Italy

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2026 Benchmark Policy Guidelines

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Purpose

The purpose of the Benchmark Policy proxy research and advice is to serve as a framework that facilitates shareholder voting in favour of governance structures that will drive performance and promote and maintain long-term shareholder value.

Guidelines Introduction

These guidelines are intended to supplement Glass Lewis' *Continental Europe Benchmark Policy Guidelines* by highlighting the key policies that are applied specifically to companies listed in Italy and the relevant regulatory background to which Italian companies are subject, where they differ from Europe as a whole. Given the growing convergence of the European Union's rules and directives on governance regulations and practices, the general approach to continental European companies is combined in a single set of guidelines, the *Continental Europe Benchmark Policy Guidelines,* which set forth the underlying principles, definitions, and global policies used when analysing companies in the region.

While the approach to issues addressed in the *Continental Europe Benchmark Policy Guidelines* is not repeated here, it will be clearly indicated in these guidelines when the policy that applies to Italian companies deviates from the *Continental Europe Benchmark Policy Guidelines*.

Corporate Governance Background

The Civil Code, as well as the Consolidated Law on Finance and relevant Consob rules provide the legislative framework for corporate governance in Italy. However, best practices are primarily derived from the Code of Corporate Governance (Code), a body of non-compulsory rules for the governance of listed companies issued by Borsa Italiana, under which a "comply or explain" principle applies. Companies are annually required to file a corporate governance report, detailing compliance with the Code's provisions before their annual general meeting. The Code was most recently updated in January 2020 and came into force for financial years commencing January 1, 2021 or later. The Code is organised with principles, aimed at defining a company's objectives, and recommendations, that outline actions to implement for effective achievement of the principles. Further, the Code establishes a proportional approach based on company size and ownership structure,[1] which facilitates compliance from medium and small-cap companies and promotes access to the stock market for those discouraged by the complexity of the corporate governance requirements provided for listed companies.

In May 2014, the Bank of Italy adopted new rules on corporate governance applicable to Italian banks and the parent companies of banking groups (update no. 1 dated May 6, 2014 of Circular no. 285 of December 17, 2013 titled "Disposizioni di vigilanza per le banche"). Most recently, the Bank of Italy has published the update no. 50 on August 26, 2025.

[1] Under the Code, a set of recommendations refers only to large companies, intended as those with a market cap above €1 billion on the last trading day of the year in the three prior years. Recommendations differ if the ownership structure is dispersed or concentrated.

Regulatory Updates

Ongoing Reform of the Consolidated Law on Finance

The Capital Markets Bill ("Legge Capitali") came in force in March 2024 with the stated aim of strengthening the Italian capital market, improving its competitiveness and attractiveness for new listings, and reforming the existing corporate governance regulations and the Consolidated Law on Finance ("TUF"). In particular, Legge Capitali delegated the government to reform the TUF and, if needed, the Italian Civil Code. The preliminary reformed text was approved by the government in October 2025 and is expected to be implemented in early 2026, after conclusion of the parliamentary review.

The main changes introduced in the document are as follows:

- Subject to the adoption by the board of meeting regulations, and with the favourable vote of the majority of independent directors (or the approval of the supervisory board in two-tier structures with a supervisory and a management board), the board of directors may resolve that shareholders meetings be held exclusively through telecommunication means ("virtual-only meetings") or exclusively through the designed representative ("closed-door meetings").[2] Such provisions will no longer need to be included in the articles of association and will be subject to shareholder approval of amended bylaws. When virtual-only and closed-door meetings are convened, shareholders representing, even jointly, 5% of share capital, may request within five days from the date of publication of the notice of meeting that the meeting is held in-person.[3] When meetings are held in-person or through telecommunications means, the articles of association or the meeting regulations may establish a minimum ownership threshold to participate in the discussion, which shall in any case not exceed 0.1% of the share capital.[4]
- Shareholders representing, even jointly, at least 2.5% of share capital may request to add items to the agenda by the third day after the publication of the notice of meeting or by the second day in case of notice under article 125-bis, paragraph 3, or article 104, paragraph 2, shortening the current deadlines.[5] Further, shareholders with at least 2.5% of share capital may also submit resolution proposals, attaching a report in which a rationale is provided.
- Companies may decide to opt for an advisory vote on the remuneration policy, instead of a binding vote, subject to shareholder approval of amendments to the articles of association (opt-out).[6] If the advisory vote is implemented, the outcome must be made available to the public through the publication of the summary of vote results in accordance with Article 125-quater, paragraph 2 of the Consolidated Law on Finance. In instances where a remuneration policy is not approved by shareholders, companies must submit a new remuneration policy for a vote no later than at the next shareholders' meeting according to Article 2364 and Article 2364-bis of the Civil Code.[7] Further, subject to shareholder approval, the

[2] Government Act 331. Article 125-bis.1, paragraphs 1-2.
[3] Government Act 331. Article 125-bis.1, paragraph 5.
[4] Government Act 331. Article 125-bis.1, paragraph 4.
[5] Government Act 331. Article 126-bis.
[6] Government Act 331. Article 123-ter.
[7] Government Act 331. Article 123-ter, 3-quarter.

articles of association may exclude the managers with strategic responsibilities from the remuneration policy. When required, information on such individuals must always be provided in aggregate form.[8]

- A special regime regarding slate elections for the board of directors was introduced for newly-listed companies and already-listed SMEs (with a market capitalisation below €1 billion). Companies may choose to elect directors without implementing the slate voting system, proceeding with the election of each individual director by the general meeting. In this case, the articles of association shall provide that at 40% of the directors belong to the under-represented gender and regulate the election and replacement procedures.[9] If individual voting applies, unless otherwise specified in the articles of association, each share will confer a number of votes equal to the number of directors to be elected, and each shareholder may cast for one or multiple candidates the votes attributable to their total share ownership ("cumulative voting"). As such, the candidates who obtain the highest number of votes will be elected.[10] Nominees can be submitted by the board of directors and shareholders that own, even jointly, 1% of the share capital, comprising shares that have voting rights. The articles of association may stipulate a different percentage, but it cannot be greater than 5%.[11]
- If companies have multiple voting rights or loyalty shares, or are controlled, and have articles of association that do not state that the board of directors will be composed of a majority of directors who meet the independence requirements under Article 148, paragraph 2 of the Consolidated Law on Finance, the articles of association must provide that at least one of the candidates proposed by shareholders who do not exercise control, even jointly, and who are not related to them, will be elected.[12]
- The procedure of cumulative voting may be extended to the election of the board of statutory auditors and monitoring committee by a company's articles of association.[13]
- Newly-listed companies and SMEs may approve amendments to the articles of association with the favourable vote of at least the majority of the share capital represented at the meeting, instead of two-thirds majority. This possibility does not apply to companies that have multiple voting rights or loyalty shares.

