



# PROXY SEASON REVIEW

## ITALY



# CMI2i LETTER

I am delighted to provide you, for the third year in a row, the CMI2i Proxy Season Review, a corporate governance analysis of the main European markets. The purpose of this analysis is to allow you to better understand the latest corporate governance developments and to highlight the latest trends that are predominant in the market.

2023 marks a very important year for CMI2i, with it being our 10 year anniversary. During this time, CMI2i's Capital Markets Intelligence and insights consistently made the difference to the success of deals, AGMs, Activist Defences, IR strategies and proxy battles. We have invariably identified investors where others have not. We continue to provide unrivalled expertise and put our intelligence into context. And ultimately, giving you the edge you need to win.

When we started in 2013, the capital market environment was a very different picture than today. In particular, we have observed the rise of ESG considerations that just a few years ago were not considered as essential for issuers and investors. Today, partly driven by new responsibilities and accountability imposed by the Stewardship Codes, investors have become increasingly vocal and want to play a more active role in the companies they are investing into. Moreover, proxy advisors' influence is stronger than ever. Most resolutions that received an Against recommendation from proxy advisors often also received high shareholders dissent. Finally, more and more investors have taken the opportunity to onboard "pass-through voting initiatives" where funds

and retail investors are being given more of a voice in voting the proxies. This has made the identification of shareholders at the Fund level even more of an imperative when establishing who will support a company – as it is based on who controls the vote. As a result an AGM average quorum increase has been observed among almost all the countries analysed.

With increased scrutiny, more stringent regulations and new corporate governance requirements approved every year, CMI2i is best placed to help your next general meeting preparation in order to gather optimal AGM representation and to maximise shareholders support.

A special thanks goes to the CMI2i Proxy team that contributed to the production of this latest series of reports and to all our clients that trusted our global market intelligence services once again.



Mark Simms, CEO





# METHODOLOGY

This review is a chapter of the “2023 CMi2i European Season Review”.

As every year, CMi2i gathered the Annual General Meeting data for the main European markets in order to analyse and present the predominant trends related to Governance, Sustainability and Shareholder Activism.

Continental Europe has been divided into ten main regions: Italy, Spain, Switzerland, France, Netherlands, BeLux (Belgium + Luxembourg), Germany, Nordics (Sweden + Norway + Finland), Ireland and UK. The following stock indices have been investigated: FTSE MIB 40 (Italy), IBEX 35 (Spain), SMI 20 (Switzerland), CAC 40 (France), AEX (Netherlands), BEL 20 + LUXX 10 (Belgium + Luxembourg), DAX 40 (Germany), STOXX NORDIC 30 (Nordics), ISEQ (Ireland) and FTSE 100 (UK). In the case that a company is a member of more than one index, we will consider it only as part of the market where it is headquartered.

Moreover, a brief analysis of the Secondary index will be present where relevant, especially for the bigger markets.

For editorial reasons, this review will focus only on the meetings that took place between 1 August 2022 and 31 July 2023. Only Annual General Meeting are considered, with the limit of one meeting per company, in case a issuer had multiple meetings during the period under review. Only management proposed resolutions are being counted, while shareholder proposed resolutions will be analysed separately when relevant.

Every meeting has been analysed according to company provided disclosure and public available information. The quorum gathered is the figure published by the companies; in the case a company did not disclose the meeting quorum the highest number amongst each resolution has been considered.

In order to compare markets, all the proposed resolutions have been split into 10 different main categories: Auditor, Board Related, Bylaws Amendment, Capital Related, Dividend, Financial Statement, Remuneration, E&S, M&A, Other.

Two level of shareholder dissent will be considered relevant in this review: above 10% and above 20%. Therefore, all the resolutions that gathered at least 90.1% support will not be marked as contested. Resolutions that received between 80.1% and 90% will be considered contested while resolutions receiving less than 80% support will be considered highly contested. When it comes to failed resolutions, resolutions that received below 50% support are generally considered failed. However, in some markets and cases, the threshold might be higher at 75% or 2/3 of the vote cast, in these eventuality, we will clarify the market specificity case-by-case.



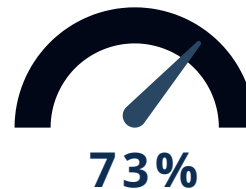
2023

ITALY

FTSE MIB 40

# HIGHLIGHTS

AVERAGE  
QUORUM



COMPANIES  
WITH  
SIGNIFICANT  
DISSENT\*



HIGHLY  
CONTESTED  
RESOLUTIONS  
(>20% DISSENT)



E&S PROPOSALS



FAILED  
PROPOSALS



\*At least one resolution with 20% or more against votes.



