



2022

PROXY SEASON REVIEW ITALY

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2022

ITALY

HIGHLIGHTS



AVERAGE
QUORUM: 71%



CONTESTED
RESOLUTIONS (20%)



CONTESTED
RESOLUTIONS (10%)

REMUNERATION

MOST CONTESTED PROPOSALS

GENERAL OVERVIEW

CMi2i has analysed the Italian Annual General Meeting landscape in order to identify and highlight the major trends and topics of the season.

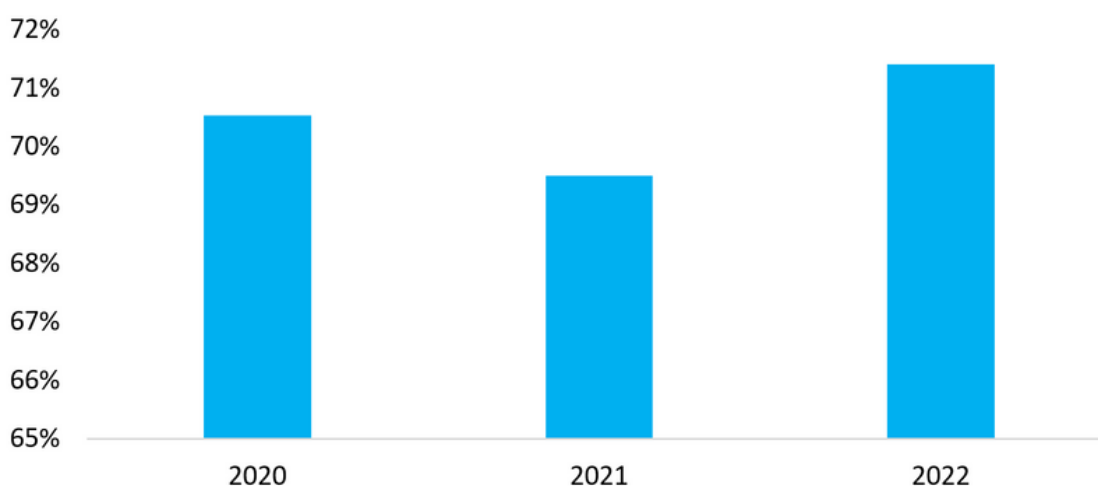
In March 2022, following the spin-off of CNH Industrial and Iveco, and the exit of Buzzi Unicem from the index, the FTSE MIB has returned to its classic 40-company composition. This review will solely focus on the 34 companies headquartered in Italy that follow the Italian Corporate Governance Code. Thus, six companies (CNH Industrial, Exor, Ferrari, Stellantis, STMicroelectronics, Tenaris) have been excluded from our group, given they currently follow different governance rules despite their inclusion in the Italian index.

During the period under review, 314 management resolutions were put forward across 34 companies. The average AGM

representation (quorum) for the 2022 proxy season was 71.40%, the highest shareholder participation in 3 years.

This sharp increase from the 2021 season results is largely due a substantial rise in shareholder participation observed at some corporate issuers. Assicurazioni Generali, in particular, saw a 19% increase in its year-on-year quorum most likely as a result of a protracted governance battle between management and a group of rebel shareholders lead by construction billionaire Francesco Gaetano Caltagirone. Other issuers have also experienced a significant increase at their shareholders' meetings, Mediobanca (+14%), Prysmian (+8%), and Eni (+7%).

THREE-YEAR QUORUM COMPARISON





For years, Italy was one of the highest contested markets across Europe and the 2022 season confirmed this trend. Out of all the proposals submitted this season, 52 resolutions were contested by at least 10% of shareholders, and 21 by 20%+ of investors. On average in 2022, management proposals received 0.7% less support compared to the previous Italian proxy season.

