

The directors of RSI SpA

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Annex 1: The directors of RSI SpA (first round)

Carlo Rossi

Role: Chairperson and Chief Executive Officer.

Experience: industrial expert diploma, he has always been employed in the family business, initially covering technical roles and gradually replacing his father, Pietro Rossi, co-founder of the company. He was named Cavaliere del Lavoro in 2019, a title he is deeply proud of. He is President of the AIPP-Italian Association of Public Planners, director of the most important local bank, owner and president of the most successful basketball team in the region. He was president of the province, but he left politics after one term because of conflicts with his colleagues in the party. He is a recognized and respected man.

Objectives: emotionally attached to the family business, which he considers a creature of his family. He is a hard worker who devotes up to 12 hours a day to tackling all aspects of business management. He believes that the business model, which led the group to success, and the governance model, with the listing of the company's shares on the stock exchange, are still the reference point in the industry. He is willing to give a lower number of stock-options also to the COO, whom he considers a good and talented manager. While the COO always like to discuss with him and his cousin about the opportunities offered by external growth and the necessity to speed up the implementation of the strategic plan, the chairperson acknowledges that the COO never questioned his leadership inside or outside the company. For this reason, he is willing to make some economic and financial concessions to avoid losing the COO and to give up control of the group.

Expected behavior: attitudes and phrases

Mr. Rossi is the leader of the Board of Directors and imposes his point of view through the authority conferred him by his role and professional history. He listens to the opinions of other directors, to whom he gives the floor, but is hardly influenced by their arguments. Usually, no one has the courage to oppose him during the meetings, especially no one among the directors elected by his family list. He sees the board of directors as a necessary annoyance, resulting from the listing on the stock exchange, and tries to reduce as much as possible the number and the duration of the meetings, which he considers a great waste of time for those who, like him, have so many things to do.

He has a good relationship with his cousin, Camilla, and he knows that he can count on her as they share the same interest as controlling shareholders. They may disagree on some decisions, but at the end they need each other support to control the company general meetings and to influence board elections.

Some directors remember him for typical expressions, such as:

- “The President of the Republic was very cordial with me, he wanted to personally congratulate me when he appointed me as Cavaliere del Lavoro.”
- “Dear young man [addressing one of the non-executive and independent directors], I do corporate governance every day, in the company, and I don't need to read it on texts and codes.”

- “The best company in the world is made up of fewer than three odd-numbered shareholders.”
- “Dear professor, your thesis is really very interesting. We businessmen have been aware of this for a long time and that is why we have already dealt with it by creating companies like this one, which gave people like you the opportunity to be part of a board of directors of a listed company.”
- “The competition wants to take over our fantastic company because they know our business model is superior and they can’t copy it without us.”
- “We must maintain a lean organization. Bureaucrats, as I call the employees working in the staff functions who do not directly produce income, are totally useless. A few people are enough to prepare the budget; how valuable are marketing, internal auditing, risk management, sustainability, etc.? Only to spend a lot of money and complicate business management.”

Objective and strategy

Mr. Rossi would like to (i) sell the real estate assets in order to accelerate the growth, improve the results and distribute higher dividends, (ii) allocate a lower number of stock options (about half his and her cousin number) – with lock-up and claw back clause – to De Fazio.

About the first decision, he may find the opposition of independent directors worried about the potential conflict of interest and obsessed with legal and technical details. He considers some of them as bureaucrats that do not add any value to company decisions, but they can stop or delay the decision. Moreover, he believes that the dividends’ distribution may please all shareholders, and allow his family to preserve the very expensive life style. He will use his authority and influence to promote the approval of this decision.

About the second decision, while he is positive about allowing De Fazio to receive some stock options, he does not like the idea a manager can receive as many options as the family members, who owns and controls the firm. In addition, he wants to include some clauses on the contract.

He knows he can receive the support of some friendly directors like the non-executive and not independent ones. Some independent directors may support him as they have close connections with him (Mario Zanatta) or her cousin (Lucilla Magistretti). However, he is unsure about which perspectives and opinions will be presented by the independent directors, some of whose seem to be driven by the will to appear the defenders of minorities, maybe just to be reelected by the mutual funds.

He has the power to give voice or to silence directors during the board meeting. He can also move the debate where he prefers. He may strategically use the competencies and the support of friendly directors in order to oppose or to undermine the opinions of unfriendly directors.

