



Organisation for Economic Co-operation and Development
In co-operation with the World Bank Group

A Flagship Regional Program of the Investment Compact for South East Europe

Investment Compact
South East Europe

THIRD SOUTH-EASTERN EUROPE CORPORATE GOVERNANCE ROUNDTABLE

**“The responsibilities of the board
and the role of stakeholders”**

Meeting Hosted By

The Zagreb Stock Exchange



ZAGREBAČKA BURZA
THE ZAGREB STOCK EXCHANGE

Sponsored By

Deutsche Gesellschaft Für Technische Zusammenarbeit (GTZ)
and

The Global Corporate Governance Forum

AGENDA

Zagreb, Croatia
21-22 November 2002
Palace Hotel Zagreb
Strossmayerov trg 10

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ABOUT THE SOUTH-EASTERN EUROPE CORPORATE GOVERNANCE ROUNDTABLE

Background

Corporate governance practices have become an essential prerequisite for the ability to attract and retain the financial resources necessary for restructuring, long-term investment and sustainable growth. Using the OECD principles of corporate governance, the OECD and the World Bank have agreed to co-operate in efforts to improve corporate governance in emerging and transition economies. One important outcome of this agreement has been the organisation of Regional Corporate Governance Roundtables. To this effect, regional roundtables have already been launched in Latin America, Asia, Eurasia and Russia and the South-Eastern Europe Corporate Governance Roundtable was launched in 2001. This Roundtable is a Flagship Regional Program of the Investment Compact, carried out under Working Table II of the Stability Pact for South Eastern Europe, and is financed by the Deutsche Gesellschaft Für Technische Zusammenarbeit (GTZ).

The Purpose of the South-Eastern Europe Corporate Governance Roundtable

The South-Eastern Europe Corporate Governance Roundtable aims at:

- (i) improving the understanding of present corporate governance practices in the SEE region;
- (ii) monitoring and evaluating corporate governance developments in the region;
- (iii) informing the international community about progressive 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 markets participants from the region, as well as international experts from OECD member countries and international organisations. The discussion is structured based on the OECD Principles of Corporate Governance, endorsed by the OECD Council in 1999. The first meeting of the South-Eastern Europe Corporate Governance Roundtable took place in September 2001 in Bucharest. It was co-hosted by the Bucharest Stock Exchange and the Romanian National Securities Commission. This meeting focused on shareholders rights and equitable treatment. The second meeting of the South-Eastern Europe Roundtable took place in May 2002 in Istanbul and focused on transparency and disclosure.

Building on this ongoing policy dialogue, key areas for improvements in the corporate governance practices are identified and a White Paper is drafted, discussed and approved by the Roundtable. This White Paper proposes a set of practical recommendations and should serve as a means for setting priorities and implementing reform at national or corporate level.

The Third South-Eastern Europe Corporate Governance Roundtable

The Third South-Eastern Europe Corporate Governance Roundtable will be co-hosted by the Zagreb Stock Exchange and will focus on two chapters of the OECD Principles, namely the responsibilities of the board and the role of stakeholders in corporate governance.

The main objectives of this meeting will be:

- To explore and discuss the responsibilities of the boards in corporate governance,
- To consider the current structures and functions of boards in SEE and discuss how to develop their effectiveness,
- To investigate the current and potential role of institutional investors in corporate governance,
- To discuss the role of main stakeholders in corporate governance, namely employees and creditors,
- To identify main areas for improvement in the regulatory domain and in private practice regarding the above mentioned areas.

The second chapter of the White Paper, on Transparency and Disclosure, will be discussed during the last afternoon of the third Roundtable, as well as main recommendations concerning the responsibilities of the board and the role of stakeholders. The first chapter of the White Paper, on the shareholders' rights and the equitable treatment of shareholders, has been discussed during the second Roundtable.

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20 November 2002

Welcoming Cocktail hosted by the Croatian Securities Commission
Palace Hotel Zagreb at 7pm

Day 1: 21 November 2002

8:30 – 9:00 **Registration**

9:00 – 9:30 **Opening Session**

- Welcoming remarks
Darko Marinac, Chief Executive Officer, Podravka d.d., Croatia
- Welcoming remarks
Marinko Papuga, Chairman of the Zagreb Stock Exchange
- Opening remarks
Rainer Geiger, Deputy Director, Directorate for Financial, Fiscal and Enterprise Affairs, OECD
- Opening remarks
Alex Berg, Senior Private Sector Development Specialist, Corporate Governance Unit, World Bank

9:30 – 11:00 **Session 1: The responsibilities of boards in corporate governance**