Summary of Changes for 2026

Glass Lewis evaluates these guidelines on an ongoing basis and formally updates them on an annual basis.

For 2026, the language in this document has been updated to clarify that these guidelines contain the views of the Benchmark Policy. The Benchmark Policy reflects broad investor opinion and widely accepted governance principles and is intended to provide clients with nuanced analysis informed by market best practice, regulation, and prevailing investor sentiment. This change better conveys Glass Lewis' role as a service provider to a diverse, global client base with a wide spectrum of viewpoints and objectives. The Benchmark Policy represents just one of Glass Lewis' policy offerings.

[8] Government Act 331. Article 123-ter.
[9] Government Act 331. Article 154.3.1.
[10] Government Act 331. Article 154.3.2.
[11] Government Act 331. Article 154.3.3.
[12] Government Act 331. Article 154.3.5.
[13] Government Act 331. Article 154.3.6.

In addition, the following clarifying revisions have been made in the following areas, which are summarised below but discussed in greater detail in the relevant sections of this document:

CEO Pay Ratio

The Benchmark Policy has clarified expectations on the formats in which Italian companies disclose the five-year development of CEO pay and average employee pay, as mandated by SRD II. Specifically, disclosure in the format of ratio or monetary amounts is generally considered more meaningful than disclosure of year-on-year percentage changes in the respective values, together with disclosure of total CEO pay for the year under review.

Please refer to the "Policy Implementation" in the "Vote on Remuneration (Say-on-Pay)" section of these guidelines for further information.

Shareholder Meeting Format

The *2025 Continental Europe Benchmark Policy Guidelines* noted that a new policy on closed door shareholder meetings would be introduced for 2026. However, given that legal reform in this area is still ongoing in Italy, a new policy is not being introduced at this time.

Please refer to the "Shareholder Meeting Format" section of these guidelines for further information.

A Board of Directors that Serves the Interests of Shareholders

Election of Directors

Italian regulations allow companies to choose among three main governance structures:

- The so-called "traditional model", with a board of directors that may delegate some of its powers to a managing director or to an executive committee, and the board of statutory auditors. The board of directors includes both executive and non-executive members elected for a term of up to three years.[14] The board of statutory auditors, whose members are elected by shareholders, is the corporate body in charge of overseeing compliance by the company with the law and adequacy of the company's accounting systems;
- One-tier, with a board of directors and a board-level management control committee.[15] The board is elected by shareholders, the management control committee is comprised of directors who do not carry out executive duties and are subject to the independence requirements of statutory auditors (as detailed in the "Election of Board of Statutory Auditors" section of these guidelines). One director member of the management control committee must be registered as chartered accountant;[16]
- Two-tier, with a supervisory board and a management board. The supervisory board is elected by shareholders, while the management board is appointed by the elected board.[17] A number of financial institutions moved from the two-tier to the one-tier or traditional structure to enhance the efficiency of internal processes.

The vast majority of Italian listed companies adopts the traditional model, with a board of directors and a board of statutory auditors.

Independence

In Italy, the Benchmark Policy puts directors in three categories based on an examination of the type of relationship they have with the company:[18]

[14] Civil Code, article 2383.
[15] Civil Code, article 2409 sexiesdecies.
[16] Civil Code, article 2409 octiesdecies.
[17] Civil Code, article 2409 novies.
[18] The Code of Corporate Governance (Code) recommends the board of directors to assess the independence of each non-executive director (i) immediately after their appointment, (ii) at least every year, and (iii) when circumstances which may affect their independence occur (article 2.6). It further states that the outcome of the assessments should be announced in a press release immediately after the appointment and disclosed later on in the corporate governance report. The board should specify the criteria followed to assess the significance of the relationships and a clear and detailed rationale in the event of any deviation from the Code (article 2.10).

Independent Director — An independent director has no material[19] financial, familial[20] or other current relationships with the company[21], the shareholder or group of shareholders who control the company, its executives, or other board members, except for board service and standard fees paid for that service.[22] An individual who has been employed by the company within the past five years[23] is not considered to be independent.

Affiliated Director — An affiliated director has a material financial, familial or other relationship with the company or its executives, but is not an employee of the company.[24] Directors will typically be considered as affiliated if they:

- Have served in an executive capacity at the company in the past five years;
- Have — or have had within the past three years — a material business relationship with the company;
- Own or control 10% or more of the company's share capital or voting rights;[25]

[19] "Material" as used herein means a relationship in which the value exceeds: (i) €50,000 (or 50% of the total remuneration paid to a board member, or where no amount is disclosed) for board members who personally receive remuneration for a professional or other service they have agreed to perform for the company, outside of their service as a board member. This limit would also apply to cases in which a consulting firm that is owned by or appears to be owned by a board member receives fees directly; (ii) €100,000 (or where no amount is disclosed) for those board members employed by a professional services firm such as a law firm, investment bank or large consulting firm where the firm is paid for services but the individual is not directly compensated. This limit would also apply to charitable contributions to schools where a board member is a professor, or charities where a board member serves on the board or is an executive, or any other commercial dealings between the company and the board member or the board member's firm; (iii) 1% of the company's consolidated gross revenue for other business relationships (e.g., where the board member is an executive officer of a company that provides services or products to or receives services or products from the company); (iv) 10% of shareholders' equity and 5% of total assets for financing transactions; or (v) the total annual fees paid to a director for a personal loan not granted on normal market terms, or where no information regarding the terms of a loan have been provided.

[20] Familial relationships include a person's spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces, nephews, in-laws, and anyone (other than domestic employees) who shares such person's home. A director is considered as an affiliate if the director has a family member who is employed by the company.

[21] A company includes any parent or subsidiary in a group with the company or any entity that merged with, was acquired by, or acquired the company.

[22] Code, article 2.7.

[23] The five-year look back period is not applied to directors who have previously served as executives of the company on an interim basis for less than one year. In contrast, a director may continue to be classified as affiliated after the look back period has elapsed where a former executive has other significant ties to the company, such as being a member of the founding family of the firm or continuing to receive variable remuneration. According to the Code, reference should be made to the current fiscal year and to the three preceding fiscal years in the case of business dealings, past employment relationships and significant remuneration in addition to board fees received for serving on the board at the Company, its parent or subsidiaries (article 2.7).

[24] If a company classifies a non-executive director as non-independent, the director is classified as an affiliate.

