



european corporate governance institute

Directors' Remuneration in Listed Companies ITALY*

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* The information and opinions included in this document are not intended to provide legal advice, and should not be relied on or treated as a substitute for specific advice concerning individual situations. The law, regulation and best practices are stated as they stood at 18 May 2009.

Questionnaire

1. General

1.1 Please indicate, as a general reference, the laws, case law, regulations, exchange rules and best practices concerning directors' remuneration in your country with respect to listed companies. Please indicate where these provisions (such as, for example, exchange rules) apply only to domestically-incorporated companies.

- Civil Code;
- Legislative Decree 58 of 24 February 1998, as subsequently amended and supplemented, (Consolidated Law on Financial Intermediation), available on www.consob.it and www.ecgi.org;
- Consob Regulation 11971 of 14 May 1999 (hereafter Consob Regulation) implementing the provisions on issuers contained in Legislative Decree 58 of 24 February 1998, as subsequently amended and supplemented; available on www.consob.it;
- Consob Communication no. 6027054 of March 28, 2006, concerning the disclosure of price sensitive information and measures to prevent market abuses;
- Exchange Rules of the Markets managed by the Italian Stock Exchange, Borsa Italiana S.p.A. (hereafter Borsa Italiana), adopted by the shareholders' general meeting on 6 June 2008, approved by Consob in Resolution 16615 of 9 September 2008, and in force since 12 January 2009, available on www.borsaitaliana.it (hereafter Markets Rules); and the relative instructions (hereafter Markets Instructions), available on www.borsaitaliana.it;
- The New Corporate Governance Code (hereafter Corporate Governance Code), adopted by the Borsa Italiana in March 2006, applicable to Italian listed companies and available on www.borsaitaliana.it and www.ecgi.org;
- The Supervisory Provisions Concerning Banks' Organisation and Corporate Governance issued by the Bank of Italy in March 2008 (hereafter Supervisory Provisions), available on www.bancaditalia.it;
- The new "Code of Ethics" required by article 12 of Law no. 2 of 28 January 2009 as a condition for banks to access government funding to face the financial crisis, which contains provisions relating to appropriate executive remuneration (available on <http://www.parlamento.it/parlam/leggi/090021.htm#decreto#decreto>).

The rules on executive directors' remuneration apply to domestically-incorporated companies and/or to companies traded on Italian regulated markets.

1.2 As to best practices, please specify whether they are described in either a private (voluntary or non-statutory) code or other official report, and whether a “comply or explain” principle is applicable to compliance with the relevant provisions by listed companies. Where the “comply or explain” principle applies, please indicate, where such evidence is available, whether companies generally comply with best practices.

- Best practices are described in the Corporate Governance Code. Adoption of and compliance with the Corporate Governance Code are voluntary. Following art. 123-bis. 2 of the Consolidated Law on Financial Intermediation and article 89-bis of Consob Regulation, listed companies have to indicate which non-statutory code they adopt and, according to the “comply or explain” principle, supply adequate information on the reasons for omitted or partial application. Such information has to be included in the annual Corporate Governance Report.
- Admission to listing on the Star sector of the Italian Stock Exchange is reserved to issuers with high-profile corporate governance and disclosure systems. One of the admission requirements is that issuers comply with the provisions on directors' remuneration of the Corporate Governance Code, article 7 (Markets Rules art.3, n).
- The provisions on directors' remuneration set by the Bank of Italy in the Supervisory Provisions are mandatory and apply to all banks supervised by the Bank of Italy. Adoption of the Supervisory Provisions can be gradual. The corporate governance arrangements adopted by banks and banking groups must ensure full, substantial compliance with these provisions by 30 June 2009. The Supervisory Provisions are an integral part of a broader regulatory system and constitute criteria for ascertaining the conformity of banks' bylaws with the principle of sound and prudent management, pursuant to Article 56 of the Consolidated Law on Banking.
- All banks willing to access public funding to face the financial crisis must adopt the “Code of Ethics” with directors' remuneration plans ensuring sound prudential risk management of the bank. Accordingly, banks must have remuneration committees consisting of a majority of independent directors.

