

Funding Corporate Governance

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Keep it simple (Assonime-CEPS 2009)!

- Financial crises: macro issues and lack of supervision
- It is true that “financial crisis highlighted several corporate governance failures” (LZ) but in financial institutions.
- No evident problem of: 1) bad corporate governance in listed companies; 2) lack of regulation on listed companies
- Many FSAP directives formally implemented but still waiting for regulation by competent authorities (no Level 4 enforcement, see ESME reports).
- Use of EU recommendation by EU Commission to issue documents w/o consultations (see the two recommendations on remuneration): but then basis for directives or regulations
- Answer by EU and national legislators/regulators: **Directives, Regulations, Recommendations, Green papers, laws**

Green paper on corporate governance

- Corporate governance rules don't have differentiated regime according to company size or type, while the codes do.
- Corporate governance guidelines for unlisted companies.

Three subjects are at the heart of good corporate governance:

- **The board of directors**
(focus on chairman and non executives' role)
- **Shareholders**
(activism, minority protection, long-term view)
- **“Comply or Explain”**
(monitoring of the application of the code)

...What is really needed?

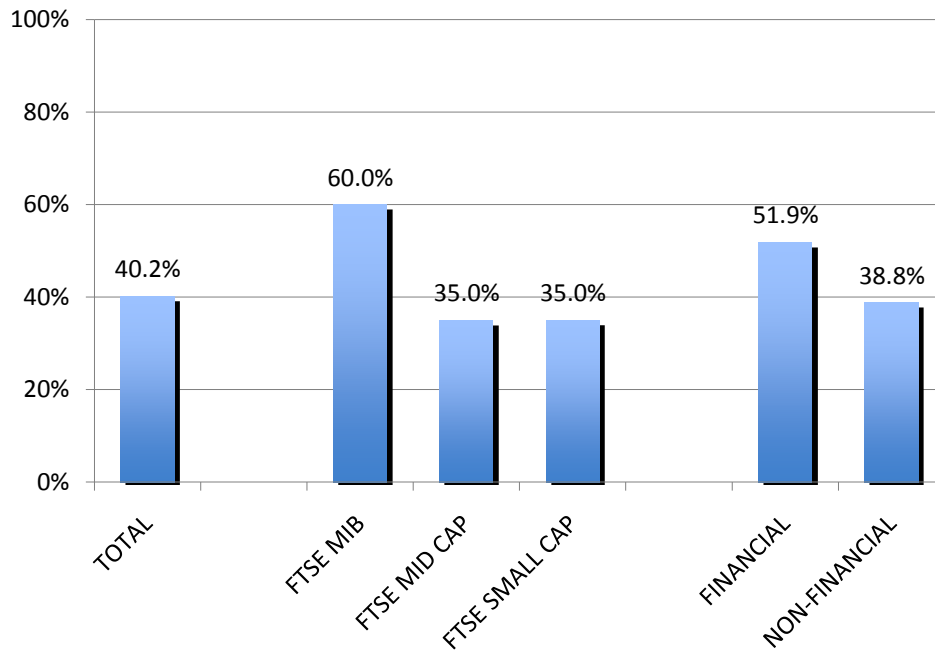
Proxy rules: do we care?

- Debate on proxy rules (US) and stewardship (UK)
- What kind of engagement of (institutional) investors with listed companies?
- What about fiduciary duties, costs of investing in activism, role of proxy advisors?
- Empirical results from slate voting in Italy

