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## Activists reveal cracks in an Italian monolith

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The influence of a small group of all-powerful shareholders could be on the wane, writes  
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Chip by chip, outside investors and regulators have for months been making an impression on the monolith that is Italian corporate governance. This week, two large cracks appeared that seemed to be a victory for activist investors.

The Benetton family on Monday swallowed considerable embarrassment and withdrew a candidate it was promoting for an internal audit body at insurer Generali. In the same afternoon, Pirelli, the tyre company, abstained from a director election at Telecom Italia, scared of running counter to a recent ruling on business relationships by Consob, the market regulator.

Such events are unusual in a country noted for the quietness of its regulators and the network of shareholdings among the largest companies that has successfully kept foreigners out for decades.

John Wilcox, chairman of Sodali, a governance consultancy, said: "Italy and the rest of continental Europe are regarded as different from the Anglo-Saxon model... there are very definitely two classes of shareholders:

the insider control group and the others who are the 'minority', even if they own a majority of the stock."

The current run of events started when Algebris, a UK hedge fund, put up a candidate for election to Generali's audit committee at a vote to be held on the last weekend of this month. Algebris has been campaigning for months for changes at Generali; its candidate was competing for the one seat in three reserved on Generali's audit committee for minority investors.

Enter the Benetton. The famous clothing family owns 1 per cent of Generali and put up a rival minority investor candidate. But Consob, Italy's market regulator,

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said last week that the Benetton's candidate could not be the minority appointee as the family was closely intertwined with Mediobanca, the investment bank, by far Generali's largest shareholder.

Mediobanca tends to be the focal point for all the largest business relationships in Italy and its own controlling shareholder pact reads like a Who's Who of Italian business, including the Benetton.

Consob seemed to be saying that anyone in that pact could not vote as a minority

investor at companies in which Mediobanca was a significant shareholder.

The regulator's move comes amid suspicions in Italy that some "minority" lists were put forward only at the bidding of powerful shareholders.

Luigi Zingales, a minority representative on the board of Telecom Italia, told the Financial Times: "There have been cases where minority investors want a position for their own purposes and not for those of institutional investors."

The Consob ruling also had an impact on the TI election which saw Mr Zingales become a director. Telecom Italia's new controlling shareholder group comprises Mediobanca, the Italian bank Intesa Sanpaolo, Generali, the Benetton and Telefónica of Spain.

At the TI annual meeting on Monday there were elections for the three board seats reserved for the nominees of minority investors. Italy's Fossati family put up some candidates and received the backing of Pirelli. But Pirelli abstained at the last moment because, as a member of the Mediobanca shareholder pact, it was worried that its vote for a minority candidate could invalidate the whole election.

Mr Wilcox welcomed Consob's intervention: "It's a good thing because it is causing the whole process [of director elections] to be examined more closely. We don't want Italy to be classed as overly political in the [way] directors are elected."



Corporate governance at Generali has attracted the attention of regulator Consob