1.3 Please describe in summary: the institutional structure for adopting executive remuneration rules or best practice codes; and any major proposals for reform concerning directors' remuneration.

- The Corporate Governance Code was adopted by a Corporate Governance Committee, made up of members from the industry, banks and institutional investors, assisted by three experts and a secretary. The principles of the Corporate Governance Code are implemented on a voluntary basis, under the “comply or explain” principle.
- The Supervisory Provisions issued by the Bank of Italy are mandatory. Those regulatory measures are based on the innovations introduced by the company law reform and its coordination with the Consolidated Law on Banking. They take into account the most recent developments in the legislative framework for corporate organization and governance, stemming from the implementation of the law on the protection of savings (Law 262/2005), the transposition of the new prudential rules for banks, as well as the relevant principles and guidelines developed at national and international level.
- Article 12 of Law no. 2 of 28 January 2009 provides that banks willing to access government funding to face the financial crisis have to adopt the “Code of Ethics” including the provisions for the directors’ remuneration plans. The rule is mandatory, however, it does not provide for detailed indications as to the content of the “Code of Ethics”.

2. Disclosure

2.1 Are listed companies required to publish a remuneration report, indicating the details of the compensation paid to the members of the Board of Directors? How often must it be published and where is it retrievable?

A remuneration report is not expressly required. However, the Corporate Governance Report has to be published within the management report or in a separate form, linked thereto, on the company’s website (art. 123-bis.3 of the Consolidated Law on Financial Intermediation). The Corporate Governance Report has to include, among others, a description of any agreement between the company and each director in case of resigning or dismissal without due cause or as a consequence of a hostile takeover (art. 123-bis. 1 i) of the Consolidated Law on Financial Intermediation) and information on corporate governance including the remuneration of members of the Board of Directors. The Corporate Governance Report must also provide

information about company's adoption of and compliance with the Corporate Governance Code (art. 123-*bis*. 2 of the Consolidated Law on Financial Intermediation, article 89-*bis* of Consob Regulation).

Details of individual compensation for each director and manager of the company must be disclosed in the notes of the annual accounts of the company (article 78 of Consob Regulation) (see below 2.3).

2.2 Must these reports be submitted, or are recommended to be, to a Securities Market Regulator or to a public authority responsible for collecting these documents?

All information requiring disclosure (hereafter, Regulated Information, including the Corporate Governance Report and directors' remuneration, see 2.1 above) has to be accessible to Consob. Following the implementation of the Transparency Directive, all Regulated Information has to be disseminated (including publication on the company's website) and available on a storage system approved by Consob (Consob Regulation, articles 65 *et seq.*, last amended 1st April 2009).

Following article 89-*quater* of Consob Regulation, Consob conducts yearly checks on the levels of comprehensiveness and adequacy of the published information, using a sample of companies of at least one fifth of all listed companies.

2.3 What information on directors' remuneration, individually and collectively, and on the remuneration committee, must be included, or is recommended to be included as best practice, in the financial reports? Please include in your answer any specific requirements which apply to particular elements of remuneration, such as stock options, bonuses, and termination payments.

The creation of a remuneration committee is recommended by the Corporate Governance Code (7.P.3). In the Corporate Governance Report, to be published within the management report or in a separate form, as part of the annual financial report (Consolidated Law on Financial Intermediation, article 154-*ter*, Consob Regulation, article 77 *et seq.*), companies must provide detailed information about the adoption of and compliance with the Corporate Governance Code and the composition and functioning of the Board of Directors (art. 123-*bis*. 2 of the Consolidated Law on Financial Intermediation, article 89-*bis* of Consob Regulation).