In theory he has the support of the majority of directors, but it may not be simple to reach the unanimity. He needs to be smart if he wants to bring all or almost all directors on his side.

Camilla Rossi

Role: *vice president with responsibility for communication.*

Experience: she graduated in communication, she worked at a communication agency in Milan for several years, then she joined RSI when her father retired from the company. She does not have sophisticated managerial or financial skills. Work is not her main priority; during the week, she alternates presence in the company with participation in social and cultural events.

Objectives: she is interested in defending the company from possible takeovers because she does not want to give up her role and remuneration. She seems to be in favor of distributing dividends to small shareholders, but in reality, she considers dividends an important source of funding to support her high standard of living. She has always opposed capital increases that can dilute the control of the family, as she does not intend to invest additional financial resources in the company. She appreciates Mr. De Fazio, but she doesn't want to give him too much decision-making autonomy. The reins of the group must remain with the family. Like her cousin, she believes the RSI group belongs only to the Rossi family.

Expected behavior; attitudes and phrases

Arrogant and not very politically savvy, she tends to intervene in debates to defend the family's positions as controlling shareholders. The interventions are not technical but centered on her role as shareholder and vice president. If necessary, she also intervenes by talking over the speaker.

- "I remind you that the company was founded by my father and my uncle and that my cousin and I care about its future more than anyone else."
- "I would not like a reputed company like ours to become a subsidiary of the CAI group, whose reputation and professionalism I prefer not to comment on."
- "The sale of real estate properties is a bargain, but we must communicate it well to the market to maximize the return for the group's image and capitalization."
- "The board of directors knows and appreciates the work that first our parents, then my cousin and I did to build a solid and competitive group like ours."
- "We have some obligations to the financial market. For example, we need to distribute a stable – or better growing – flow of dividends to minority investors"
- "I am in favor to give Mr. De Fazio a stock option plan so to motivate him to deliver the strategic plan of the company. We have been always quite generous with our employees. I don't think any of our employees have ever starved to death."
- "Mr. De Fazio is not one large shareholder of RSI group. In addition, he is neither the CEO nor the VP of the company. If you see the organizational chart, it is clear he is the COO depending on my cousin and I am the VP on top of him. So, giving him half the number of stock options we received looks like a very generous offer".

Achille De Fazio

Role: Chief Operating Officer of Rossi Servizi Italia.

Experience: has a degree in engineering and considerable experience in business. He joined the RSI group after some time with other groups. He is considered a good manager by the shareholders and directors of RSI. His skills are also appreciated by the market and the competitors.

Objectives: he is a confident and very ambitious manager. After so many years in the business, he would like to lead a bigger and more dynamic group. He has a different view with respect to the owner family regarding the future of the company's growth. Furthermore, he would like to see a stronger link between his total compensation and the company's financial results, for example by receiving a stock option plan. This link would allow him to increase his remuneration if he will be able to better implement the strategic plan and foster the company's value grows.

Expected behavior; attitudes and phrases

He is very professional and firm in his beliefs. He is a loyal employee and partly accepts that the two Rossi cousins have a larger formal managerial power. At the same time, he would like to receive higher support to deliver the plan and some equity incentives based on medium- to long-term company results. He is also worried by the possible takeover as everybody can lose the job.

- “From day one, I have worked with dedication and passion in the interest of this group.”
- “I support the sale of the real estate, if all cash flow will be used to invest in the acceleration of the implementation of the strategic plan or to keep a balance of the debt-to-equity ratio. In the short run, we can sacrifice dividends.”
- “I have always respected the Rossi family, but the consolidation of the industry should push RSI group to increase the investments and to produce more company value.”
- “We need also to consider that the large capital gain improves the net result of this year. The positive economic result will produce beneficial effects on the share price and will increase our ability to attract financial resources from investors and banks. The final result will be a boost of our future investments and our production of company value.”
- “I'm ready to bet on my abilities, I find the opportunity to be awarded a stock option plan very attractive because it links my compensation to the quality of my decisions.”

Ettore Pilati

Role: non-executive director, former manager of Rossi Servizi Italia.

Experience: graduated in engineering; after some short professional experiences he joined the RSI group. He is a technician who has managed the planning and execution of large contracts. He does not have extensive experience in corporate and financial issues.

