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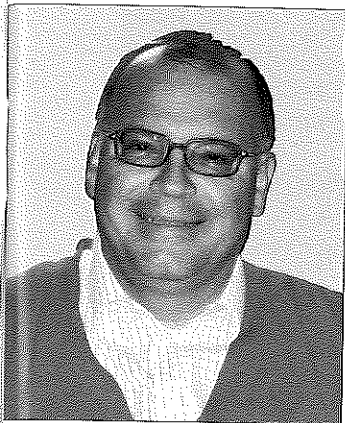
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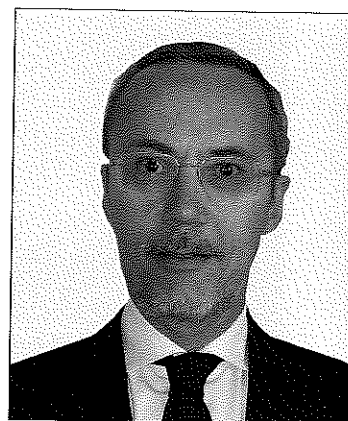
# Executive Remuneration in Italy: New Rules, Same Game

Piero Marchettini and Marco Bernardi



**Piero Marchettini** is Managing Director of Adelaide Consulting, a firm that specializes in executive compensation and corporate governance with offices in Geneva and Milan. He has 35 years' experience in the insurance, legal and consulting fields. During the course of his career, Mr Marchettini has practised law at the Milan Bar. In addition, he worked as a Senior Consultant in Towers Perrin's Paris office, was a founding partner of the consultancy H.R.C. International and was Managing Director of Wyatt Italy (now Towers Watson Italy). He has a law degree from the University of Pavia and an MBA from INSEAD, Fontainebleau.

A Manager of Adelaide Consulting in Milan, **Marco Bernardi** has 17 years' experience in human resources management and governance. During his career he has worked for IBM in a number of different roles in the HR Department, the last one being Position Evaluation Process Leader for Europe, Middle East and Africa. More recently he was a Senior Associate of Mercer Italy in the Reward Practice. Mr Bernardi has a degree in Political Science from *Università degli Studi di Milano*.



The implosion of the financial markets in the USA in 2008 generated the most severe financial crisis since the Great Depression of 1929. This quickly became a global economic crisis with adverse consequences affecting everyone: the widespread loss of jobs, homes, savings and businesses. Its social consequences created a general public anger promptly picked up by the media. The Financial Crisis Inquiry Commission of the US Government highlighted that:

"... one of the major causes of the crisis was the failure of governments to control the financial markets and to enforce reasonable rules designed to protect the public interest ... financial markets are not self-regulatory. Market participants understandably pursue their own self-interests and cannot be relied upon in order to protect the public interest".<sup>1</sup>

As a consequence of the crisis, governments and international regulatory bodies (under the pressure of the general public, the media and shareholders) produced a new set of regulations on corporate governance in 2008-11. These regulations have a special focus on executive compensation, both for financial institutions and for listed companies.

Compensation for top management cannot be considered the only cause of the economic recession, but in regulatory bodies the opinion is widespread that it was a significant contributory factor through a focus on short-term profitability (with risk exposures taken by management that had a negative impact in the long run).

On corporate governance and executive remuneration, the Italian legislative and regulatory framework has introduced many significant changes for 2010 and 2011,

both in the banking sector and for listed companies in general, in an attempt to catch up with other European countries.

## INTERNATIONAL AND NATIONAL REGULATORS

For financial institutions in Italy the following key regulators, besides the Government, have contributed at national and international level to the construction of the regulatory framework:

- the Financial Stability Board (FSB),
- the Institute of International Finance (IIF),
- the Basel Committee,
- the European Banking Authority (EBA),
- the Commission of the European Union, and
- the Bank of Italy.

Besides the Government, the key regulators for listed companies are:

- the Commission of the European Union,
- the Italian Stock Exchange (*Borsa Italiana*), and
- the National Commission for Companies and the Stock Exchange (*Consob*).

The tasks and missions of all these regulatory bodies are summarized in TABLE 1 overleaf.