Companies must indicate in the notes to the accounts the remuneration paid to each director, member of the board of auditors and general manager (Consob Regulation art. 78, Annex 3C Scheme 1). Such information must be presented in tabular form and contain: fees, including those fixed by the shareholders' ordinary meeting, contingent profit sharing, attendance money, flat expenses refunds; non-monetary benefits, including fringe benefits and insurance policies; bonuses and others rewards (stock options must not be enclosed here); other fees, including those received from subsidiaries, salaries and retirement bonuses.

Companies must indicate in the notes to the accounts details on equity-based compensation (including stock options and stock grants) for directors and general managers on an individual basis (Consob Regulation art. 78, Annex 3C Scheme 2). Such information must be presented in tabular form and contain: options held at the beginning of the period under review; options granted during the period under review; options exercised during the period under review and the exercise price; options expired in the period under review; options held at the end of the period under review. A description of the most important elements of the plans is required, to ensure full disclosure of their principles and objectives. Disclosure requirements also apply to directors and general managers employed by the company. Stock grants are to be accounted as vested options and exercised immediately at a strike price equal to zero .

Consob further requires companies to include in the management report information concerning the stock of the company or its subsidiaries held by directors and managers of the company, either directly or indirectly, or by their relatives (Consob Regulation article 79).

2.4 Is timely disclosure required with respect to stock options, their vesting, exercise, and the sale of the relevant shares to third parties?

Companies must offer timely disclosure of the share based plans (including stock options and stock grants). The shareholders' meeting determines the general terms of the share based plans. Detailed information on the adopted share based plans, including reasons for their adoption, a short description of the plans, the amount of shares pertaining to the plans, the terms and the conditions of granting and exercise must be published at least 15 days before the shareholders general meeting and be made available for public consultation for the whole duration of the plans (Consolidated Law on Financial Intermediation article 114-*bis*, Consob Regulation article 84-*bis* and Annex 3A Scheme 7).

In any case, where a resolution by the board of directors is adopted, either as execution of the share based plan approved by the shareholders' meeting or as independent (autonomous) decision (i.e. sale of shares of controlling companies or of subsidiaries), Consob recommends disclosure of the resolution and full details of the approved plan by issuing a press release to the stock exchange, who would immediately make it available to the public (according to artt. 65 *et seq* of the Consob Regulation). The press release shall be simultaneously sent to Consob (Consob Regulation art. 84-*bis*).

Following the implementation of the Market Abuse Directive by Law n.62 of April 18, 2005, internal dealing transactions of company's shares or financial instruments linked to these, (e.g. stock options) amounting to more than euro 5,000 per year, must be publicly disclosed without delay (article 114.7 of the Consolidated

Law on Financial Intermediation, article 152-*sexies et seq.* of Consob Regulation; Consob's Communication 6027054 of March 28, 2006, VII).

2.5 What are the rules on disclosure of share transactions executed by the company's insiders (such as directors, officers, auditors, etc)?

Following the implementation of the Market Abuse Directive by Law n.62 of April 18, 2005 internal dealing transactions have to be published by the company and communicated to Consob without delay. These rules are mandatory. Directors, officers and auditors of the company who have regular access to insider information have to disclose any operation involving company stock or financial instruments linked thereto, to Consob and to the public. Same applies to the persons who are related to directors, officers and auditors or entities holding voting rights of more than 10% of the company, directly or indirectly (article 114.7 of the Consolidated Law on Financial Intermediation, article 152-*sexies* of Consob Regulation).

Publication (following the implementation of the Transparency Directive, as described in articles 65 *et seq.* of Consob Regulation, see above, 2.1) has to be effected by the company within the business day following the internal dealing transaction. The transaction has to be communicated to Consob within five business days if the insiders are directors, officers and auditors (or closely related to them) and within the fifteenth day of the following month if they are people holding voting rights of more than 10% of the company either directly or indirectly (art. 152-*octies* of Consob Regulation).

Disclosure is required only for internal dealing transactions exceeding the value of euro 5000 within a year (Consob Communication 6027054 of March 28, 2006, VII, point 142).