Objectives: the many years spent with the RSI group have created an intense emotional tie with the company and the owner family. He is very grateful to them for being appointed director of the company where he worked for so many years. He wants to help the company and the owner family. He is worried about the takeover which he thinks would be very harmful to the future of the company. On the two proposals he tends to follow the shareholders' opinion, but he also respects the opinions expressed by the independent directors. In very few occasions, he aligned with them but with the spirit to support the company and to promote the long-term shareholder value.

Expected behavior; attitudes and phrases

As he is emotionally tied to the family and the company, he tends to emphasize the history and the successes of the company and the value and merits of the family. He doesn't have his own personal point of view on many governance and financial issues. He participates in discussions by repeating and supporting the analyses and proposals advanced by the shareholders and the managers of the company.

- "I have a great esteem for the owner family and the managers of this company, they have always worked hard in the interest of the shareholders."
- "I have been working for this company for so many years. Today I am very lucky that I can still contribute to its success as a director."
- "For the affection and gratitude I have for the Rossi family, I do not want the RSI group to become a branch of another company. None of us considered CAI equal or close to RSI, the customers know that our technical level is higher."
- "Mr. Pietro and Mr. Paolo would never have allowed the sale of the company. We must find a solution to avoid it as they would have done in our place."
- "If the sale of the real estate properties allows us to accelerate the strategic plan, to produce more value and distribute more dividends to shareholders, I think it is the right solution."
- "RSI is owned by the Rossi family, if the family will continue to lead the company, I do not see any problem. During my tenure at RSI group, I never received high incentives or stocks, I was motivated by the possibility to develop new projects. If the owners think it is a good idea, I will support the new incentive plan for the COO."
- "I also think we need to include some additional clauses in the contract of the COO as he is not a founder or the owner of the company."

Enea Stabilini

Role: non-executive director, legal advisor of Rossi Servizi Italia.

Experience: graduated in law, he has always worked for important law firms. He recently opened his own law firm with some partners.

Objectives: he wants to protect the company and the owner family, who are one of his main customers. He will support any decision that allows the Rossi family to maintain the control of RSI. About the two proposals in the board agenda, he will likely support both of them unless during the discussion one or more directors raise some serious legal risk. In this case, he may suggest to postpone the decision so to have time to share his concerns and to advise the Rossi family on how to proceed.

Expected behavior; attitudes and phrases

He is a cold professional, a sophisticated advisor always elegantly dressed. During the meetings, he is often silent, but at the right moment, he intervenes to support the theses and opinions of the Rossi family members on the board. He is very good at convincing other directors. One of his main tasks is to contain Persichetti when she raises too many unnecessary objections that slow down the board's work.

- “What other alternatives do we have if we want to accelerate business growth and create more company value? In addition, this decision may also prevent the potential risk of takeover (if there is one) and save the family that founded and controls the company.”
- “In my professional career, I advised many groups and have seen several corporate transactions. The outcome for the acquired company is always the same: they become branches of the acquiring company with limited or no autonomy. As a result, the company is usually delisted, and the non-executive directors must resign.”
- “If we do not identify other viable alternatives, it is better to sale the real estate properties so to generate cash flow to invest in the acceleration of the strategic plan and to please our shareholders.”
- “It is not a best practice in our country to distribute stock options or stock grants to company employees. These tools are, instead, used by widely-held companies listed in Anglo-American countries and they are aimed at addressing the principal-agent problem. Here I do not see any agency rationale, unless the shareholders want to create a stronger link between COO's effort and company results”
- “In any case, if we want to proceed, it is a good practice both to give less options to managers than key shareholders-managers, and to protect the company and the shareholders by including in the contract a lock up and a claw back clause”.

Sibilla Frescobaldi

Role: non-executive director, financial advisor.

Experience: after a degree in economics, she started her professional career in a bank, then she joined a company that manages personal and corporate assets.

Objectives: this is the first time she is a director of a listed company, and she would like to stay in this role to increase her personal visibility and professional network. She feels indebted to the controlling shareholders for having appointed her, and she interprets her role to be a supporter of their proposals. About the two proposals, she is inclined to support the shareholders and to protect the company from any change of control, unless some directors raise some serious concerns that she currently does not see.

Expected behavior; attitudes and phrases

She is an ambitious person. She is happy to be a member of the board of directors of a listed company, a position that has increased her visibility and prestige. Her goal is to learn the role, to support the shareholders and the top managers of the company, and to be re-elected at the end of the term. She supports the real estate sale because it allows the shareholders to accelerate the firm growth, to strengthen their control of the company and to distribute dividends to all shareholders. She appreciates De Fazio, whom she considers a talented manager.

