence.

- h) *V.E.4. Boards mandatory regularly carries out evaluations to appraise their performance and assess whether they possess the right mix of background and competences, including with respect to gender and other forms of diversity.*

For this principle, there is a partial implementation of a common practice:





- *“Many corporate governance codes recommend an annual evaluation of the board, which may periodically be supported by external facilitators to increase objectivity”.*

The Italian Corporate Governance Code requires an evaluation of the board on an annual basis only for large non concentrated companies, while for other companies requires board evaluation every three years, before the appointment of new directors.

- i) *“V.F. In order to fulfil their responsibilities, board members mandatory have access to accurate, relevant and timely information.”*

For this principle, there is a partial implementation of a good practice:

- *“The contributions of non-executive board members to the company can be enhanced by providing access to certain key managers within the company such as, for example, the company secretary, the internal auditor, and the head of risk management or chief risk officer and granting recourse to independent external advice at the expense of the company”.*

The Italian Corporate Governance Code does not require direct access of non-executive board members to certain key managers within the company, which can be realized only in the board or committee meetings.

3.4 The weakly implemented principles

The two principles that have weak implementation are:

- a) *“V.C. The board mandatory applies high ethical standards”*

The implementation is weak because all the underlying recommendations are only “partially implemented:”

- The mandatory recommendation *“The board has a key role in setting the ethical tone of a company, not only through its own actions, but also in appointing and overseeing key executives and consequently the management in general”*
- The common practice *“many companies have found it useful to develop company codes of conduct”*
- The optional recommendation *“This may include a commitment by the company (including its subsidiaries) to comply with the OECD Guidelines for Multinational Enterprises and associated due diligence standards”*

For all these recommendations, although the practices of many companies show substantial alignment with the principle of adopting high ethical standards, the Italian Corporate Governance Code lacks an explicit reference to the responsibility of the board with respect to these issues and, in particular, to the adoption of a code of ethics that includes the commitment to respect the OECD Guidelines for Multinational Enterprises and associated due diligence standards:

- b) *“VI.C.1. Boards mandatory ensure that companies' lobbying activities are coherent with their sustainability-related goals and objectives.”*





The implementation is weak because all the underlying recommendations are only partially applied:

- The mandatory recommendation *“Boards mandatory effectively oversee the lobbying activities management conducts and finances on behalf of the company, in order to ensure that management gives due regard to the long-term strategy for sustainability adopted by the board.”*
- The common practice *“In some jurisdictions, boards also have a role in overseeing the disclosure of political donations, including related to lobbying activities”*.

For these recommendations, although also in this case the practices of many companies show substantial alignment with the principle of ensuring the consistency of their lobbying activities with sustainability objectives, the Italian Corporate Governance Code lacks an explicit reference to the responsibility of the board with respect to these issues, in particular with reference to political donations.

4. The partially implemented non-optional recommendations

In this paragraph we consider all the non-optional recommendations which have been assessed as partially implemented and provide, for each of them, our preliminary comments about their possible relevance for ensuring the best alignment of the Italian framework with the G20/OECD Principles, with regard both to the general standards defined for the system as a whole and to the governance practices applied by the Italian individual companies.

Those comments can be used, therefore, by the Italian policy makers, namely the Committee for Corporate Governance who is the custodian of the Code, and the Italian individual companies to consider possible evolutions respectively in the standard setting and in corporate practices.

4.1 The partially implemented mandatory recommendations

- a) *“Shareholders mandatory have the possibility to communicate directly with the audit committee or an equivalent body regarding its oversight of the external auditor, for example by disclosures, including of the methodology for assessing the auditor’s performance, or by participation of the audit committee or external auditor in shareholder meetings.”* (related to principle IV.D.).

The Italian framework provides a robust discipline for the role and responsibility of the audit committee, also on the oversight of the external auditors, and its accountability toward shareholders is clearly defined, so that the partial non-implementation of the recommendation is more apparent than real. In this light, it could be useful to better explain the specificity of the Italian model of audit committee and how this already allows a substantial alignment with the recommendation.

- b) *“The board has a key role in setting the ethical tone of a company, not only through its own actions, but also in appointing and overseeing key executives and consequently the management in general.”* (related to principle. V.C.)





While one could assume that the Code already covers this issue at a more principle-based level, by recommending the pursuit of the sustainable success, companies could still consider a clearer alignment with the G20/20 OECD Principles. Ethical standards are assuming a growing role in the vision of corporate governance adopted by policy makers, investors and other stakeholders, as they play a key role in ensuring sustainability of business activity. An explicit reference to the responsibility of the board in setting, implementing and monitoring the ethical tone of the company can provide a valuable signal about its actual commitment on this issue, in particular if it is associated with the adoption of a code of conduct aligned to the OECD Guidelines for Multinational Enterprises and associated due diligence standards whose implementation is duly enforced (as suggested in partially adopted common practices and optional recommendations also related to principle V.C.)

- c) *“The board mandatory ensures the management of digital security risks”* (related to principle V.D.2.)
- d) *“The board mandatory ensures the development of a tax risk management policy”* (related to principle V.D.2.)

Both the issues covered by those recommendations represent types of risk of strong relevance for companies on which there is a growing expectation by policy makers, investors and stakeholders, as they are key for long term resilience of business activity. While the Code’s recommendations are set at a more principle-based level, without mentioning specific risks but rather referring to all type of risks that are reasonably relevant for a company, an explicit reference to digital security risk and to tax risk would clarify the due consideration of those issues in the general risk management policy.

- e) *“The likelihood of a significant economic downturn is a factor that companies reasonably mandatory consider when designing their remuneration policies and may not necessarily justify an adjustment of these policies.”* (related to principle V.D.5).

In recent years, phenomena of significant economic downturn due to systemic shocks have emerged as a recurrent issue. As a matter of fact, the structure of the remuneration policy that shall be aligned with the company strategy, providing – among others – for appropriate entry gates and caps to variable remuneration as well as malus and claw-back clauses, is clearly stated by the Code, while the possibility to opt-out from the policy under specific and extraordinary situations is provided by law as long as this solution is necessary to ensure the company’s long-term sustainability and viability¹. In this perspective, considering the importance of predetermined and clearly measurable (ex-ante) remuneration, that proved to be one of the key-issues that triggered investors’ request for a dialogue with the company and, in some cases, ended in the submission of a negative vote on the remuneration policy, a better and more explicit reference, of the phenomena of significant economic downturn due to systemic shocks that could affect the effective remuneration accrual could enhance the transparency and reliability in the long term of the remuneration policy.