2.6 What information on directors' remuneration must be included in public offer prospectuses and listing particulars?

According to Annex I Article 15.1 of EC Regulation No. 809/2004, implementing Directive 2003/71/EC of the European Parliament and of the Council, information on the amount of remuneration of each director, auditor and general manager paid in the last financial year, including any contingent or deferred remuneration and benefits in kind granted to such persons by the issuer and its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person has to be provided. That information must be provided on an individual basis, unless individual disclosure is not required in the issuer's home country and is not otherwise publicly disclosed by the issuer.

3. Remuneration of the Board of Directors

3.1 Who fixes the board of directors' remuneration? What are the relevant procedures? (In two-tier systems, please refer to the supervisory board.)

The competence for fixing directors' remuneration is shared between the shareholders' meeting and the board of directors. The shareholders' meeting decides on the remuneration for the whole board – including the equity-based remuneration (Civil Code, article 2389.1 and 2389.2). The Board shall, after examining the proposal of the remuneration committee and consulting the board of auditors, determine the remuneration of the managing directors and of those directors who cover particular offices within the company. Provided that the shareholders' meeting has not already done so, the Board shall determine the total amount to which the members of the board and of the executive committee are entitled (Corporate Governance Code 1.C.1.d).

Share based remuneration plans must be described in detail (Attachment 3A Scheme 7 of Consob Regulation) and have to be approved by the general meeting of shareholders (article 114-*bis* of the Consolidated Law on Financial Intermediation and Consob Regulation art. 84-*bis*).

The Corporate Governance Code recommends that no director shall participate in meetings of the remuneration committee in which proposals are submitted to the Board of Directors relating to his/her remuneration (Corporate Governance Code, 7.C.4). It suggests that the board be advised by a remuneration committee, made up of non-executive directors, the majority of which are independent (Corporate Governance Code, 7.P.3).

If the company adopts a two-tier system, the shareholders' ordinary meeting fixes the remuneration of the members of the supervisory board, if this is not set out in the articles of association (Civil Code art. 2364-*bis*). Recommendations contained in the Corporate Governance Code as to the Board of Directors shall be applicable, depending on the structure of the two-tier model effectively adopted by the company, either to the Management Board or to the Supervisory Board (Corporate Governance Code, 12.C.2 *Comment*).

As for banks, the Supervisory Provisions issued by the Bank of Italy state that the bylaws shall provide that the shareholders' meeting establish the remuneration of members of the bodies it has appointed (board of directors and board of auditors / supervisory board) and approve the remuneration policies for directors, employees and external collaborators, and equity-based compensation schemes (e.g. stock options).

3.2 Are there provisions and/or practices as to the amount of the remuneration and its distribution (for example, as to whether distribution should be proportionate) among board members? What types of remuneration are allowed?

The remuneration of directors shall be established in a sufficient amount to attract, maintain and motivate directors endowed with the professional skills necessary for managing the issuer successfully (Corporate Governance Code 7.P.1.).

The remuneration of executive directors shall be articulated in such a way as to align their interests with pursuing the priority objective of creating value for the shareholders in a medium-long term timeframe (Corporate Governance Code 7.P.2.)

The remuneration of non-executive directors shall be proportional to the engagement requested from each of them, taking into account their possible participation in one or more committees. Their remuneration shall not be – other than for an insignificant portion – linked to the economic results achieved by the issuer. Non-executive directors shall not be beneficiaries of stock option or equity based remuneration plans, unless it is so decided by the shareholders' meeting, which shall also give the relevant reasons. (Corporate Governance Code, art. 7.C.2.) (see 5.2).

The remuneration of independent directors has to be evaluated on a case by case basis, to ensure that additional compensation received in the framework of their tasks do not compromise the independence of the director (Corporate Governance Code, art.3, comment).