- “I thank the Chairperson and the Chief Financial Officer for both having well explained the situation in a clear and exhaustive way, and also having identified one efficient solution.”
- “The growing financial debt has slowed our development, but this operation can relaunch the growth of our group.”
- “The proposed solution seems to me to be optimal since it allows the company both to preserve its autonomy and to relaunch its growth plans. And we cannot forget that all shareholders of a listed company want a stable flow of dividends.”
- “I hope this operation may allow Mr. De Fazio to accelerate the implementation of the strategic plan and to create more company value. He is a great asset of our company.”
- “I know the stock option plans are very popular in the US, but I am not sure they are very common also in our country.”
- “On the inclusion of a lock up or a claw back clause in the contract, I defer to the chair of the compensation committee who is more expert than me on this technical issue.”

Clotilde Brusafferro

Role: *non-executive director, manager of a company owned by Rossi Servizi Italia.*

Experience: after a degree in engineering, she started her career in a large company in the energy sector. She recently moved to RSI, attracted by the career prospects that have been offered to her.

Objectives: she wants to make a brilliant career within the group, to be appreciated by the owners and top managers of RSI for her professional contribution, and to stay as a board member. She wants to ensure stability in ownership and management and retain and motivate Mr. De Fazio, whom she esteems and trusts. She would like to increase the investments in her division, which she considers very promising and attractive. About the two proposals, she joined the meeting with the intention to promote both as they seem to be in the interests of the shareholders and of the firm. In addition, both proposals are also aligned with her personal interests as the additional cash flow can be used to sustain company growth and the stock option plan could eventually be offered also to other managers. She is more reluctant to increase the dividends for the same reason.

Expected behavior; attitudes and phrases

She is an ambitious person who left a quiet managerial position in a large energy company that had no prospects for development to join the RSI group. She is fascinated by De Fazio's vision to promote intense company growth, which includes the development of her division. She perceived the hesitation of shareholders to finance company growth, but she thinks that stability is needed in the control of the company. She sees exciting development opportunities in her division, and she hopes to receive a medium to long-term incentive plan based on the division's results.

- "It is normal to see so many opportunities of growth, as we operate in a fragmented and highly profitable sector."
- "The stock market has not yet perceived the opportunities in our sector, which are really very promising."
- "I am in favor of the real estate transaction if it allows us to retain Mr. De Fazio and to promote significant growth of the company - especially the energy business."
- "I understand that we need to distribute some dividends to the shareholders, but in the short run I think it is better to invest in all promising business opportunities we have."
- "An incentive plan for all executives would be an important tool to foster entrepreneurship and promote the creation of value for the benefit of the group's shareholders."
- "Stock option plans are effective mechanisms that promote value creation. Managers receive the bonus only if they create value for the shareholders."

Paride Marescotti

Role: independent director and chartered accountant, chair of the audit committee.

Experience: graduated in economics with a specialization in administration and finance. He joined his father professional business just after the degree. He is a busy and renowned consultant who provides tax, legal, administrative and financial services to several companies and wealthy entrepreneurial families. He tends to align with shareholders and companies in order to nurture a reputation of professional and loyal advisor.

Objectives: he wants to preserve his reputation as reliable and trustworthy director. He is in favor to generate cash flow to accelerate company growth, while he is not very convinced to distribute stock options also to employees. Like in previous board meetings, he will behave in a professional way to support the large shareholders unless some directors may generate potential risks.

Expected behavior; attitudes and phrases

He is a cold and professional consultant who wants to do anything to preserve his reputation on the market and to keep the control of the company in the hands of the Rossi family. He is a loyal director who has always protected the interest of the controlling shareholders. He thinks De Fazio is a good manager, but he also thinks the power should be in the hands of the entrepreneurial family.

- “In all these years, I have always worked hard as consultant or director to ensure good profitability for companies and their shareholders.”
- “You have known me for a long time and so you know how much attention I devote to read all information in order to understand every proposal submitted to the board.”
- “The sale of the real estate properties is a good bargain for the company. It generates a significant capital gain (equal to 110 million) that the board can use to reduce the debt and fuel future growth. There are so many business opportunities that deserve our attention.”
- “We need to carefully balance the dividends’ distribution with the business growth, the short term and the long term perspective.”
- “The controlling shareholders have done everything they could for this company, even at the cost of their own personal interest. If they believe that it may be useful to give long term incentives to the COO, I will support the proposal to assign a stock option plan to Mrd. De Fazio. Obviously, he cannot receive the same compensation package of the representatives of the Rossi family who founded, developed and are still managing the company”.

