



IMPLEMENTING SRD II

COUNTRY BRIEF: ITALY

KEY TAKEAWAYS

- The law that implements the Shareholder Rights Directive II was approved on May 10, 2019.
- Say-on-pay is split into two votes, a binding vote on the remuneration policy and an advisory vote on the remuneration report.
- The first votes are expected in 2020.

EU DIRECTIVE
2007/828/EC AS
REGARDING THE
ENCOURAGEMENT OF
LONG-TERM
SHAREHOLDER
ENGAGEMENT (SRD II)

In response to the global financial crisis, the European Commission proposed a revision of the original 2007 Shareholder Rights Directive.

The [revised Shareholder Rights Directive II \("SRD II"\)](#), which took effect in June 2017, mainly aims to reinforce effective and long-term shareholder engagement and monitoring of company performance.

KEY NEW REQUIREMENTS OF SRD II

The Directive is subdivided into three main chapters



VOTING CHAIN

- Companies should have access to the identity of shareholders without delay.
- Transmission of information that enable exercise of shareholder rights should be made in electronic and machine-readable formats.
- Intermediaries are required to facilitate the exercise of shareholder rights, including confirmation that shareholder votes were recorded and counted accurately.



TRANSPARENCY

- Engagement policies of institutional investors and asset managers
- How shareholder engagement is integrated into investment strategy, including how voting rights were exercised
- Institutional investors' investment strategies and arrangements with asset managers
- Proxy advisors should disclose a reference to the code of conduct they apply and report on the application of that code.



REMUNERATION & RPTs

- Shareholders will have the right to express their views on executive pay.
- Separate votes on the remuneration report and the remuneration policy.
- The European Commission will provide non-binding guidance about the presentation of the remuneration report.
- Rules on transparency and approval process of related-party transactions.

SHAREHOLDER RIGHTS DIRECTIVE II

In response to the 2008 global financial crisis, the European Commission proposed in April 2014 a revision of the original 2007 Shareholder Rights Directive in 2014. The revised Shareholder Rights Directive ("SRD II"), which took effect in June 2017, seeks to reinforce effective and long-term shareholder engagement and monitoring of company performance. Both elements were lacking during the crisis when many companies took on excessive risks in the pursuit of short-term returns. EU member states were called upon to amend their laws to comply with SRD II by June 10, 2019. As of Feb. 26, 2020, 20 EU member states had implemented SRD II into their local legislations.

IMPLEMENTING SRD II INTO THE LEGISLATION OF ITALY

The Italian Government partially transposed SRD II through Legislative Decree No. 49 of May 10, 2019, which was published in the Official Journal No. 134 of June 10, 2019, and amended the relevant primary legislation (Italian Civil Code and Consolidated Law on Finance). Secondary legislation has not been amended through implementing provisions.

The most important components of SRD II transposed to the Italian law are detailed below.

Identification of Shareholders

In line with the SRD II, issuers will be allowed to request the identification of shareholders holding more than a certain percentage of shares or voting rights. Such a percentage shall not exceed 0.5 percent. The Italian regulator did not set a specific threshold. This amendment will take effect on Sep. 3, 2020.

Transmission of Information

In order to enable shareholders to exercise rights deriving from their shares, the intermediaries are required to transmit information without delay complying with issuer deadlines and record dates and in electronic and machine-readable formats which allow for interoperability and straight-through processing (STP). This amendment will take effect on Sep. 3, 2020.

Facilitation of Shareholder Rights

Intermediate entities that act as representatives of shareholders must facilitate the exercise of their voting rights by ultimate shareholders. Voting instructions should be transmitted without delay, in accordance with record dates and issuer deadlines. Vote confirmations and how shareholder votes were counted at the general meeting must be provided to shareholders. This amendment will take effect on Sep. 3, 2020.

Transparency of Institutional Investors

Institutional investors and assets managers are required to disclose their engagement policies annually.

Transparency of Proxy Advisors

Proxy advisors are required to publish on their websites annually a reference to a code of conduct which they apply and reports on the application of that code. The provisions on transparency of institutional investors, of asset managers, and of proxy advisors will apply as from June 10, 2020.

Right to Vote on the Remuneration Policy and Report

The remuneration policy should be submitted to the general meeting for shareholder approval upon each substantial change thereof or at least every three years.

The annual remuneration report should be submitted for non-binding shareholder approval at the general meeting which approves the financial statements for the accounting period for which the remuneration report is prepared.

Transparency on Related-Party Transactions

Related-party transactions must be approved by the board of directors after receiving a positive opinion by a board committee composed of independent directors. If this is not done, the transactions of greater importance can be approved by a majority of non-related shareholders (i.e., excluding those shareholders who are affiliated with the party involved in the transaction, the so-called "whitewash mechanism") at the general meeting.

Effective Date	June 10, 2019
GM Notice Period	30 days
Availability Remuneration Report	21 days
Policy Vote	Binding
Report Vote	Advisory
RPT Vote	Yes, of greatest importance



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