[25] In accordance with generally accepted best practice in Europe, 10%+ shareholders are classified as affiliates because they typically have access to and involvement with the management of a company that is fundamentally different from that of ordinary shareholders. More importantly, 10%+ holders may have interests that diverge from those of ordinary holders, for reasons such as the liquidity (or lack thereof) of their holdings, personal tax issues, etc. According to Italian law, there is control when: (i) a shareholder owns more than 50% of the voting shares; (ii) a shareholder owns less than 50% of the voting shares, but the holding allows them to exercise a significant influence over the company since there are no other

- Serve as board chairs, presidents, executive directors, officers or legal representatives of the controlling entity;
- Have served on the board for more than nine years over the last twelve-year period;[26] and/or
- Are partners or board members of any entity affiliated with the independent auditing firm.[27]

Inside Director — An inside director simultaneously serves as a director and as an employee of the company. This category may include a board chair who acts as an employee of the company or is paid as an employee of the company.[28]

Voting Recommendations on the Basis of Board Independence and Performance

Many investors believe a board will be most effective in protecting shareholders' interests when at least a majority of the directors are independent non-executive members.[29] However, the presence of representatives of significant shareholders, in proportion to their equity or voting stake in the company, is generally accepted. Furthermore, in the case of companies listed on the Star segment of the Italian Stock Exchange, boards generally include the following number of independent directors: (i) at least two if the board consists of up to eight members; (ii) at least three if the board consists of nine to 14 members; and (iii) at least four if the board consists of more than 14 members.[30]

When the whole board is up for election, directors must be elected on the basis of slates presented by the outgoing board and/or shareholders.[31] In reviewing the lists presented for shareholder approval, the Benchmark Policy considers the independence of candidates, the ownership structure of the company, potential voting outcomes (in particular, the expected voting patterns of major shareholders and the company's regulations on how candidates are elected from the lists to the board), and the performance of the incumbent board. The Benchmark Policy will recommend shareholders support the slate that appears able to best protect the interests of all shareholders. In particular, concerns identified with the composition or performance of the incumbent

major shareholders; or (iii) a group of shareholders enters into a syndicate agreement and, as a result, this group owns more than 50% of the voting shares or a percentage that enables it to exercise a significant influence over the company.

[26] Code, article 2.7(e). The Benchmark Policy does not recommend shareholders vote against directors who are not considered independent due to lengthy board tenure on that basis alone in order to meet recommended independence thresholds.

[27] Code, article 2.7(g).

[28] Under the Bank of Italy's Update no. 1 dated May 6, 2014 of Circular no. 285 of December 17, 2013 titled "Disposizioni di vigilanza per le banche" (hereinafter "Circular no. 285 of December 17, 2013 and subsequent revisions"), in the case of financial institutions, members of the executive committee shall be considered executive directors (IV.1.I.3). Further, the board chair may not be a member of the executive committee. However, if it is deemed useful to ensure an effective relationship between supervision and management, the chair may participate in the meetings of the executive committee without holding any voting rights (IV.1.V.2.2(e)).

[29] Pursuant to Italian law, at least one director, or two directors if the board is composed of more than seven members, must meet the independence requirements stipulated in article 147-ter(4) of the Consolidated Law on Finance. With regard to self-regulation, the Code recommends that (i) at least one-third of the board be independent in large companies with concentrated ownership and (ii) at least half of the board be independent in large companies with dispersed ownership. For all other companies the Code recommends that there be no less than two independent directors (article 2.5). Further, the Code recommends that the chair of the board should not chair the remuneration and audit committees (article 2.7.).

[30] Instructions issued by Borsa Italiana, Article IA.2.10.6.

[31] Companies listed on Euronext Growth Milan are not required to adhere to the slate election system.

board, as assessed against the policies outlined in this section of the guidelines, will be taken into account when assessing lists that contain incumbent board members.

Further, in case of individual elections, candidates will be evaluated on a case-by-case basis in accordance with the aforementioned independence thresholds.

Voting Recommendations on the Basis of Committee Independence

The Code recommends that audit and remuneration committees be composed exclusively of non-executive directors,[32] and a majority of them should be independent. The Code also recommends that these committees be chaired by an independent director.[33] It also stipulates that a majority of the members of the nominating and governance committees should be independent.[34]

Given the Italian voting list system described above, the Benchmark Policy generally does not recommend a vote against a list due to concerns regarding committee composition alone; however, if an individual director is up for election, the Benchmark Policy may recommend a vote against the election of the nominee solely based on a concern regarding the individual's position on a committee.

Other Considerations for Individual Directors

The Italian Benchmark Policy guidelines regarding performance, experience and conflict-of-interest issues are not materially different from the *Continental Europe Benchmark Policy Guidelines*. The following are clarifications regarding best practice recommendations in Italy.

External Commitments

Directors should have the necessary time to fulfil their duties to shareholders. An overcommitted director can pose a material risk to a company's shareholders, particularly during periods of crisis. The Benchmark Policy will generally recommend that shareholders oppose the election of a director who:

- Serves as an executive officer of any public company while serving on more than one additional external public company board; or
- Serves as a 'full-time' or executive member of the board[35] of any public company while serving on more than two additional external public company boards; or
- Serves as a non-executive director on more than five public company boards in total.

Non-executive board chair positions at European companies are generally counted as two board seats given the increased time commitment generally associated with these roles.

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[32] EU Commission Recommendation of 15 February 2005 on the role of non-executive directors of listed companies and on the committees of the board. Annex I. Articles 3.1 and 4.1.

[33] Code, articles 5.26. and 6.35.

[34] Code, article 4.20.

[35] This policy applies to directors that serve on a board in a 'full-time' or executive capacity without further defined responsibilities within the executive team (e.g., executive chair that is not a member of the executive committee, or a non-executive chair that serves in the role in a full-time capacity).

As executive directors will presumably devote their attention to the company where they serve as an executive, the Benchmark Policy generally does not recommend that shareholders vote against the election of a potentially overcommitted director at the company where they serve in an executive function. Similarly, the Benchmark Policy will generally not recommend that shareholders vote against the election of a potentially overcommitted director at a company where they hold the board chair position, except where the director:

- Serves as an executive officer of another public company; or
- Holds board chair positions at three or more public companies; or
- Is being proposed for initial election as board chair at the company.

Nevertheless, exceptions to this policy may be made, as described in the *Continental Europe Benchmark Policy Guidelines*. According to the Code, the board of directors should issue guidelines regarding the maximum number of directorships that may be considered compatible with an effective performance of a director's duties based, among others, on the director's role within the company and the company's size.[36]

Board Interlock

As described in the *Continental Europe Benchmark Policy Guidelines* and reinforced by Italian law and best practice, CEOs or other top executives who serve on each other's boards create an interlock that poses conflicts that should be avoided.[37] When a director with an interlocking directorship is up for individual election, the Benchmark Policy will recommend that shareholders vote against the election of the nominee on this basis.

Board Structure and Composition

The Code recommends that an evaluation of the board be conducted at least every three years, prior to the renewal of the board. Boards at large companies with dispersed ownership are recommended to carry out a self-evaluation every year and consider the appointment of an external advisor at least every three years. The board evaluation should assess the size, composition and performance of the board and its committees. In companies with dispersed ownership, the board of directors should present shareholders with guidelines on the optimal composition of the board upon its renewal (every three years), which are based on the outcome of the self-evaluation. The board should identify the mix of managerial and professional skills required by the company's industry and specify diversity criteria and limits on external commitments.