## KEY FINANCIAL AND BANKING LEGISLATION

In the financial services sector the key principles regulating governance and compensation were first identified in a structured way by the Financial Stability Board in April 2009 ('FSB Principles for Sound Compensation Practices'). It is worth recalling these principles since they constitute the basis on which all the following legislation has been built. Overall, these principles aim to prevent perverse compensation

TABLE 1

## The Tasks and Missions of Regulatory Bodies

Regulator	Summary
Financial Stability Board	The FSB has been established to co-ordinate at the international level the work of national financial authorities and international standard-setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial-sector policies. The members of the FSB are committed to pursuing the maintenance of financial stability, maintaining the openness and transparency of the financial sector and implementing international financial standards; they agree to undergo periodic peer reviews.
Institute of International Finance	The IIF's objective is to support the financial industry in prudently managing risks, developing best practices and standards and advocating regulatory, financial and economic policies that are in the broad interests of its members in order to foster global financial stability. Its members are multinational corporations, trading companies, export credit agencies and multilateral agencies. Approximately half the Institute's members are Europe-based financial institutions.
Basel Committee	The Basel Committee's objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide. It seeks to do so by exchanging information on national supervisory issues, approaches and techniques, with a view to promoting common understanding. It develops guidelines and supervisory standards in areas where they are considered desirable.
European Banking Authority	Previous to January 2011 the EBA was called 'Committee of European Banking Supervisory' (CEBS). Created by the European Parliament and the European Council, it acts as a hub and a voice for EU and national bodies safeguarding public values, such as the stability of the financial system, the transparency of markets and financial products and the protection of depositors and investors. Its competencies include preventing regulatory arbitrage, guaranteeing a level playing-field, strengthening international supervisory co-ordination, promoting supervisory convergence and providing advice to the EU institutions in the areas of banking, payments and e-money regulation as well as on issues related to corporate governance, auditing and financial reporting.
Commission of the European Union	The EU Commission is an important regulatory body capable of establishing norms that must be translated into laws through individual national parliaments.
Bank of Italy	The Bank of Italy is the central bank of the Italian State, part of the European System of Central Banks and of the Eurosystem. It is responsible for the financial stability of the country. It can define very detailed and structured regulations for Italy's financial system.
Italian Stock Exchange	The Italian Stock Exchange organizes and manages the working of the financial market in Italy. Its key objective is to develop the markets and maximize their liquidity, transparency, competitiveness and efficiency.
National Commission for Companies and the Stock Exchange	<i>Consob</i> is an independent body whose objectives are to protect investors and maintain the efficiency, transparency and development of the stock market. It can produce regulations for the companies listed on the Stock Exchange.

Source: Websites of the respective regulatory bodies above

systems that are unrelated to prudent risk-taking and risk management. In fact, such systems could jeopardize the capital stability of the financial institution.

The nine principles were set according to three macro-areas in order to guarantee governance of compensation, the alignment of compensation with prudent risk-taking and supervision and the engagement of stakeholders (detailed in BOX 1 opposite). The most significant international and Italian norms issued on the basis of these principles are shown in TABLE 2 opposite.

Among these regulations the most comprehensive is the latest one of the Bank of Italy of March 2011, which implements the European Union Directive 2010/76 (CRD III). This regulation also takes into account the previous principles, guidelines and standards enacted by the Financial Stability Board, the Basel Committee, the European Union and the Committee of European Banking Supervision (CEBS), now called the European Banking Authority (EBA).

The overall objective of the Bank of Italy regulations is to take care of the interests of all the stakeholders – not

**Nine Principles according to Three Macro-areas****■ Governance of compensation**

The board of directors must actively supervise the compensation system's design and operation.

The board of directors must monitor and review the compensation system to ensure it operates as intended.

Staff engaged in financial and risk control must be independent, have appropriate authority and be compensated independently of the business areas they supervise. Their remuneration must be commensurate with their key role in the bank.

**■ Alignment of compensation with prudent risk-taking**

Compensation must be adjusted for all types of risk.

Compensation outcomes must be symmetric with risk outcomes.

Compensation payout schedules must be sensitive to the time horizon of risks.

The mix of cash, equity and other forms of compensation must be consistent with risk alignment.

**■ Supervision and the engagement of stakeholders**

The supervisory review of compensation practices must be rigorous and sustained. Deficiencies must be addressed promptly with supervisory action.