3.3 Are personal loans to the company's directors and officers allowed?

Yes. However, as a general rule, directors have to disclose to the board any interest they have on own behalf or on behalf of third parties. The new provisions contained in the Italian Civil Code regarding directors' interests and transactions with related parties (Civil Code, articles 2391 and 2391-*bis*) require disclosure of the relevant interest and transparent processes to handle out the matter. With regard to the handling of the transactions governed by Article 2391 of the Italian Civil Code, it is pointed out that in practice it is not seldom that the director concerned – even though there is no obligation provided by the law in this regard – is asked to abstain from voting or to leave the meeting at the time of the discussion and resolution (Corporate Governance Code, article 9, *Comment*).

A special regime applies to banks. In particular, who is in charge of management, supervision or control of a bank cannot borrow money from the bank, neither directly nor indirectly, unless the operation is approved by all members of the board of directors and board of auditors. The same provisions apply to any member of the

banking group, but in this case the approval of the parent company is required (art. 136 of Consolidated Law on Banking).

4. Executive Directors' Remuneration

4.1 Who fixes the executive directors' remuneration? What are the relevant procedures? Are shareholders required to approve directors' remuneration, the remuneration policy, or the remuneration report (see question 2) on an annual or other basis? (In two-tier systems, please refer to the management board.)

The board of directors shall determine, after examining the proposal of the remuneration committee and consulting the board of auditors, the remuneration of the managing directors (and of those directors who cover particular offices within the company) and, where the general meeting of shareholders has not already done so, allocate the total amount to which the members of the board and of the executive committee are entitled (Corporate Governance Code 1.C.1.d).

The remuneration of the members of the management board is fixed by the supervisory board or, where permitted by the articles of association, by the shareholders' meeting (Civil Code article 2409-terdecies). Provisions of the Corporate Governance Code concerning the executive Directors are also applicable to members the management board, depending on the corporate governance structure effectively adopted by the company.

A significant part of the remuneration of executive directors and executives with strategic responsibilities is linked to the economic results achieved by the issuer and/or the achievement of specific goals indicated in advance by the Board of Directors or, in the event of the above-mentioned executives, by the managing directors (Corporate Governance Code, art. 7.C.1).

The remuneration committee shall submit to the Board of Directors proposals on the remuneration of managing directors, with regard to all forms of compensation granted to them.

The reference to the average market remuneration of similar positions may be useful for determining the remuneration level, but this cannot leave out appropriate parameters linked to the performance of the company (Corporate Governance Code, art.7, *Comment*).

The Board of Directors has the duty to decide, upon proposal of the remuneration committee, whether to utilize such remuneration systems in an extensive manner and to define the objectives of the managing directors. As regards, in particular, the compensation plans based on shares, in compliance with the applicable provisions

of law, the board has the task to define and submit proposals to the shareholders' meeting, to which Italian regulation ascribes the ultimate decision (Corporate Governance Code, art.7, comment).

The shareholders' meeting determines the general terms of share based compensation plans. Detailed information on the adopted share based plans, including reasons for their adoption, a short description of the plans, the amount of shares involved, the terms and the conditions of granting and exercise, must be published at least 15 days before the shareholders general meeting and be available for public consultation for the whole duration of the plans (Consolidated Law on Financial Intermediation article 114-*bis*, Consob Regulation article 84-*bis* and Annex 3A Scheme 7).

The shareholders' meeting approves the financial reports, including the information on directors' remuneration attached thereto in the notes to the accounts (see above, 2.3).

As for banks: The bylaws shall provide that the shareholders' meeting, besides establishing the remuneration of members of the bodies it has appointed, approve: (i) the remuneration policies for directors, employees and external collaborators, and (ii) equity-based compensation schemes (e.g. stock options). The approval of remuneration policies and compensation schemes must evidence their conformity with prudent risk management and the company's long-term objectives; they must also ensure an appropriate balance between the fixed and variable components, including in the case of the latter, risk-weighting systems and mechanisms designed to ensure that compensation is linked to effective and lasting results (Bank of Italy, 4.a).