The Italian Benchmark Policy guidelines regarding board structure and composition are not materially different from the *Continental Europe Benchmark Policy Guidelines*. The following are clarifications regarding best practice recommendations in Italy.

Board Size

While there is no consensus on a universally applicable optimum board size, many investors believe that, absent compelling circumstances, a board should be composed of no fewer than five directors, and should not be

[36] Code, article 3.15.

[37] Italian Law Decree 6/2011 and amendments by Law 214/2011 relate to interlocking directorships in the financial sector.

excessively large.[38] The Benchmark Policy may recommend a vote against a proposal that sets the potential maximum board size for a non-financial institution at more than 15 members.[39]

This policy will generally not be applied to small cap companies at which a board with five or more individuals may not be justified by the limited scope of the company's operations.

Separation of the Roles of Board Chair and Managing Director (CEO)

According to the Code, chairs and managing directors should each have their own responsibilities. Furthermore, when the two positions are combined or the chair has executive powers, the board of directors should appoint a lead independent director.[40] However, it is not unusual in Italy for the same person to hold the two positions.

Board Committees

Market expectations are such that companies create audit, remuneration, and nominating committees which generally consist of at least three members. The Bank of Italy requires financial institutions to establish three committees to oversee board nominations, risk and remuneration. Each committee must consist of between three and five non-executive members, the majority of whom are independent, with an independent chair. When there is a board member elected from a slate presented by minority shareholders, they should serve on at least one committee.[41]

Expertise of Audit Committee Members

For an audit committee to function effectively on investors' behalf, it must include members with sufficient knowledge to diligently carry out their responsibilities.[42] In Italy, it is recommended that at least one member of the audit committee have adequate knowledge and experience in accounting, finance, or risk management.[43]

Accordingly, companies should clearly outline the skills and experience of the members of the audit committee, and shareholders should be wary of audit committees that include members who lack expertise in finance and accounting or in any other equivalent or similar areas of expertise.

Board Diversity

Pursuant to the Consolidated Law on Finance, as amended by Law 160/2019, companies are required, from 2020, to ensure at least 40% representation of both genders on the board of directors and the board of

[38] CII Policies on Corporate Governance, 2.11.
[39] The average board size for financial and non-financial institutions in Italy during the past fiscal year was 12.3 members and 9.4 members, respectively. Report on Corporate Governance in Italy: The implementation of the Italian Corporate Governance Code. Assonime. 20243.
[40] Pursuant to the Code, a lead independent director should also be appointed when the board is chaired by the controlling shareholder. For large companies, the Code also recommends that a lead independent director be designated if requested by the majority of independent directors (article 3.13.).
[41] Circular no. 285 of December 17, 2013 and subsequent revisions issued by the Bank of Italy, First part, IV.1.IV(2.3.1.,subsection (a).2).
[42] ICGN Global Principles, 8.3.
[43] Code, article 6.35.

statutory auditors following their next full-board elections and for the next six terms of the boards (18 years).[44] Consob has clarified that, in boards comprising three members, which is the Italian market practice for the board of statutory auditors, the quota requirement would be met by ensuring that both genders are represented on the board.[45]

Many investors expect companies to provide a description of their policy on board diversity with regard to age, gender, managerial skills, professional qualifications and international background, as well as a description of the implementation and results of the application of such policy. If no policy is applied, companies should disclose the rationale behind such a choice.[46]

Moreover, market expectations are such that shareholders presenting a list for the election of the board of directors also disclose whether the composition of the list is aligned with the relevant company's gender diversity policy.

Board Oversight of Environmental & Social Issues

The Benchmark Policy looks to companies to ensure that boards maintain clear oversight of material risks to their operations, including those that are environmental and social in nature. These risks could include, but are not limited to, matters related to climate change, human capital management, diversity, stakeholder relations, and health, safety & environment. Given the importance of the board's role in overseeing environmental and social risks, this responsibility should be formally designated and codified in the appropriate committee charters or other governing documents.

Many investors expect the boards of FTSE MIB companies to provide explicit disclosure concerning the board's role in overseeing material environmental and social issues.

Election Procedures

The Italian Benchmark Policy guidelines regarding election procedures differs significantly from the *Continental Europe Benchmark Policy Guidelines*. The following are clarifications regarding best practice recommendations in Italy.

Slate election procedures

A company's articles of association stipulate the threshold for the presentation of a list, which cannot exceed the percentage mandated by Consob regulations on the basis of the company's capitalisation, free float and ownership structure. 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.

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[44] Although the 40% requirement is only effective for six board terms (18 years), the Code recommends that boards continue to ensure at least one-third representation of both genders on the board after the law becomes obsolete (article. 2.8).

[45] Press release n. 1/2020 of January 30, 2020.

[46] Consolidated Law on Finance article 123-bis (paragraph 2.d-bis). Code Article 2.8.

Nominees are listed on each slate in the order in which they will be elected based on the number of votes cast in favour of the slate. Furthermore, at least one director must be elected from the minority slate that obtains the highest number of votes.[47] The articles of association can, however, reserve more than one seat for minority candidates. All board members, with the exception of the director(s) to be taken from the minority list(s), are elected from the list that receives the highest number of votes, in the order in which they are listed on the slate. The remaining candidate(s) are elected from the list ranking second in terms of votes cast. In the event of a plurality of minority lists, and if so regulated by a company's articles of association, the votes cast for each list are divided by whole numbers from one up to the number of directors to be elected. The quotients obtained are assigned to the candidates of such slates in the order in which they are listed. Candidates on the various slates are then arranged in a single ranking. Those who have obtained the highest numbers are elected to the board.

Slate presented by the outgoing board

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. In accordance with article 12 of Legge Capitali, when an outgoing board is presenting a slate:

- The slate must be approved by two-thirds of directors;
- The slate must contain a number of candidates equal to the number of members to be elected, increased by one third;
- The slate must be published 40 days before the meeting;
- If the slate presented by the outgoing board receives the highest number of votes, the general meeting will cast individual votes on nominees on the slate in the order in which they are presented. Nominees receiving the highest number of votes will be elected.
- If the board slate receives the highest under of votes, directors from the minority lists will be elected as follows:
    - If the total number of votes received from the other slates presented is lower than 20% of total votes cast, the minority slates will obtain representation on the board in proportion to votes obtained at the meeting and, in any case, not lower than 20% of the total board members;
    - If the total number of votes received from the other slates presented is higher than 20% of total votes cast, the minority slates will obtain representation on the board in proportion to votes obtained, provided they received at least 3% of votes;
- If the list presented by the board receives the highest number of votes, the audit committee will be chaired by an independent director who was not elected from the list of the outgoing board.
- Companies will have to present amendments of their articles of association to allow for the application of the provisions starting from general meetings convened after January 1, 2025.