Lucilla Magistretti

Role: *independent director, managing director of a museum, member of the audit committee.*

Experience: graduated in art history, she runs an important museum. She is very happy to be a member of the board of directors, even if she finds the topics discussed a bit boring and not always easy to follow. She is a good friend of Camilla, with whom she likes to organize social events.

Objectives: she always supports the chairperson's and VP's point of view and proposals. She knows Carlo and Camilla Rossi since when they were high school students. In addition, they are also linked by a sincere passion for art and cultural initiatives. Since she does not always have a deep understanding of the legal and financial aspects of board proposals, she tends to be silent for most of the meeting. When she intervenes, she does it to support analyses and proposals advanced by the shareholders or the managers.

Expected behavior; attitudes and phrases

She is divided between supporting the chairperson's proposal to sell the real estate and safeguarding the building where the company is. She believes that the architectural structure, the frescoes, and the stairs are one of the greatest expressions of Italian neoclassicism. As she considers the board room a priceless jewel, she would try to keep some influence on the real estate as she knows the acquirer may not preserve it so well. Moreover, the new owner cannot let her organize cultural events – almost for free – in such a precious building.

- “I have the utmost esteem and trust in the chairperson and CEO, so I strongly support his proposal.”
- “As you know, I am not an expert in financial transactions, but I found the COO's presentation really convincing.”
- “We have been appointed by the Rossi family to serve the interests of the company and those of the shareholders. I will support this proposal to strengthen the cash flow of the firm and to discourage any potential threats of takeover.”
- “I wonder if we couldn't at least preserve the ownership or the maintenance of this building which, as you may know, is one of the greatest expressions of Italian neoclassicism. I believe that maintaining its control or being able to use it in the future would be a wise choice for the company.”
- “Money is not a main driver of my behavior. So, I do not understand why the current incentive plan is not enough to motivate our COO. I think he is a good manager and we can increase his salary or cash incentives without necessarily adopting too complex incentive mechanisms we do not well understand.”

Mario Zanatta

Role: *non-executive independent director, a politician at the local level, member of the audit committee.*

Experience: graduated in philosophy, he became a high-school teacher. Since he was young, he liked politics, which became his main profession when Carlo Rossi became president of the province. He was elected on the same list and appointed Councilor for Culture. He continued his political activity even after Carlo Rossi left politics.

Objectives: he is a close friend of the chairperson and is also very grateful to him, who helped his political career. He is aware of the importance of RSI for the local economy and knows that the chairperson can influence the vote of the numerous employees during the next administrative elections. About the two proposals, he will support the opinion expressed by the chairperson unless he sees some risks concerning his future political career.

Expected behavior; attitudes and phrases

He wants to protect the company and the owner family. About the two proposals, he will likely support the sale of the real estate property if this may produce new investments that may benefit the local community. He is neutral and probably supports the proposal of the chairperson in relation to the stock option plan for the COO.

- “RSI is one of the main companies in the area and any decision we take should promote the group and its stakeholders’ growth and success.”
- “The chairperson has created employment and development for our territory and has both the skills and the competencies to promote the best decisions for the group. He is a reputed and solid business leader.”
- “I asked my political sources for information, which I cannot disclose but I assure you that they are trustworthy. It is unclear if there is a real risk of a takeover, but in any case, I do not think it is worth to run the risk that a competitor acquires the company, exploits its expertise, and closes the activities in our province. That would cause great damage to our economy and throw hundreds of families on the streets.”
- “We need to protect this company and the Rossi family. Whatever is good for them is good for the local community as most of them are company stakeholders (as shareholders, debtholders, employees, etc.).”
- “I do not understand what a stock option plan in details is. However, I strongly support any new compensation plan that can be used to foster the growth and the ambition of a large company operating in our territory.”

Cesare Pavese

Role: *non-executive independent director elected by minorities, an expert in digitalization, member of the remuneration committee.*

Experience: after his degree in electronic engineering, he joined a large IT company, where he worked on the design and implementation of system integration projects. Ten years ago, he started his own consulting company, offering digital services. Recently, he became an expert in document dematerialization processes and company workflow.