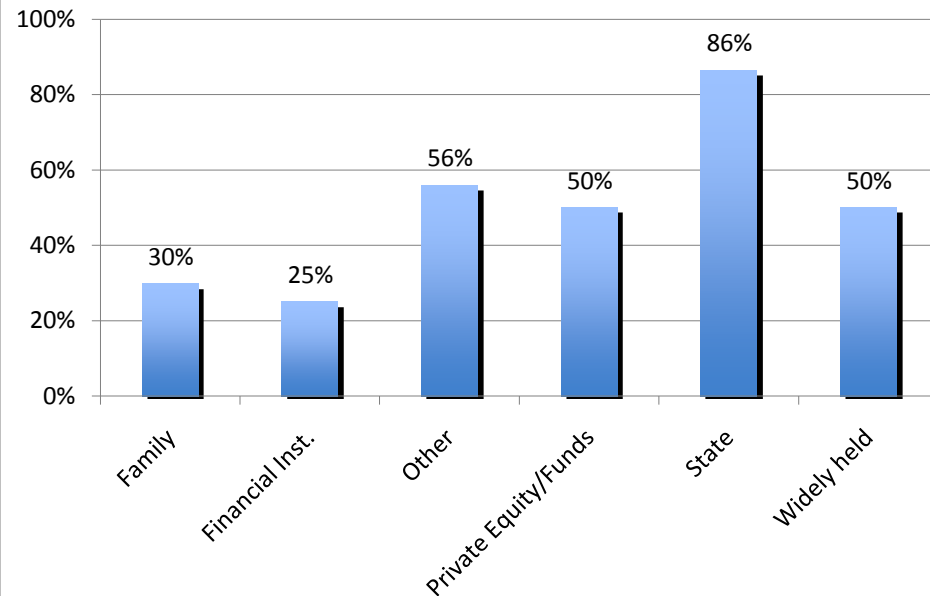
See Assonime, Note e Studi n. 3/2011,
An analysis of the compliance with the Italian corporate governance code (year 2010)
At www.assonime.it, Corporate Governance Section

Number of companies with Slate Voting for Board of Directors

Frequency (%) of companies where multiple lists of candidates to the BoD were submitted, by market index and sector



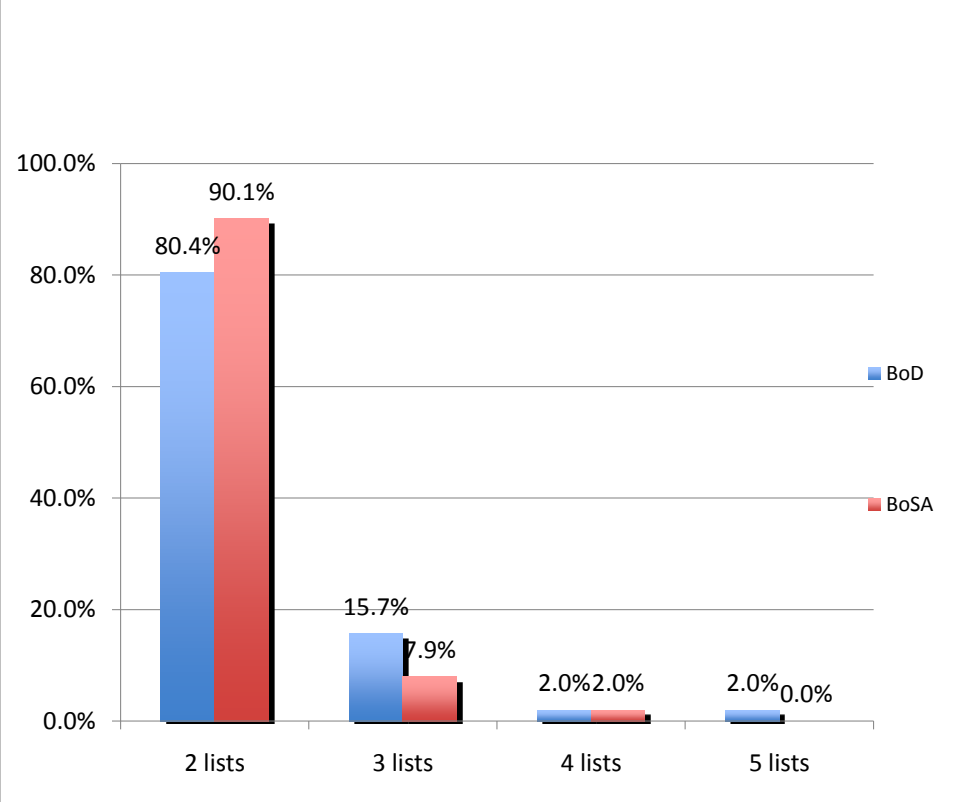
Frequency (%) of companies where multiple lists of candidates to the BoD were actually submitted, by ownership structure (identity of the controlling shareholder)