Chairman: *Rainer Geiger, Deputy Director, Directorate for Financial, Fiscal and Enterprise Affairs, OECD*

Presentations:

- The role of boards
Paulo Camara, Head of Issuers Department, CMVM, Portugal

Discussants:

- Ognjen Antunac, Deputy Chairman of the Management Board of Vicktor Lenac, Croatia
- Robert Strahota, Assistant Director, US SEC
- Faris Njemcevic, Director of PROF-IN Fund Management Company, Bosnia-Herzegovina
- Stefan Petranov, Member of the Board, Investment Fund "Golden Lev", Bulgaria

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Issues to be discussed:

This session will discuss the primary responsibilities of the boards, i.e. strategic planning, monitoring and corporate accountability. It will review the legal framework for board duties in SEE and examine if they are articulated in such a way that they can be realistically enforced. In particular, the session will elaborate on how the duties of loyalty and care are defined and if they are effectively enforced. The right level of responsibility of board members will be considered, along with the existence of an equivalent to the "business judgement rule". The session will also assess the power of the board and its relationship with other company organs (the AGM, the management and the auditors). Finally, the session will look at whom the board is accountable to (controlling shareholders, minority shareholders, company as a whole?) and if it is mandated to give specific consideration to the interest of minority shareholders.

11:00 – 11:30 **Coffee Break**

11:30 – 13:00 **Session 2: The structure and work of boards**

Chairman: *Leo Goldschmidt, Chairman of the Corporate Governance Committee, APCIMS-EASD, Belgium*

Introduction by the Chair on how boards should be structured to perform their functions adequately

Discussants:

- Plamen Tchipev, Professor, Institute of Economics, Bulgaria
- Hrvojka Peric, Company Secretary, LURA d.d., Croatia
- Angela Ionita, Board Member, Terapia SA; Vice President, East Fund Management, Romania
- Lidija Bizic, lawyer from Belgrade Stock Exchange, Serbia and Montenegro

Issues to be discussed:

This session will examine how boards should be structured to be efficient and fulfil their duties. It will consider the issue of boards' independence from management and controlling shareholders. The session will examine how to define such independence and what level of independence is desirable. It will also discuss how independence can be reinforced and made to work in the SEE context. The session will consider whether the use of cumulating voting is widespread in SEE and if it has any real impact on boards' independence. In addition, the session will discuss committee practice and the kind of committees that should be set up to enhance the effectiveness of the boards. The requirements for an effective functioning of these board committees will be reviewed, i.e. what power and resources should be at their disposal and how to choose competent committee members. A special focus will be on the role of the audit committees in the two types of board structures and their relationship with other specific audit bodies within the company when they do exist, such as Censors in Romania. Finally, the session will consider the role of boards in case of exceptional corporate events and the board members' specific responsibilities with respect to related party transactions.

13:00 – 14:30 **Lunch break and Press Conference**

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14:30 – 16:00 Session 3: How to develop board professionalism

Chairman: *Darko Marinac, Chief Executive Officer, Podravka d.d., Croatia*

Presentation:

- Defining the qualifications of directors and finding competent directors
Tony Renton, Deputy Director, Professional Development Department, Institute of Directors, UK

Discussants:

- Alexander Ikonnikov, National Association of Independent Directors, Russian Federation
- Petru Szel, Chairman of the board and CEO, Muntenia Consult S.A., Romania
- Alyssa Machold, Global Corporate Governance Forum, The World Bank Group

Issues to be discussed:

This session will discuss what practical steps can be taken to improve the effective functioning of boards. It will review the qualities and competencies that board members should possess. The session will investigate how companies can identify, select and recruit competent directors and which kind of curricula they should design to train them and develop their capacities. The issue of evaluation and compensation of board members will be also considered. Finally, the session will assess under what conditions and the extent to which professional associations such as Directors Institutes can play a useful role in enhancing professional ethics and providing a means for increasing the overall added value of board members.

16:00 – 16:30 Coffee Break

16:30 – 18:30 Session 4: The role of Institutional Investors in corporate governance

Chairman: *Andrej Galogaza, General Counsel, Zagreb Stock Exchange*

Presentations:

- The role of institutional investors in corporate governance
Colin Melvin, Director of Corporate Governance, Hermes Pensions Management Ltd, UK

Discussants:

- Boyan Belev, Senior Fellow in the Economic Program, Center for the Study of Democracy, Bulgaria
- Cristina Hodea, Investment Advisor, Bucharest Equity Research Group, Romania
- Darko Ostoja, Manager, ICF Invest d.o.o., Croatia

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Issues to be discussed:

This session will discuss both the current and potential role of institutional investors in the corporate governance of SEE companies. It will present the current strength of institutional investors and main driving forces in their development. The session will examine the mechanisms through which institutional investors can have an impact on corporate governance of companies they invest in will be examined. Finally, the institutional investors' own corporate governance problems will be considered and how these can constitute a serious obstacle to their positive influence on the corporate governance practices and debates in SEE.