Objectives: he is genuinely interested in gaining experience as an independent director, contributing with his skills to the improvement of company processes, especially organizational efficiency, thanks to the use of digital technologies. He would like to continue this interesting experience on the board of directors of a listed company and therefore does not look favorably on the acquisition by the competitor.

Expected behavior; attitudes and phrases

He is very interested in developing the opportunities created by implementing new technologies. He does not have a passionate interest in the economic and financial consequences of managerial decisions. He considers and respects the views of other directors he believes are more competent than him on legal and financial issues. He does not have a deep understanding of all the economic and financial implications of both the real estate property's sale and the stock option plan. As a member of the remuneration committee, he tends to rely on the guidance of the chair when the proposals concern technical and legal details.

- “We need to understand the positive and negative consequences of the real estate's sale before making our decision. I propose to do a SWOT analysis, a method that I think is very useful to give us a better understanding.”
- “Our Chief Operating Officer, who has explored the issue, has given us an important opinion, which we must take into account.”
- “Our goal is to guarantee the stability and growth of the group, to generate benefits for all.”
- “I assume that the sale of the real estate properties can grant us additional funds to buy and implement new technologies that will increase our efficiency.”
- “I see several possibilities to improve the efficiency of large companies thanks to the use of digital technologies. In my opinion, we need to invest in the metaverse to reach a competitive position before our competitors.”
- “Incentives may help managers to identify priorities and to improve their performance. I would suggest to include a performance vesting, i.e., to allow the exercise of the stock options only if new digital technologies are efficiently implemented”.

Cecilia Persichetti

Role: non-executive independent director elected by minorities, a civil lawyer specializing in litigation, a member of the remuneration committee.

Experiences: after the law degree, she joined the Persichetti & Partners Law Firm, founded and managed by her father, Prof. Raffaele Persichetti. She has been dealing for many years with litigation, supporting construction and real estate companies in the context of public and private contracts and other legal disputes; she also works with insurance companies to manage the reimbursement of their clients.

Objectives: as a law expert, she tends to assess from a legal perspective all acts, documents, contract proposals, and resolutions that are submitted to the board of directors. Her objective is to verify that they are written accurately so that they can protect the company in the event of a dispute with the counterparties. She substantially opposes the sale of the real estate properties because she wants to have all necessary time to analyze in detail all clauses of the contract. She does not have a full understanding of how stock option works, but she got further information on its functioning during the remuneration committee meeting.

Expected behavior; attitudes and phrases

She is very attentive to details and intervenes often during the board meetings to raise doubts on the wording. This bores and sometimes irritates the other directors who do not consider it so relevant to analyze several legal details. She speaks at length. The chairperson tries to contain her, not without difficulty, taking care not to create friction with a director appointed by the minorities.

- “Dear colleagues, we must carefully examine this decision in relation to the provisions of the Civil Code. The jurisprudence on the consequences deriving from the sale of real estate is not in agreement. The lack of a clause or a detail can have serious consequences for the company.”
- “Chairperson please let me speak. I want to underline a very important aspect of these board minutes. If we do not carefully analyze all clauses of the real estate sale contract, our carelessness could cause serious damages to the company.”
- “Colleagues, I know that the meeting is taking more time than expected and you have other commitments. But it is important to have your attention on this. We have to analyze in detail the 85 pages of the contract, reading and modifying them where it is necessary.”
- “I don’t understand certain looks and giggles among the directors when I speak, perhaps you are not sufficiently prepared to carry out this role adequately.”
- “I would like to remember to all board members that we have serious legal responsibilities. I have learned from my father that the form is substance!”
- “The remuneration committee had the chance to work together with the legal department to mature a full understanding of all legal consequences of the stock option plan offered to employees.”

Annibale Bianchi

Role: non-executive independent director elected by minorities, professor of marketing, chair of the remuneration committee.

Experience: after a degree and Ph.D. in business administration, he became a marketing professor in the top university in the region. He also owns a consulting firm, Bianchi & Vilari, set up with Prof Vilari who is an organization professor in the same university. Among the clients of his company, there are several important Italian companies.

Objectives: to contribute to the development of the company by analyzing market opportunities. He is open to accepting the acquisition of RSI by the competitor if it promotes the creation of shareholder value for both the Rossi family and the minorities. He sees the decision to sell the real estate properties as instrumental to achieving that objective. He does not have a clear view on the stock option plan, but over the years he matured the impression that De Fazio is a good manager. During the remuneration committee meetings, he matured the view that the Rossi family was in favor to involve the COO in the stock option plans, but with a lower amount respect to the Chairperson and the VP.

