



The Global Corporate
Governance Forum

4th Meeting of the Eurasian Corporate Governance Roundtable

*“The Responsibilities of Boards of Directors and the Role of
Stakeholders in Corporate Governance”*

A g e n d a

hosted by

**The Corporate Development Centre (CDC)
and The State Commission on Securities Markets
of the Kyrgyz Republic
and
The Asian Development Bank**



Held at the

**Hyatt Regency Bishkek Hotel
Bishkek, Kyrgyzstan
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seco

FOURTH EURASIAN CORPORATE GOVERNANCE ROUNDTABLE
THE RESPONSIBILITIES OF BOARDS OF DIRECTORS AND THE ROLE OF
STAKEHOLDERS IN CORPORATE GOVERNANCE

Background

Using the OECD principles of corporate governance, the OECD and the World Bank (WB) have agreed to co-operate in improving corporate governance in emerging and transition economies. To this end, they created the OECD/WB Global Corporate Governance Forum, which is providing financial assistance in this effort. One important outcome of the agreement between the OECD and the WB has been the establishment of Regional Corporate Governance Roundtables aiming to promote good governance in Latin America, Asia, Eurasia and Russia, and South East Europe.

The Eurasian Corporate Governance Roundtable was launched in 2000 with the support of the USAID, the Japanese Government and the IFC. After a decade of transition, most Eurasian countries have succeeded in introducing basic economic legislation and creating institutions that provide the foundation for a market economy. Nevertheless, many countries are suffering from weak enforcement of the legal framework for corporate governance and lack of transparent corporate practices. Current efforts to improve corporate governance constitute an important aspect of the reform process, which could bring about investor confidence and interest and more broadly, could significantly increase the prospects for sustainable economic growth in the region.

The Purpose of the Eurasian Corporate Governance Roundtable

The Eurasian Corporate Governance Roundtable aims at:

- (i) Reviewing current developments in corporate governance in the region, using the OECD Corporate Governance Principles as a benchmark;
- (ii) Identifying issues requiring the attention of policy makers and initiating dialogue on priorities for reforms;
- (iii) Informing the international community about national and regional reform initiatives;
- (iv) Facilitating full access to the ongoing international dialogue on corporate governance.

For this purpose, the roundtable convenes on an annual basis a network of senior policy makers, regulators and market participants from the region, as well as international experts from OECD member countries and international organisations.

The roundtable discussions are supported by topical and country specific empirical research work coordinated by the OECD. This work also represents a solid basis for the preparation of a Comparative Overview of Corporate Governance in Eurasia. The Overview will outline and analyse the corporate governance frameworks and practices of the countries from the region and will constitute one of the main outputs of the Eurasian Roundtable Process. Most importantly, it will target urgent areas for reform and propose a set of conclusions identifying existing shortcomings.

Previous meetings of the Eurasian Corporate Governance Roundtable discussed the main features of the corporate governance landscape in the region, shareholder rights and equitable treatment of shareholders, and transparency and disclosure.

The Fourth Eurasian Corporate Governance Roundtable

The Fourth Eurasian Corporate Governance Roundtable is hosted by the Corporate Development Centre of the Prime Minister's Office, the State Commission on Securities Markets of the Kyrgyz Republic and the Asian Development Bank. It is organised with the support of the Japanese government, the Asian Development Bank, the International Finance Corporation, the Canadian International Development Agency and the Swiss State Secretariat for Economic Affairs.

The Fourth Eurasian Corporate Governance Roundtable will focus on two chapters of the OECD Principles of Corporate Governance, namely the Responsibilities of Boards of Directors and the Role of Stakeholders in Corporate Governance. The main objectives of this meeting will be to:

- (i) Assess the responsibility of boards and the role of stakeholders in corporate governance in Eurasian companies;
- (ii) Review international best practice on this topic and explore how it can be applicable in Eurasia, and
- (iii) Draw policy conclusions and recommendations that can be included in an agenda for action

Organisation of the discussions

The presentations and discussions by the participants will be made in the context of five sessions. In each session main speakers will make a presentation of about 15 minutes each, followed by discussants that will have a slot of about 10 minutes each. Speakers are invited to keep their presentations within the proposed time limitations in order to leave ample time for debate and discussion.

During the last session, a panel composed of session chairs will present brief conclusions from the sessions (about 5 minutes each) highlighting the key priorities for improving board practices and stakeholder relations. Options for future work on corporate governance in Eurasia will also be discussed.