¹ More in detail, see art. 123-ter, par. 3-bis, TUF.





- f) *“A contact point for employees who wish to confidentially report concerns about unethical or illegal behavior that might also compromise the integrity of financial statements mandatory be offered by the audit committee or by an ethics committee or equivalent body.”* (related to principle V.D.7.)

As for other recommendations regarding the role of the audit committee or equivalent body, the evaluation of the full implementation of the G20/OECD Principles is not always easy due to the specific features of the Italian framework, where the specific competences of the audit committee could be entrusted to the “collegio sindacale” (the controlling body in the “latin” corporate governance model mainly regulated by law) and the control and risk committee (the board committee recommended by the Italian Corporate Governance Code”). As to the identification of the contact point for employees who wish to confidentially report concerns about unethical or illegal behaviour, the choice of the body is not predetermined even if in practices it is often entrusted to the “collegio sindacale”. Once that the confidentiality of the channel is ensured by appropriate procedures, each company could consider assessing which of its internal bodies could better serve the purpose and therefore enhance its compliance with the G20/OECD Principles. In order to ensure the optimal assessment of the confidential reports and the implementation of the most appropriate and efficient corrective actions, it is up to the evaluation of the individual company to entrust either the “collegio sindacale” or the control and risk committee with this task; considering the open formulation of the Principles, the company could even consider another body inasmuch it appears to better fit this purpose.

- g) *“To be effective, the incentive structure of the business needs to be aligned with its ethical and professional standards so that adherence to these values is rewarded and breaches of law are met with dissuasive consequences or penalties.”* (related to principle V.D.8.)

While one could assume that the Code already covers this issue at a more principle-based level, by recommending the pursuit of the sustainable success and the alignment of the internal control and risk management structure and procedures to this main goal, companies could still consider a clearer alignment with the G20/20 OECD Principles. Given the already mentioned growing importance of ethical standards, a more explicit reference to the alignment of the incentive structure of the business with those standards could reinforce companies’ commitment to ensure the effectiveness of internal controls, ethics, and compliance programs, including the bribery of foreign public officials, as required under the OECD Anti-Bribery Convention (as suggested in partially adopted good practice, also related to principle V.D.8.).

- h) *“Boards mandatory effectively oversee the lobbying activities management conducts and finances on behalf of the company, in order to ensure that management gives due regard to the long-term strategy for sustainability adopted by the board”.* (related to principle VI.C.1.)

While one could assume that the Code already covers this issue at a more principle-based level, by recommending the pursuit of the sustainable success and the alignment of the internal control and risk management structure and procedures to this main goal, companies could still consider a clearer





alignment with the G20/20 OECD Principles. The risk of greenwashing has raised a growing concern about the possibility that lobbying activities conflict or even be at odds with the declared sustainability strategy of a company. A more explicit reference to the responsibilities of the board on the coherence between lobbying activities and the declared sustainability strategy and on the disclosure of lobbying activities, including political donations (as suggested in partially adopted optional recommendation, also related to principle VI.C.1.) could give more credibility to sustainability commitments and, in any case, it would help the company to provide information that is required under the new Sustainability Reporting Directive.

4.2 The good practices

- a) *“The board or nomination committee has the responsibility to identify potential candidates to meet desired profiles and propose them to shareholders, and/or consider those candidates advanced by shareholders.”* (related to principle V.D.6.)
- b) *“It is considered good practice to conduct open search processes extending to a broad range of backgrounds to respond to diversity objectives and evolving risks to the company.”* (related to principle V.D.6.)

Both those good practices refer to the situation, dominant at international level, where the board is usually in charge of nominating candidates for board positions, subject to shareholders’ approval. This is often not the case in the Italian companies, where the nomination process is largely driven by shareholders themselves. In order to enhance board responsibility on the transparency of the nomination process and on its functionality to achieve the optimal composition of the board (as already required by the Italian Corporate Governance Code) a reference could be made to a board assessment of candidates advanced by shareholders against the criteria for optimal composition set by the board itself and to the need for fair procedures of board’s engagement and dialogue with shareholders in the nomination process (as suggested by an optional recommendation also related to principle V.D.6). Moreover, this issue is particularly relevant for ensuring a sound implementation of all the Code’s best practices regarding the adequate composition of the board (starting from the board self-evaluation) and, meaningfully, has been explicitly considered by the Italian Corporate Governance Committee in its last Letter².

- c) *“Companies are also well advised to establish and ensure the effectiveness of internal controls, ethics, and compliance programs or measures to comply with applicable laws, regulations and standards, including statutes criminalizing the bribery of foreign public officials, as required under the OECD Anti-Bribery Convention”* (related to principle V.D.8.)

² Letter 2023, available here:

<https://www.borsaitaliana.it/comitato-corporate-governance/documenti/letterchaircgcommittee2023.en.pdf>.





See comments on paragraph 4.1 letter g) on mandatory recommendation related to principle V.D.8.

- d) *“The designation of a lead director who is independent of management is also regarded as a good practice”.* (related to principle V.E.)

According to the Italian Code, the appointment of a lead independent director (hereinafter also “LID”) is required when the Chair of the company is also the controlling shareholder of the company and/or the CEO (or a director with significant managerial power); moreover, the board is required to consider his/her appointment also upon request of the majority of independent board members. In practice, we observe that some companies provide for LID even in the absence of the conditions set by the Code, especially in circumstances when the Chair is a relevant (even if not controlling owner) of the company or has family ties with the shareholders of the company and/or has at least some managerial powers, even if they are not considered significant. Beyond the Code’s recommendations, the OECD decision to pay attention to the role of a LID and considering the growing interest in investors for an independent director counterbalancing the role of the CEO, the designation of a lead independent director could be further encouraged, at least in all situations where the Chair of the board is not independent, even if she is not the controlling shareholder.

- e) *“The contributions of non-executive board members to the company can be enhanced by providing access to certain key managers within the company such as, for example, the company secretary, the internal auditor, and the head of risk management or chief risk officer and granting recourse to independent external advice at the expense of the company.”* (related to principle V.F.)

Access to companies’ information by non-executive board members is key for ensuring an effective exercise of the duty of care which requires to act in an informed way but this need, in the Italian framework, mandatory be balanced with the integrity of the board information process, to avoid the risk of information asymmetry. For this purpose, the Italian Code already provides for appropriate access to information from the company’s management that shall be ensured by the board Chair who, in agreement with the CEO of the company and the help of the board secretary, ensures that competent managers participate in board meetings to provide appropriate insights on the items of the board agenda; the board Chair acts on its own initiative or even upon specific request of other board members. In the same fashion, the Code provides that the chair of any board committee may invite, among others, managers of the corporate functions that are competent on the matters of the specific committee meeting³.

