



GLASS LEWIS

Consob Board Slate Consultation

December 2021

To: CONSOB – Divisione Strategie Regolamentari.

Re: Consultation on the presentation of a slate of nominees by the outgoing board of directors for the following board renewal.

Glass, Lewis & Co. (“Glass Lewis”) appreciates the opportunity to comment on the proposed changes to the possibility for outgoing boards to present a slate of nominees for the following board renewal.

About Glass Lewis

Glass Lewis is the leading provider of independent proxy advice with a global client base of more than 1,300 clients, including the majority of the world’s largest pension plans, mutual funds and asset managers, who collectively manage more than \$40 trillion in assets. Glass Lewis empowers institutional investors to make sound voting decisions at more than 30,000 meetings each year by analysing and assessing corporate governance and material environmental and social risks at public companies domiciled in approximately 100 global markets. We provide comprehensive research on all listed companies held in our clients’ portfolios. In 2020, this universe included approximately 16,000 global public companies. More information available at www.glasslewis.com.

Glass Lewis is submitting this comment as an interested industry advisor, not on behalf of any or all of its clients.

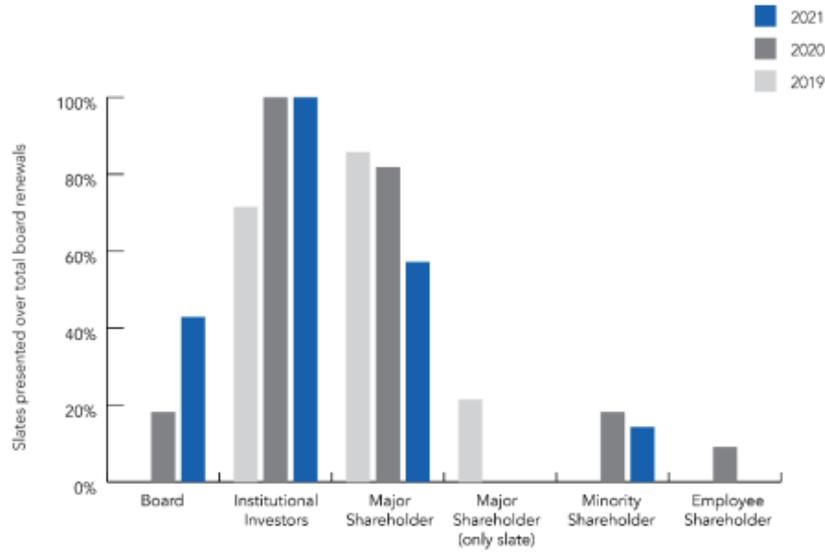
Glass Lewis Views

In recent years, as highlighted in the materials submitted for consultation, a growing number of listed companies have proceeded to introduce a provision into their bylaws to formalise the possibility for the outgoing board of directors to present a slate of nominees for the following renewal of the board.

On the one hand, companies with dispersed ownership saw the introduction of such a provision as a safeguard against the possibility that shareholders would not submit a slate of nominees, thus ensuring that the board would be fully equipped to ensure continuity in oversight and direction. On the other hand, companies with less dispersed ownership commonly identified the board as the most competent body for the identification of qualitative and quantitative characteristics appropriate for the position of director.

In both scenarios, a more active role of the current board in the board transition process serves to align companies with international practice at a time of growing interest from international investors in the Italian market and increased participation in governance processes through active voting at annual general meetings, as well as increased presentation of minority slates.

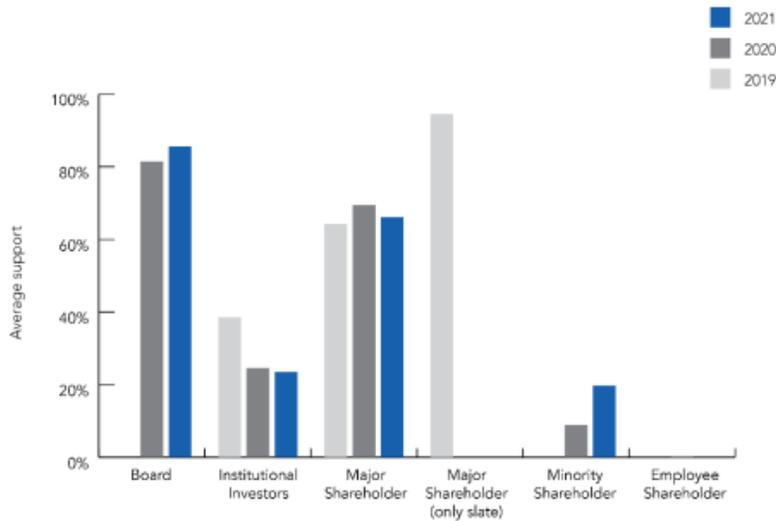
Submission of Slates at FTSE-MIB Board Elections



Glass Lewis has generally recommended that shareholders support the inclusion in a company’s bylaws of the possibility for the outgoing board to present its own slate of nominees, provided that sufficient safeguards are in place regarding seats reserved for candidates from minority slates and that the relevant documentation on the proposed slate would be available in advance of the meeting (usually 30 days vs 25 days allowed for presentation of slates by shareholders).

Further, there has been an increased level of shareholder support for slates presented by the outgoing board of directors over the past three years, indicating support from the market to giving directors a greater role in board composition and long-term succession planning.

Average Slate Support by Proponent



However, we share some of the illustrated concerns around disclosure and transparency on the process leading to the inclusion of nominees on a slate presented by the outgoing board, especially when any nominees represent a significant stake in a company or have affiliations with its major shareholder.

In our view, a public, clear and transparent procedure on the process of the board of directors and/or the nominating committee in defining the role of independent directors and regulating potential cases of conflict of interest would be a welcome safeguard for shareholders.

Additionally, we believe open dialogue between a company and its shareholders is fundamental for board accountability and the establishment of governance best practices. When a board is considering presenting a slate of nominees, we would encourage it to conduct timely engagement with the company's shareholders around the composition of the board, particularly in terms of the desired skills and competencies for future nominees.

Further, we believe shareholders would be better served if they are provided with sufficient time to review the proposed board nominees well in advance of the general meeting, especially in light of the potential identification of additional nominees to be presented to complement the board. However, we will refrain from indicating a specific timeframe and will defer to companies and the regulator on this point.

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Glass Lewis welcomes the opportunity to comment on the proposed observations and is available to answer any questions Consob may have regarding the comments provided above. Additionally, Glass Lewis raises no objections to these comments being published by Consob on its website.

Respectfully submitted,

/s/

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/s/

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/s/

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