Corporate Governance, Innovation and Value Creation

- Exploratory Roundtable -

1 February 2012

Ceylan Intercontinental Hotel
Istanbul, Turkey

09.00-09.15 Welcoming Remarks

Dr. Vedat Akgiray, Chairman, Capital Markets Board of Turkey and IOSCO Emerging Markets Committee

09.15-09.30 Introduction and Overview

Mr. Mats Isaksson, Head of Corporate Affairs, OECD

The original and most fundamental policy objective of corporate governance is to facilitate innovation, value creation and economic growth through private enterprise. The main tool for this is to create a legal and regulatory framework that provides growing companies with access to capital, that ensures efficient re-allocation of productive resources between competing ends and promotes competent monitoring of corporate long term performance. Through these key functions, the design of the corporate governance framework influences every step of the investment process and must therefore be a key element of any public policy for economic growth and job creation. In the coming years however, the corporate governance landscape will be challenged by important developments in both the corporate and financial sectors. Many of tomorrow's successful companies will look different from the traditional smokestack blue-chip corporation. They will be geographically mobile, more human capital intensive and more dependent on intangible assets and organizational know-how. Also the financial markets are undergoing profound changes in the way capital is cumulated and invested. The increase in institutional ownership and the reach of private pools of capital are only two examples. How well the legal and regulatory framework for corporate governance adapts to these developments will be decisive for the corporate sector's ability to create value, new jobs and economic growth. This perspective on corporate governance is particularly important to many emerging market economies that are currently in the process of developing standards that for a long time may influence the conditions for corporate expansion and entrepreneurial drive in the private sector. As stated in the OECD Principles of Corporate Governance: "*To remain competitive in a changing world, corporations must innovate and adapt their corporate governance practices so that they can meet new demands and grasp new opportunities.*"

09.30-00-11.00 Sessions 1: Outside Capital and Inside Value Creation

An effective corporate governance framework should provide incentives for a process of continuous discovery and innovation. It should provide prices as a tool for efficient resource allocation and support the original creation of wealth rather than rent seeking. This session will address the process of value creation within the corporation and discuss how corporate governance arrangements can provide key resource providers, such as founders, controlling owners, managers and outside capital providers with the right incentives and financial instruments to contribute to this process. It will also analyse the merits and limitations of contractual freedom in public companies.

Introduction: **Mr. Marcello Bianchi,** Chairman, OECD Corporate Governance Committee; Director, CONSOB, Italy

Dr. Erik Vermeulen, Professor of Business Law & Finance, Tilburg University; Vice President at the Corporate Legal Department, Corporate and Financial Law Group, Philips International B.V.
Entrepreneurship within Public Companies – How does it work?

Mr. Daniel Sachs, CEO, Proventus AB
The Impact of an Emerging European Corporate Bond Market on Corporate Governance

Dr. Colin Mayer, Professor of Management Studies at the Saïd Business School, University of Oxford
Regulating for Value Creation – What is the Link between Market Confidence and Contractual Freedom?

11.00-11.30 Coffee Break

11.30-13.00 Sessions 2: Ownership Structures and Corporate Governance – Will One Size Fit All?

In a number of instances, policy making in corporate governance has assumed a situation of dispersed ownership where the battle for power is a zero sum game between dispersed owners on the one hand and incumbent management on the other hand. This, so called principal-agent approach has its merits but it also has an important weakness: Many, if not most, listed companies around the world actually have a controlling (or dominant) owner; dispersed ownership being the exception. And it is increasingly recognised that these differences in ownership structure may have implications for regulatory design. This is particularly important in a dynamic context where the objective is to support entrepreneurs aiming to create value under genuine uncertainty. This session will provide examples of how differences in ownership structures may call for differences in corporate governance arrangements among listed companies. It will take a new economic look at the concept of private benefits of control and experiences with regulatory convergence within the European Union.

Introduction: **Prof. Dr. Karl Hofstetter,** Group General Counsel and Member of the Board of Directors, Schindler Holding AG
What Makes Controlling Ownership Different?

Dr. Alessio M. Pacces, Associate Professor of Law and Economics, Erasmus School of Law, Erasmus University, Rotterdam
Corporate Control and Incentives in a Dynamic Perspective

Dr. Rolf Skog, Ministry of Justice, Sweden; Secretary to the Swedish Security Council
One Size For All - The EU Experience

Mr. Marco Langendoen, Counselor of Legislation, Company Law, Ministry of Security and Justice, the Netherlands
Long Term or Short Term Shareholdership: Does it really count?

13.00-14.30 Lunch

14:30-16.00 Session 3: The Emerging Market Perspective

Increasingly important driver for change in the global corporate landscape are the many fast growing corporations in emerging markets. And as these companies mature, countries are facing a need to shape those corporate governance standards that for a long time will influence the conditions for access to capital, expansion and entrepreneurial drive in their private sector. When doing this, it is important that regulators and policy makers have a well founded understanding of how corporate governance policies can be designed with a view to support innovation, entrepreneurship and economic growth. This may be particularly important for fairly mature companies, where the next step in their development will require external equity capital. This session will discuss the main characteristics of corporate structures in emerging markets and the key corporate governance features that follow from existing ownership and contractual arrangements. On this basis, the session will discuss the costs and benefits of current corporate governance arrangements and attitudes for market dynamics and value creation. Special attention will be given to the fast growing companies' issue of access to capital and the regulatory challenge to "institutionalize" a corporate governance framework that facilitates the sustainability of entrepreneurship and value creation.

Introduction: Dr. Vedat Akgiray, Chairman, Capital Markets Board of Turkey and IOSCO Emerging Markets Committee

Ms. Maria Helena Santana, Chair, Securities Commission of Brazil and IOSCO Executive Committee

Mr. Ranjit Singh, Managing Director, Securities Commission Malaysia

Mr. Hüsnü M. Özyeğin, Chairman of the Executive Board of Fiba Holding and Board of Trustees of Özyeğin University

16:00 Concluding Remarks

Dr. Vedat Akgiray, Chairman, Capital Markets Board of Turkey and IOSCO Emerging Markets Committee

Mr. Mats Isaksson, Head of Corporate Affairs, OECD