# ITALY FTSE MIB 40 OVERVIEW

The following 35 issuers have been analysed as part of the FTSE MIB 40: A2A, Amplifon, Banca Monte Paschi Siena, Azimut Holding, Banca Generali, Banca Mediolanum, Banco BPM, BPER Banca, Campari, Diasorin, Enel, ENI, ERG, Fineco Bank, Generali, Hera, Interpump, Intesa San Paolo, Inwit, Italgas, Iveco, Leonardo, Mediobanca, Moncler, Nexi, Pirelli, Poste Italiane, Prysmian, Recordati, Saipem, Snam, Telecom Italia, Terna, Unicredit, Unipol.

The following 5 issuers have been excluded for the analysis given they are headquartered outside of Italy and components of other indexes too: CNH Industrial, Ferrari, Stellantis, STMicroelectronics (Netherlands) and Tenaris (Spain).

Compared to 2022, Atlantia and Exor have left the index and been replaced by Banca Monte Paschi Siena and ERG.

During the 2023 Italian Season Review 323 management resolutions were put forward across 35 companies, with an average support rate of 94%. Moreover, 6 resolutions failed to be approved, 61 were contested (with at least 10% dissent) and 27 were highly contested (with at least 20% dissent). 11 companies received significant dissent (20% or more) on at least one resolution and therefore will be required to address shareholder dissent ahead of next season AGM. These companies include: Amplifon, Azimut Holding, Hera, Inwit, Interpump, Iveco, Prysmian, Recordati, Snam, Telecom Italia and Unicredit.

The Italian corporate governance landscape is generally different from other major Continental European markets. In Italy most of the companies have a predominant core shareholding, which is the State in most of the cases. Moreover, Italian law requires that the Board of Directors be elected by a slate voting system. Therefore it is normally not possible for investors to vote on individual Directors. Normally, two slates are presented, one from the core shareholder and the other one from domestic funds association, with the largest shareholder choice winning most of the times. Experts and investors usually regard this decades-long system as a blight on good corporate governance, and until recently it had rarely come into question. This year, some minority investors started challenging the system, with the likes of Covalis Capital against Enel and Sinochem against Pirelli.

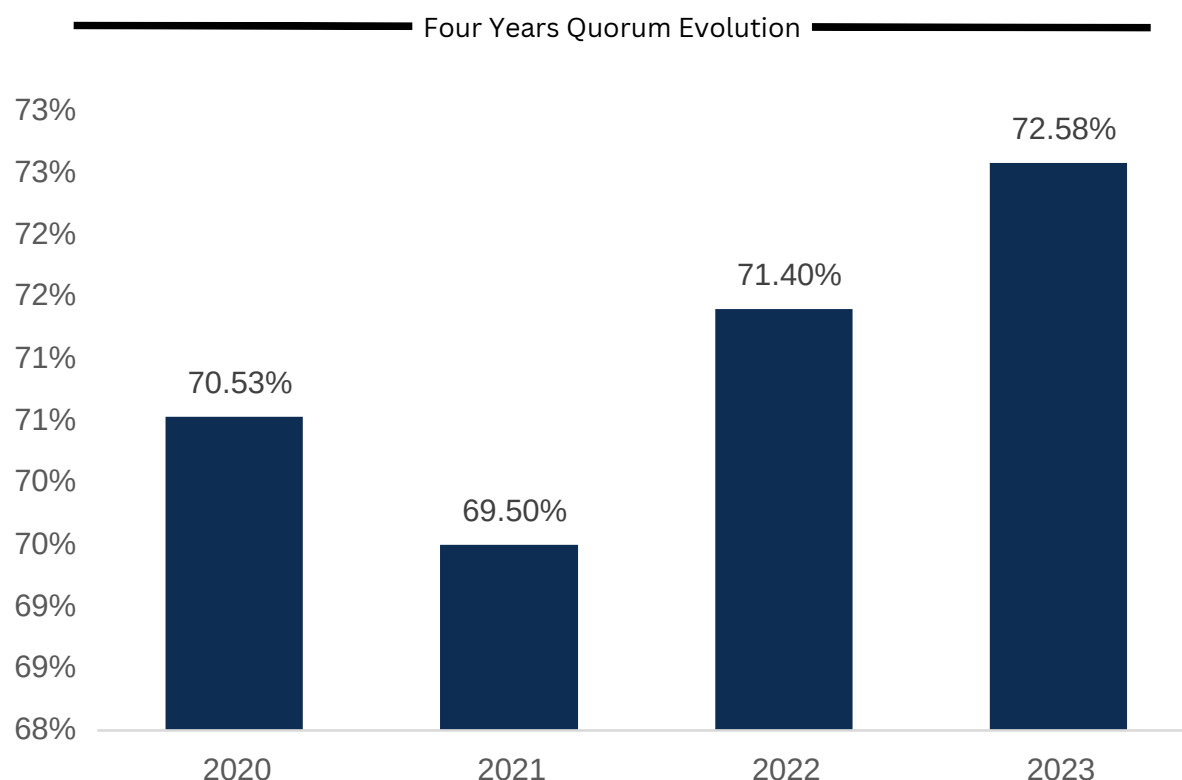
In the future, with the themes around governance and the board becoming more important year on year, it is likely that more global investors will start challenging Italian issuers and that the Italian system will be put under the spotlight even more.