Expected behavior; attitudes and phrases

His approach is open, not tied to a personal agenda. He genuinely strives to understand the benefits and costs of the hostile takeover from an economic and financial point of view. He is not afraid of opposing the controlling shareholders and the managers who sit on the board. He is available to support the sale of the real estate assets if it is instrumental to increasing shareholder value.

- “Chairperson, we must understand the company’s growth opportunities, concerning both the internal and the external growth. We also need to consider if the competitor’s takeover generates value for all RSI shareholders. I think we should remember that 70% of the shares are held by the market.”
- “Everyone has to do her job: the shareholders, the managers, the board of directors. We, as board members, must be attentive to the creation of shareholder value, sustainable over time, without any foreclosure.”
- “What are the consequences for the company deriving from the sale of the real estate properties? Can you tell us how much debt we can decrease and how this will accelerate business growth?”
- “If you convince us that the long-term incentive plan may improve company growth and value creation, I will not have reasons to not support it.”
- “During our remuneration committee, we assessed the positive and negative consequences to include the COO in the stock option plan for the company. Also thank to the support of a compensation consultant and the HR manager of the firm, we developed the proposal that we will discuss today. It is balanced view as it distributes a stock option plan to the COO while respecting the internal distribution of managerial power within the firm.”

Annex 2: The profile of the directors of RSI SpA with 16 board members

Table 5bis: The board of directors of RSI

<i>Name</i>	<i>Role</i>	<i>Audit committee</i>	<i>Rem. committee</i>	<i>Tenure</i>	<i>Background</i>
Carlo Rossi	Chair & CEO			9	Manager
Camilla Rossi	VP & communication			9	Manager
Achille De Fazio	COO			12	Manager
Ettore Pilati	Non-executive			12	Retired
Enea Stabilini	Non-executive			6	Consultant
Sibilla Frescobaldi	Non-executive			1	Consultant
Clotilde Brusaferrò	Non-executive			6	Manager
Paride Marescotti	Independent	C		6	Accountant
Lucilla Magistretti	Independent	X		9	Manager
Mario Zanatta	Independent	X		9	Politician
Cesare Pavese	Independent		X	4	Manager
Cecilia Persichetti	Independent		X	1	Lawyer
Annibale Bianchi	Independent		C	1	Professor
Alfredo Matassa	Independent			1	Manager
Rosaria Morelli	Independent			1	Lawyer
Francesco Galloni	Independent			1	Professor

Profiles of the additional directors

Alfredo Matassa

Role: *non-executive independent director elected by minorities, top manager.*

Experience: a degree in managerial engineering, he has over 35 years of professional experience, the last 15 as a CEO of a large industrial group listed on the Milan and New York stock exchanges. He recently resigned from that position. He is very attentive to the substance of the operations, has a strong capacity to analyze issues, develop alternatives, and finalize decisions. He has no awe and is a well-known manager in the business community.

Objectives: used to managing priorities and focusing on key issues, he does not want to waste time with useless discussions. He accepted the nomination as a board member of RSI in this phase of his career, strongly urged by very important institutional investors who hold over 3% of the company's shares. He is independent in substance and form, and he is not a man of compromise.

Expected behavior; attitudes and phrases

While he is not hostile to the Rossi family, he wants to understand in depth the rationale behind the operation proposed by the management and the family, by analyzing the supporting documents and deciding based on facts and not vested interests.

- “Chairperson, the board cannot decide by listening to opinions, even if authoritative like yours. Can you please provide facts and numbers to support the proposal and convince all directors?”
- “Who has been contacted to evaluate the real estate property? Are we sure that there is no conflict of interest with RSI, its managers, or its shareholders? Can the audit committee chair and members better support their opinion?”
- “I would like to see some detailed documents supporting the deal before approving an operation of this importance. Which information did you collect?”
- “I would like to have all useful and necessary information to assess this proposal. While I think it would be good to accelerate the strategic plan, if you do not convince me and all other directors, I propose postponing the decision so to improve the information package, develop a sound financial analysis, and make an informed decision.”
- “If we have several interesting opportunities of growth, why we do not proceed with a capital increase or a reduction of dividends in the short run? Our company should be guided to create shareholder value.”
- “I think it is a good idea to incentivize top managers as money is a key driver of both their motivation and company results. However, I do not understand why Mr. De Fazio cannot have the same amount of stock options of the Chair and the VP. Who is leading and implementing the strategic plan of the firm?”