Wednesday 29th October

13:30 – 14:00 REGISTRATION

14:00 – 14:30 OPENING SESSION

Welcome and Introductory remarks: **Mr. Otorbaev**, Vice Prime Minister, Special Advisor to the President on Foreign Direct Investment, Kyrgyzstan

Dr. Rainer Geiger, Deputy Director, Financial, Fiscal & Enterprise Affairs, OECD
Mr. Jurgen Conrad, Principal Officer, Corporate Governance and Enterprise Reform Program, Kyrgyz Republic, Asian Development Bank

14:30 – 16:00 SESSION I: Creating the Conditions for Effective and Accountable Boards in Eurasia

Chair: Mr. Uran Abdynasirov, Chairman, State Commission for the Securities Market, Kyrgyz Republic

- The Responsibility of the Board according to the OECD Principles and Patterns of Change in the aftermath of Recent Corporate Events, **Ms. Elena Miteva**, Administrator, Corporate Affairs Division, OECD Secretariat
- Independence and Structure of Boards: Definitions and Experience in OECD countries , **Professor William Simons**, Director of Institute of East European Law Institute of East European Law & Russian Studies, Leiden University, Netherlands

Panel Discussion: Board Committees and Effectiveness of Boards in Eurasia

- Georgia's Experience , **Mr. George Loladze**, Chairman of the Supervisory Board, Georgian Stock Exchange
- Improving Board Culture in Uzbekistan, **Mr. V. Kotov**, Tashkent Business Club, Uzbekistan

General Discussion

Issues for discussion

The role of the boards versus other corporate organs, their key functions, fiduciary duties and the right level of responsibility of board members will be analysed in introduction to this session. Issues, which have been recently receiving increased attention, following significant corporate events will be flagged in order to distil conclusions, relevant to the Eurasian case. This session will also focus on the current reforms in Eurasia, aiming at creating a board culture. It will discuss board independence from management and controlling shareholders, including the state, as well as how to define such independence and what levels of independence are considered necessary. Speakers will also consider whether cumulative voting is widespread in the region and what its impact is on board's independence. In addition, this session will focus on board structure, committees, which enhance the effectiveness of boards and the prerequisites for their successful operation. Presentations on Eurasian countries will also provide a brief review of the legal framework on the specific issues of focus and will examine if they are articulated in a way, allowing effective enforcement.

16:00 – 16:30 Coffee Break

16:30 – 18:00

SESSION I cont'd. Creating the Conditions for Effective and Accountable Boards in Eurasia

Chair: Mr. George Loladze, Georgian Stock Exchange

- The Role of Boards of Directors: Exceptional Corporate Events and Related Party Transactions, **Mr. Henry Schiffman**, Consultant and former IMF Advisor, USA
- Defining Director Qualifications and Selecting Competent Directors in Russia, **Mr. Alexander Ikonnikov**, Investor Protection Association, Russian Federation
- The Role of Institutes of Directors in Promoting Director Professionalism in Transition Economies, **Mr. Chris Pierce**, UK Institute of Directors, London

Panel Discussion:

- Education and Training Needs for Boards Members in Eurasia, **Mr. Bakyt Kartanbaev**, Corporate Development Centre, Kyrgyz Republic
- A Case Study: Adopting Codes of Best Practice at the Company Level, **Mr. Mykola Burmaka** Securities and Stock Market State Commission of Ukraine

Issues for discussion

The session will continue by focusing on the role of boards in case of exceptional corporate events and with respect to related party transactions.

The issues of director competencies, selection, recruitment and remuneration of board members will also be explored. Discussions will, in turn, focus on what curricula need to be developed to ensure adequate training of board members. Participants will also discuss director evaluation and compensation.

Moreover, the debate will focus on the role of professional associations, such as Directors Institutes and voluntary corporate governance codes in enhancing professional ethics, expertise, accountability and overall effectiveness of boards of directors. Some practical aspects in implementing codes and training at the company level could illustrate the discussions. The Toolkit on Building Director Training Organisations, recently released by the Global Corporate Governance Forum will also be presented at the meeting.