Beside to what is already recommended by the Code for board meeting, companies could consider to further clarify/enhance the access of individual board and board committees’ members to information provided by key company managers, ensuring an appropriate management of any information asymmetry thereof.

³ This initiative shall occur with the previous information to the CEO.





4.3 The common practices

- a) *“Many companies have found it useful to develop company codes of conduct.”* (related to principle V.C.)

See comments on paragraph 4.1 letter b) on mandatory recommendation related to principle V.C.

- b) *“Many corporate governance codes recommend an annual evaluation of the board, which may periodically be supported by external facilitators to increase objectivity.”* (related to principle V.E.4.)

The partial implementation of this common practice, as the Code requires an annual evaluation only to large not-controlled companies, is more apparent than real, since the G20/OECD Principles explicitly mention proportionality as a valuable tool for corporate governance policy making.

5. The most relevant partially or not implemented optional recommendations

In this paragraph we selected, among optional recommendations which are only partially implemented or not implemented, those which appear more relevant for the Italian governance framework and which can be considered by policy makers and individual companies for a possible improvement of standards and/or practices in order to ensure a substantial, even if not always formal, alignment with the recommendations.

5.1 Partially implemented

- a) *“This may include a commitment by the company (including its subsidiaries) to comply with the OECD Guidelines for Multinational Enterprises and associated due diligence standards”.* (related to principle V.C.)

See comments on paragraph 4.2 letter d) on best practices related to principle V.C.

- b) *“The board’s engagement and dialogue with shareholders may support the effective implementation of nomination processes”* (related to principle V.D.6.)

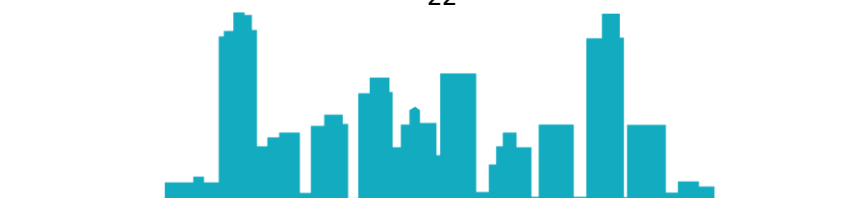
See comments on paragraph 4.1 letter b) on mandatory recommendation related to principle V.C.

- c) *“In some jurisdictions, boards also have a role in overseeing the disclosure of political donations, including related to lobbying activities.”* (related to principle VI.C.1.)

See comments on paragraph 4.1 letter h) on mandatory recommendation related to principle VI.C.1.

5.2 Not implemented

- a) *“In some jurisdictions, the appointment of an investor relations officer who reports directly to the board is considered good practice for publicly traded companies.”* (related to principle V.D.9.)





The appointment of an investor relations officer, currently required by Borsa Italiana listing rules only for companies listed on the Star segment, is a valuable tool for promoting an effective dialogue with actual and potential shareholders, within the specific policy required by the Code, where the investor relation officer usually plays a key role as a contact point for investors. As a matter of fact, the appointment of an Investor Relator is very well implemented by Italian listed companies, where the board ensures that a person is identified as responsible for handling the relationships with the shareholders (as recommended by previous Code's editions). On the contrary, there is no provision regarding the Investor Relations direct report to the board, considering that usually the communication channel is ensured by the board Chair and/or the CEO of the company, also with the possible intervention of the IR to the relevant board meeting. Moreover, the Italian Corporate Governance Code and, consequently, Italian companies developed a more comprehensive approach regarding the on-going dialogue with investors with the development of an "engagement policy" which is approved by the board.

In this regard, the best practice, suggested by the Assonime Principles for Listed Companies' Dialogue with Investors, is that the contact point, and therefore the investor relation officer, mandatory report to the directors responsible for managing the implementation of the dialogue policy, namely CEO and/or the Chair of the Board. The role of the board, in such a system, seems in line with the substantial goal of the optional recommendation, as it has a key role in the approval of the dialogue policy, in the appointment of responsible directors and in the monitoring of the policy implementation, on the basis of timely information received by responsible directors.

- b) *"In jurisdictions with single tier board systems, the objectivity of the board and its independence from management may be strengthened by the separation of the role of chief executive and chair."* (related to principle V.E.)

The Italian Corporate Governance Code does not recommend listed companies to necessarily ensure that the separation of the offices of Chief Executive Officer (CEO) and Chair, rather favouring transparency in cases where the two roles are entrusted to the same person and even when the Chair has significant managerial powers without being the CEO of the company. In such cases, the Code recommends the board to explain the reasons for the choice of entrusting the Chair with the position of CEO or with significant managerial powers. A full implementation of this disclosure requirement, that is explicitly recalled in the last Letter of the Chair of the Italian Corporate Governance Committee⁴, is key to allowing investors' adequate assessment of the merits of this possible choice, while granting the necessary flexibility in the allocation of the key management functions.

- c) *"Negative" criteria defining when an individual is not regarded as independent can usefully be complemented by "positive" examples of qualities that will increase the probability of effective independence* (related to principle V.E.)

⁴ Letter 2023, available here:

<https://www.borsaitaliana.it/comitato-corporate-governance/documenti/letterchaircgcommittee2023.en.pdf>.





According to the Code, the number and skills of non-executive directors ensure significant influence in the decision-making process of the board and guarantee an effective monitoring of management. A significant number of non-executive directors are independent.

The Code requires to the board to ensure a certain number of independent directors, identified as directors who have appropriate skills and competence for the well-functioning of the board and its committees (as all board components) and that ensure their significant influence in the decision-making process of the board and guarantee an effective monitoring of management (as all non-executive directors), and does not fall into circumstances that jeopardize, or appear to jeopardize, their independence. In order to identify independent directors, the Code states a non-exhaustive list of “negative” criteria, i.e. situations where one would reasonably assume a lack of independence, encouraging the board to ensure a deep assessment of such situation. Nevertheless, this list of situations is “non-exhaustive” inasmuch the Code generally recommends the board to consider any circumstance that affects or could affect the independence of the director, within the limits of information available to the company.

While the Code does not specifically state or require the board to state “positive” independence criteria, a full implementation of the above-mentioned requirement is key to ensure an effective role of the independent directors, which is the substantial goal of the Code’s relevant recommendations.