4.2 Is the board required, or recommended as best practice, to create a remuneration committee?

Yes, the board is recommended to create a remuneration committee (Corporate Governance Code 7.P.3).

If yes, please specify:

(i) the committee's composition (if independent directors should be appointed to this committee, please give the relevant definition and indicate whether any special procedures apply to the appointment of independent non executive directors)

The Board of Directors shall establish among its members a remuneration committee, made up of non-executive directors, the majority of which are independent (Corporate Governance Code, art. 7.P.3)

(ii) the committee's competences and which company body it reports to

The remuneration committee shall:

- Formulate proposals to the board for the remuneration of the managing directors and other directors who cover particular offices, monitoring the application of the decisions adopted by the board;
- Periodically evaluate the criteria adopted for the remuneration of executives with strategic responsibilities, control their application on the basis of the information provided by the managing directors and submit to the Board of Directors general recommendations on the subject matter thereof (Corporate Governance Code 7.C.3).
- Propose to the board, on the basis of the indications provided by the managing directors, the adoption of general remuneration criteria of the company's executives with strategic responsibilities.

As far as performance-based remuneration is concerned, the relevant proposals are accompanied by suggestions on the related objectives and the evaluation criteria, for the purpose of correctly aligning the remuneration of managing directors and executives with strategic responsibilities with the medium-long term interests of the shareholders and with the objectives established by the Board of Directors for the issuer.

Reference to the average market remuneration of similar positions may be useful for the purpose of determining the remuneration level, but this however, cannot leave out of consideration appropriate parameters linked to the performance of the company. With reference, in particular, to stock-options and other equity-based incentive systems, the remuneration committee shall submit its recommendations to the Board of Directors with regard to their use and to all relevant technical aspects linked to their formulation and application. In particular, the remuneration committee shall submit proposals to the Board in relation to the incentive system considered most appropriate (stock options, other equity-based plans) and shall monitor the evolution and application in the course of time of the plans approved by the shareholders' meeting upon proposal of the board (Corporate Governance Code 7, *Comment*).

(iii) how the committee operates

The committee shall be made up of at least three members. However, issuers that have Board of Directors composed of no more than five members, may establish a remuneration committee made up of two directors only, both being independent.

Minutes shall be drafted of the meetings of each committee.

In the performance of its duties, the committee has the right to access the necessary company information and individuals in various functions within the company, according to the procedures established by the Board of Directors, as well as to dispose of external advisers.

The issuer shall make available to the committee adequate financial resources for the performance of its duties, within the limits of the budget approved by the board. Persons who are not members of the committee may participate in the meetings of each committee upon invitation of the same, with reference to certain items on the agenda.

The issuer shall provide adequate information in the corporate governance report on the establishment and composition of committees, the contents of the mandate entrusted to them and the activity actually performed during the fiscal year, specifying the number of meetings held and the relevant percentage of participation of each member (Corporate Governance Code 5.C.1).

No director shall participate in meetings of the remuneration committee in which proposals are submitted to the Board of Directors relating to his/her remuneration (Corporate Governance Code, art. 7.C.4).

4.3 Which types of remuneration are permitted?

In answering, please consider each of the following:

(a) bonuses

They are permitted and have to be disclosed (Consob Regulation, Annex 3C, Scheme 1).

(b) stock options, including discounted stock options

Stock options and equity-based remuneration plans are recommended by the Corporate Governance Code for managing directors of listed companies, (Corporate Governance Code 7 *Comment*), and must be publicly disclosed (Consob Regulation, Annex 3C, Scheme 2).

For unlisted companies, according to art. 2389 of the Civil Code, directors' remuneration can also consist of share options.

(c) stock grants

Stock grants are permitted (Civil Code art. 2349) and have to be disclosed (Consob Regulation, Annex 3C, Scheme 3).

(d) profit sharing

Profit sharing is permitted (Civil Code art. 2389).

(e) benefits in kind

They are permitted and have to be disclosed (Consob Regulation, Annex 3C, Scheme 1).