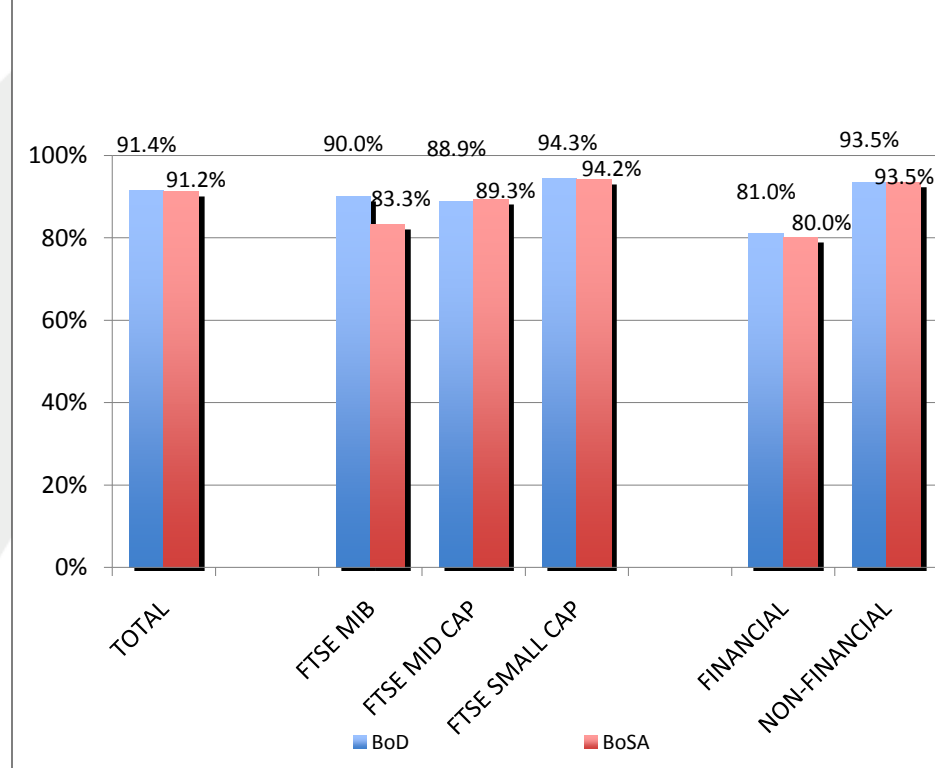
In 49% of listed companies, minority shareholders did not present BoD lists
 254 “majority” lists, 128 “minority” lists

Number of lists

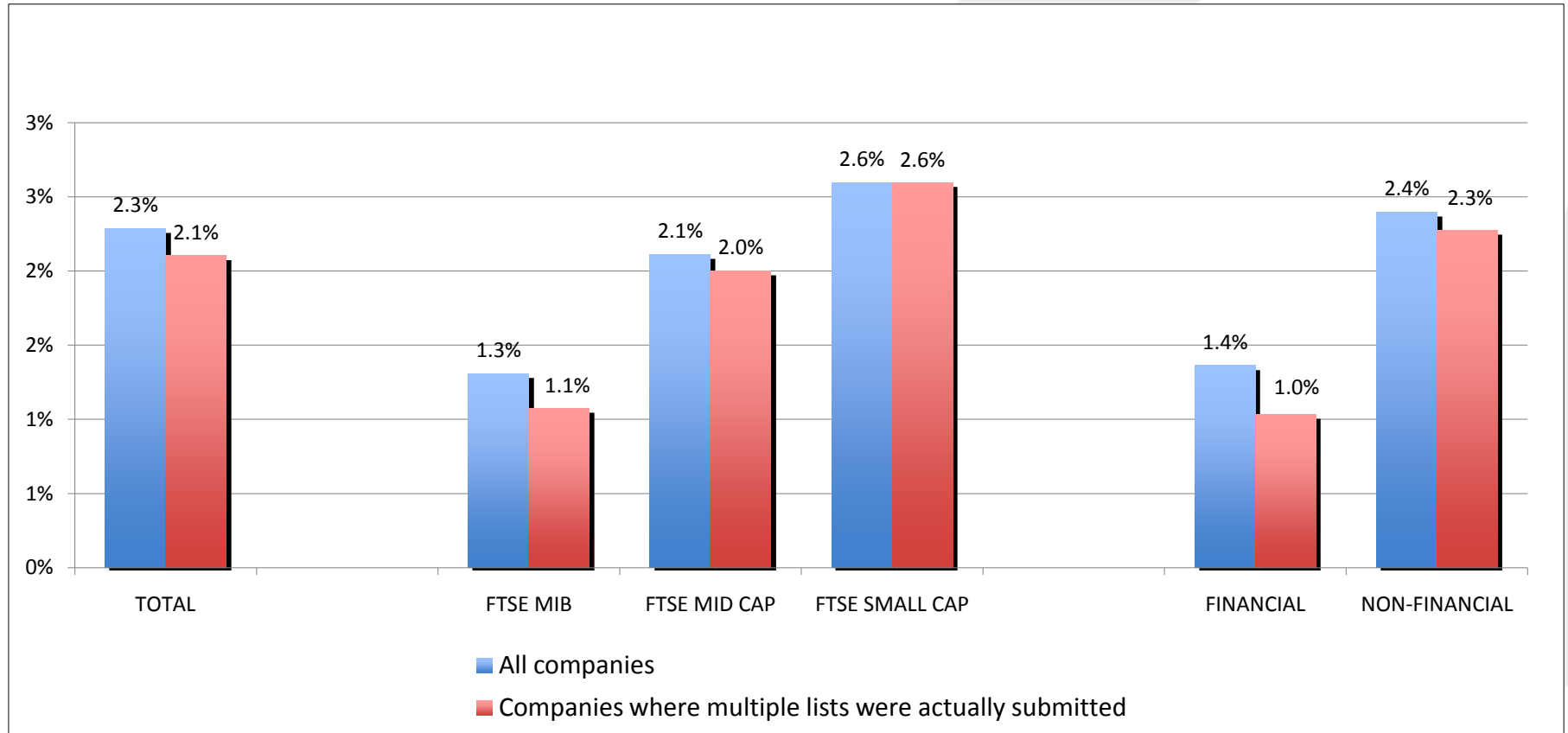
Frequency (%) of the number of submitted lists
(in companies where multiple lists were submitted)