- d) *“Some boards have also established a committee to advise on the management of digital security risks as well as on the company’s digital transformation.”* (related to principle V.E.2)

A more explicit reference to the management of digital security risks and to the company’s digital transformation within the responsibility of the board and in the scope of the control and risk committee would signal the due attention devoted by the companies to those issue, irrespectively of the establishment of a separate dedicated committee.

- e) *It may, therefore, be in the long-term interest of corporations to foster value-creating co-operation among stakeholders.* (related to principle VI.D.)

The Italian Corporate Governance Code requires the board to promote dialogue with relevant stakeholders in order to take into account their interest in creating long-term value. In the development of such dialogue, companies could explicitly include the goal of fostering value-creating co-operation among stakeholders.

- f) *“In some jurisdictions, it is mandatory for companies to carry out human rights and environmental due diligence.”* (related to principle VI.D.1.)
- g) *“This may in some jurisdictions be achieved by companies using the OECD Guidelines for Multinational Enterprises and associated due diligence standards for risk-based due diligence to identify, prevent and mitigate actual and potential adverse impacts of their business, and account for how these impacts are addressed.”* (related to principle VI.D.1.)





A stronger commitment to carry out human rights and environmental due diligence is strongly demanded to companies by investors and by the society as a whole and will be required by coming European Union specific legislation: from a disclosure perspective, the Corporate Sustainability Reporting Directive, and, from a more substantial-organizational perspective, the forthcoming Corporate Due Diligence Directive. In this area, both standards and practices need to be enhanced, taking into account the evolution of the regulatory framework.

- h) *“Examples of mechanisms for employee participation include employee representation on boards and governance processes such as works councils that consider employee viewpoints in certain key decisions.”* (related to principle VI.D.3.)

Mechanisms for employee participation are usually provided by some legal systems at national level. The exception to this rule is the UK, where the Corporate Governance Code requires the use of specific methods for engagement with the workforce (a director appointed from the workforce; a formal workforce advisory panel; a designated non-executive director) or other alternative arrangements equally effective. This is an area where Italian policy makers and individual companies could consider developing standards and practices to enhance due consideration of employee interests and viewpoints within their stakeholders’ dialogue. Some examples from the international and also national practices developed by individual companies could represent some food for thoughts, if not even a useful benchmark.



Annex 1

The index of G20/OECD Principles implementation

In order to measure the general degree of implementation of the G20/OECD Principles, we elaborated a synthetic index based on some assumptions. We attributed a specific weight to the different typologies of 111 recommendations (100% to mandatory recommendations; 75% to good practices, 50% to common practices; 25% to optional recommendations) and to their degree of implementation (100% to implemented, 50% to partially implemented; 0% to not implemented) so that we have the following matrix of weights applicable to the outcomes of our assessment.

Matrix of weights, by nature of recommendation and degree of implementation

	Implemented	partially implemented	not implemented
Mandatory recommendations	100%	50%	0%
good practice	75%	38%	0%
common practice	50%	25%	0%
Optional recommendations	25%	13%	0%

The implementation index is calculated as the share of the sum of weighted outcomes on the sum of the maximum weighted outcome (where all recommendations are implemented). By applying this formula, the implementation index for the Italian framework for all recommendations is equal to 88%.

By applying this formula to each category of recommendations, we have a sub-implementation index equal to 93% for mandatory, 81% for good practices, 93% for common practices and 53% for optional recommendations. By applying this formula to each of governance, we have a sub-implementation index equal to 93% for mandatory, 81% for good practices, 93% for common practices and 53% for optional recommendations.

Implementation index

		Implementation index
Nature of recommendations	All non-optional recommendations	91%
	<i>of which:</i>	
	<i>Mandatory</i>	93%
	<i>Good practice</i>	81%
	<i>Common practice</i>	93%
	Optional recommendations	53%
Governance areas	General framework	92%
	Board responsibilities	88%
	Governance of sustainability	83%
Total		88%

Annex 2

Assessment of the selected 29 principles by the nature of the related recommendations.

Principle	mandatory		good practice		common practice		may			implementation assessment
	implemented	partially implemented	implemented	partially implemented	implemented	partially implemented	implemented	partially implemented	not implemented	
i.B.	100%	0%			100%	0%				fully implemented
IV.A.9.	100%	0%	100%	0%						fully implemented
IV.D.	50%	50%								broadly implemented
V.A.	100%	0%								fully implemented
V.A.1.	100%	0%								fully implemented
V.B.	100%	0%								fully implemented
V.C.	0%	100%			0%	100%	0%	100%	0%	weakly implemented
V.D.1.	100%	0%								fully implemented
V.D.2.	33%	67%			100%	0%				broadly implemented
V.D.3.	100%	0%			100%	0%				fully implemented
V.D.4.	100%	0%			100%	0%	33%	33%	33%	substantially implemented

Principle	mandatory		good practice		common practice		may			implementation assessment
	implemented	partially implemented	implemented	partially implemented	implemented	partially implemented	implemented	partially implemented	not implemented	
V.D.5.	50%	50%	100%	0%	100%	0%	100%	0%	0%	broadly implemented
V.D.6.	100%	0%	33%	67%			0%	100%	0%	broadly implemented
V.D.7.	75%	25%	100%	0%	100%	0%				broadly implemented
V.D.8.	80%	20%	67%	33%			100%	0%	0%	broadly implemented
V.D.9.	100%	0%					0%	0%	100%	substantially implemented
V.E.	100%	0%	0%	100%	100%	0%	40%	20%	40%	broadly implemented
V.E.1.	100%	0%					0%	100%	0%	substantially implemented
V.E.2.	100%	0%			100%	0%	50%	25%	25%	substantially implemented
V.E.3.	100%	0%	100%	0%						fully implemented
V.E.4.	100%	0%			50%	50%	100%	0%	0%	broadly implemented
V.F.	100%	0%	0%	100%						broadly implemented

Principle	mandatory		good practice		common practice		may			implementation assessment
	implemented	partially implemented	implemented	partially implemented	implemented	partially implemented	implemented	partially implemented	not implemented	
VI.B.	100%	0%	100%	0%			100%	0%	0%	fully implemented
VI.C.	100%	0%					50%	50%	0%	substantially implemented
VI.C.1.	0%	100%					0%	100%	0%	weakly implemented
VI.C.2.	100%	0%								fully implemented
VI.D.	100%	0%					0%	0%	100%	substantially implemented
VI.D.1.	100%	0%					0%	0%	100%	substantially implemented
VI.D.3.	100%	0%					0%	50%	50%	substantially implemented