Welcome Cocktail

Hosted by Corporate Development Centre of Kyrgyz Republic

Thursday 30th October

09:00 – 10:30 **SESSION II: Improving Board Accountability**

Chair: Dr. Rainer Geiger, Deputy Director, Directorate for Financial, Fiscal & Enterprise Affairs, OECD

- Definition and Enforcement of Main Director's Duties in OECD Countries, **Mr. Kevin Fogarty**, Consulting Attorney, USA
- Director's Accountability and Options for Redress by Shareholders, Regulators and Creditors in Eurasia, **Mr. Alum Bati**, Partner, Salans, Azerbaijan
- The Role of Judges and Alternative Dispute Resolution in Making Directors More Accountable, **Mr. Temirbek Kenenbaev**, Chairman, Third Party Arbitration, Kyrgyzstan

Panel Discussion: Improving Board Accountability

- The Case of Armenia , **Mr. Simon Sargsyan**, Director, Corporate Finance, Securities Commission of Armenia
- The Case of Kazakhstan , **Ms. Galina Shalgimbaeva**, Director, Securities Market Regulation Department, National Bank of Kazakhstan

Remarks by the chair on **Board Accountability and the OECD Instruments on Corporate Responsibility**

Issues for discussion

This session will discuss the different enforcement mechanisms, which can be used to hold directors accountable and to give shareholders access to redress for violations of their rights. The role of regulators, courts and the judiciary in this respect and their capacity to ensure enforcement will be at the centre of the debates. The specificity of shareholder, and creditor -triggered redress and their importance in corporate governance systems in which the capacity of regulators and courts is still developing will be assessed. The importance of cumulative voting and appraisal rights invoked by shareholders will be explored as a means to ensure diversification of board representation and a balance of interests at the board level.

10:30 – 11:00 *Coffee Break*

11:00 – 12:30 **SESSION III: The Role of Stakeholders in Corporate Governance**

Chair: Mr. Chris Pierce, Institute of Directors, United Kingdom

- The Rights, Options for Redress and Participation in Corporate Governance by Different Stakeholder Groups, **Mr. John Corrigan**, Associate, LeBoeuf Lamb Greene & MacRae, Kyrgyz Republic
- Employees as Stakeholders, **Mr. Roustem Davletguldeev**, Consultant to the OECD Trade Union Advisory Committee (TUAC)
- The role of boards in dealing with stakeholders and with conflicts of interests among

stakeholders, **Mr. Demir Yener**, Corporate Governance Advisor, CIPE

Panel Discussion:

- The Role of Stakeholders in the Corporate Governance of Ukraine , **Mr. Dmytro Leonov**, Head of Council, Association of Stock Market Lawyers, Ukraine

Issues for discussion

This session will examine the various stakeholders in corporate governance, their respective driving forces and objectives, as well as the ways to exercise voice in the corporation. It will also review the rights of stakeholders and the options for legal redress of these rights. Discussions will seek to determine how effectively the Eurasian business culture has responded to stakeholder interests. The options for companies to increase their value by addressing stakeholder concerns and other practical ways to improve stakeholder relationships will also be explored.

The particular role of employees and the legal basis for addressing their rights and objectives in the Eurasian framework will be reviewed. The discussion will examine trends in employee participation in corporate governance and the role of the board in addressing their concerns and in responding to conflicts of interest among stakeholders

12:30 – 14:00 *Lunch*

14:00 – 15:30 **SESSION III (cont'd): The Role of Stakeholders in Corporate Governance**

Chair: Mr. Ulan Sarbanov, Chairman, National Bank of Kyrgyzstan

- **Introductory Remarks by the Chair:** The Role of Banks in the Corporate Governance of Transition Economies and in the case of the Kyrgyz Republic
- The Role of Creditors and Insolvency Proceedings in Corporate Governance, **Ms. Mary-Ellen Collins**, European Bank for Reconstruction & Development (EBRD)

Panel Discussion:

- The Experience of Japan, **Mr. Masaaki Kaizuka**, Principal Administrator, OECD
- The Role of Stakeholders in the Corporate Governance of Moldova, **Mr. Mihalaki Vitali** , Head of Department, National Securities Commission

Issues for discussion

Participants will also analyse the role of creditors as stakeholders and in particular, the framework for creditors rights in Eurasia and their enforcement. Discussions will revolve around the options for legal redress by creditors, the framework and practices of insolvency. The respective responsibilities of boards, management/employee shareholders, and creditors in financially troubled enterprises will be looked into. More specifically, the role of banks in corporate governance of Eurasian countries will benefit from a special attention, given the prominent role of bank-based financing of the real sector in the region.

15:30 – 16:00 **SESSION IV: Discussion of the Draft Comparative Overview of Corporate Governance in Eurasia**

Chair: Ms. Motria Onyschuk-Morozov, Senior Operations Manager, Corporate Governance, IFC

Presentation: Ms. Elena Miteva, Administrator, OECD

General discussion

16:00 – 16:30 *Coffee Break*

16:30 – 17:30 **CONCLUDING SESSION**

Chair: Mr. Rainer Geiger, OECD

- Summary of the discussions by each respective chair of the substantive sessions of the meeting.
- Future Work on Corporate Governance in Eurasia