Frequency (%) of success of minority slates
(i.e. they elect at least one candidate),
by market index and sector

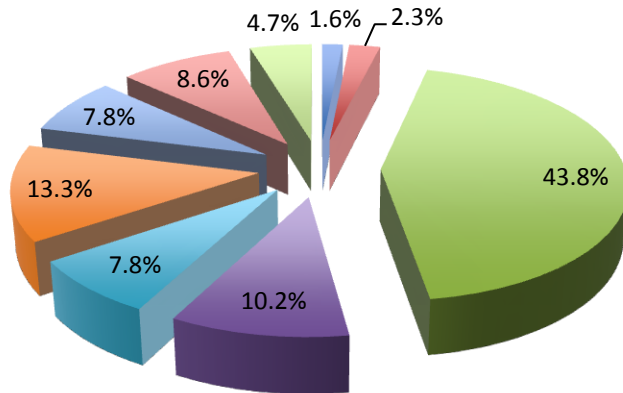


Average quorum to submit a list of candidates to the BoD



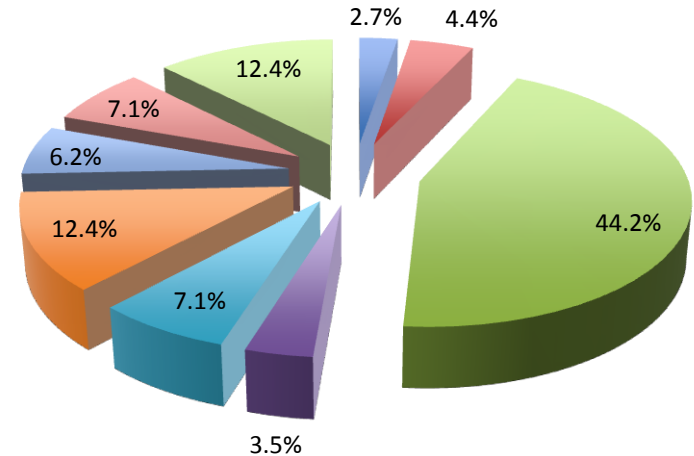
Who submits "minority" list?

Shareholders who submitted "minority" lists of candidates to the BoD, by type



- State
- Family member of majority shareholder
- "Private" shareholder
- Financial Institution
- Industrial partner
- Private Equity/Fund
- Foundation
- Italian Mutual Funds
- Many individual shareholders

Shareholders who submitted "minority" lists of candidates to the BoSA, by type



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Lists submitted by Italian Mutual Funds