Annex 3

Detailed analysis of the implementation of all the selected 29 principles and of the 111 underlying recommendations of the G20/OECD Principles, with a reference to their coverage by the Italian framework

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
I.B. Corporate governance codes may offer a complementary mechanism to support the development and evolution of companies' best practices, provided that their status is duly defined.						fully implemented
i.B.	Corporate governance objectives are also formulated in codes and standards that do not generally have the status of law or regulation	common practice	Code	Introduction	implemented	
i.B.	Good practices recommended in such codes are usually encouraged through "comply or explain" disclosure mechanisms or other variations such as "apply and/or explain".	common practice	Code	Introduction	implemented	
i.B.	When codes and principles are used as a national standard or as a complement to or regulatory provisions, market credibility requires that their status in terms of coverage, implementation, compliance and sanctions is clearly specified.	mandatory	Law	art. 123-bis c. 2 lett. a) TUF	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
i.B.	In most jurisdictions, a national report reviewing adherence to the corporate governance code by publicly traded companies is published as a good practice to support effective disclosure and implementation of “comply or explain” codes.	common practice	Code	Introduction	implemented	
IV.A.9. Governance structures and policies, including the extent of compliance with national corporate governance codes or policies and the process by which they are implemented.						fully implemented
IV.A.9.	Companies should clearly disclose the different roles and responsibilities of the CEO and/or chair and, where a single person combines both roles, the rationale for this arrangement.	mandatory	Code	Recommendation 4	implemented	
IV.A.9.	It is also good practice to disclose the articles of association, board charters and, where applicable, committee structures and charters.	good practice	Code	Recommendation 11	implemented	
IV.D. External auditors should be accountable to the shareholders and owe a duty to the company to exercise due professional care in the conduct of the audit in the public interest.						broadly implemented

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
IV.D.	The practice that external auditors are recommended by an independent audit committee of the board or an equivalent body and are elected, appointed or approved either by that committee/body or by the shareholders' meeting directly can be regarded as good practice	mandatory	Law	Legislative Decree n. 39/2010 art. 13	implemented	
IV.D.	shareholders should have the possibility to communicate directly with the audit committee or an equivalent body regarding its oversight of the external auditor, for example by disclosures, including of the methodology for assessing the auditor's performance, or by participation of the audit committee or external auditor in shareholder meetings	mandatory	Law	art. 153 TUF	partially implemented	
V.A. Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders, taking into account the interests of stakeholders.						fully implemented

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.A.	The duty of care requires board members to act on a fully informed basis, in good faith, with due diligence and care.	mandatory	Law/Code	artt. 2381, 2392 Civil Code Recommendation 4 (with specific regard to timely information) CG Code	implemented	
V.A.	The duty of loyalty is of central importance, since it underpins the effective implementation of other principles relating to, for example, the equitable treatment of shareholders, monitoring of related party transactions and the establishment of the remuneration policy for key executives and board members.	mandatory	Law/Code	artt. 2391-bis, 2392 Civil Code Consob Regulation n. 17221/2010 Principles I, XVI CG Code	implemented	
V.A.	Board members should take account of, among other things, the interests of stakeholders, when making business decisions in the interest of the company's long-term success and performance and in the interest of its shareholders.	mandatory	Code	Definitions (sustainable success) Principle I	implemented	
V.A.1. Board members should be protected against litigation if a decision was made in good faith with due diligence						fully implemented

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.A.1.	Protecting board members and management against litigation, if they made a business decision diligently, with procedural due care, on a duly informed basis and without any conflicts of interest, will better enable them to assume the risk of a decision that is expected to benefit the company but which could eventually be unsuccessful. Subject to these conditions, such a safe harbour would apply even if there are clear short-term costs and uncertain long-term negative impacts to the company, as long as managers diligently assess whether the decision could be reasonably expected to contribute to the long-term success and performance of the company.	mandatory	Law	Case Law	implemented	
V.B. Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly.						fully implemented