Rosaria Morelli

Role: *non-executive independent director elected by minorities, lawyer expert in corporate law.*

Experience: after the law degree, an LLM at Stanford, and an M&A, she has been working for about 15 years in one of the most important international law firms, becoming a partner and dealing with some of the most significant acquisitions made worldwide. For 5 years, she has been the Senior Advisor to one of the largest pension funds in the world, which owns about 2% of RSI. She combines great legal expertise with strong business acumen.

Objectives: she wants to verify that the operations proposed by the management and the owner family are carried out in the interest of the company and all shareholders. This means collecting more information and assessing the structure of the proposal – its costs and benefits for the company and its stakeholders.

Expected behavior; attitudes and phrases

During the meetings, she asks detailed and specific questions to understand the proposals and to assess them from the company perspective. She follows the corporate governance procedures and best practices learned in previous board experiences. With regard to the two topics under consideration, she wants to have more information so to understand the nature and the beneficiaries of the real estate operation. In relation to the stock option plan, she does not have a clear idea about its usefulness for the company.

- “Chairperson, I agree with my colleagues’ request to receive all necessary information that may enable this board to make an informed decision.”
- “Who owns the company that made the offer to buy our real estate properties? We need absolute transparency about the buyers, especially if there is direct or indirect involvement of some members of the Rossi family.”
- “I would like to hear more information from the audit committee members that have analyzed the Related Party Transaction. Which information have you collected, which analysis you have performed, and how solid is your conclusion?”
- “While I also see the positive benefits for the firm in term of acceleration of the strategic plan and avoiding the potential risk of takeover, we need to assess all necessary information, otherwise we run the risk to damage the company.”
- “Which alternatives do we have to finance our strategic plan? Can we increase our debt or cut our dividends for few years?”
- “As you remember, in the board induction program we have been said that we have fiduciary duties of loyalty and care. Do you think this proposal can fulfill them?”
- “From a legal perspective, I do not see any issue concerning the stock option plan. While I am not a financial expert, I know these plans are becoming more popular in listed companies to incentivize top managers”.

Francesco Galloni

Role: *non-executive independent director elected by minorities, a professor with experience in the business and in political roles at the national level.*

Experience: a man of great representativeness and authority, professor of economics of infrastructures, former President of the Associazione delle imprese infrastrutturali (Association of industrial enterprises, or AIE), former Deputy of the Italian Parliament, during which he was President of the Civil Infrastructure Commission.

Objectives: his nomination was strongly promoted by the board of directors of the Associazione dei Piccoli Risparmiatori Indipendenti (Association of the small independent shareholders or APRI) to have an authoritative, independent, and expert representative who will protect minority investors.

Expected behavior; attitudes and phrases

He is particularly active during board meetings. Usually he provides an expert view, but sometimes he tends to dominate the debate and to ignore other board members' contributions. He is moved by both a sincere interest to create value for the shareholders, and by the aspiration to be perceived as the best in class. With regard to the two issues, he aims at verifying whether the two proposals are actually in the interest of the company and, in particular, are not carried out to the detriment of small shareholders. He knows in depth the sector in which RSI operates and has the respect of all the directors.

- “Dear colleagues, the proposed operation is certainly among those that companies in the sector use to reduce debt and to finance growth. However, it is necessary to assess whether it will allow the company to achieve the targeted objectives and if it is in the interest of all shareholders. We, therefore, need a detailed financial plan and an independent appraisal of the value of the real estate property. Then, we need to know who the buyers are. We must receive this information to make an informed decision.”
- “Chairperson, as you know, the industry is in a phase of concentration, and acquisitions are now on the agenda. What do we know about the competitor's proposal, besides the market rumors? If we decide to resist the potential takeover bid, what are the financial consequences for our shareholders? Have you asked the opinion of the representatives of our main shareholders, as well as your family, to find out what their orientation is?”
- “A majority decision of the board of directors, without the consent of the independent directors, would certainly not be appreciated by the shareholders who represent 70% of the shares. What do the asset managers think about it? And how would the CONSOB – the national stock exchange authority – react?”
- “Our only guidance should be the maximization of the shareholder value. From this perspective, can you better present your view so to convince all directors to support the proposal?”
- “The stock option plans are extraordinary mechanisms to motivate managers to create company value. Why do not we extend the plan to all employees or, at least, all top managers?”