Banks must disclose clear, comprehensive and timely information about their compensation practices in order to facilitate the constructive engagement of all stakeholders.

TABLE 2

**The Most Significant International and Italian Norms**

<i>Date</i>	<i>Regulator</i>	<i>Norm</i>
September 2009	Financial Stability Board	Principles for sound compensation practices – implementation standards
October 2009	Bank of Italy	Communication on remuneration and incentive systems
January 2010	Basel Committee on Banking Supervision	Compensation principles and standards assessment methodologies
March 2010	Financial Stability Board	Thematic on compensation
December 2010	European Commission	Directive 2010/76/EU (CRD III)
	Committee of European Banking Supervisory	Guidelines on remuneration policies and practices
	Bank of Italy	'Provisions of Supervision on Remuneration and Incentive Policies and Practices in the Banks: Consultation Document'
March 2011	Bank of Italy	'Provisions on Remuneration and Incentive Policies and Practices in Banks and Banking Groups'

just the shareholders – in order to design and implement remuneration systems that are:

- in line with the bank's strategy and long-term objectives;
- linked to the bank's results, taking into account not just the current risks but also the prospective ones; and
- consistent with the bank's capitalization and the level of liquidity needed in order to cater for the expected activities.

The specific purpose of these systems is to avoid an 'appetite for risk' that can stimulate behaviours against norms and regulations. These systems should be transparent *vis-à-vis* the market and the general public and ultimately avoid conflicts of interest.

These norms have recently been published in the *Gazzetta Ufficiale* (the Government's official publication)<sup>2</sup> and are therefore now effective for all banks, including foreign subsidiaries operating in Italy and the Italian subsidiaries of non-EU banks where applicable. In the latter cases, the norms relate only to the remuneration systems and to public disclosures, not to supervisory authorities.

However, it must be noted that the applicability of these norms is requested according to "proportionality criteria" (which means that the banks have to apply them fully or only partially in accordance with their characteristics in terms of size, type of business and whether or not they are listed on the Stock Exchange).

Besides the regulations of the Bank of Italy, the banking sector must take into account the specific norms adopted for listed companies if a bank is quoted on the Stock Exchange. Furthermore, the banking sector must comply with the norms adopted by *Consob* concerning the remuneration of the networks selling financial services and products.

The March 2011 regulations of the Bank of Italy focus on the following areas:

- the identification of the "most relevant personnel",
- the role of the ordinary shareholders' meeting,
- the role of the supervisory board,
- the Remuneration Committee,
- the internal control functions,
- the compensation of the non-executive board members, the supervisory board members and the members of the internal control functions,
- the relationship between the fixed and variable components of remuneration,
- the structure of the variable component of remuneration, and
- the disclosure of remuneration policies.

For each of these focus areas a short summary of requirements is provided in TABLE 3 opposite.

#### KEY LEGISLATION FOR LISTED COMPANIES

Italian legislation for listed companies is an attempt to make up the lost ground of the previous years *vis-à-vis* the best remuneration policies and practices adopted by leading financial markets. In 2010 and early 2011 several norms were developed on executive remuneration and its disclosure to the general public (including the control of the policies and practices by the Remuneration Committee). The main purpose of these norms is basically to introduce in Italy the third Recommendation of the European Commission concerning the remuneration of directors of listed companies (Recommendation 2009/385/EC dated 29 April 2009)\*. The new Italian norms are:

- Article 7 of the Self-discipline Code (March 2010);
- Articles 1 and 2 of the law of 30 December 2010, No. 259 (*Decreto Legislativo* 259/2010);
- *Consob* Communication DEM/11012984 of 24 February 2011.

We will now consider each in turn.

#### Article 7 of the Self-discipline Code (March 2010)

The norm of the Self-discipline Code, which regulates the remuneration of executive and non-executive board members, was set by the Corporate Governance Committee of the Italian Stock Exchange on 3 March 2010 and it introduces substantial changes to the 2006 version. It requires listed companies to be compliant by 31 December 2011 and to disclose the information to the markets by 2012.

The key areas that are regulated concern:

- (a) the remuneration of both executive and non-executive board members and of the management with strategic responsibilities;
- (b) the presentation of an annual report on the remuneration policy for executive board members and other top managers with strategic responsibilities; and
- (c) the role and activities of the remuneration committee.