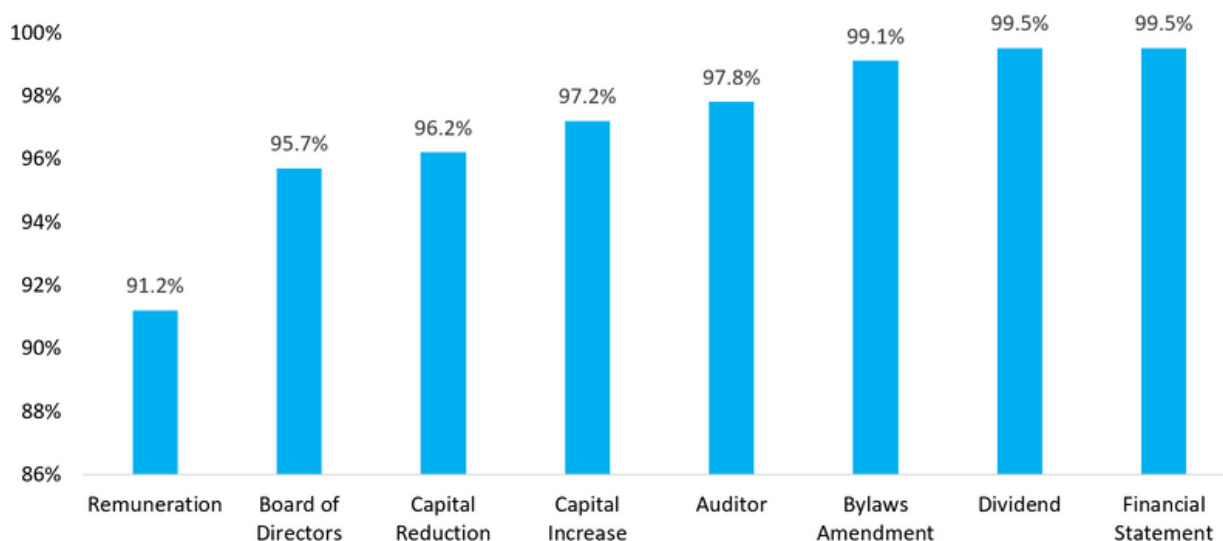


21 CONTESTED RESOLUTIONS (20%)



52 CONTESTED RESOLUTIONS (10%)

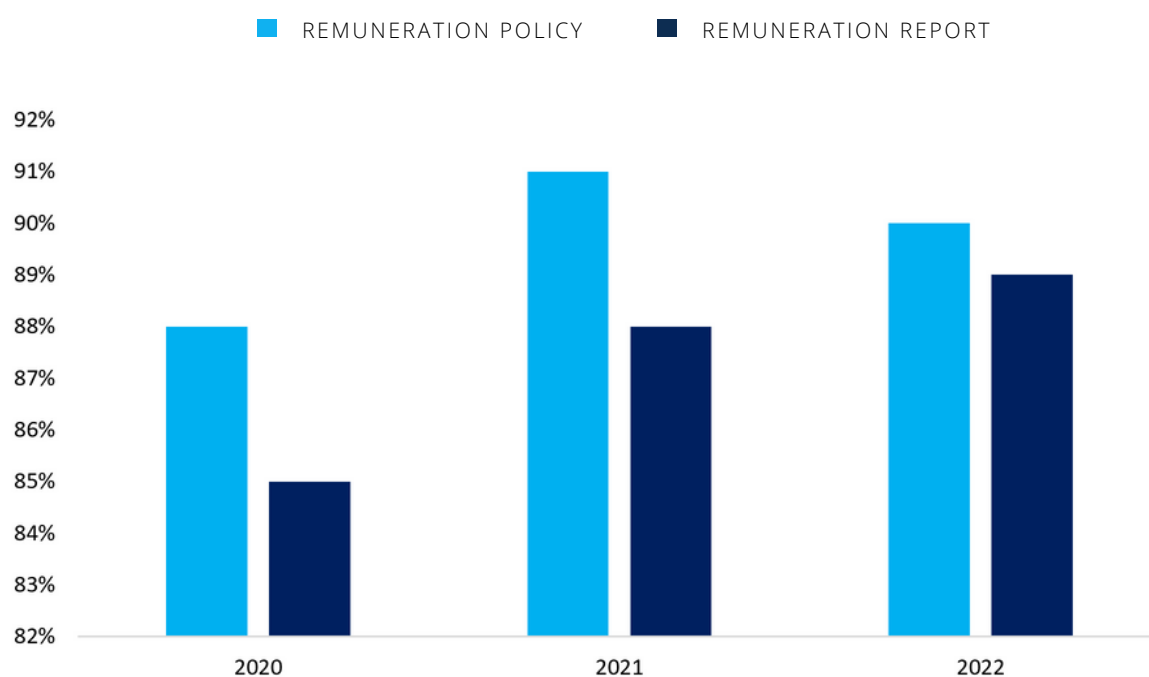
AVERAGE SUPPORT BY CATEGORY



FOCUS ON REMUNERATION

Executive compensation concerns have once again led institutional investors' agendas. In fact, out of 115 remuneration related proposals, 39, equivalent to 35%, received 10% or more shareholder dissent. A total of 11 remuneration policies and 12 remuneration reports received significant dissent.

Proxy advisors and institutional investors highlighted major issues linked with remuneration at most of Italian AGMs this season. Notably, pay for performance alignment, short-term performance targets and disclosure of KPIs were common issues this year amongst the FTSE MIB. Moreover, most of the companies that received remuneration dissent at the 2021 AGM season, failed to acknowledge and address the dissent this season. Such issues have been observed in the case studies at the end of this document.