Legge Capitali further tasked Consob, the Italian market regulator, with establishing implementation regulations for the new provisions.

Most notably, Consob further clarified the following:

- If the board-presented slate receives the majority of votes, the following procedures shall be followed:

[47] Consolidated Law on Finance, article 147-ter(3).

  - In instances where the board-presented slate receives over 80% support and, after application of the election procedures the number of directors to be elected is fractional, the number of seats available for minority slates will be rounded up;
  - In case the board-presented slate receives less than 80% support, seats will be allocated proportionally to votes cast for all slates receiving at least 3% support, provided that a majority of directors is elected from the board-presented slate.
- All voting shareholders can cast the second vote on individual nominees, if the board-presented slate receives the majority of votes.[48]

When a slate is submitted by the board, those candidates are evaluated in the same way as slates presented by shareholders.

Individual elections/co-options

In addition to the slate voting process for the election of the whole board, certain cases can result in the election of individual directors. For example, any director who has been appointed by the board during the past fiscal year ("coopted"), to replace a director who has left prior to the expiration of their term, must be confirmed at the next meeting of shareholders. In other instances, the company may propose increasing the board size by the addition of new director(s).

In these cases, elections may occur through the presentation of candidate lists or individual nominees by shareholders, or through the submission of the coopted director/individual nominee directly by the board. In the former case, the Benchmark Policy analysis will follow the slate voting process. The Benchmark Policy will analyse the individual nominees on a case-by-case basis, applying market best practice standards for individual director elections.

However, at times the name(s) of the candidate(s) up for election is unclear. Thus, if the board has not explicitly proposed to reconfirm a coopted director as nominee or in any other case where it is not possible to definitively determine the identity of the candidate(s) up for election, the Benchmark Policy will recommend that shareholders abstain from voting on the election.

Term Length

Although many investors favour the annual election of directors, under Italian law, directors may be elected for a term of up to three years and it is common practice for Italian companies to elect their directors for the maximum term permitted by the law.[49] As such, the Benchmark Policy recommends voting for proposals to set the board's term length.

Election of Board Chair

In Italy, shareholders are commonly asked to approve the election of the chair of the board of directors. A company's articles of association may specify the procedure by which the chair will be elected, or candidates

[48] Consob Deliberation 23725 of October 29, 2025.
[49] Civil Code, article 2383.

may be proposed before or during the shareholder meeting. The election of the chair may be presented as a separate item on the agenda or, more often, bundled with the election of the board as a whole.

The Benchmark Policy will generally support the election of the chair as long as the information on candidates has been disclosed in a timely manner and there are no substantial issues for shareholder concern as to any of the nominees.

Election of Board of Statutory Auditors

According to Italian law,[50] statutory auditors are elected by shareholders at the general meeting for a term of up to three years. The board of statutory auditors is the corporate body in charge of overseeing compliance by a company with the law and the articles of association. Moreover, it is responsible for ensuring the adequacy of a company's organisation, internal control, administrative and accounting system, as well as for monitoring compliance with the procedures adopted by the board of directors with respect to related party transactions and their adequacy.

The law bars the appointment to the position of statutory auditors for:

- Individuals who went bankrupt or were interdicted from public functions;
- Spouses or relatives of the directors of the company or of its parent or subsidiaries companies;
- Individuals who work either in a self-employed capacity or as employees of the company or of its parent or subsidiaries companies; and
- Individuals who have professional or other business relationships with any director of the company or any member of the director's family.

These limitations ensure the independence and the integrity of statutory auditors. Further, in line with the Code, the Benchmark Policy determines the independence of the statutory auditors on the basis of the criteria outlined for the board of directors (See "Independence" section).[51]

Pursuant to Italian law, statutory auditors are elected based on slates presented by shareholders, as detailed under "Election Procedures". A company's articles of association can stipulate the threshold for the presentation of a list, which cannot exceed the percentage mandated by Consob regulations on the basis of the company's capitalisation, free float and ownership structure. 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. Furthermore, the board chair is elected from the slate that obtains the second highest number of votes cast.[52] With regard to the choice among competing slates of candidates for election to the board of statutory auditors, the background of the nominees on each list is reviewed to identify any affiliated transactions that are considered to bias them as board members. In this case, the Benchmark Policy will recommend shareholders support the slate that appears able to best protect the interests of all shareholders, including minority investors. Further, the alignment of the slates with gender diversity requirements will also be evaluated. Moreover, Benchmark Policy will take into account the ownership structure of companies, particularly those with a dispersed share

[50] Consolidated Law on Finance, articles 148-151; Civil Code, articles 2397-2407.
[51] Code, article 2.9.
[52] Consolidated Law on Finance, article 148 (2-bis).

ownership, in evaluating the lists presented and the potential voting outcomes at the meeting. Further, Benchmark Policy will take into consideration any issues that have emerged where there is evidence of poor oversight on the part of the board of statutory auditors, such as those related to an independent auditor. The Benchmark Policy may recommend a vote against a proposed member of the board of statutory auditors if there are significant concerns regarding a member up for individual election. In the case of slate voting, the Benchmark Policy will recommend that shareholders do not vote on a slate which includes such candidate or vote against this slate, should it be the only option presented for election.

Election of Board of Statutory Auditors Chair

Italian law requires that the chair of the board of statutory auditors be appointed from the effective members that are elected from the slate receiving the second highest number of votes cast.[53] It is common that a company's articles of association provide that the first candidate listed on the slate receiving the minority of votes be appointed as chair. A proposal on the election of the chair of the board of statutory auditors may be submitted for shareholder approval as a separate item on the agenda. However, given the aforementioned appointment procedure mandated by law, shareholders may not be required to vote on the election of chair proposal at the meeting.

In companies with a dispersed ownership structure, there is potential for the list presented by institutional investors to receive the most votes. As a result, the chair will be appointed from the slate presented by the majority shareholder(s). The Benchmark Policy analysis will take this into account in evaluating slates presented for the election of the board of statutory auditors. In some cases, the Benchmark Policy may recommend that shareholders use their vote as a way to reinforce the likelihood for the candidate indicated by institutional investors to be elected as chair of the board of statutory auditors.

Shareholder Proposals Regarding Board Ancillary Proposals

Under Italian law, a shareholder (or group of shareholders) holding at least 2.5% of a company's share capital may submit additional items to the agenda of a general meeting already convened.[54] When presenting a list of candidates for the election of the board of directors and the board of statutory auditors, shareholders holding the required percentage of share capital (usually the company's largest shareholder) often submit resolutions regarding board ancillary proposals where the board has invited shareholders to submit resolutions. These proposals typically address board size, term length, election of the chair and directors' and statutory auditors' remuneration. In cases where the board of directors has not provided a recommendation on such proposal(s), the proposal(s) presented by the shareholder(s) in lieu of management proposals will be analysed to formulate the Benchmark Policy recommendations.