As for banks:

The parameters for setting the amount of remuneration must be clearly specified and objective, and must permit immediate evaluation.

The ratio of the incentive-based component to total remuneration must be defined and carefully evaluated to prevent the former from giving rise to conflicts of interest (Bank of Italy, 4.e).

4.4 Are there specific rules, including shareholder approval requirements, as to these different types of remuneration?

The shareholders' meeting determines the general terms of share based remuneration plans. Detailed information on the adopted share based remuneration plans, including reasons for their adoption, a short description of the plans, the amount of shares involved, the terms and conditions of granting and exercise, must be published at least 15 days before the shareholders general meeting and must be available for public consultation for the whole duration of the plans (Consolidated Law on Financial Intermediation article 114-*bis*, Consob Regulation article 84-*bis* and Annex 3A Scheme 7).

The shareholders' meeting approves the financial reports, including the information on directors' remuneration attached thereto in the notes to the accounts (see above, 2.3).

As for banks: The bylaws shall provide that the shareholders' meeting, besides establishing the remuneration of members of the bodies it has appointed, approve: (i) the remuneration policies for directors, employees and external collaborators, and (ii) equity-based compensation schemes (e.g. stock options). The approval of remuneration policies and compensation schemes must evidence their conformity with prudent risk management and the company's long-term objectives; they must also ensure an appropriate balance between the fixed and variable components, including in the case of the latter, risk-weighting systems and mechanisms designed to ensure that compensation is linked to effective and lasting results (Bank of Italy, 4.a). (See above, 4.1).

4.5 Are there any restrictions on how payments are made?

There are no specific provisions.

4.6 Are there any specific requirements for termination payments made on loss of office, whether through dismissal, retirement, on a takeover, or otherwise?

The Corporate Governance Report has to include a description of the agreement on termination payments for each director in the case of resigning or dismissal without due cause or as a consequence of a hostile takeover (art. 123-bis. 1 *i*) of the Consolidated Law on Financial Intermediation). The companies must

indicate in the notes to the accounts the remuneration paid to each director, member of the board of auditors and general manager (Consob Regulation art. 78). Such information is to be presented in tabular form and shall include retirement bonuses (Consob Regulation Annex 3C Scheme 1). However, no additional provisions apply, besides disclosure.

Detailed and complex rules are applied in this area under labour law if the contract covers the director's services as an employee. Collective national contracts provide minimum conditions as to salary, retirement allowances and compensation in lieu of notice.

Share based remuneration plans specify whether the director may still exercise options granted in case of dismissal, voluntary or mandatory retirement, resignation, or rescission of contract.

4.7 Are there any specific requirements concerning directors' service contracts with respect to, for example, their duration and disclosure?

Directors cannot be appointed for a period exceeding three years. The appointment may be renewed where permitted in the articles of association and the directors may be revoked at any time by the general meeting, with entitlement to damages in case of unfair dismissal (Civil Code art. 2383).

5. Non-executive Directors' Remuneration

5.1 Are non-executive directors separately paid for their participation in committees of the board of directors? Do any restrictions apply to the payment of non-executive directors' via stock options?

The remuneration of non-executive directors shall not – other than for an insignificant portion – be linked to the economic results achieved by the issuer. Non-executive directors shall not be beneficiaries of stock option or equity-based remuneration plans, unless it is so decided by the shareholders' meeting, which shall also give the relevant reasons (Corporate Governance Code, art. 7.C.2).

As for banks: Members of the body charged with control function (board of auditors/supervisory board/management control committee) should be excluded from equity-based compensation or bonuses linked to corporate performance. Non-executive directors should normally be excluded from incentive-based mechanisms, which should represent only a small portion of their total remuneration and be established in strict observance (Bank of Italy, 4.c)

5.2 May a company make payments to non-executive directors, additional to their directors' fees, for services, such as legal or brokerage services, outside the usual scope of directors' duties?

Yes, these services can be remunerated, subject to disclosure provisions (see 2.3).