As permitted under Italian Law, each shareholder (or group of shareholders) holding the required percentage of share capital* is allowed to submit and vote for a single list of candidates. A company can also amend its articles of association in order to introduce the right for the outgoing board to submit a list of candidates. The submission of a list by the outgoing board of directors is a practice recently adopted by Italian companies with dispersed ownership and an international shareholder base. For all these reasons, shareholder proposals are very common in Italy although not necessarily linked to activism campaigns. Typically, in controlled companies, the main shareholder is the one to pick the board composition and seldomly are its slate candidates contested by other minority shareholders. This year however, we witnessed one of the most intense proxy fights in Italian corporate governance history at Assicurazioni Generali led by minority shareholders who narrowly missed the required support. This AGM has been covered in the case studies that follow.

*Holding requirement varies from 0.5% to 4.5% according to the size of the company's market capitalisation, unless a lower threshold is provided by the company's bylaws.

CONCLUSION

This year's AGM season was eventful, from the activist defence at Generali to the continuous dissent votes on management's proposals due to lack of board response and acknowledgement of previous results. All of this serves to demonstrate that stakeholder scrutiny on board accountability and effectiveness is persistent. Although all management resolutions were approved, the trend may reverse if stakeholders believe boards are failing to adequately address the issues raised at the meetings and make significant improvements to pillar governance issues such as executive compensation and board composition.



ASSICURAZIONI GENERALI

QUORUM

70.7%

KEY ISSUES (ACCORDING TO ACTIVISTS)

- Weakened position over time
- Governance issues - lack of board effectiveness & overall transparency
- CEO with excessive powers
- Low ambition and performance below peers
- Need for costs cutting and expansion through acquisition

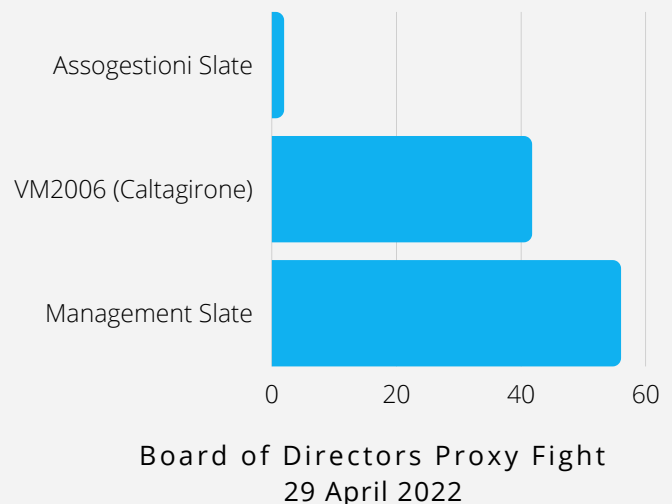
OVERVIEW

- Major shareholders of Italy's biggest insurer, led by Caltagirone (9.95% ownership), were dissatisfied with leadership.
- According to Caltagirone's activism campaign (Awakening the Lion), Generali governance is hindering the full potential of the group.
- Activist investor backed by Del Vecchio and Benetton (3rd and 4th largest shareholders) raised critical issues of which growth, corporate governance and digitalization.
- Mediobanca, Generali's largest holders + other international shareholders such as Norges Bank backed the outgoing board.
- The world's leading proxy advisors, ISS and Glass Lewis, were also supportive of the board.

KEY TAKEAWAYS

- Management defeated shareholders (56% vs 42%).
- Approximately 40% of the free-float supported the management slate.
- Ownership in Italian listed companies has significantly changed in recent years - from controlled to a more diverse structure with a rise in international institutional investors. These investors are often more active owners, exercising their voting rights in line with best global practice.
- The positive recommendations from the proxy advisors played a significant role, but critically, the support of international institutional investors was a deciding factor in defeating the activist and the victory of the board's slate.

APPOINTMENT OF BOARD '22-'24



MANAGEMENT SLATE SUPPORTERS

- Mediobanca Spa (12.8%)
- De Agostini Holding (1.44%)
- ISS and Glass Lewis
- Leading international investors



INTERPUMP SPA

AVG SUPPORT 85.9%

QUORUM 76%

KEY ISSUES

- Board acknowledgment / Shareholder responsiveness
- Pay 4 Performance alignment
- Excessive Payouts
- Overboarding of Board members