The most relevant guidelines concerning these three areas follow.

#### Remuneration of Three Specific Categories

Maximum levels are set for the variable component of the remuneration which must be linked to performance objectives. Objectives must be predetermined, measurable and linked to value creation for the shareholders in the medium- to long-term.

\* For further information, please see 'Executive Remuneration and the Latest EU Recommendation' by Piero Marchettini, *B&C International*, November 2009.

TABLE 3

## The Requirements for Focus Areas

Area	Summary of requirements
Identification of the "most relevant personnel"	The need to conduct a self-evaluation in order to identify the categories of employee whose professional activities have, or can have, a significant impact on the risk profile of the bank
Role of the ordinary meeting	<p>Nominates the banking bodies and defines their specific compensation</p> <p>Approves the remuneration policies for the bodies that have responsibility for the supervision, management and control of the personnel and the plans based on financial vehicles. Receives and examines the annual report as it relates to the remuneration and incentive systems and practices</p>
Body with a strategic supervisory function and the Remuneration Committee	<p>Adopts and re-examines annually the remuneration policy and guarantees its correct implementation. Ensures that the remuneration policy is properly documented and accessible within the bank</p> <p>At the headquarters of the major banking groups, and automatically for listed banks, there must be a Remuneration Committee within the body which has a strategic supervisory function. If such a committee does not exist, the strategic supervisory body must perform the tasks asked of the Remuneration Committee</p>
Internal control functions	<p>These comprise risk management, compliance, audit and human resources</p> <p>Each with its respective competences, these co-operate with one another in order to ensure compliance with the remuneration policies and practices presented in this regulation</p>
Compensation of the non-executive board members, the supervisory board members and the members of the internal control functions	<p>For non-executive board members incentive mechanisms should normally be avoided</p> <p>For the members of the supervisory board any form of variable remuneration is prohibited</p> <p>For the head of the internal control functions and top management and for the manager responsible for the drafting of the company accounting documents, eventual incentive mechanisms must be consistent with the tasks assigned and independent of the results achieved in the parts of the organization under their control. Any bonuses linked to financial results must thus be avoided except for valid motivational reasons. It is possible to connect variable remuneration to objectives that sustain the bank, i.e. cost containment and capital strengthening, unless they become a source for conflicts of interest</p> <p>For all the personnel with internal control functions the weight of the variable element of compensation must be limited</p>
Relationship between the fixed and the variable components of remuneration	Ensures an appropriate balance between the fixed and the variable elements of compensation in relation to the characteristics of the intermediary and the different categories of personnel, with a special focus on those who are defined as "most relevant"
Structure of the variable component of remuneration	<p>The variable component must:</p> <ul style="list-style-type: none"> <li>- be linked to performance indicators net of risk on a multi-year horizon, taking into account the capital and liquidity resources that will be needed in order to undertake necessary activities;</li> <li>- be based on actual results that should be sustainable;</li> <li>- consider the risks/results of the bank or the overall group, the business units and, if possible, the individual;</li> <li>- contain a quota, of at least 40%, which will be paid out after a period of time no shorter than three to five years;</li> <li>- be composed of at least 50% of equity plans, this percentage applying to both the deferred part and the part paid up-front; and</li> <li>- contain mechanisms that can make adjustments after the event, such mechanisms operating during the deferral period, i.e. before the bonus pay-out, reducing the payment due to a revision of the results achieved (the so-called 'malus' clause) and also operating after the pay-out of the bonus has taken place ('claw-back' clause)</li> </ul>
Disclosure to the general public	Need to publish a detailed report on remuneration and incentive systems and practices (implementation effective from the publication of the Bank of Italy Newsletter No. 263 of 27 December 2006)

Basic pay must be adequate to remunerate fairly the responsibilities of the executive, should the variable component not be paid out (where performance objectives have not been reached).

A relevant part of the variable component must be deferred over a period of time after the achievement of the objectives. The amount and the period of time of the deferral must be consistent with the type of business and its risk profile.

Severance pay for early termination of the mandate or its lack of renewal must be defined in such a way that its overall value is no higher than a certain predefined amount or a specific number of years of remuneration. Severance pay should not be paid out if the termination is due to poor performance.

Equity plans must be linked to performance objectives with a vesting period of at least three years. The board members must retain their equity participation until the end of their mandate.

