Mr. Marco Osnato
Presidente della VI Commissione della Camera
Commissioni congiunte 2ª e 6ª Senato con II e VI Camera
Mr. Federico Freni
Undersecretary
Ministry of Economy and Finance

12 December 2025

Dear Chairman Osnato and Sottosegretario Freni,

Subject: Atto del Governo n. 331 – Draft Legislative Decree Reforming the Financial Markets Act (TUF) and amending certain provisions of the Italian Civil Code

The International Corporate Governance Network (ICGN) would like to offer the perspective of institutional investors on the Draft Legislative Decree n.331, published on 17 October 2025.[1]

ICGN represents investors with assets under management of over US$ 90 trillion. We promote high standards of corporate governance and investor stewardship globally. Our members are based in more than 40 countries and comprise asset owners and asset managers who invest in Italian listed companies.

Investors, companies, and policymakers have a shared interest in thriving capital markets. This helps businesses access long-term capital, support innovation, and create jobs, while also generating returns on which pension funds, savers, and citizens depend. Capital markets flourish when investors are confident that their rights are respected and that companies operate with integrity and oversight.

Investors recognise and support the objectives of the reform proposed by the Government in the Draft Legislative Decree: to improve the competitiveness of Italian capital markets broaden access to equity finance for companies and streamlining the regulatory framework. While the reform contains several valuable proposals that will help achieve these objectives, investors are concerned by several key elements that risk weakening minority shareholder protections and could undermine confidence in the Italian market among long-term institutional investors.

To preserve and strengthen the attractiveness of Italian companies for international investors - a stated aim of the reform - we respectfully encourage the Italian Parliament and Government to reconsider some elements of the proposed decree.[2]

[1] Atto del Governo n. 331.
[2] "Making companies more attractive to international investors" is one of the principles binding the Government in the exercise of the delegated power to enact laws, pursuant to Article 19, para. 2, lett. A) of Law 5 March 2024, No. 21.

Optional regime for newly listed companies and SMEs

The draft decree introduces a new simplified regime for newly listed companies ('neoquotate') and listed SMEs, available on an opt-in basis pre-IPO (for future issuers) and within two years post-entry-into-force for existing SMEs with a market cap below €1bn. While we understand the objectives of such a regime, ICGN is concerned with the following in particular:

- Slate Voting Derogation - Issuers would be able to derogate from the "voto di lista" and the reservation of board and statutory auditor seats to minority slates, with mandatory minority representation preserved only in limited cases. ICGN has previously underlined that the Italian slate system is increasingly valued by many international investors because it ensures minority representation on boards. **In a market like Italy, with an unusually high number of controlled companies, this is a key protection for minority investors.** We advise against removing this protection especially as company-specific governance risks may now increase. **We recommend that the rules on list voting with reserved seats for minorities remain in place** (without prejudice to the possibility of providing for voting on individual candidates). We also recommend that the regulatory authority, Consob, retains the power to determine the quorums required for the submission of nominations to the board of directors.

- Weakening of Related Party Transaction (RPT) Controls - Companies would be allowed to bypass standard procedural safeguards (such as independent committee opinions) for related party transactions, provided they do not exceed a high 10% quantitative threshold, replacing real-time oversight with a retrospective semi-annual report to the Board. We are concerned that this high threshold may fail to comply with the EU Shareholder Rights Directive (SRD II) as far as newly listed companies are concerned, and, in general, exposes minority investors to unchecked conflicts of interest. ICGN's guidance is that material or potentially conflicted RPTs should be reviewed ex-ante by independent directors, with conflicted directors recused, and that the process should be clearly disclosed.[3]

- Disapply the right of withdrawal - We do not support the proposal that companies can derogate from the right of withdrawal pursuant to Article 2437, paragraph 1, of the Italian Civil Code. **We recommend that this right be maintained** for all companies opting for the simplified regime to allow shareholders to be granted protection as a last resort.

- Derogation from whitewash procedure - In addition, and perhaps more importantly, investors are deeply concerned that the draft legislation provides that if a company opts out of just one of the provisions guaranteeing shareholder rights - at the IPO stage or via a transition window for SMEs - it may subsequently opt out of all remaining protections using standard charter amendment quorums (simple majority), without a requirement that a majority of the minority shareholders support the change and without the right to withdraw for dissenting shareholders. We are concerned that this adds another layer of complexity which may leave investors in the dark, unable to make truly informed investment decisions. There is a clear risk that investors will not have a full understanding of the company's governance at the time of the IPO.