# ITALY FTSE MIB 40 QUORUM

The overall AGM representation (quorum) for the 2023 proxy season was 72.58%, the highest shareholder participation in 4 years, continuing a trend started in 2022.

This sharp increase from the 2022 season is due a substantial overall average rise in shareholder participation observed. In fact, almost every company increased its quorum by approximately 1%. Moreover, the new joiner Banca Monte Paschi Siena recorded high participation level with 82% improving the overall median. Among the analysed issuers, Unipol recorded the highest quorum while Banco BPM recorded the lowest.

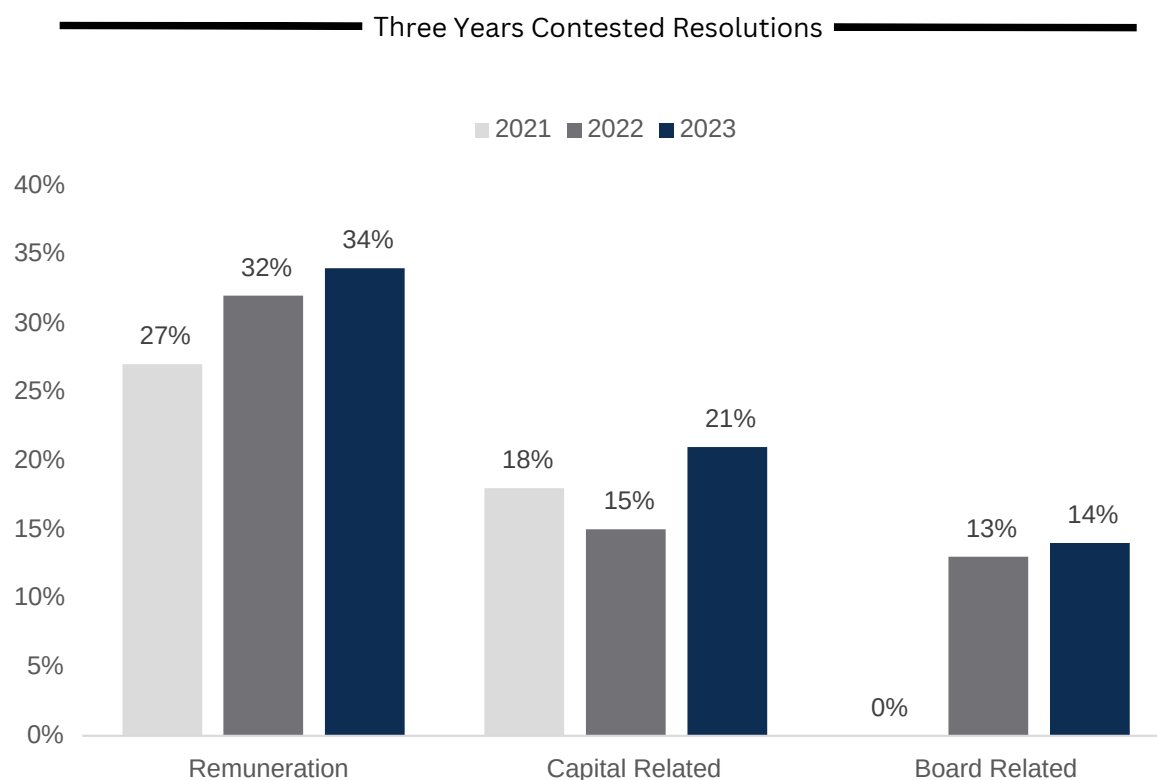
A high participation level is usually seen as a positive signal for issuers.