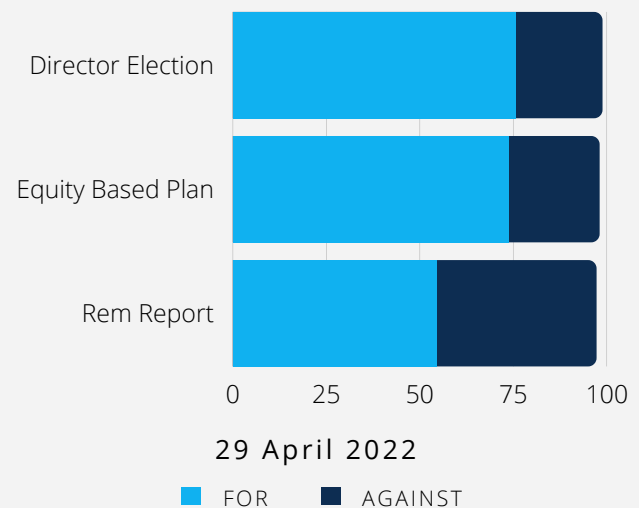
OVERVIEW

- Company wasn't responsive to significant shareholder dissent to its say-on-pay proposals at the 2021 AGM.
- The leading proxy advisors, ISS and Glass Lewis, issued negative recommendations on various proposals.
- The company did not provide sufficient disclosure on performance criteria attached to the short-term variable remuneration as well as the weight of the metrics utilized.
- Performance period was less than 3 years and performance conditions are assessed annually.
- CEO attains max payout under short-term annual incentive despite company performance.
- Director Claudio Berretti holds 9 mandates across listed companies, 4 mandates above the accepted overboarding limit.

KEY TAKEAWAYS

- With an average support of 85%, Interpump AGM was one of the most contested in Europe.
- For 8 consecutive years Interpump's remuneration proposals have had high dissent.
- Institutional investors raised several issues with the overall management of the company.
- Dissent acknowledgement and shareholder engagement will be fundamental in order to prevent further negative recommendations and rejected resolutions next year.
- Stakeholder scrutiny will remain on exec compensation if the remuneration structure is not reviewed, the metrics made more stringent and the alignment between pay and performance established.
- Board refreshment will be sought to address overboarding.

MOST CHALLENGED RESOLUTIONS



NON-SUPPORTERS







MONCLER SPA

AVG SUPPORT 86.2%

QUORUM 75.2%

KEY ISSUES

- Board acknowledgment / Shareholder responsiveness
- 120% year-on-year increase in directors' fee
- Lack of disclosure around performance targets
- Combined CEO/Chairman

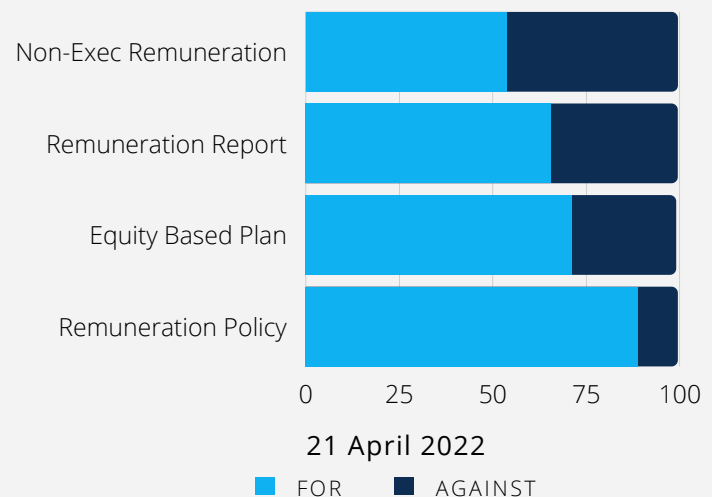
OVERVIEW

- The company lacked responsiveness to significant shareholder dissent to its say-on-pay proposals at the 2021 AGM.
- The leading proxy advisors, ISS and Glass Lewis, issued negative recommendations on various proposals.
- The company increased the non-executive director fees by 120% year-on-year with no compelling rationale for the increase.
- The combined CEO/Chairman structure has been criticized by major investors due to issues with balance of powers
- The company provided insufficient ex-post disclosure on the performance targets attached to long-term variable remuneration.

KEY TAKEAWAYS

- With an average support of 86%, Moncler AGM was one of the most contested across Europe.
- The absence of acknowledgment of high negative votes at the last AGM, triggered further disconnect from shareholders who did support the remuneration proposals at the 2022 AGM.
- Institutional investors raised several issues with the overall management of the company, notably they expressed their disapproval of the combined CEO and Chairman roles.
- To gain the support of investors and the proxy advisors, amendments to the remuneration structure will be needed.
- The company should take onboard shareholders feedback and address the concerns with the remuneration structure raised over the years.

MOST CHALLENGED RESOLUTIONS



NON-SUPPORTERS





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