Dinner hosted by Podravka d.d. at the Dverce Palace

Day 2: 22 November 2002

9:00 – 11:00 Session 5: The role of employees in corporate governance

Chairman: *Mats Isaksson, Head, Corporate Affairs Division, OECD*

Presentations:

- The role of employees as stakeholders
Margaret Blair, Sloan Visiting Professor, Georgetown University Law Center, USA

Discussants:

- Steluta Enache, Economist, National Trade Union Bloc, Romania
- Demir Yener, Corporate Governance and Private Sector Development Consultant, Yener Global Finance Associates, USA
- Roustem Davletguldeev, consultant to the Trade Union Advisory Committee to the OECD

Issues to be discussed:

This session will assess the role of employees as stakeholders in the corporate governance of SEE enterprises. The session will address the overall importance of active co-operation between corporations and stakeholders, including employees, in creating wealth. It then will evaluate the driving forces in defining the role of employees as stakeholders within the SEE context. The session will review whether there is a legal basis for addressing stakeholders' objectives and if there is effective legal redress for violation of stakeholders' rights when these are protected by law. This session will also examine how employees as stakeholders participate in the governance of companies, reviewing mechanisms to establish and develop relationships with stakeholders. In particular it will discuss the role of the board in addressing stakeholder concerns and responding to conflicts of interest between different stakeholders. Finally, the session will investigate the main tendencies in this regard and how corporate attitudes towards employees as stakeholders are evolving.

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11:00 – 11:30 **Coffee break**

11:30 – 13:00 **Session 6: The role of creditors as stakeholders**

Chairman: *Tihomir Domazet, Assistant Minister, Ministry of Finance, Croatia*

Presentation:

- The role of creditors as stakeholders
Jean Pierre Méan, Chief Compliance Officer, EBRD

Discussants:

- Branko Devic, General Manager, Legal Division, Raiffeisen Bank, Croatia
- Aurelian Dochia, Managing Director of BRD / Soci t  G n rale Corporate Finance, Romania
- Maya Malahova, Bankruptcy Judge, Municipal Court Skopje II, FYROM

Issues to be discussed:

This session will discuss how the rights of creditors are protected in SEE countries, as this protection is necessary in order to encourage the development of effective credit markets. In particular, it will review the way in which creditors have access to legal redress and will consider the existing legal framework and actual practices of bankruptcy proceedings. The respective roles, rights and responsibilities of boards, management shareholders, creditors and other stakeholders in financially troubled enterprises will be examined.

13:00 – 14:30 **Lunch Break**

14:30 – 17:30 **Session 7: White Paper discussion: Transparency and Disclosure**

Chairman: *Mats Isaksson, Head, Corporate Affairs Division, OECD*

Part one: Discussion on the chapter on Transparency and Disclosure

Short Coffee break

Part two: Discussion on main priorities and recommendations on the responsibilities of the board and the role of stakeholders

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17:30 – 18:00 **Concluding session and next steps**

Chairman: *Mats Isaksson, Head, Corporate Affairs Division, OECD*

- Issues for further discussion:
 - White Paper drafting process,
 - Location and co-host for the next meeting for drafting the White Paper on Corporate Governance in South East Europe
 - Follow-up of the Roundtable

- Concluding Remarks: Mats Isaksson, Head, Corporate Affairs Division, OECD

End of the meeting

Notes to the Agenda

General Structure of the Sessions

- Each session will be organised in the following way:
 - Brief opening presentation and introduction of the participants (main speakers and discussants) by the Chairman: 5 minutes maximum
 - Main presentation: about 15 minutes
 - Discussion: each discussant is invited to limit his/her initial comments/presentation to 5-10 minutes.
 - Questions from the floor and general discussion: 30 minutes
 - Chairs will summarise the discussion and highlight the main conclusions of the session.

- These time limits are required in order to give ample time for general discussion. Bearing in mind that one of the objectives of the Roundtable is to create an open and active dialogue in a collegial atmosphere we ask the following:
 - All participants are encouraged to speak and ask questions during the periods allotted to general discussions,
 - Panel discussants are also encouraged to participate in the general discussion, take questions and expand on their initial comments,
 - Chairs are kindly requested to lead the general discussion and ensure that speakers and discussants respect the agreed time limits of each session.