Further, where no specific proposals have been presented by the board or shareholders on board size, the Benchmark Policy may recommend a vote for such proposals as long as the company's articles of association

[53] Consolidated Law on Finance, article 148(2-bis). At least one effective member should be appointed by the slate receiving the minority of votes cast, article 148(2).
[54] Consolidated Law on Finance, article 126-bis.

define a range or number of directors that may serve on the board that aligns with the thresholds indicated under the "Board Size" section of these guidelines. Regarding board term length, as noted in the "Term Length" section of these guidelines, many investors favour the annual election of directors. However, under Italian law directors may be elected for a term of up to three years and it is common practice for Italian companies to elect their directors for the maximum term permitted by the law. As such, the Benchmark Policy will recommend shareholders vote for these resolutions even where no specific proposals have been presented by the board or shareholders on term length.

Companies Listed on Euronext Growth Milan

As an adjunct to the Main Market (Mercato Telematico Azionario or MTA) of Borsa Italiana, the Italian stock exchange, the Euronext Growth Milan allows smaller companies from a wide range of industries to raise capital while subject to less stringent regulations. Approximately 120 companies are currently listed on the Euronext Growth Milan. While some of these companies will continue to trade on the Euronext Growth Milan for some time, many will eventually 'graduate' to the MTA upon reaching adequate size and productivity.

As a multilateral trading system, the Euronext Growth Milan does not qualify as a regulated market. While Euronext-listed companies are exempt from the provisions of the Consolidated Law on Finance and the Code, they are subject to the Euronext Growth Milan Rules (Rules) issued by Borsa Italiana which, among other things, sets rules related to corporate governance, takeovers, related-party transactions, capital requirements, reporting deadlines and disclosure. In particular, when the whole board is up for election, directors and statutory auditors are not required to be elected through the slate voting system; Euronext Growth Milan-listed companies may decide to amend their articles of association to adopt the slate system for the election of directors and statutory auditors or otherwise opt for the individual election procedure.

Euronext Growth Milan-listed companies generally provide less disclosure and apply less stringent corporate governance practices than their MTA-listed peers. In line with the Rules, at least one director is expected to meet independence requirements provided for statutory auditors under article 148 of Consolidated Law on Finance.[55] A case-by-case assessment of board candidates and slates will be applied on the basis of information available. Where the company does not provide sufficient information to allow for a meaningful assessment of board candidates—or any other proposal presented to the meeting (e.g., the proposed dividend)— the Benchmark Policy may recommend shareholders to abstain from voting.

In light of the diverse range of companies listed on the Euronext Growth Milan, some companies may aspire to the higher independence standards recommended by the Code. Where companies choose to comply with the Code, deviations from best practice may be justified due to the small size of many Euronext Growth Milan-listed boards.

[55] Under the Rules, companies may also refer to the independence requirements provided in the Code if at least equivalent to those provided by the Consolidated Law on Finance, regardless of whether the company has decided to comply with the Code (Glossary, page 36).

Transparency and Integrity in Financial Reporting

In Italy, shareholders are required to approve a company's financial statements and the allocation of company results (profits or losses) annually. In the event of a loss, a company may propose using its retained earnings, profit reserves or legal reserve to absorb losses and is exempt from the distribution of any dividends.

Shareholders are also required to approve the company's choice of independent auditors (which are appointed for terms of nine years) and the fees to be paid to the auditors.[56] According to the law, the board of statutory auditors (or supervisory board or management control committee depending on the governance structure chosen by a company) is in charge of conducting a tender offer for the auditors and recommending at least two possible alternatives for shareholder approval.[57] Consequently, companies may offer the option to vote separately on the proposed external auditors. Generally, the board of statutory auditors lists external auditors in order of preference and shareholders are called to cast their votes for the appointment of the first proposed external auditor. Where the preferred auditor does not receive sufficient support and is not elected, shareholders will then be offered the opportunity to vote on the second proposed external auditor. Where the second proposed auditor does not receive sufficient support, shareholders will be offered the opportunity to vote on any additional proposed external auditors.

The Italian Benchmark Policy guidelines for these issues in Italy do not deviate materially from the *Continental Europe Benchmark Policy Guidelines*.

Accounts and Reports

As a routine matter, Italian company law requires that shareholders approve a company's financial statements, within the six months following the close of the fiscal year, in order for them to be valid.[58] The financial statements are accompanied by the directors' report, the independent auditors' report and by the board of statutory auditors' report.

[56] Legislative Decree no. 39 of January 27, 2010, as amended by Legislative Decree no. 135 of July 17, 2016.
[57] European Regulation n. 537 of April 16, 2014. 2024 update of the Code of Conduct for the Board of Statutory Auditors of Listed Companies issued by the Italian National Council of Auditors and Accountants.
[58] Civil Code, article 2364.

The Link Between Pay and Performance

Since 2011, Italian law has required all listed companies to submit remuneration reports for shareholder review.[59] In 2019, the law implementing the EU Shareholder Rights Directive (SRDII) reinforced the existing reporting framework with a focus on principles of clarity, alignment to corporate strategy and long-term sustainability, and introduced a binding remuneration policy vote for non-financial companies.[60] The Code of Corporate Governance provides best practice remuneration recommendations and the Consob rules mandate the structure and content of such remuneration.

Further regulations regarding remuneration policies at financial institutions are included in (i) Circular 285 of December 17, 2013, and subsequent revisions issued by the Bank of Italy; and (ii) ISVAP Regulation n. 39 of June 2011 concerning remuneration policies of insurance companies.

The Italian Benchmark Policy guidelines regarding remuneration are not materially different from the *Continental Europe Benchmark Policy Guidelines*, except with regard to clarity, transparency, and comprehensibility to severance pay, as detailed below.

Vote on Remuneration (Say-on-Pay)

In accordance with the revised Consolidated Law on Finance, companies are required to make available a remuneration report divided into two sections and to submit each of them to shareholder approval.

Remuneration Policy

The first section of the remuneration report explains the company's forward-looking policy for board members, general managers, executives with strategic responsibilities, and members of control bodies. This section also details the procedures used to adopt and implement the remuneration policy, and how the policy contributes to the corporate strategy, long term interests and company sustainability.

The remuneration policy must be put to a binding shareholder vote, requiring majority approval at least every three years. If the proposal does not receive majority approval, payments are made in accordance with the most recently approved policy or, in its absence, in compliance with market practice and a new policy is submitted to shareholders vote at the next AGM. The policy must also be put to a vote if the company wishes to amend the policy. Companies are allowed to temporarily deviate from the policy under exceptional circumstances to pursue long-term interests and/or the company's sustainability, or to ensure business continuity.[61]

Investors generally expect companies to fully disclose and explain their remuneration policies in a manner that is consistent with shareholder interests. The Benchmark Policy recommendations for a binding vote on the

[59] Legislative Decree 30 December 2010, n. 259 published in the Italian Official Gazette of 11 February 2011; Consolidated Law on Finance, article 123-ter.
[60] Legislative Decree 10 May 2019, n. 49 published in the Italian Official Gazette of 10 June 2019; Consolidated Law on Finance, article 123-ter.
[61] Consolidated Law on Finance, article 123-ter, paragraph 3-bis.

remuneration policy will reflect an overall assessment of the structural alignment between pay and company performance, as well as any changes that would affect the alignment of executive and shareholder interests.