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.B.	In carrying out its duties, the board should not be viewed, or act, as an assembly of individual representatives from various constituencies. While specific board members may indeed be nominated or elected by certain shareholders (and sometimes contested by others), it is important that board members carry out their duties in an even-handed manner with respect to all shareholders. T	mandatory	Law	artt. 2380, 2380-bis Civil Code	implemented	
V.C. The board should apply high ethical standards.						weakly implemented
V.C.	The board has a key role in setting the ethical tone of a company, not only through its own actions, but also in appointing and overseeing key executives and consequently the management in general.	mandatory	Code	Principle I	partially implemented	
V.C.	Many companies have found it useful to develop company codes of conduct.	common practice	Law	ex Legislative Decree 231/01	partially implemented	
V.C.	This may include a commitment by the company (including its subsidiaries) to comply with the OECD Guidelines for Multinational Enterprises and associated due diligence standards	optional	Practice		partially implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.D.1. Reviewing and guiding corporate strategy, major plans of action, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures						fully implemented
V.D.1.	The board is tasked with setting the overall strategy of the company	mandatory	Code	Principle II	implemented	
V.D.1.	The board is tasked with determining the company's policies;	mandatory	Code	Principles II, XVI Recommendations 1 a), 3, 33 a)	implemented	
V.D.1.	The board is tasked with assessing and guiding performance;	mandatory	Code	Recommendation 1 b)	implemented	
V.D.1.	The board is tasked with overseeing the company's financial operations	mandatory	Code	Recommendation 1 e)	implemented	
V.D.2. Reviewing and assessing risk management policies and procedures						broadly implemented
V.D.2.	The board should ensure that material sustainability matters are considered	mandatory	Code	Principle XIX Recommendation 1 a)	implemented	
V.D.2.	The board should ensure the management of digital security risks	mandatory	Code	Principle XIX Recommendation 34 a)	partially implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.D.2.	The board should ensure the development of a tax risk management policy	mandatory	Code	Principle XIX Recommendation 34 a)	partially implemented	
V.D.2.	To support the board in its oversight of risk management, some companies have established a risk committee and/or expanded the role of the audit committee, following regulatory requirements or recommendations on risk management and the evolution of the nature of risks.	common practice	Code	Principle XIX Recommendation 32	implemented	
V.D.3. Monitoring the effectiveness of the company's governance practices and making changes as needed						fully implemented
V.D.3.	Monitoring of governance by the board includes continuous review of the internal structure of the company to ensure that there are clear lines of accountability for management throughout the organisation.	mandatory	Code	Recommendation 1 d)	implemented	
V.D.3.	Such monitoring should also include whether the company's governance framework remains appropriate in light of material changes to the company's size, complexity, business strategy, markets, and regulatory requirements.	mandatory	Code	Principle III Recommendation 2	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.D.3.	requiring the monitoring and disclosure of corporate governance practices on a regular basis	mandatory	Code	Principle III Recommendation 2	implemented	
V.D.3.	many jurisdictions have moved to recommend, or indeed mandate, assessment by boards of their performance and of the performance of their committees, individual board members, the chair and the CEO.	common practice	Code	Principle XIV Recommendation 21	implemented	
V.D.4. Selecting, overseeing and monitoring the performance of key executives, and, when necessary, replacing them and overseeing succession planning						substantially implemented
V.D.4.	The board should oversee the performance of key executives and monitor that their actions are consistent with the strategy and policies approved by the board.	mandatory	Law/Code	art. 2381 Civil Code, Principle II, Recommendation 1 b) CG Code	implemented	
V.D.4.	The board should select the CEO and may select other key executives.	mandatory	Code	Recommendation 4	implemented	
V.D.4.	The board may select other key executives.	optional			not implemented	
V.D.4.	The board should also be responsible for succession planning for the CEO and may also be for other key executives, with a view to ensuring business continuity.	mandatory	Code	Recommendation 24	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.D.4.	the board may be assisted by a nomination committee	optional	Code	Recommendation 19	implemented	
V.D.4.	The nomination Committee may be tasked with defining the profiles of the CEO and board members, and making recommendations to the board on their appointment.	optional	Code	Recommendation 23	partially implemented	
V.D.4.	Many jurisdictions require or recommend that all or a majority of members of the nomination committee be independent directors.	common practice	Code	Principle VI	implemented	
V.D.5. Aligning key executive and board remuneration with the longer term interests of the company and its shareholders.						broadly implemented
V.D.5.	It is regarded as good practice for boards to develop and disclose a remuneration policy statement covering board members and key executives, as well as to disclose their remuneration levels set pursuant to this policy	mandatory	Code	Principle XVI	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.D.5.	Such policy statements may specify, especially with respect to executives, the relationship between remuneration and performance with ex ante criteria linked to performance, and include measurable standards that emphasise the long-term interests of the company	optional	Code	Recommendation 27 a)	implemented	
V.D.5.	Such measurable standards among others may relate to total shareholder return and appropriate sustainability goals and metrics	optional	Code	Recommendation 27 c)	implemented	
V.D.5.	Policy statements generally tend to set conditions for payments to board members for extra-board activities, such as consulting.	common practice	Code	Recommendation 7	implemented	
V.D.5.	policy statements also provide guidance on the payments to be made when hiring and/or terminating the contract of an executive.	common practice	Code	Recommendation 27 c)	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.D.5.	Many jurisdictions recommend or require that remuneration policy and contracts for board members and key executives remuneration policy and contracts for board members and key executives be handled by a special committee of the board comprising either wholly or a majority of independent directors and excluding executives that serve on each other's remuneration committees,	common practice	Code	Recommendation 25	implemented	
V.D.5.	The introduction of malus and claw-back provisions is considered good practice.	good practice	Code	Recommendation 31 c)	implemented	
V.D.5.	the likelihood of a significant economic downturn is a factor that companies reasonably should consider when designing their remuneration policies and may not necessarily justify an adjustment of these policies.	mandatory	Code	Principle XVII	partially implemented	
V.D.6. Ensuring a formal and transparent board nomination and election process						broadly implemented
V.D.6.	The board, with the support of a nomination committee if established, has an essential role to play in ensuring that the nomination and election processes are respected.	mandatory	Code	Principle XIII	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.D.6.	The board has a key role in defining the collective or individual profile of board members that the company may need	good practice	Code	Principle XIII Recommendation 19	implemented	
V.D.6.	- the board or nomination committee has the responsibility to identify potential candidates to meet desired profiles and propose them to shareholders, and/or consider those candidates advanced by shareholders	good practice	Code	Recommendation 23	partially implemented	
V.D.6.	The board's engagement and dialogue with shareholders may support the effective implementation of these processes	optional	Code	Recommendation 3	partially implemented	
V.D.6.	It is considered good practice to conduct open search processes extending to a broad range of backgrounds to respond to diversity objectives and evolving risks to the company.	good practice	Code	Recommendation 23	partially implemented	
V.D.7. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions						broadly implemented