Italy has always been one of the most contested markets (considering both 20% and 10% dissent). This year, the number of contested resolutions (10%) increased even further. As the graph below shows, the dissent increased across every major category analysed. In fact, the shareholder dissent increased 2% for remuneration, 6% for capital related resolutions and 1% for Board related proposals.

In particular, the increase in the level of dissent over remuneration related proposals is significant when compared with 2021 (+7%) and resulted in 3 resolutions of this type failing to gather the required majority to be approved. When it comes to capital related proposals, 10 resolutions got contested out of 47, 9 of which were related to share repurchase proposals.

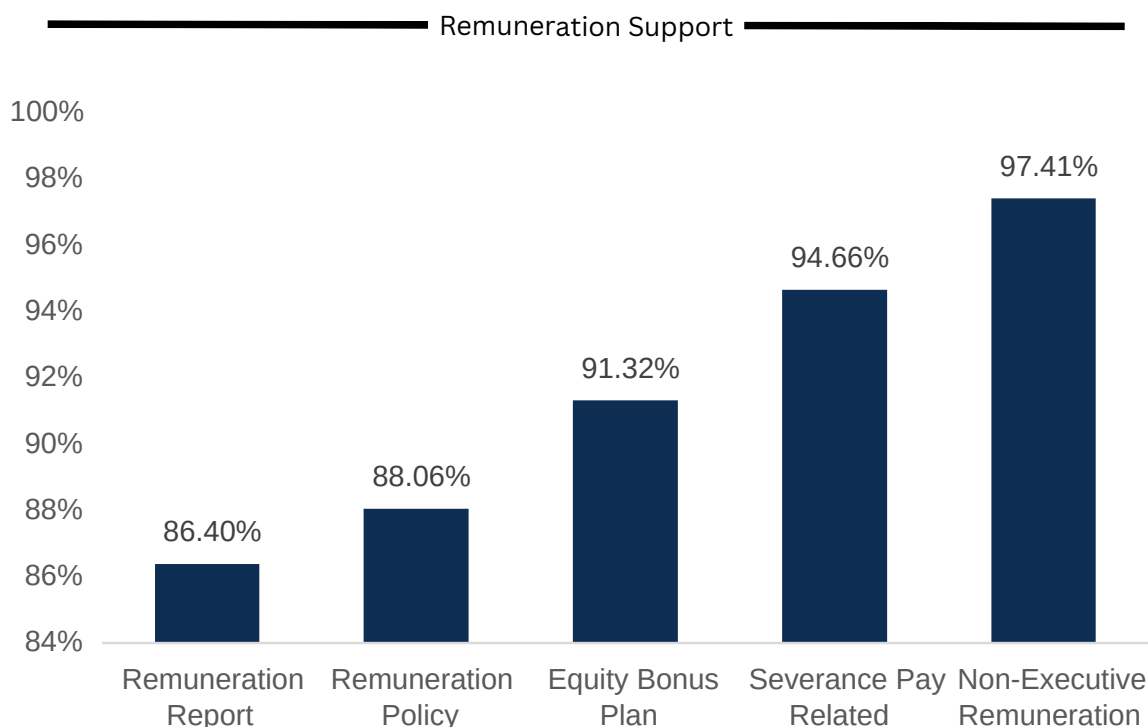


# ITALY FTSE MIB 40 REMUNERATION

Compensation concerns have once again led institutional investors' agendas. In fact, out of 122 remuneration related proposals, 41, equivalent to 34%, received 10% or more shareholder dissent. A total of 13 remuneration policies and 15 remuneration reports received significant dissent.

Proxy advisors and institutional investors had major issues linked with remuneration at most of Italian AGMs this season. Notably, pay for performance alignment, bonus payments and total pay quantum were common issues this year amongst the FTSE MIB. Moreover, most of the companies that received remuneration dissent during the 2022 AGM season, failed to acknowledge and address the dissent this season generating further dissent.

The most contested remuneration category was the remuneration report, followed by remuneration policy and equity bonus plans.