The Code recommends the following best practices:[62]

- The adequate balance between the fixed and the variable component which is consistent with the company's strategic objectives and risk management policy; variable remuneration opportunity should be a significant part of the overall remuneration;
- The establishment of upper payout limits for variable components;
- The use of predetermined and measurable performance criteria to determine the vesting of awards, which are mainly linked to the long-term and consistent with the company's strategy and sustainable success;
- The deferral of a significant portion of the variable component of remuneration for an appropriate period of time; the amount of deferred remuneration and the length of the deferral period should be consistent with the company's business and risk profile;
- The arrangement of a provision that allows the company to claim or withhold, in whole or in part, the variable components of remuneration awarded on the basis of data which subsequently proved to be manifestly misstated or of other circumstances that may be defined by the company (clawback and malus);
- A significant portion of share-based incentive awards have a vesting and holding period of at least five years; and
- The formulation of clear and predetermined guidelines on termination payments as well as caps linked to a specific amount or number of years of director's remuneration; the indemnity should not be paid in the event the termination occurs due to poor performance.

When a company's executive remuneration policy deviates from these guidelines, investors generally expect a clear and compelling rationale for why the proposed structure or practice is appropriate for the company.

Policy Implementation

The second section of the remuneration report illustrates the amounts paid by the company and/or its subsidiaries during the fiscal year under review and explains how the company has taken into consideration shareholders' votes of the previous year.[63] The company's independent auditor will verify that the board of directors has prepared this section of the remuneration report.[64] Shareholders vote annually to approve the second section on an advisory basis.[65]

When analysing a company's remuneration report, the Benchmark Policy focuses on the board's implementation and administration of the company's remuneration policy. However, many investors believe that this annual vote provides an important opportunity to express concern with a company's remuneration policies and practices that are not explicitly limited to the year under review. In assessing policy implementation

[62] Code, article 5.27 and 5.28.
[63] Consolidated Law on Finance, article 123-ter, paragraph 4.
[64] Consolidated Law on Finance, article 123-ter, paragraph 8-bis.
[65] Consolidated Law on Finance, article 123-ter, paragraph 6.

during the year under review, particular attention is paid to the alignment between performance and pay outcomes, and the board's level of disclosure regarding any application of discretion.

Further, with regard to the five-year comparison between CEO pay and average employee pay, Italian companies have adopted a variety of disclosure formats, including the practice of solely disclosing the year-on-year percentage increases in pay for the CEO and employees, and/or provide partial annual remuneration accrued by the CEO (or other relevant top executive). In line with emerging best practice in Europe and globally, disclosure of the actual ratio or of the respective monetary values, together with total CEO pay for the year under review, represents more meaningful information for shareholders.

Severance Payments

While many investors indicate a preference for severance payments to be limited to two years' fixed salary, executive severance agreements in Italy often exceed this cap. The Benchmark Policy takes into account this market practice when evaluating a severance-based payment on an existing contract; nonetheless, the Benchmark Policy analysis may recommend a vote against a severance policy that allows for excessive payments. Similarly, as executives in Italy are often entitled to additional termination payments under their collective bargaining agreements, market expectations are such that companies disclose such entitlements in detail in the remuneration report.

The Code recommends that, in the event of termination of an executive director or general manager's office, a press release should be issued by the company upon completion of the internal processes which led to the grant of severance indemnities and/or other benefits. The press release should detail the following:[66]

- The indemnities for the end of office or termination of the employment relationship, specifying the circumstances for accrual (e.g., expiry, revocation or settlement agreement);
- The overall amount of the severance indemnities and/or other benefits (including non-monetary benefits, maintenance of rights related to any incentive plans and non-compete payments) as well as the timing of the payment, specifying the amount of the up-front and deferred portions;
- The application of any clawback or malus provisions;
- The compliance of the severance payment with the company's remuneration policy; in the event of non-compliance, partial or in full, a clear narrative of the rationale and the process behind the decision should be provided; and
- The procedures followed or that will be followed for the appointment of a new executive director or general manager.

Pursuant to circular n. 285 published by the Bank of Italy, banks must seek shareholder approval of their severance policies. The quantum of such severance payments should be based on (i) individual performance; (ii) the level of capital and liquidity of the bank; and (iii) the length of employment. A clear maximum limit should also be defined.

[66] Code, article 5.31.

Further, the law specifies that severance indemnities fall under the definition of "variable remuneration" and, as such, are included in the maximum ratio of variable-to-fixed-remuneration, which cannot exceed 100% of fixed remuneration (or 200%, with shareholder approval).

While payments for non-compete agreements, as well as amounts paid for the settlement of a current or potential dispute and indemnities in lieu of notice exceeding the legal entitlements, are considered severance payments, the following amounts are not included in the calculation of the maximum ratio of variable-to-fixed-remuneration: (i) non-compete agreements which do not exceed one year's fixed remuneration for each year of the duration of the agreement; and (ii) any amount paid for the settlement of a current or potential dispute related to termination of employment if calculated according to a predefined formula.[67]

Where a bank does not set a clear maximum limit on a severance payment, and where that limit is excessive or where performance conditions may allow for undue payouts, the Benchmark Policy may recommend a vote against the severance policy in question.

Remuneration at Companies Listed on Euronext Growth Milan

Companies listed on the Euronext Growth Milan are not required to hold binding or advisory votes on executive pay. However, companies listed on Euronext Growth Milan may submit their remuneration report for shareholder approval on a voluntary and advisory basis. The Benchmark Policy analysis of Euronext Growth Milan company remuneration reports is broadly similar as for main market issuers, particularly with regard to the alignment between executive and shareholder interests, and protections against unmerited pay. However, the remuneration structure, and level of disclosure, may be less developed at Euronext Growth Milan-listed issuers than at larger, more established firms.

Directors' Remuneration Plans

According to Italian Law,[68] the shareholders' general meeting fixes the remuneration of the members of the board of directors. The board of directors fixes the remuneration of those directors who are appointed to particular positions, after consultation with the board of statutory auditors. Where permitted by the company's articles of association, shareholders at the annual general meeting can determine a cap on the total remuneration of the directors, including those who are appointed to particular positions. The Italian Benchmark Policy guidelines regarding remuneration plans for directors are not materially different from the *Continental Europe Benchmark Policy Guidelines.*

[67] Circular 285 of December 17, 2013 and subsequent revisions issued by the Bank of Italy, First part, IV.2.III.(2.2.2.)
[68] Civil Code, article 2389.