[3] ICGN Global Governance Principles, p34

Governance flexibility can be acceptable if fully disclosed pre-IPO; where it reduces investor protection, it comes at a "price" and should be subject to appropriate safeguards. **We strongly urge that any amendment to the articles of association be subject to a strict whitewash mechanism to ensure alignment with all shareholders' interests.**

- **Furthermore, instead of making these derogations from good governance permanent, we recommend a sunset clause requiring that the use of the simplified regime be re-approved by shareholders periodically** (e.g., every 3-6 years) **and using the whitewash mechanism.**

Remuneration Policy Vote

Companies, subject to a change in their articles of association, would be able to make the shareholder vote on the executive remuneration policy purely advisory, whereas it is currently binding. Issuers could exclude executives with strategic responsibilities from the scope of the pay policy, which would reduce accountability. ICGN members consider advisory vote on pay to be insufficient since it does not oblige the board to amend or withdraw a misaligned remuneration policy, even where there is clear and repeated shareholder opposition. Without a binding vote on the policy investors loose leverage to ensure the right elements are in place for executive remuneration to support long-term, sustainable value creation. Italian companies choosing this option would be outliers in the European market, where remuneration policy votes are typically binding. **We recommend that the proposal to make the remuneration policy vote advisory be withdrawn.**

Delisting and downlisting

Investors see a need to address situations, in Italy, where transactions formally attributable to takeover bids are, in substance, aimed at delisting the target company – with significant implications for minority shareholder protections. ICGN supports Assogestioni's suggestions to introduce the following safeguards in situations that would de facto result in the delisting of an issuer: i) a qualified majority for resolutions leading (even indirectly) to delisting: approval by the extraordinary shareholders' meeting with a majority of at least 90% of the capital present, and, as suggested also by Consob, the neutralisation of multiple voting rights for such resolutions; ii) the extension of the right of withdrawal pursuant to Article 2437-quinquies of the Italian Civil Code to shareholders of companies with securities traded on unregulated markets; and iii) the withdrawal value following a takeover bid to be equal to the offer price, rather than the average price over the previous six months.

Secondly, the reform proposed by the Government would give companies the option to "downlist" from a regulated market to a multilateral trading facility. This exposes shareholders to the risk of holding shares in companies that are no longer traded on regulated markets. In the event of downlisting, we agree with Assogestioni that it would be beneficial to have additional safeguards for minority investors, including: approval of the transaction by the extraordinary shareholders' meeting with a qualified threshold of at least 90% of the capital present, and neutralisation of multiple voting rights for the approval of such resolutions.

Unequal Voting Rights

As consistently stated by ICGN,[4] corporate governance best practices require that when a shareholder holds one share, they get one vote. Investor influence on the company's decision-making should be proportionate to their economic exposure. Unequal voting rights may serve to entrench management and allow founders and controlling shareholders to monopolise decision-making, potentially putting minority shareholder interests at risk and facilitating minority shareholders' expropriation.

To mitigate these risks, ICGN recommends that companies with multiple class share structures be required to include sunset clauses specifying that multi-class share mechanisms will automatically lapse after a certain period or events (5-7 years) unless a majority of minority shareholders agree to extend them.

Definition of director independence

Rather than having several definitions of board independence in Italian laws and standards, we recommend that the legislation uses solely the definition of independence established in the Italian Corporate Governance Code.

Shareholder Meetings

We are concerned by the proposed legislative decree which allows the Board to mandate closed-door meetings without shareholder approval**.** As stated in ICGN Global Governance Principles, general meetings as a core accountability mechanism where shareholders can interact with boards, ask live questions, and make statements. We see the normalization of the 'closed-doors' general meeting format in Italy (i.e., in which participation is allowed only through the designated representative) as problematic. A decision to conduct a virtual-only or closed-door shareholder meeting should be reserved for emergency situations and subject to shareholder approval.

While, in principle, we welcome the proposed safeguard allowing investors to request a physical meeting, we believe that the threshold of 5% of share capital is excessively high. In many listed companies, gathering 5% of independent capital to simply request a venue for dialogue, in a very short period, is practically impossible. At a minimum, we ask that decision-makers lower this threshold to ensure that this safeguard can be used by investors.

However, **our recommendation remains that Italian companies be required to conduct hybrid AGMs, following the global best practice**.[5] Other countries have found ways to minimise disturbance during AGMs, without closing doors entirely.

We agree with the introduction of a deadline for the submission of proposed resolutions and the removal of the possibility to propose resolutions during the meeting itself. This will facilitate the exercise of voting rights by institutional investors.

The importance of public consultations

Finally, we regret the limited public consultation on a reform of this breadth, importance, and complexity, and wish to emphasize our particular concern regarding the prospect of further implementing and corrective decrees over the next several years without the requirement for clear procedural guarantees for input from market participants.

[4] ICGN, Response Proposed Italian legislation on interventions to support the competitiveness of capital markets, 2023; ICGN Letter on Capital Markets Law and the TUF reform, 2024

[5] OECD Shareholder Meetings and Corporate Governance. Globally, virtual-only meetings have reduced from ~90% to ~40% from 2021 to 2023.

Given the significance of the proposed reform for Italy's market architecture, **we strongly encourage consultations** with domestic and international investors, as well as companies and other stakeholders on any subsequent decrees under the delegation.

ICGN and its members very much share the Italian authorities' goal of strengthening the country's capital markets and attracting more listings. In our experience, the most competitive markets are those that combine efficient access to capital with high, stable standards of governance and investor protection.

Thank you again for the opportunity to share our perspective. If you would like to follow up with questions or comments, please contact Severine Neervoort, Global Policy Director or Ayan Tewari, Senior Policy Executive (policy@icgn.org).

Yours faithfully,

Jen Sisson

Chief Executive Officer, ICGN

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