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.D.7.	The board should oversee the implementation and operation of policies to identify potential conflicts of interest. Where these conflicts cannot be prevented, they should be properly managed.	mandatory	Law	artt. 2391, 2391-bis Civil Code	implemented	
V.D.7.	It is an important function of the board to oversee the internal control systems covering financial reporting and the use of corporate assets.	mandatory	Code	Recommendation 35	implemented	
V.D.7.	It is an important function of the board to guard against abusive related party transactions.	mandatory	Law	artt. 2391, 2391-bis Civil Code Consob Regulation n. 17221/2010	implemented	
V.D.7.	This function is often assigned to the internal auditor who should maintain direct access to the board.	common practice	Law	Recommendation 36	implemented	
V.D.7.	It is important for the board to oversee the company's whistleblowing policy in order to ensure the integrity, independence and confidentiality of whistleblowing processes, and to encourage the reporting of unethical/unlawful behaviour without fear of retribution.	good practice	Law	Legislative Decree n. 24/2023	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.D.7.	A contact point for employees who wish to confidentially report concerns about unethical or illegal behaviour that might also compromise the integrity of financial statements should be offered by the audit committee or by an ethics committee or equivalent body.	mandatory	Law	Legislative Decree n. 24/2023	partially implemented	
V.D.8. Ensuring the integrity of the corporation's accounting and reporting systems for disclosure, including the independent external audit, and that appropriate control systems are in place, in compliance with the law and relevant standards.						broadly implemented
V.D.8.	Ensuring the integrity of the essential reporting and monitoring systems will require that the board sets and enforces clear lines of responsibility and accountability throughout the organisation. The board will also need to ensure that there is appropriate oversight by senior management.	mandatory	Code	Recommendation 32	implemented	
V.D.8.	Normally, this includes the establishment of an internal audit function	mandatory	Code	Recommendation 32	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.D.8.	The role and functions of internal audit vary across jurisdictions, but they can include assessment and evaluation of governance, risk management, and internal control processes.	optional	Code	Recommendation 36 a); b)	implemented	
V.D.8.	It is considered good practice for the internal auditors to report to an independent audit committee of the board or an equivalent body which is also responsible for managing the relationship with the external auditor	good practice	Code	Recommendation 36 c); d)	implemented	
V.D.8.	It should also be regarded as good practice for the audit committee, or equivalent body, to review and report to the board the most critical policies which are the basis for financial and other corporate reports	good practice	Code	Recommendation 35	implemented	
V.D.8.	Both internal and external audit functions should be clearly articulated so that the board can maximise the quality of assurance it receives.	mandatory	Law	Legislative Decree n. 39/2010 Recommendations 33, 36 CG Code	implemented	
V.D.8.	the board should retain final responsibility for oversight of the company's risk management system and for ensuring the integrity of the reporting systems.	mandatory	Code	Principle XIX	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.D.8.	Companies are also well advised to establish and ensure the effectiveness of internal controls, ethics, and compliance programmes or measures to comply with applicable laws, regulations and standards, including statutes criminalising the bribery of foreign public officials, as required under the OECD Anti-Bribery Convention	good practice	Law/Code	Legislative Decree n. 231/2001 Principle XVIII CG Code	partially implemented	
V.D.8.	To be effective, the incentive structure of the business needs to be aligned with its ethical and professional standards so that adherence to these values is rewarded and breaches of law are met with dissuasive consequences or penalties.	mandatory	Law/Code	Legislative Decree n. 231/2001 Principle XVIII CG Code	partially implemented	
V.D.9. Overseeing the process of disclosure and communications.						substantially implemented
V.D.9.	The functions and responsibilities of the board and management with respect to disclosure and communication need to be clearly established by the board.	mandatory	Code	Principle XX	implemented	
V.D.9.	In some jurisdictions, the appointment of an investor relations officer who reports directly to the board is considered good practice for publicly traded companies.	optional			not implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.E. The board should be able to exercise objective independent judgement on corporate affairs						broadly implemented
V.E.	Board independence in these circumstances usually requires that a sufficient number of board members, as well as members of key committees, will need to be independent of management.	mandatory	Code	Recommendations 5, 35	implemented	
V.E.	In jurisdictions with single tier board systems, the objectivity of the board and its independence from management may be strengthened by the separation of the role of chief executive and chair.	optional			not implemented	
V.E.	The designation of a lead director who is independent of management is also regarded as a good practice	good practice	Code	Recommendation 13	partially implemented	
V.E.	The chair or lead independent director may, in some jurisdictions, be supported by a company secretary.	optional	Code	Recommendations 12, 18	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.E.	In many instances objectivity requires that a sufficient number of board members not be employed by the company or its affiliates and not be closely related to the company or its management through significant economic, family or other ties	mandatory	Code	Recommendation 7 b); c); d); f); h)	implemented	
V.E.	In others, independence from controlling and substantial shareholders will need to be emphasised, While jurisdictions' definitions of what constitutes a substantial shareholder vary, minimum thresholds are common	mandatory	Code	Recommendation 7 a)	implemented	
V.E.	"negative" criteria defining when an individual is not regarded as independent can usefully be complemented by "positive" examples of qualities that will increase the probability of effective independence	optional			not implemented	
V.E.	The board may also be required to make an affirmative finding that a director is independent of the company	optional	Code	Recommendation 10	implemented	
V.E.	Many jurisdictions also set a maximum tenure for directors to be considered independent	common practice	Code	Recommendation 7 e)	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.E.	Some jurisdictions also require separate meetings of independent directors on a periodic basis.	optional	Code	Recommendation 5	partially implemented	
V.E.1. Boards should consider assigning a sufficient number of independent board members capable of exercising independent judgement to tasks where there is a potential for conflicts of interest. Examples of such key responsibilities are ensuring the integrity of financial and other corporate reporting, the review of related party transactions, and nomination and remuneration of board members and key executives						substantially implemented
V.E.1.	The board should consider establishing specific committees to consider questions where there is a potential for conflicts of interest.	mandatory	Law/Code	Consob Regulation 17221/2010 Principles VI , Recommendations 16, 19, 20, 25, 33 CG Code	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.E.1.	These committees should require a minimum number or be composed entirely of independent members.	mandatory	Law/Code	Consob Regulation 17221/2010 Principles VI , Recommendations 16, 19, 20, 25, 33 CG Code	implemented	
V.E.1.	In some jurisdictions it is good practice that these committees be chaired by an independent non-executive member.	optional	Law/Code	Consob Regulation 17221/2010 Principles VI , Recommendations 16, 19, 20, 25, 33 CG Code	partially implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.E.2. Boards should consider setting up specialised committees to support the full board in performing its functions, in particular the audit committee – or equivalent body – for overseeing disclosure, internal controls and audit-related matters. Other committees, such as remuneration, nomination or risk management, may provide support to the board depending upon the company's size, structure, complexity and risk profile. Their mandate, composition and working procedures should be well defined and disclosed by the board which retains full responsibility for the decisions taken.						substantially implemented
V.E.2.	Where justified in terms of the size, structure, sector or level of development of the company as well as the board's needs and the profile of its members, the use of committees may improve the work of the board and allow for a deeper focus on specific areas	optional	Code	Principle XI Recommendation 16	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.E.2.	In order to evaluate the merits of board committees, it is important that the market receives a full and clear picture of their mandate, scope, working procedures and composition	mandatory	Code	Recommendations 17, 11	implemented	
V.E.2.	Most jurisdictions establish binding rules for the conduct and functions of an independent audit committee, and recommend nomination and remuneration committees on a “comply or explain” basis.	common practice	Law/Code	art. 2403 Civil Code art. 149 TUF Recommendations 16, 19, 20, 25 CG Code	implemented	