Governance Structure and the Shareholder Franchise

In Italy, shareholders may be asked to approve amendments to a company's articles of association, or the authorisation of competing activities. The Italian Benchmark Policy guidelines on these issues are not materially different from the *Continental Europe Benchmark Policy Guidelines*.

Authorisation of Competing Activities

Italian law prescribes that board members may not become partners of unlimited liability in competitor companies, nor carry out competing activities on their own account or that of third parties, nor take up the office of director or general manager in competitor companies, unless authorised by shareholders. In case of violation of the non-competition clause, the board member may be revoked and is responsible for any damage caused.[69]

If any of the appointed directors is in competition with the company, either directly or indirectly, shareholders will be asked to vote on a waiver of the non-competition clause. Further, a director is required to disclose to the other directors and to the board of statutory auditors any interest that, personally or on behalf of third parties, he or she has in a specific transaction of the board. In such a case, the board resolution must state the reasons why the transaction is in the company's best interest. Further, a director is liable for damages suffered by the company as a result of his or her personal interest in a transaction.[70]

While Italian law provides for some measures to protect the company and its shareholders from abuses, the Benchmark Policy generally recommends a vote against such a proposal, as many investors believe that it is not in shareholders' best interests to grant directors the right to potentially enter into a situation that may be considered a conflict of interest.

Shareholder Meeting Format

Many investors believe that closed-door shareholder meetings – at which shareholders are neither permitted to attend the meeting in person nor exercise their shareholder rights virtually – should be avoided in all but exceptional circumstances. Preventing in-person attendance or active virtual participation leads to a substantial reduction in the ability of shareholders to exercise their rights and enter into dialogue with company directors and other stakeholders.[71]

[69] Civil Code, article 2390.

[70] Civil Code, articles 2391 and 2392.

[71] CII Policies on Corporate Governance, 4.1; ICGN Global Principles, 10.2.

Beginning in 2025, Italian companies are permitted to hold closed-door shareholder meetings, subject to shareholders approving a corresponding amendment to their articles of association.[72] While mindful of evolving market practice and local regulations in Italy, investors may reasonably expect Italian companies to utilise shareholder meeting formats that allow for the live participation of shareholders in all but exceptional circumstances. Given the ongoing legal process in this area, an update to the Benchmark Policy regarding closed-door shareholder meetings will be made at a future time.

Multiple Voting Rights

Law no. 116 of August 11, 2014 (converted, with amendments, from Legislative Decree no. 91 of June 24, 2014) introduced the possibility of increased voting rights after 24 months of continuous holding of shares, as an incentive for shareholders to become long-term investors in listed companies. Legge Capitali modified the maximum amount of voting rights from two to ten, to be progressively increased in 12-month intervals after the initial 24-month period. Once provided for in its articles of association, a company may grant up to two votes per share to shareholders who have held their shares continuously for at least two years, and up to ten votes per share if the shares are held for the required time increments. Pursuant to Italian law, the articles of association shall specify the terms and conditions for allocating increased voting rights and establish a special list to ensure the relevant conditions are met.[73]

Under the Code, when proposing the introduction of increased voting rights ("voto maggiorato"), the board is required to provide adequate rationale in its explanatory report. The report should detail the following: (i) the anticipated impact on the company's ownership and control structure as well as on the company's future strategy; and (ii) the decision-making process which led to the definition of such a proposal and any dissenting opinions voiced within the board.[74]

Many investors are opposed to measures that create different classes of shareholders or treat shareholders unequally. Some measures, such as granting loyalty dividends, bonus shares or warrants, or extra voting rights exclusively to long-term shareholders, are increasingly studied as acceptable methods of encouraging shareholders to remain invested in a company for an extended period of time. While such loyalty incentives for shareholders may accomplish the intended effect of maintaining a stable shareholder structure and decreasing volatility, the benefit to shareholders of such measures has not been sufficiently proven by academic literature nor have the consequences been fully studied.

[72] This meeting format has been broadly utilised in Italy pursuant to temporary legislation following the outbreak of the COVID-19 pandemic. The Capital Markets Law (Legge Capitali), introduced in March 2024, stipulates that Italian companies may only continue to hold closed-door shareholder meetings if this is stipulated in their articles of association. A proposed reform of the Consolidated Law of Finance, expected to be effective in early 2026, will allow a company's board to determine the format of shareholder meetings, including closed door and virtual shareholder meetings, provided that this is stipulated in board-approved regulations that are published on a company's website. Amendments to board regulations are not subject to shareholder approval.

[73] Consolidated Law on Finance, Article 127-quinquies, subsection 2.

[74] Code, article 1.2.

As a result, the Benchmark Policy will generally recommend that shareholders oppose proposals to implement loyalty programmes for certain shareholders, since they unnecessarily create different classes of shareholders with disparate treatment.

Capital Management

Shareholders in Italian companies may be asked to approve capital-related proposals. The Italian Benchmark Policy guidelines regarding these matters are not materially different from the *Continental Europe Benchmark Policy Guidelines*.

Issuance of Shares and/or Convertible Securities

In Italy, shareholders are required to approve all proposals related to the issuance of shares and/or convertible securities. According to Italian law, shareholders may delegate the power to increase the company's share capital to the board of directors. Notwithstanding the aforementioned, shareholders must determine the length of the authority, which in no event may be greater than five years, and the overall ceiling for the increase.[75]

Authority to Issue Shares Without Preemptive Rights

Under Italian law, companies may increase their share capital through the issuance of shares without preemptive rights up to a limit of 10%.[76] This type of proposal is generally also considered in combination with pre-existing authorities to increase share capital without pre-emptive rights: in case the total potential dilution exceeds 10% of share capital, the Benchmark Policy will recommend a vote against the proposed authority. Notwithstanding the above, where a company seeks shareholder approval for the issuance of shares related to a specific purpose or transaction, each proposal will be evaluated on a case-by-case basis, considering a company's rationale for such issuance.

Authority to Repurchase Shares

Under Italian law, a company may seek shareholder approval to repurchase its own shares. The law requires the company to indicate (i) the maximum number of shares to be acquired; (ii) the duration of the authority (which must not exceed 18 months); and (iii) the corresponding minimum and maximum purchase prices. The number of shares to be repurchased may not exceed 20% of the company's share capital. Further, repurchases must be made out of the company's distributable profits so as to ensure equal treatment of shareholders according to procedures set by Consob.[77]

The Benchmark Policy will generally support buyback programmes so long as the company is left with a sufficiently strong balance sheet in light of its capital requirements.

[75] Civil Code, article 2443.
[76] Civil Code, article 2441.
[77] Civil Code, articles 2357 and 2357-bis; Consolidated Law on Finance, article 132.

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