The remuneration of the non-executive board members normally must not be linked to the performance of the company (if this is the case the amount should not be significant). Non-executive board members must not be remunerated with equity plans unless otherwise motivated by the shareholders' meeting.

#### **Report on Remuneration Policy**

The report on remuneration policy, to be prepared on an annual basis, must describe the policy for the executive directors and the top managers with strategic responsibilities. It should be submitted by the Remuneration Committee to the board of directors which must approve it. The report must be clearly written, be easily understandable and describe the remuneration policy related to the fiscal year after the one in question.

#### **Remuneration Committee**

The Remuneration Committee should include only non-executive directors, the majority of whom must be independent. At least one member of the committee must have an adequate knowledge of, and experience in, financial matters. The committee can use a consultant with experience in remuneration policies, making sure that this adviser is independent and free of conflict of interest. The overall responsibilities of this committee should be to control the remuneration policies for executive board members and for top managers with strategic responsibilities. Furthermore, the committee should propose and verify the performance objectives.

#### **Articles 1 and 2 of the 30 December 2010 Decree**

The 30 December 2010 Decree introduces to Italy (admittedly only partially) the principles of the European Commission Recommendation 2009/385/EC to be applied to all listed companies.

Enacted by the Italian Government as an urgent measure, it must now be approved by Parliament in order to become law. It introduces the principle of 'say-on-pay' (the vote, even though not binding, of shareholders on top-management remuneration) and the report on the remuneration policies for top management, which must

include an "adequate representation" of each element of the remuneration package.

#### **Consob Communication of 24 February 2011**

As established by the Decree, *Consob* has started to issue its guidelines. These guidelines, which apply to listed companies, relate to the disclosure of the remuneration of board members; the succession plans for executive board members (only for the top 40 major companies listed on the Italian Stock Exchange); and the indemnity to be paid in the event of early termination.

The overall objective is to increase the involvement of shareholders in the definition of the remuneration policies and to control their implementation more effectively.

In addition, *Consob* would like to stimulate self-regulation initiatives, particularly for succession planning.

#### **THE RULE OF LAW**

So far, so good. During the last two years, in order to match the best practices of international corporate governance, the Italian legislative and regulatory framework for executive remuneration has been significantly improved. Has this changed the behaviour of major Italian companies? The answer is No. As has been explained:

"Friedman said you couldn't have capitalism without the rule of law, which is essential for regulation. But the problem with Italy is that no one observes the rule of law so you can't have capitalism: you can't have a free market because there are no rules. Italy's fundamental problems are two: its ineffective laws and its citizens – both corporate and individual – who refuse to obey them. Year after year Italy falls further behind in the indicators assessing economic development, youth unemployment, research and development and rights of consumers. Meanwhile corruption, tax evasion and evermore clogging of the justice system are all on the rise"<sup>3</sup>.

Corporate governance and executive compensation fit in with this bleak outlook. In fact, one of the most appalling examples of poor corporate governance in Italy has always been the huge severance packages awarded to Chief Executive Officers (CEOs), in order to obtain their "voluntary resignation". The guidelines contained in the Recommendation 2009/385/EC establish a maximum termination indemnity corresponding to two years' basic pay. Almost all the major European countries have properly implemented this principle. Despite being the worst laggard in terms of economic growth among the major world economies during the last 15 years, Italy has chosen not to implement the maximum limit of two years' basic pay.

During the last few months two corporate titans, Alessandro Profumo, Managing Director of UniCredit, and Cesare Geronzi, Chairman of Assicurazioni Generali, have abruptly resigned from their jobs, rather than be pushed. Based on the guidelines contained in the Recommendation 2009/385/EC, their severance

payments should have been €8.6 million\* and €6.6 million. Instead they have received €40.6 million and €16.6 million respectively (Profumo at least has worked for UniCredit for 15 years, Geronzi for Assicurazioni Generali only for 11 months).

What are the causes of these incredible corporate excesses? There are at least four, in descending order of importance, namely, the weakness of institutional investors, the lack of independence of the Press, the lack of authority of the regulators and the irrelevance of the Remuneration Committee.

### Weakness of Institutional Investors

Italian institutional investors are very weak and foreign asset managers (particularly Anglo-Saxons ones) are not welcomed at all in Italy.