V.E.2.	While risk committees are commonly required for companies in the financial sector, a number of jurisdictions also regulate risk management responsibilities of non-financial companies, requiring or recommending assigning this role to either the audit committee or a dedicated risk committee.	optional	Code	Principle VI Recommendations 16, 33	implemented	
V.E.2.	Some boards have created a sustainability committee to advise the board on social and environmental risks, opportunities, goals and strategies, including related to climate	optional	Code	Recommendation 1 a)	partially implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.E.2.	Some boards have also established a committee to advise on the management of digital security risks as well as on the company's digital transformation.	optional			not implemented	
V.E.2.	When established, committees should have access to the necessary information to comply with their duties, receive appropriate funding and engage outside experts or counsels.	mandatory	Code	Recommendation 17	implemented	
V.E.3. Board members should be able to commit themselves effectively to their responsibilities						fully implemented
V.E.3.	Disclosure about other board and committee memberships and chair responsibilities to shareholders is therefore a key instrument to improve board and committee nominations.	mandatory	Code	Recommendation 15	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.E.3.	Achieving legitimacy would also be facilitated by the publication of attendance records for individual board members (e.g. whether they have missed a significant number of meetings) and any other work undertaken on behalf of the board and the associated remuneration	good practice	Code	Principle XII	implemented	
V.E.4. Boards should regularly carry out evaluations to appraise their performance and assess whether they possess the right mix of background and competences, including with respect to gender and other forms of diversity.						broadly implemented
V.E.4.	In order to improve board practices and the performance of its members, an increasing number of jurisdictions now encourage companies to engage in board and committee evaluation and training.	mandatory	Code	Recommendation 12 d); e)	implemented	
V.E.4.	Many corporate governance codes recommend an annual evaluation of the board, which may periodically be supported by external facilitators to increase objectivity.	common practice	Code	Recommendation 22	partially implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
V.E.4.	To enhance gender diversity, many jurisdictions require or recommend that publicly traded companies disclose the gender composition of boards and of senior management.	common practice	Code	Principle VII Recommendation 8	implemented	
V.E.4.	Some jurisdictions have established mandatory quotas or voluntary targets for female participation on boards with tangible results.	optional	Law/Code	art. 147-ter TUF Recommendation 8 CG Code	implemented	
V.F. In order to fulfil their responsibilities, board members should have access to accurate, relevant and timely information						broadly implemented
V.F.	The contributions of non-executive board members to the company can be enhanced by providing access to certain key managers within the company such as, for example, the company secretary, the internal auditor, and the head of risk management or chief risk officer, and granting recourse to independent external advice at the expense of the company	good practice	Code	Recommendations 12, 17	partially implemented	
V.F.	Board members should have access to and ensure that they obtain accurate, relevant and timely information	mandatory	Code	Recommendations 11, 12, 17	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
VI.B. Corporate governance frameworks should allow for dialogue between a company, its shareholders and stakeholders to exchange views on sustainability matters as relevant for the company's business strategy and its assessment of what matters ought to be considered material.						fully implemented
VI.B.	Dialogue between companies, shareholders, the workforce and other stakeholders may also play an essential role in informing management's decision-making process and in building trust in a long-term business strategy.	good practice	Code	Recommendation 3	implemented	
VI.B.	Such dialogue may also prove helpful for the company to assess which sustainability matters are material and, therefore, should be disclosed.	optional	Code	Recommendations 1 a), 3	implemented	
VI.B.	When in dialogue with shareholders, the company should comply with the principle of equitable treatment of shareholders	mandatory	Law	art. 93 TUF	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
VI.C. The corporate governance framework should ensure that boards adequately consider material sustainability risks and opportunities when fulfilling their key functions in reviewing, monitoring and guiding governance practices, disclosure, strategy, risk management and internal control systems, including with respect to climate-related physical and transition risks.						substantially implemented
VI.C.	The board has a role in ensuring that effective governance and internal controls are in place to improve the reliability and credibility of sustainability-related disclosure.	mandatory	Code	Recommendation 35 b); c)	implemented	
VI.C.	Such assessments may also relate to key executive remuneration and nomination (e.g. whether targets integrated into executives' compensation plans would be quantifiable, linked to financially material risks and incentivise a long-term view)	optional	Code	Recommendation 27 c)	partially implemented	
VI.C.	Such assessments may also relate to how sustainability is approached by the board and its committees	optional	Code	Principles I, II, III Recommendations 2, 21	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
VI.C.1. Boards should ensure that companies' lobbying activities are coherent with their sustainability-related goals and targets						weakly implemented
VI.C.1.	Boards should effectively oversee the lobbying activities management conducts and finances on behalf of the company, in order to ensure that management gives due regard to the long-term strategy for sustainability adopted by the board.	mandatory	Law	CSRD Directive	partially implemented	
VI.C.1.	In some jurisdictions, boards also have a role in overseeing the disclosure of political donations, including related to lobbying activities	optional	Practice		partially implemented	
VI.C.2. Boards should assess whether the company's capital structure is compatible with its strategic goals and its associated risk appetite to ensure it is resilient to different scenarios.						fully implemented
VI.C.2.	In order to ensure the company's financial soundness, the board should monitor the capital structure and capital sufficiency with due consideration to different scenarios, including those with low probability but high impact	mandatory	Law	art. 3, c. 2 Crisis and Insolvency Code	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
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VI.D. The corporate governance framework should consider the rights, roles and interests of stakeholders and encourage active co-operation between companies, shareholders and stakeholders in creating value, quality jobs, and sustainable and resilient companies.						substantially implemented
VI.D.	Corporations should recognise that the contributions of stakeholders constitute a valuable resource for building competitive and profitable businesses.	mandatory	Code	Principle I	implemented	
VI.D.	It may, therefore, be in the long-term interest of corporations to foster value-creating co-operation among stakeholders.	optional			not implemented	
VI.D.1. The rights of stakeholders that are established by law or through mutual agreements are to be respected.						substantially implemented
VI.D.1.	The rights of stakeholders are to a large extent established by law (e.g. labour, business, commercial, environmental, and insolvency laws) or by contractual relations that companies must respect.	mandatory	Law	Various specific law provisions and collective contractual agreements	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
VI.D.1.	In some jurisdictions, it is mandatory for companies to carry out human rights and environmental due diligence.	optional			not implemented	
VI.D.1.	This may in some jurisdictions be achieved by companies using the OECD Guidelines for Multinational Enterprises and associated due diligence standards for risk-based due diligence to identify, prevent and mitigate actual and potential adverse impacts of their business, and account for how these impacts are addressed.	optional			not implemented	
VI.D.3. Mechanisms for employee participation should be permitted to develop						substantially implemented
VI.D.3.	In the context of corporate governance, mechanisms for participation may benefit companies directly as well as indirectly through the readiness by employees to invest in firm specific skills	optional	Practice		partially implemented	
VI.D.3.	International conventions and national norms also recognise the rights of employees to information, consultation and negotiation.	mandatory	Law	Legislative Decree n. 25/2007	implemented	

Principle	Recommendation	Type of Recommendation	Reference in the Italian framework		Assessment of Recommendation	Assessment of Principle
			legal source	provision		
VI.D.3.	Pension commitments are also often an element of the relationship between the company and its past and present employees. Where such commitments involve establishing an independent fund, its trustees should be independent of the company's management and manage the fund in the interest of all beneficiaries.	mandatory	Law	Legislative Decree n. 252/2005	implemented	
VI.D.3.	- Examples of mechanisms for employee participation include employee representation on boards and governance processes such as works councils that consider employee viewpoints in certain key decisions	optional			not implemented	