# ITALY FTSE MIB 40 FAILED RESOLUTIONS

## Telecom Italia



AGM: 20/04/2023  
Quorum: 53%

3.03.2 - Franco Lombardi Election		2%
2.02 - Remuneration Report		29%
2.01 - Remuneration Policy		41%
6 - Share Repurchase and Share Issuance		41%
5. - 2023 2025 LTIP		42%
3.03.1 - Paola Bruno Election		49%

This year across the FTSE MIB 6 resolutions failed to be approved by shareholders, all took place at Telecom Italia's (TIM) AGM. On 20 April 2023, two Director elections (Franco Lombardi and Paola Bruno), one capital related resolution (share repurchase and share issuance) and three remuneration related proposals (remuneration report, policy and equity based plan) were contested by TIM shareholders and therefore failed.

Most notably was the position of TIM largest shareholder, Vivendi, that owns approximately 24% of the Telecom Italia share capital who decided to vote against the company, abstaining from voting on the majority of the resolutions. This resulted in a very high level of abstentions (approximately 45% abstentions over the remuneration proposals). The company, who disclosed an AGM quorum of 53.40% stated that *"the results were significantly influenced by the high number of abstentions"*.

Other than Vivendi, other major institutional shareholders including of abrdn, Allianz, L&G and Pictet opposed the proposals mentioning, among others, concerns over the pay-for-performance alignment, discretionary bonuses, severance payments, lack of responsiveness to previous shareholder dissent and board failures.

It will be fundamental for TIM to address shareholders dissent ahead of next year's AGM in order to avoid further scrutiny.



# ITALY FTSE MIB 40 SHAREHOLDER PROPOSALS

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 that picks the board composition and seldomly are its slate candidates contested by other minority shareholders. Last year however, we witnessed one of the most intense proxy fights in Italian corporate governance history as Assicurazioni Generali, led by minority shareholders, narrowly missed the required support. This year the trend continued, and the fight between minor shareholders and the Italian Government/ the main shareholder continued. Notably, a small London based hedge fund, Covalis Capital, that owns 1% stake in Enel, presented an alternative slate of board candidates hoping to defeat the Government's list (Enel's major shareholder being the Italian Government), which, it complained, was "the result of political compromise and lacked transparency". Covalis only managed to obtain 7% support and was unsuccessful when trying to elect any member to the board.

Other than that, Vivendi, the major Telecom Italia shareholder, played a big role in the failure of 6 resolutions at its AGM including two Board member elections proposed by the company. Finally, the Italian Government has limited the powers of China's Sinochem as a shareholder of the tire maker giant Pirelli on national security grounds, and imposed measures including restrictions to the access of strategic information and higher vote thresholds (four-fifths of the company's board) to take strategic decisions preventing Sinochem from designating the Chief Executive Officer of Pirelli, despite being the company's majority shareholder. The battle between the Italian Government and foreign investors is still on going.



# ITALY FTSE MIB 40 CONCLUSIONS

This year's AGM Italian season was the most contested to date. Mentions of worth include the failure of 6 resolutions at Telecom Italia's AGM and the ongoing battle between the Italian Government and foreign investors that feel Italian corporate governance standards are not up to best practice requirements. Stakeholder scrutiny on board accountability and effectiveness continues. Despite last year the concerns, we believe that this year for the first time stakeholders really started to substantially manifest their dissent. Italian companies are being called by them to make significant improvements to fundamental governance issues such as executive compensation, board composition and shareholder rights, and if they do not react it is feared that institutional investors will likely start to leave the Italian market.

## POSITIVES

- Average quorum was the highest shareholder participation in the last 4 years.
- International shareholders are pushing Italian issuers to become more aligned with best practice standards.

## NEGATIVES

- 2023 Proxy Season was the most contested in the last 4 years.
- 6 resolutions failed to be approved.
- 11 companies received significant dissent.
- Italian slate board structure is getting heavily scrutinised by international investors.



# CONTACTS

CMi2i is a capital markets intelligence firm headquartered in London that specialises in helping issuers and their advisers to identify debt and equity investors and to understand their behaviour. Our senior team brings decades of experience in market data analysis, investor identification, targeting, Corporate Governance advisory and proxy solicitation, drawn from detailed working knowledge of the key capital market participants, corporate governance, and regulation. Our bondholder and shareholder identification reports are used by issuers and their advisers to plan day-to-day IR activities as well as to successfully navigate corporate actions, including debt restructurings, consent solicitations, tender offers, refinancing, and M&As. CMi2i also provides bondholder and shareholder identification reports designed to meet regulatory and tax certification requirements, including withholding tax exemption rules and SEC Rule 802. Over the years we have provided support and advice to over 500 of the largest, most structurally complex companies in the world, and our team has worked on over 1000 transactions, analysing over \$200billion worth of bondholders in the secondary market.



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### CMi2i

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