Almost all Italian companies have dominant shareholders that can easily defeat moves to change governance initiated by other investors. The experiences of Algebris with Assicurazioni Generali<sup>4</sup>, of Hermes with Italmobiliare<sup>5</sup> and of Knight Vinke with ENI<sup>6</sup> show that criticism of current corporate governance and structures, not to mention proposals to improve them, made by foreign activist investors are not well received by dominant shareholders.

Conversely, Italian institutional investors are very weak because of their lack of resources and independence. For example, pension fund assets are only around €80 billion (about 4% of the Italian GNP<sup>†</sup>)<sup>7</sup>. The non-profit foundations (the so-called *Fondazioni*) have assets of only about €50 billion. Furthermore, board members of the *Fondazioni* are fully integrated in the Italian business and financial establishment and are therefore very unlikely to push for significant changes in Italian corporate governance. In addition, Assogestioni, the Association of Italian Fund Managers, does not seem to be very keen on this subject. Just six months after resigning from UniCredit and collecting his golden parachute, Alessandro Profumo was already included in the list of candidates presented by Assogestioni as a non-executive director for ENI<sup>8</sup>.

### Lack of Independence of the Press

Italian magazines and newspapers pay very little attention to corporate governance because only very few media groups are independent. In fact, they are mostly controlled by financial and industrial groups<sup>9</sup>.

The Profumo case is a clear example of this problem. *Corriere della Sera* is the leading Italian daily newspaper. Founded in Milan in 1876, it is among the oldest and most reputable newspapers in Italy, being also third in terms of readership (with about three million readers every day)<sup>10</sup>. *Corriere della Sera* systematically quotes articles from the *Financial Times*. On 5 November 2010, the *Financial Times*' 'House & Home' supplement published an article on a nice Italian southern region, the Basilicata<sup>11</sup>. In the article it was mentioned that the American film director Francis Ford Coppola had set his sights on Bernalda, a historic stone town 15 minutes away from the beach, where he is converting a semi-abandoned baronial *palazzo* into a hotel. Interesting information, but hardly in the mainstream of the *Financial Times*. However, on 7 November 2010, two days later, *Corriere della Sera* published an article quoting the *Financial Times*<sup>12</sup>.

About 10 days earlier, the *Financial Times* had published a five-column article criticizing Alessandro Profumo's severance package<sup>13</sup>. No reference at all to this article appeared in *Corriere della Sera* in the days, weeks or months that followed.

Incidentally, Alessandro Profumo is a past member of the board of directors of RCS MediaGroup, the holding company that controls *Corriere della Sera* and Cesare Geronzi was sitting on the board of RCS MediaGroup when he was abruptly forced to resign from the chairmanship of Assicurazioni Generali.

### Lack of Authority of the Regulators

In Italy regulator chairmanships tend to be assigned to relatively old public servants, who move regularly from one authority to another. They are often powerbrokers rather than recognized experts in the field of their regulating authority. As such, they have little or no visibility abroad. A significant exception is the Bank of Italy. Its governor, Mario Draghi, is well known at international level, being the Chairman of the Financial Stability Board. He is also the leading candidate to become the next president of the European Central Bank.

Having said that, there is little doubt that the Bank of Italy has played a very poor role in the Profumo affair. The instruction enacted by the Financial Stability Board led by Mario Draghi on 25 September 2009 (a year before the ousting of Alessandro Profumo!) established that all contracts that concern the severance pay of senior managers had to be revised so as not to impair the creation of the bank's long-term value, nor increase its risk profile. It does not seem that the €40.6 million Profumo severance package reflects these objectives.

In the case of Cesare Geronzi at Assicurazioni Generali, the regulator was *ISVAP*, the supervisory authority on insurance companies. *ISVAP* issued draft guidelines on remuneration policies in the insurance sector on 11 June 2009<sup>14</sup>. Unfortunately, this draft has never seen the light of day as a final document.

### Irrelevance of the Remuneration Committee

Remuneration Committees in Italy are totally irrelevant for a number of reasons.

First of all, they do not have their own budget for hiring a specialized consultant to work solely for the committee. They therefore tend to rely on the same compensation consultants as work for the management (usually the CEO and the Human Resources Director), thereby creating obvious conflicts of interest.

Secondly, even when members of the committee are non-executive directors (which is not always the case), one of these directors is also the CEO of another listed company. As such, this director is unlikely to seriously challenge the compensation package of the company CEO. In the meantime, being also CEO, he/she is considered by fellow members of the committee as "the expert" in executive compensation matters.

\* £1 = €1.16; US\$1 = €0.71 as at 20 May 2011  
† gross national product



Finally, given that almost all Italian companies have a dominant shareholder, compensation and termination packages of the chairman and of the CEO are usually agreed between the executive and this shareholder, without any upfront involvement of the committee. In fact, the Remuneration Committee acts as notary only after the event.

## CONCLUSION

The worst problem affecting Italy is the lack of a future for its youth. Generation after generation, the best (and now even average) young Italians leave the country to start their careers abroad – and abroad they remain.

The causes of this mass migration are mainly financial, but also ethical. The lack of recognition of their merit is probably the main factor<sup>15</sup>. In Italian society, merit tends to be irrelevant. Personal relationships and a deep knowledge of 'the system' are the main criteria needed for success.

The corporate environment does not make any exceptions. The achievements and failures of the 15-year tenure of Alessandro Profumo at UniCredit have been

analysed in the above-mentioned article of the *Financial Times*<sup>16</sup>. Despite the fact that, overall, he was a great CEO at UniCredit (by merging a network of regional banks he became a true European banking champion), he also made some mistakes. In any case, the conclusion of the *Financial Times* was that he did not deserve a €40.6 million golden parachute (i.e. €32 million on top of the two years' basic pay recommended by the European Union). This conclusion has not been reported, nor obviously seriously challenged, by the Italian press. As far as the 11-month tenure of Cesare Geronzi at Assicurazioni Generali is concerned, it is virtually impossible to see any merit in his chairmanship and therefore any reason to make an additional severance payment of €10 million.

The €42 million additional termination indemnities awarded to Profumo and Geronzi would have been sufficient to keep 280 young graduates in Italy for a five-year period (assuming a total labour cost of €150,000 per head during such a period). Alessandro Profumo has paid €2 million from his severance package to a philanthropic organization. Nice gesture, but today Italy needs more than philanthropy: it needs a fair future for its youth. Ω

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- <sup>2</sup> 'Disposizioni in materia di politiche e prassi di remunerazione e incentivazione, nelle banche e nei gruppi bancari', *Gazzetta Ufficiale*, No. 80, 7 April 2011.
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- <sup>4</sup> Adrian Michaels, 'Algebris steps up Generali protest', *Financial Times*, 29 October 2007.
- <sup>5</sup> Adrian Michaels, 'Hermes in effort to change Italmobiliare', *Financial Times*, 14 February 2008.
- <sup>6</sup> 'Eni's Roman Empire under siege', *Financial Times*, 13 January 2010.
- <sup>7</sup> Alberto Brambilla, *Giornata Nazionale della Previdenza*, Milan, 4-5 May 2011.
- <sup>8</sup> 'Radiocor', *Il Sole 24 Ore*, 5 April 2011.
- <sup>9</sup> Roger Abravanel and Luca D'Agnesse, *Regole. Perché tutti gli italiani devono sviluppare quelle giuste e rispettarle per rilanciare il paese*, Garzanti, Milan, 2010, p. 279.
- <sup>10</sup> *Corriere della Sera*, 5 May 2011, p. 35.
- <sup>11</sup> Emily Backus, 'Tuscany in the making', *Financial Times* 'House & Home', 5 November 2010.
- <sup>12</sup> Giovanna Cavalli, 'Basilicata scoperta dagli inglesi. È la nuova Toscana', *Corriere della Sera*, 7 November 2010.
- <sup>13</sup> Patrick Jenkins, 'Profumo's €40m golden parachute is just nonsense', *Financial Times*, 25 October 2010.
- <sup>14</sup> *Schema di regolamento relativo alle politiche di remunerazione nelle imprese di assicurazione*, ISVAP, Documento di consultazione No. 33/2009, 11 June 2009.
- <sup>15</sup> This problem has been analysed by Roger Abravanel in *Meritocrazia – 4 proposte concrete per valorizzare il talento e rendere il nostro paese più ricco e più giusto*, Garzanti, Milan, 2008.
- <sup>16</sup> See 13.